RNS Number : 3055W
Mothercare PLC
17 November 2010

Mothercare plc
Interim Results

International drives growth; now 860 stores overseas

Mothercare plc announces interim results for the 28 weeks (first half) ended 9 October 2010.

Financial Results

- Group sales £397.1m, up 2.5% (2009: £387.3m)
- Worldwide network sales(1) £590.2m, up 7.5% (2009: £549.1m)
- Group underlying profit(1) before tax £12.2m, up 22.0% (2009: £10.0m) after £2.0m share based payment charge (2009: £6.1m)
- Group profit before tax £0.3m (2009: loss of £7.1m)
- Underlying basic EPS 10.3p, up 22.6% (2009: 8.4p)
- Interim dividend 6.4p, up 16.4% (2009: 5.5p)

Key Highlights

Strong first half for International:
- International franchisee retail sales(1) £293.0m, up 17.3%. H1 overseas retail sales exceed UK retail sales for first time
- 112 new international stores; retail space up 13%. 840 overseas stores in 53 countries at H1, now 860. Opened 50th store in India. Increased 2010/11 store opening target from 100 to 150
- Acquired 25% stake in Australia franchisee to add to existing 30% stakes in China and India

Resilient UK performance:
- Total UK sales £295.1m, down 0.4%. Like-for-like sales(1) down 3.8% (down 2.4% inc. VAT), partly due to planned cannibalisation from store openings
- Property restructure progressing well. 20 smaller in-town stores closed, 7 larger parenting centres opened

Continuing multi-channel growth:
- Direct in Home sales £36.8m; up 15.8%. Direct in Store sales £27.9m; up 6.4%
- Total Direct sales £64.7m; up 11.6%
- New Early Learning Centre website launched in time for peak trading

New Wholesale channel expanding rapidly:
- Total Wholesale sales doubled to £12.6m (2009: £6.3m)
- mini club, a new children's clothing partnership with Boots, launched in around 370 UK stores

Ben Gordon, Chief Executive, said:

"International is going from strength to strength with retail sales up 17.3% and profits up 33.9%. We now have 860 stores overseas in 53 countries and are on track to meet our new target to open at least 150 in total this year. In the UK which remains challenging, the important property restructure is progressing well, Direct continues to grow strongly and our new Wholesale channