

## **Mothercare plc Interim Results**

Mothercare plc, the leading global retailer of parenting and children's products, announces its interim results for the 28 weeks ended 11 October 2008.

### **Financial Results**

- Group sales up 9.3% to £359.0m (2007: £328.5m)
- Group profit before tax up 124.6% to £13.7m (2007: £6.1m)
- Basic EPS up 109.1% to 11.5p (2007: 5.5p)
- Strong cash generation; debt free. Net cash balance £8.4m (2007: £2.3m)
- Interim dividend up 24.3% to 4.6p (2007: 3.7p)

### **Financial Highlights (proforma basis)<sup>(1)</sup>**

- Group sales up 1.0% to £359.0m (2007: £355.3m)
- Group underlying<sup>(1)</sup> profit before tax up 93.9% to £9.5m (2007: £4.9m)
- Group profit before tax £13.7m (2007: loss of £1.0m)
- UK like-for-like sales<sup>(1)</sup> up 0.8%
- UK gross margin up 10 basis points
- International like-for-like sales up 9.0%

### **Strategic Update (proforma basis)**

Growth strategy delivering results in all four areas:

- 1) Best ever half for International:
  - International franchisee retail sales up 36.6%
  - International profit up 59.1% to £7.0m
  - 78 new stores; total 572 overseas in 49 countries
  - 10 more stores in China announced today
- 2) Early Learning Centre integration on track to deliver at least £10m benefits in 09/10
- 3) UK property portfolio restructure on track to deliver £5m benefits 09/10
- 4) Rapid growth in Direct:
  - Direct in Home sales up 28.7% to £27.8m
  - Direct in Store sales up 21.5% to £22.6m

### **Ben Gordon, Chief Executive, said:**

"We are pleased to announce strong first half results for the Mothercare group. Our International business has delivered its best ever half and, despite a challenging market, we have grown like-for-like sales in the UK, with Direct performing particularly well.

"The Mothercare group has undergone a transformation in recent years and we now have 983 stores operating in 50 countries. Growth will continue to be driven by our successful International business, the synergy benefits from the acquisition of the Early Learning Centre, the reshaping of our UK property portfolio and strong momentum in our Direct operations. With our rapidly growing International platform, a reducing UK cost base and a cash generative and debt free business, we are well placed for what is an uncertain consumer environment in the second half."

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<sup>(1)</sup> For definitions of "proforma basis", "group underlying profit before tax" and "like-for-like sales" see Financial Review on page 5.

## **CHIEF EXECUTIVE'S REVIEW**

### **RESULTS**

The Mothercare group has delivered a strong performance in the first half with growth in sales, margins and profits in both our UK and International businesses.

Group sales in the first half rose by 9.3% to £359.0 million (2007: £328.5 million) and group profit before tax increased by 124.6% to £13.7 million (2007: £6.1 million). Like-for-like sales in the UK (up 0.8%) and in International (up 9.0%) contributed to this performance, augmented by a 10 basis point improvement in the UK gross margin and very tight control of costs. Profits increased in both the UK and overseas with International delivering a particularly strong performance.

The business is cash generative and debt free. The acquisition facility has not been drawn down at any point in the year and the net cash balance at the half year was £8.4 million (2007: £2.3 million). As a result of the strong underlying performance of the group and the positive cash generation, we are pleased to propose an interim dividend of 4.6 pence, an increase of 24.3%.

The remainder of this review and the Financial Review contains further information prepared on a more comparable "proforma" basis which assumes that the Early Learning Centre, which was acquired on 19 June 2007, had been owned for the entire first half this year and last year.

### **TWO WORLD CLASS BRANDS**

At Mothercare we focus on the development of our two world class parenting brands, Mothercare and the Early Learning Centre, and specialism and innovation are central to our brand propositions. We have driven this hard through our own brand products during the half.

One of the best examples has been the launch in the half of the Mothercare MyChoice buggy system, an extension of the successful own brand My3 buggy and a real innovation in allowing customisation of products by our customers. The new range offers the My4 four wheeler buggy along with a series of interchangeable options that customers select according to preferred style and colour combinations.

We were also pleased to launch the first season of the "Baby K" range of baby clothing with celebrity and new mum Myleene Klass which is exclusive to Mothercare. The range launched in September, is priced at the premium end of our ranges and is proving popular with parents.

At the Early Learning Centre we launched a number of development toys, the highlight of which was our own brand "Making Music" range which gives us exclusivity and own brand margin in musical toys, an important segment of the toy market.

### **MOTHERCARE STRATEGY**

The Mothercare group four lever strategy will provide significant growth over the coming years:

1. International - globalisation of the two brands;
2. Integration benefits from the Early Learning Centre acquisition;
3. Restructuring the combined Mothercare and Early Learning Centre property portfolio;
4. Driving our multi-channel business.

#### 1. International - globalisation of the two brands

International represents the single biggest growth opportunity for the Mothercare group and we now have 572 overseas stores in 49 countries. International continues to develop rapidly with overall franchisee retail sales up 36.6% to £195.0 million and underlying profits up by 59.1% to £7.0 million.

In Europe we saw rapid like-for-like growth in the East, and in Russia in particular, where we plan to open another 40 stores in the next three years in addition to the 24 currently in and around Moscow.

We see huge potential in the Middle East, our biggest region. We have opened three stores in Cairo with plans in place to expand further in Egypt. We also expect to open another 20 stores in Saudi Arabia to add to the 84 stores we have there already.

Asia Pacific is our smallest region with the greatest potential. We have now opened 21 stores in eight cities in India and plan to open 100 stores in the next three years. Our first two joint venture stores in China have been trading well and as a result, we announce today plans to open a further 10 stores in China.

## 2. Integration benefits from the Early Learning Centre acquisition

We have been delighted with the progress made in obtaining the synergies from the Early Learning Centre acquisition and are on track to achieve at least £6.0 million of profit benefits this financial year and £10.0 million in 2009/10, in line with our plans.

The largest single synergy from the acquisition of the Early Learning Centre has been the integration of the Early Learning Centre brand into the Mothercare portfolio by building inserts within Mothercare's out of town and larger high street stores. We have completed that project in time for the busy Christmas period, with 81 inserts now operating around the UK. This project has transformed the Early Learning Centre from a high street brand into one with national out of town presence.

We have also made good progress in leveraging Mothercare's international franchise network to roll out the Early Learning Centre brand internationally. We have opened 37 new Early Learning Centre stores in the half and the brand now has a presence in 29 countries, up from 13 at the time of acquisition.

There have also been significant cost savings achieved through combining the two businesses, moving to a single management team and a fully integrated back office function. In the half we also successfully relocated the Early Learning Centre warehouse from Swindon to a new site adjacent to the existing Mothercare warehouse in Daventry, resulting in significant transportation cost savings.

## 3. Restructuring the combined Mothercare and Early Learning Centre property portfolio

The Early Learning Centre acquisition has given us a unique opportunity to accelerate our property strategy, integrating and optimising the combined UK property portfolios and taking the best sites from both brands. At the last year end we announced a major restructure of the combined store portfolio with 90 stores affected by rightsizing, consolidating two stores into one and store closures. In total, including the stores that have received an Early Learning Centre insert or a new out of town refit, we announced that 145 stores would be affected by property restructure activity.

We are pleased with the progress to date and already 65% of the 145 store activities have been completed. The restructuring activity is helped by the shape of the Early Learning Centre lease portfolio where approximately half of the store leases are due for a break or renewal within the next three years.

The planned reduction in space, principally driven by store closures, has led to a reduction in UK sales of 1.6%, despite positive like-for-like sales in the period. The project is on track to be completed by the end of 2009, delivering the £5.0 million of additional pre-tax profits during the financial year 2009/10 previously announced.

## 4. Driving our multi-channel business

The Direct business has continued its rapid growth and total Direct sales in the half year were £50.4 million, a growth of 25.4%.

Mothercare has been a true pioneer in multi-channel retailing in the UK and our sophisticated online and catalogue operation, complemented by our extensive store network, puts us in a position to benefit from the transformation that is taking place in the way consumers in the UK shop. We now have the widest range of baby care products, pushchairs and car seats available online, in the UK.

Significant work has been completed on elc.co.uk including improved functionality and search engine capability.

Gurgle.com, our social networking and information site for parents has proved a real success with mothers around the world and is rapidly becoming a brand in its own right. It is now one year old and we launched versions targeted at US and Indian audiences in the half. With 70,000 registered users, 250,000 unique visitors per month and big brand advertisers on board, the site is now close to breakeven.

## **SUMMARY AND OUTLOOK**

We are pleased to announce strong first half results for the Mothercare group. Our International business has delivered its best ever half and, despite a challenging market, we have grown like-for-like sales in the UK, with Direct performing particularly well.

The Mothercare group has undergone a transformation in recent years and we now have 983 stores operating in 50 countries. Growth will continue to be driven by our successful International business, the synergy benefits from the acquisition of the Early Learning Centre, the reshaping of our UK property portfolio and strong momentum in our Direct operations. With our rapidly growing International platform, a reducing UK cost base and a cash generative and debt free business, we are well placed for what is an uncertain consumer environment in the second half.

## FINANCIAL REVIEW

### RESULTS SUMMARY

Following the acquisition of the Early Learning Centre on 19 June 2007, the Results Summary that follows is again prepared on an unaudited 'proforma' basis which assumes that the Early Learning Centre had been owned for the entire first half this year and last year.

On a proforma basis, group underlying profit before tax increased by 93.9% to £9.5 million (2007: £4.9 million). Underlying profit excludes exceptional items, amortisation of intangible assets and the volatile non-cash IAS 39 adjustment (note 7).

#### Income Statement – proforma basis

| £ million   | H1 08/09    | H1 07/08     |
|---|-------------|--------------|
| Revenue   | 359.0       | 355.3        |
| <b>Profit from operations</b>                                 | <b>9.6</b>  | <b>6.3</b>   |
| Financing   | (0.1)       | (1.4)        |
| <b>Underlying profit before tax</b>                           | <b>9.5</b>  | <b>4.9</b>   |
| (Loss)/Profit on disposal/termination of property interests * | (1.2)       | 0.1          |
| Integration costs *   | (0.5)       | (3.9)        |
| Other reorganisation costs *                                  | -           | (0.3)        |
| IAS 39 adjustment   | 7.0         | (0.8)        |
| Amortisation of intangible assets                             | (1.1)       | (1.0)        |
| <b>Profit/(loss) before tax</b>                               | <b>13.7</b> | <b>(1.0)</b> |
| Underlying EPS – basic  | 7.9p        | 4.4p         |

\* Exceptional items (see note 4)

#### Results by Segment – proforma basis

The primary segments of Mothercare plc, are the UK business (including Direct) and the International business.

| £ million - Revenue | H1 08/09     | H1 07/08     |
|---------------------|--------------|--------------|
| UK                  | 288.5        | 293.1        |
| International       | 70.5         | 62.2         |
| <b>Total</b>        | <b>359.0</b> | <b>355.3</b> |

  

| £ million – Underlying Profit | H1 08/09   | H1 07/08   |
|-------------------------------|------------|------------|
| UK                            | 7.0        | 6.6        |
| International                 | 7.0        | 4.4        |
| Corporate                     | (4.4)      | (4.7)      |
| Financing                     | (0.1)      | (1.4)      |
| <b>Total</b>                  | <b>9.5</b> | <b>4.9</b> |

Corporate expenses represent head office costs, board and senior management costs, audit, insurance and professional fees.

#### Like-for-like Sales

In this statement, "like-for-like" sales are defined as sales growth for stores that have been trading continuously from the same selling space for at least a year and include Direct. Sales from Early Learning Centre inserts in Mothercare stores are included where they are trading in existing Mothercare space. International like-for-like sales are the estimated retail sales of franchisees and joint ventures. Like-for-like sales are presented on a proforma basis.

#### Financing and Taxation

Financing represents interest receivable on bank deposits and costs relating to bank facility fees and the unwinding of discounts on provisions.

The underlying tax charge is comprised of current and deferred tax and is calculated at 31 per cent (2007: 31 per cent). The group has utilised all of its brought forward tax losses and so a current tax charge of £2.1 million has been included.

## Pensions

We continue to operate defined benefit pension schemes for our staff, although the schemes are now being closed to new members. Details of the income statement net charge, total cash funding and net assets and liabilities are as follows:

| <b>£ million</b>                             | <b>H1 08/09</b> | <b>H1 07/08</b> |
|--|-----------------|-----------------|
| <u>Income statement</u>                      |                 |                 |
| Service cost                                 | (1.4)           | (1.9)           |
| Return on assets/interest on liabilities     | 0.8             | 1.9             |
| <b>Net charge</b>                            | <b>(0.6)</b>    | <b>0.0</b>      |
| <u>Cash funding</u>                          |                 |                 |
| <b>Total Cash funding</b>                    | <b>(1.2)</b>    | <b>(1.1)</b>    |
| <u>Balance sheet</u>                         |                 |                 |
| Fair value of schemes' assets                | 153.3           | 204.7           |
| Present value of defined benefit obligations | (158.8)         | (189.0)         |
| Unrecognised surplus                         | -               | (13.7)          |
| <b>Net (liability)/asset</b>                 | <b>(5.5)</b>    | <b>2.0</b>      |

The valuation of the schemes under IAS 19 gave rise to a net pension liability of £5.5 million (2007: surplus of £2.0 million) before deferred taxation. We are awaiting the three-year valuation as at 31 March 2008 and holding discussions with the Trustees in this regard.

In consultation with the independent actuaries to the schemes, the key market rate assumptions used in the valuation are as follows:

|               | <b>H1 08/09</b> | <b>FY 07/08</b> | <b>Sensitivity<br/>£ million</b> |
|---------------|-----------------|-----------------|----------------------------------|
| Discount rate | 7.5%            | 6.9%            | (3.6)                            |
| Inflation     | 3.3%            | 3.5%            | 3.5                              |

The sensitivity of the IAS 19 valuation to a 0.1% reduction in the discount rate and inflation are set out in the table above.

The valuation of the schemes on 11 October 2008 was at a particularly low point for equity values and a high point for the discount rate. To some extent these mitigate each other in the valuation. The valuation under IAS 19 has been carried out on a basis consistent with prior years.

## Balance Sheet and Cash Flow

The balance sheet includes identifiable intangible assets arising on the acquisition of £27.8 million and goodwill of £68.6 million.

The group continues to generate operating cash. After investing £18.4 million of exceptional capital expenditure and revenue cash costs for the integration and property restructure and £3.6 million of other capital expenditure, the net cash position at the half year is positive, at £8.4 million.

## Capital Expenditure

Total capital expenditure in the first half was £15.2 million (2007: £10.3 million), of which £11.5 million was invested in UK stores. Capital expenditure including integration projects for the full year is expected to be £30.0 million.

## **Earnings per Share and Dividend**

Basic underlying earnings per share on a proforma basis were 7.9 pence compared to 4.4 pence last year. The Directors recommend a 24.3% increase in interim dividend to 4.6 pence (2007: 3.7 pence).

The interim dividend will be payable on 6 February 2009 to shareholders registered on 5 January 2009. The latest date for election to join the dividend reinvestment plan is 16 January 2009.

# Consolidated income statement

For the 28 weeks ended 11 October 2008

|   |      | 28 weeks ended 11 October 2008<br>(unaudited) |  |                    | 28 weeks ended 13 October 2007<br>(unaudited) |  |                    | 52 weeks ended<br>29 March<br>2008<br>(audited) |
|---|------|---|--|--------------------|---|--|--------------------|---|
|   | Note | Underlying <sup>1</sup><br>£ million          | Non-<br>underlying <sup>2</sup><br>£ million | Total<br>£ million | Underlying <sup>1</sup><br>£ million          | Non-<br>underlying <sup>2</sup><br>£ million | Total<br>£ million | Total<br>£ million                              |
| Revenue   |      | 359.0   | -  | 359.0              | 328.5   | -  | 328.5              | 676.8   |
| Cost of sales   |      | (325.9)                                       | 5.4  | (320.5)            | (299.0)                                       | (1.2)  | (300.2)            | (612.5)   |
| Gross profit  |      | 33.1  | 5.4  | 38.5               | 29.5  | (1.2)  | 28.3               | 64.3  |
| Administrative expenses   |      | (23.2)  | -  | (23.2)             | (19.1)  | (3.9)  | (23.0)             | (43.4)  |
| <b>Profit from retail operations</b>  |      | <b>9.9</b>                                    | <b>5.4</b>                                   | <b>15.3</b>        | <b>10.4</b>                                   | <b>(5.1)</b>                                 | <b>5.3</b>         | <b>20.9</b>                                     |
| (Loss)/profit on disposal/<br>termination of property interests               | 4    | -   | (1.2)  | (1.2)              | -   | 0.7  | 0.7                | (16.3)  |
| Share of results of joint<br>ventures   |      | (0.3)   | -  | (0.3)              | -   | -  | -                  | (0.2)   |
| <b>Profit from operations</b>   | 3    | <b>9.6</b>                                    | <b>4.2</b>                                   | <b>13.8</b>        | <b>10.4</b>                                   | <b>(4.4)</b>                                 | <b>6.0</b>         | <b>4.4</b>                                      |
| Investment income   |      | 0.3   | -  | 0.3                | 1.0   | -  | 1.0                | 1.6   |
| Finance costs   |      | (0.4)   | -  | (0.4)              | (0.9)   | -  | (0.9)              | (1.5)   |
| <b>Profit before taxation</b>   |      | <b>9.5</b>                                    | <b>4.2</b>                                   | <b>13.7</b>        | <b>10.5</b>                                   | <b>(4.4)</b>                                 | <b>6.1</b>         | <b>4.5</b>                                      |
| Taxation  | 5    | (2.9)   | (1.2)  | (4.1)              | (3.3)   | 1.5  | (1.8)              | (4.4)   |
| <b>Profit for the period attributable<br/>to equity holders of the parent</b> |      | <b>6.6</b>                                    | <b>3.0</b>                                   | <b>9.6</b>         | <b>7.2</b>                                    | <b>(2.9)</b>                                 | <b>4.3</b>         | <b>0.1</b>                                      |
| <b>Earnings per share</b>   |      |   |  |                    |   |  |                    |   |
| Basic   | 7    | 7.9p  | 3.6p   | 11.5p              | 9.2p  | (3.7)p                                       | 5.5p               | 0.1p  |
| Diluted   | 7    | 7.7p  | 3.5p   | 11.2p              | 9.0p  | (3.6)p                                       | 5.4p               | 0.1p  |

All results relate to continuing operations.

(1) Before items described in note 2 below.

(2) Includes exceptional items (loss/profit on disposal/termination of property interests and integration costs), amortisation of intangible assets (excluding software) and the impact of fair value accounting under IAS 39 as set out in note 4 to the financial statements.

## Consolidated statement of recognised income and expense

For the 28 weeks ended 11 October 2008

|  | 28 weeks ended<br>11 October 2008<br>(unaudited)<br>£ million | 28 weeks ended<br>13 October 2007<br>(unaudited)<br>£ million | 52 weeks ended<br>29 March 2008<br>(audited)<br>£ million |
|--|---|---|---|
| Actuarial loss on defined benefit pension schemes  | (8.1)   | (1.1)   | (3.6)   |
| Tax on items taken directly to equity  | 2.3   | 0.3   | 1.0   |
| Net expense recognised directly in equity  | (5.8)   | (0.8)   | (2.6)   |
| Profit for the period  | 9.6   | 4.3   | 0.1   |
| <b>Total recognised income and expense for the period<br/>attributable to equity holders of the parent</b> | <b>3.8</b>  | <b>3.5</b>  | <b>(2.5)</b>  |



# Consolidated balance sheet

As at 11 October 2008

|  | Note | 11 October 2008<br>(unaudited)<br>£ million | 13 October 2007<br>(unaudited)<br>£ million | 29 March 2008<br>(audited)<br>£ million |
|--|------|---|---|---|
| Non-current assets   |      |   |   |   |
| Goodwill   |      | 68.6  | 70.0  | 68.6                                    |
| Intangible assets  |      | 35.8  | 35.8  | 35.6                                    |
| Property, plant and equipment                              | 9    | 96.9  | 96.8  | 95.8                                    |
| Investments in joint ventures                              |      | 0.9   | -   | 0.8                                     |
| Retirement benefit obligations                             | 17   | -   | 2.0   | 2.0                                     |
|  |      | 202.2                                       | 204.6                                       | 202.8                                   |
| Current assets   |      |   |   |   |
| Inventories  |      | 82.4  | 77.1  | 70.8                                    |
| Trade and other receivables                                | 12   | 71.7  | 58.7  | 53.2                                    |
| Current tax asset  |      | -   | 1.3   | 0.6                                     |
| Cash at bank and in hand                                   |      | 8.4   | 32.3  | 22.7                                    |
|  |      | 162.5                                       | 169.4                                       | 147.3                                   |
| <b>Total assets</b>  |      | <b>364.7</b>                                | <b>374.0</b>                                | <b>350.1</b>                            |
| Current liabilities  |      |   |   |   |
| Trade and other payables                                   | 13   | (111.4)                                     | (103.4)                                     | (95.6)                                  |
| Current tax liabilities                                    |      | (1.4)                                       | -   | -                                       |
| Bank loans and overdrafts                                  | 10   | -   | (30.0)                                      | -                                       |
| Obligations under finance leases                           |      | -   | (0.7)                                       | (0.4)                                   |
| Short term provisions                                      | 14   | (18.4)                                      | (6.3)                                       | (24.0)                                  |
|  |      | (131.2)                                     | (140.4)                                     | (120.0)                                 |
| Non-current liabilities                                    |      |   |   |   |
| Trade and other payables                                   | 13   | (17.8)                                      | (16.4)                                      | (15.5)                                  |
| Obligations under finance leases                           |      | (0.1)                                       | -   | (0.1)                                   |
| Retirement benefit obligations                             | 17   | (5.5)                                       | -   | -                                       |
| Deferred tax liability                                     | 5    | (3.7)                                       | (5.7)                                       | (4.4)                                   |
| Long term provisions                                       | 14   | (10.6)                                      | (4.4)                                       | (12.1)                                  |
|  |      | (37.7)                                      | (26.5)                                      | (32.1)                                  |
| <b>Total liabilities</b>                                   |      | <b>(168.9)</b>                              | <b>(166.9)</b>                              | <b>(152.1)</b>                          |
| <b>Net assets</b>  |      | <b>195.8</b>                                | <b>207.1</b>                                | <b>198.0</b>                            |
| <b>Equity attributable to equity holders of the parent</b> |      |   |   |   |
| Called up share capital                                    | 11   | 43.7  | 43.6  | 43.6                                    |
| Share premium account                                      |      | 3.7   | 3.4   | 3.4                                     |
| Other reserve  |      | 50.8  | 50.8  | 50.8                                    |
| Own shares   |      | (10.4)                                      | (9.3)                                       | (9.8)                                   |
| Retained earnings  |      | 108.0                                       | 118.6                                       | 110.0                                   |
| <b>Total equity</b>  |      | <b>195.8</b>                                | <b>207.1</b>                                | <b>198.0</b>                            |

# Consolidated cash flow statement

For the 28 weeks ended 11 October 2008

|   | Note | 28 weeks ended<br>11 October 2008<br>(unaudited)<br>£ million | 28 weeks ended<br>13 October<br>2007 <sup>1</sup><br>(unaudited)<br>£ million | 52 weeks ended<br>29 March 2008<br>(audited)<br>£ million |
|---|------|---|---|---|
| <b>Net cash flow from operating activities</b>      | 15   | <b>9.1</b>  | 19.2  | 51.8  |
| Cash flows from investing activities                |      |   |   |   |
| Interest received                                   |      | 0.3   | 1.0   | 1.6   |
| Purchase of property, plant and equipment           |      | (12.4)  | (8.6)   | (17.3)  |
| Purchase of intangibles - software                  |      | (2.8)   | (1.7)   | (3.1)   |
| Proceeds from sale of property, plant and equipment |      | -   | 1.8   | 4.5   |
| Acquisition of subsidiary                           |      | -   | (36.4)  | (36.4)  |
| Cost of acquisition                                 |      | -   | (5.5)   | (5.6)   |
| Investments in joint ventures                       |      | (0.4)   | -   | (1.0)   |
| <b>Net cash used in investing activities</b>        |      | <b>(15.3)</b>   | (49.4)  | (57.3)  |
| Cash flows from financing activities                |      |   |   |   |
| Interest paid                                       |      | (0.3)   | (0.8)   | (1.1)   |
| Repayment of obligations under finance leases       |      | (0.4)   | (0.2)   | (0.5)   |
| Equity dividends paid                               |      | (6.9)   | (4.7)   | (7.9)   |
| Issue of ordinary share capital                     |      | 0.4   | 0.1   | 0.1   |
| Purchase of own shares                              |      | (0.9)   | (2.0)   | (2.5)   |
| <b>Net cash used in financing activities</b>        |      | <b>(8.1)</b>  | (7.6)   | (11.9)  |
| <b>Net decrease in cash and cash equivalents</b>    |      | <b>(14.3)</b>   | (37.8)  | (17.4)  |
| Cash and cash equivalents at beginning of period    |      | 22.7  | 40.1  | 40.1  |
| <b>Cash and cash equivalents at end of period</b>   |      | <b>8.4</b>  | 2.3   | 22.7  |

1. Interest paid has been reclassified as financing from investing activities

# Notes

## General information and accounting policies

The annual financial statements of Mothercare plc are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The condensed set of financial statements included in this half yearly report has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The same accounting policies, presentation methods and methods of computation are followed in the condensed set of financial statements as applied in the group's latest annual audited financial statements except that the taxation charge for the half-year is calculated by applying the best estimate of the average annual effective tax rate expected for the full year to the profit for the period.

(a) The results for the 28 weeks ended 11 October 2008 are unaudited but have been reviewed by the group's auditors, whose report forms part of this document. The information for the 52 weeks ended 29 March 2008 included in this report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified or modified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

(b) Profit from retail operations

Profit from retail operations represents the profit generated from normal retail trading, prior to any gains or losses on property transactions. It also includes the volatility arising from accounting for derivative financial instruments under IAS 39, as the Company has not adopted hedge accounting.

(c) Underlying earnings

The Company believes that underlying profit before tax and underlying earnings provides additional useful information for shareholders. The term underlying earnings is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for, or superior to, IFRS measures of profit. A reconciliation of this alternative measure to the statutory measure required by IFRS is disclosed in note 7. The adjustments made to reported results are as follows:

Exceptional and non-underlying items: Due to their significance and one-off nature, certain items have been classified as exceptional. The gains and losses on these discrete items, such as profits on the disposal or termination of property interests, restructuring costs and other non-operating items can have a material impact on the absolute amount of and trend in the profit from operations and the result for the period. Therefore any gains and losses on such items are analysed as non-underlying on the face of the income statement. Further details of the exceptional items are provided in note 4.

IAS 39 Financial Instruments adjustments: As the Company has taken the decision not to adopt hedge accounting under IAS 39 'Financial Instruments: Recognition and Measurement' there is a requirement to mark to market all financial instruments at each reporting date with any gain or loss being taken to the income statement for that period. This may mean that the income statement charge is highly volatile, whilst the resulting cash flows may not be as volatile. The underlying earnings measure removes this volatility to help better identify underlying business performance.

Amortisation of intangible assets: The average estimated useful life of identifiable intangible assets is 14 years. The amortisation of these intangible assets does not reflect the underlying performance of the business.

(d) Retirement benefits

In consultation with the independent actuaries to the schemes, the valuation of the pension obligation has been updated to reflect current market discount rates, current market values of investments and actual investment returns, and also to consider whether there have been any other events that would significantly affect the pension liabilities. The impact of these changes in assumptions and events has been estimated in arriving at the valuation of the pension obligation as disclosed in note 17.

## Notes (continued)

### Segmental information

For management purposes, the group is currently organised into two operating segments: UK and International. UK comprises the group's UK store and wholesale operations, catalogue and web sales. The International business comprises the group's franchise and wholesale operations outside of the UK. These two segments are distinguished by the different nature of their risks and returns. It is considered that there are no secondary segments as all business originates in the UK.

Segmental information about the UK and International businesses is presented below.

|                                   | 28 weeks ended 11 October 2008<br>(unaudited) |                            |   |                           |
|-----------------------------------|---|----------------------------|---|---------------------------|
|                                   | UK<br>£ million                               | International<br>£ million | Unallocated<br>Corporate<br>Expenses<br>£ million | Consolidated<br>£ million |
| <b>Revenue</b>                    |   |                            |   |                           |
| External sales                    | <b>288.5</b>                                  | <b>70.5</b>                | -   | <b>359.0</b>              |
| <b>Result</b>                     |   |                            |   |                           |
| Segment result (underlying)       | <b>7.0</b>                                    | <b>7.0</b>                 | <b>(4.4)</b>                                      | <b>9.6</b>                |
| IAS 39 adjustment                 | <b>7.0</b>                                    | -                          | -   | <b>7.0</b>                |
| Amortisation of intangible assets | <b>(1.1)</b>                                  | -                          | -   | <b>(1.1)</b>              |
| Exceptional items                 | <b>(1.7)</b>                                  | -                          | -   | <b>(1.7)</b>              |
| <b>Profit from operations</b>     | <b>11.2</b>                                   | <b>7.0</b>                 | <b>(4.4)</b>                                      | <b>13.8</b>               |
| Investment income                 |   |                            |   | <b>0.3</b>                |
| Finance costs                     |   |                            |   | <b>(0.4)</b>              |
| Profit before taxation            |   |                            |   | <b>13.7</b>               |
| Taxation                          |   |                            |   | <b>(4.1)</b>              |
| <b>Profit for the period</b>      |   |                            |   | <b>9.6</b>                |

## Notes (continued)

### 2 Segmental information (continued)

|                                   | 28 weeks ended 13 October 2007<br>(unaudited) |                            |   |                           |
|-----------------------------------|---|----------------------------|---|---------------------------|
|                                   | UK<br>£ million                               | International<br>£ million | Unallocated<br>Corporate<br>Expenses<br>£ million | Consolidated<br>£ million |
| <b>Revenue</b>                    |   |                            |   |                           |
| External sales                    | 270.2   | 58.3                       | -   | 328.5                     |
| <b>Result</b>                     |   |                            |   |                           |
| Segment result (underlying)       | 9.9   | 4.5                        | (4.0)   | 10.4                      |
| IAS 39 adjustment                 | (0.6)   | -                          | -   | (0.6)                     |
| Amortisation of intangible assets | (0.6)   | -                          | -   | (0.6)                     |
| Exceptional items                 | (3.2)   | -                          | -   | (3.2)                     |
| <b>Profit from operations</b>     | 5.5   | 4.5                        | (4.0)   | 6.0                       |
| Investment income                 |   |                            |   | 1.0                       |
| Finance costs                     |   |                            |   | (0.9)                     |
| Profit before taxation            |   |                            |   | 6.1                       |
| Taxation                          |   |                            |   | (1.8)                     |
| <b>Profit for the period</b>      |   |                            |   | 4.3                       |

|                                   | 52 weeks ended 29 March 2008<br>(audited) |                            |   |                           |
|-----------------------------------|---|----------------------------|---|---------------------------|
|                                   | UK<br>£ million                           | International<br>£ million | Unallocated<br>Corporate<br>Expenses<br>£ million | Consolidated<br>£ million |
| <b>Revenue</b>                    |   |                            |   |                           |
| External sales                    | 565.0                                     | 111.8                      | -   | 676.8                     |
| <b>Result</b>                     |   |                            |   |                           |
| Segment result (underlying)       | 38.0                                      | 9.6                        | (9.1)   | 38.5                      |
| IAS 39 adjustment                 | 2.7                                       | -                          | -   | 2.7                       |
| Amortisation of intangible assets | (1.6)                                     | -                          | -   | (1.6)                     |
| Exceptional items                 | (35.2)                                    | -                          | -   | (35.2)                    |
| <b>Profit from operations</b>     | 3.9                                       | 9.6                        | (9.1)   | 4.4                       |
| Investment income                 |   |                            |   | 1.6                       |
| Finance costs                     |   |                            |   | (1.5)                     |
| Profit before taxation            |   |                            |   | 4.5                       |
| Taxation                          |   |                            |   | (4.4)                     |
| <b>Profit for the period</b>      |   |                            |   | 0.1                       |

Corporate expenses not allocated to UK or International represent head office costs, board and senior management costs, insurance, annual and interim reporting costs and audit and professional fees.

### 3 Profit from operations

For the 28 weeks ended 11 October 2008, profit from operations is stated after crediting exceptional and non-underlying items of £4.2 million (28 weeks ended 13 October 2007: charge of £4.4 million). See note 4 for further details.

### 4 Exceptional and non-underlying items

Due to their significance and one-off nature, certain items have been classified as exceptional or non-underlying as follows:

|   | 28 weeks ended<br>11 October 2008<br>(unaudited)<br>£ million | 28 weeks ended<br>13 October 2007<br>(unaudited)<br>£ million | 52 weeks ended<br>29 March 2008<br>(audited)<br>£ million |
|---|---|---|---|
| <b>Exceptional items:</b>                                   |   |   |   |
| (Loss)/profit on disposal/termination of property interests | (1.2)   | 0.7   | (16.3)  |
| Integration of ELC included in cost of sales                | (0.5)   | -   | (11.5)  |
| Integration of ELC included in administrative expenses      | -   | (3.9)   | (7.3)   |
| UK central and sourcing restructure                         | -   | -   | (0.1)   |
| <b>Other non-underlying items:</b>                          |   |   |   |
| IAS 39  | 7.0   | (0.6)   | 2.7   |
| Amortisation of intangibles                                 | (1.1)   | (0.6)   | (1.6)   |
| <b>Exceptional and non-underlying items before tax</b>      | <b>4.2</b>  | <b>(4.4)</b>  | <b>(34.1)</b>   |

## Notes (continued)

### 4 Exceptional and non-underlying items (continued)

#### Loss on disposal/termination of property interests

During the 28 weeks ended 11 October 2008, a charge of £1.2 million has been recognised in profit from operations relating to provisions against subleases.

#### Integration of Early Learning Centre

During the 28 weeks ended 11 October 2008, a charge of £0.5 million has been recognised in cost of sales relating to pre-opening marketing costs for Early Learning Centre inserts in Mothercare stores.

#### IAS 39

During the 28 weeks ended 11 October 2008, a net credit of £7.0 million (2007: loss of £0.6 million) was included within cost of sales as a result of the Company's decision not to adopt hedge accounting under IAS 39.

#### Amortisation of intangibles

Amortisation of intangibles arising on the acquisition of the Early Learning Centre of £1.1 million (2007: £0.6 million) was charged to cost of sales.

### 5 Taxation

|   | 28 weeks ended<br>11 October 2008<br>(unaudited)<br>£ million | 28 weeks ended<br>13 October 2007<br>(unaudited)<br>£ million | 52 weeks ended<br>29 March 2008<br>(audited)<br>£ million |
|---|---|---|---|
| <b>Current tax:</b> UK corporation tax  | 2.1   | 0.7   | 4.0   |
| <b>Deferred tax:</b> charge for timing differences (comprises utilisation of tax losses and deductions for pension contributions) | 2.0   | 1.1   | 0.4   |
|   | <b>4.1</b>  | <b>1.8</b>  | <b>4.4</b>  |

The tax charge is comprised of current and deferred tax and is calculated at 31 per cent (2007: 31 per cent) representing the best estimate of the average annual underlying effective income tax rate expected for the full year. The tax rate has been impacted by disallowable expenditure in the period though this has been offset by the reduced UK tax rate of 28 per cent.

The overall deferred tax liability at 11 October 2008 is £3.7 million including £1.5 million of deferred tax assets in relation to retirement benefit obligations.

### 6 Dividends

|  | 28 weeks ended<br>11 October 2008<br>(unaudited)<br>£ million | 28 weeks ended<br>13 October 2007<br>(unaudited)<br>£ million | 52 weeks ended<br>29 March 2008<br>(audited)<br>£ million |
|--|---|---|---|
| <b>Amounts recognised as distributions to equity holders in the period:</b>                            |   |   |   |
| Final dividend for the 52 weeks ended 29 March 2008 of 8.3 pence per share (2007: 6.7 pence per share) | 6.9   | 4.7   | 4.7   |
| Interim dividend for the 52 weeks ended 29 March 2008 of 3.7 pence per share                           | -   | -   | 3.2   |
|  | <b>6.9</b>  | <b>4.7</b>  | <b>7.9</b>  |

The proposed interim dividend of 4.6 pence per share for the 28 weeks ended 11 October 2008 was approved by the board on 19 November 2008, and so, in line with the requirements of IAS 10 'Events after the Balance Sheet Date', the related cost of £4.0 million has not been included as a liability as at 11 October 2008. This dividend will be paid on 6 February 2009 to shareholders registered on 5 January 2009.

## Notes (continued)

### 7 Earnings per share

|  | 28 weeks ended<br>11 October 2008<br>(unaudited)<br>million | 28 weeks ended<br>13 October 2007<br>(unaudited)<br>million | 52 weeks ended<br>29 March 2008<br>(audited)<br>million |
|--|---|---|---|
| <b>Weighted average number of shares in issue</b>              | <b>83.4</b>   | 78.1  | 80.6  |
| Dilution – option schemes                                      | 2.6   | 1.7   | 1.9   |
| <b>Diluted weighted average number of shares in issue</b>      | <b>86.0</b>   | 79.8  | 82.5  |
|  | £ million   | £ million   | £ million   |
| <b>Earnings for basic and diluted earnings per share</b>       | <b>9.6</b>  | 4.3   | 0.1   |
| (Credit)/charge arising on accounting for derivatives (IAS 39) | (7.0)   | 0.6   | (2.7)   |
| Amortisation of intangibles arising on acquisition of ELC      | 1.1   | 0.6   | 1.6   |
| Exceptional items (note 4)                                     | 1.7   | 3.2   | 35.2  |
| Tax effect of above items                                      | 1.2   | (1.5)   | (6.4)   |
| <b>Underlying earnings</b>                                     | <b>6.6</b>  | 7.2   | 27.8  |
|  | Pence   | Pence   | Pence   |
| <b>Basic earnings per share</b>                                | <b>11.5</b>   | 5.5   | 0.1   |
| <b>Basic underlying earnings per share</b>                     | <b>7.9</b>  | 9.2   | 34.5  |
| <b>Diluted earnings per share</b>                              | <b>11.2</b>   | 5.4   | 0.1   |
| <b>Diluted underlying earnings per share</b>                   | <b>7.7</b>  | 9.0   | 33.7  |

### 8 Seasonality of the Early Learning Centre

Sales for the Early Learning Centre, which forms part of the toy division, are more heavily weighted towards the second half of the calendar year, with approximately 40% of annual sales occurring in the third quarter (mid-October to early January).

### 9 Property, plant and equipment (excluding software intangibles)

During the period, the group invested £12.4 million (2007: £8.6 million) on additions to stores (£11.5 million; 2007: £7.9 million), Distribution (£0.4 million; 2007: £0.5 million) and other items (£0.5 million; 2007: £0.2 million).

### 10 Bank loans and overdrafts

The group had no outstanding borrowings as at 11 October 2008 (2007: £30 million).

### 11 Share capital

Share capital as at 11 October 2008 amounted to £43.7 million. During the period, the group issued 0.1 million shares, bringing the total number of shares in issue at 11 October 2008 to 87.4 million.

### 12 Trade and other receivables

|                                | 11 October 2008<br>(unaudited)<br>£ million | 13 October 2007<br>(unaudited)<br>£ million | 29 March 2008<br>(audited)<br>£ million |
|--------------------------------|---|---|---|
| Trade receivables              | 31.6  | 25.4  | 24.7                                    |
| Prepayments and accrued income | 25.5  | 27.0  | 23.3                                    |
| Other receivables              | 3.9   | 3.7   | 3.1                                     |
| VAT receivable                 | 2.2   | 2.6   | 1.4                                     |
| Currency derivative assets     | 8.5   | -   | 0.7                                     |
|                                | <b>71.7</b>                                 | 58.7  | 53.2                                    |

## Notes (continued)

### 13 Trade and other payables

|  | 11 October 2008<br>(unaudited)<br>£ million | 13 October 2007<br>(unaudited)<br>£ million | 29 March 2008<br>(audited)<br>£ million |
|--|---|---|---|
| <b>Current liabilities:</b>                        |   |   |   |
| Trade payables                                     | 64.5  | 55.1  | 45.3                                    |
| Payroll and other taxes, including social security | 3.9   | 3.0   | 1.9                                     |
| Accruals and deferred income                       | 40.7  | 40.5  | 46.5                                    |
| Currency derivative liabilities                    | -   | 1.8   | -                                       |
| VAT payable  | -   | 0.5   | -                                       |
| Lease incentives                                   | 2.3   | 2.5   | 1.9                                     |
|  | <b>111.4</b>                                | <b>103.4</b>                                | <b>95.6</b>                             |
| <b>Non-current liabilities:</b>                    |   |   |   |
| Lease incentives                                   | 17.8  | 16.4  | 15.5                                    |

### 14 Provisions

|                                 | 11 October 2008<br>(unaudited)<br>£ million | 13 October 2007<br>(unaudited)<br>£ million | 29 March 2008<br>(audited)<br>£ million |
|---------------------------------|---|---|---|
| <b>Current liabilities:</b>     |   |   |   |
| Property provisions             | 11.0  | 1.2   | 10.6                                    |
| Integration provisions          | 6.9   | 3.6   | 12.9                                    |
| Restructuring provisions        | -   | 0.9   | -                                       |
| Other provisions                | 0.5   | 0.6   | 0.5                                     |
| <b>Short term provisions</b>    | <b>18.4</b>                                 | <b>6.3</b>                                  | <b>24.0</b>                             |
| <b>Non-current liabilities:</b> |   |   |   |
| Property provisions             | 9.8   | 3.5   | 10.8                                    |
| Integration provisions          | 0.2   | 0.6   | 0.7                                     |
| Restructuring provisions        | -   | -   | -                                       |
| Other provisions                | 0.6   | 0.3   | 0.6                                     |
| <b>Long term provisions</b>     | <b>10.6</b>                                 | <b>4.4</b>                                  | <b>12.1</b>                             |
| <b>Total liabilities:</b>       |   |   |   |
| Property provisions             | 20.8  | 4.7   | 21.4                                    |
| Integration provisions          | 7.1   | 4.2   | 13.6                                    |
| Restructuring provisions        | -   | 0.9   | -                                       |
| Other provisions                | 1.1   | 0.9   | 1.1                                     |
| <b>Total provisions</b>         | <b>29.0</b>                                 | <b>10.7</b>                                 | <b>36.1</b>                             |

The movement on total provisions is as follows:

|   | Property<br>provisions<br>£ million | Integration<br>provisions<br>£ million | Other<br>provisions<br>£ million | <b>Total<br/>provisions<br/>£ million</b> |
|---|-------------------------------------|--|----------------------------------|---|
| Balance at 29 March 2008 (audited)                | 21.4                                | 13.6                                   | 1.1                              | <b>36.1</b>                               |
| Utilised in period                                | (2.1)                               | (6.5)                                  | (0.4)                            | <b>(9.0)</b>                              |
| Charged in period                                 | 1.4                                 | -                                      | 0.4                              | <b>1.8</b>                                |
| Unwinding of discount                             | 0.1                                 | -                                      | -                                | <b>0.1</b>                                |
| <b>Balance at 11 October 2008<br/>(unaudited)</b> | <b>20.8</b>                         | <b>7.1</b>                             | <b>1.1</b>                       | <b>29.0</b>                               |

Property provisions principally represent the costs of store disposals relating to the optimisation of the UK portfolio which involves the closure and resiting of Mothercare and Early Learning Centre stores. The timing of the utilisation of the above provisions is variable dependent upon the lease expiry dates of the properties concerned.

Integration provisions principally represent the restructure of the Early Learning Centre's head offices and supply chain, the opening of Early Learning Centre inserts in Mothercare stores, the realignment of international franchise agreements and the integration programme. The integration provisions are expected to be fully utilised by June 2010.

Other provisions principally represent provisions for uninsured losses, hence the timing of the utilisation of these provisions is uncertain.



## Notes (continued)

### 15 Notes to the cash flow statement

|  | 28 weeks ended<br>11 October 2008<br>(unaudited)<br>£ million | 28 weeks ended<br>13 October 2007<br>(unaudited)<br>£ million | 52 weeks ended<br>29 March 2008<br>(audited)<br>£ million |
|--|---|---|---|
| <b>Profit from retail operations</b>   | <b>15.3</b>   | 5.3   | 20.9  |
| Adjustments for:   |   |   |   |
| Depreciation of property, plant and equipment  | 9.1   | 8.2   | 16.0  |
| Amortisation of intangible assets – software   | 1.5   | 0.9   | 2.1   |
| Amortisation of intangible assets – other  | 1.1   | 0.6   | 1.6   |
| Loss on disposal of property, plant and equipment  | 2.2   | 1.5   | 1.7   |
| (Gain)/loss on currency derivatives  | (7.0)   | 0.8   | (2.7)   |
| Cost of employee share schemes   | 1.4   | 1.2   | 1.8   |
| Movement in property provisions  | (1.9)   | (0.2)   | (1.3)   |
| Movement in integration provisions   | (6.5)   | 2.8   | 13.6  |
| Movement in distribution provisions  | -   | (0.7)   | (0.7)   |
| Movement in restructuring provisions   | -   | (0.7)   | (1.6)   |
| Movement in other provisions   | -   | 0.1   | 0.3   |
| Amortisation of lease incentives   | (1.2)   | (1.0)   | (2.8)   |
| Lease incentives received  | 3.8   | 0.6   | 0.9   |
| Payments to retirement benefit schemes   | (1.2)   | (1.1)   | (4.3)   |
| Charge to profit from operations in respect of service costs of retirement benefit schemes | 0.6   | -   | 0.7   |
| <b>Operating cash flow before movements in working capital</b>                             | <b>17.2</b>   | 18.3  | 46.2  |
| Increase in inventories  | (13.4)  | (8.8)   | (2.4)   |
| Increase in receivables  | (10.7)  | (8.7)   | (3.8)   |
| Increase in payables   | 16.1  | 18.9  | 14.7  |
| <b>Net cash flow from operations</b>   | <b>9.2</b>  | 19.7  | 54.7  |
| <b>Income taxes paid</b>   | <b>(0.1)</b>  | (0.5)   | (2.9)   |
| <b>Net cash flow from operating activities</b>   | <b>9.1</b>  | 19.2  | 51.8  |

|  | 11 October 2008<br>(unaudited)<br>£ million | 13 October 2007<br>(unaudited)<br>£ million | 29 March 2008<br>(audited)<br>£ million |
|--|---|---|---|
| Analysis of cash and cash equivalents: |   |   |   |
| Cash at bank and in hand               | 8.4   | 32.3  | 22.7                                    |
| Bank loan                              | -   | (30.0)                                      | -                                       |
| <b>Cash and cash equivalents</b>       | <b>8.4</b>                                  | 2.3   | 22.7                                    |

### 16 Share based payments

An expense is recognised for share-based payments based on the fair value of the awards at the date of grant, the estimated number of shares that will vest and the vesting period of each award. The charge for share-based payments under IFRS 2 is £2.3 million (28 weeks ended 13 October 2007: £1.4 million) of which £1.4 million (28 weeks ended 13 October 2007: £1.2 million) was equity-settled. The group used the assumptions as previously published to measure the fair values of the share based payments.

### 17 Defined benefit schemes

The group has updated its accounting for pensions under IAS 19 as at 11 October 2008. This involved rolling forward the assumptions from the prior year end and updating for changes in market rates in the first half. For the UK schemes, based on the actuarial assumptions from the last full actuarial valuations carried out at 31 March 2003 and 31 March 2005, a liability of £5.5 million has been recognised. A new full actuarial valuation of the pension schemes is being prepared as at 31 March 2008 and the group is in the process of finalising with the Pension Trustees the financing requirements and assumptions to be applied.

## Notes (continued)

### 18 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its associates are disclosed below.

#### Trading transactions:

| 28 weeks ended 11 October 2008<br>(unaudited) | Sales of goods | Purchase of goods | Amounts owed by related parties | Amounts owed to related parties |
|---|----------------|-------------------|---------------------------------|---------------------------------|
|   | £ million      | £ million         | £ million                       | £ million                       |
| Joint ventures                                | 0.8            | -                 | 0.7                             | -                               |
|   | 0.8            | -                 | 0.7                             | -                               |

Sales of goods to related parties were made at the group's usual list prices.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

## **Risks and uncertainties**

The principal risks and uncertainties which could impact the Company's long-term performance are considered to be consistent with those detailed on pages 30 and 31 of the Company's 2008 Annual Report and Accounts, a copy of which is available on the Company's website [www.mothercare.com](http://www.mothercare.com). These are: exchange rates; raw material prices; economic environment; sales conversion risk; relationships with key suppliers; defined benefit pension schemes and information systems.

Certain statements in this report are forward looking. Although the group believes that the expectations reflected in these forward looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by forward looking statements. We undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

## **Responsibility statement**

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 28 weeks of the year and description of principal risks and uncertainties for the 24 weeks of the year); and
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the board

Ben Gordon  
Chief Executive  
19 November 2008

# **Independent review report to Mothercare plc**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 28 weeks ended 11 October 2008 which comprises the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

## **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

## **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 28 week period ended 11 October 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

## **Deloitte & Touche LLP**

Chartered Accountants and Registered Auditor  
19 November 2008  
London, UK

# Shareholder information

## Financial calendar

|   | 2009         |
|---|--------------|
| Payment of interim dividend   | 6 February   |
| Preliminary announcement of results for the 52 weeks ending 28 March 2009 | end May      |
| Issue of report and accounts  | mid June     |
| Annual General Meeting  | mid July     |
| Payment of final dividend   | end July     |
| Announcement of interim results for the 28 weeks ended 10 October 2009    | mid November |

## Registered office and head office

Cherry Tree Road, Watford, Hertfordshire WD24 6SH  
Telephone 01923 241000  
[www.mothercare.com](http://www.mothercare.com)  
Registered number 1950509

## Company secretary

Clive E Revett

## Registrars

Administrative enquiries concerning shareholders in Mothercare plc for such matters as the loss of a share certificate, dividend payments or a change of address should be directed, in the first instance, to the registrars:

Equiniti Registrars  
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA  
Telephone 0870 600 3965  
[www.equiniti.com](http://www.equiniti.com)

## Low cost share dealing service

A postal share dealing service is available through the Company's stockbrokers for the purchase and sale of Mothercare plc shares. Further details can be obtained from:

JPMorgan Cazenove & Co Limited  
20 Moorgate, London EC2R 6DA  
Telephone 020 7155 5155

## ShareGift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation. The share transfer form needed to make a donation may be obtained from the Mothercare plc registrars, Equiniti Limited.

Further information about ShareGift is available from [www.sharegift.org](http://www.sharegift.org) or by telephone on 020 7337 0501.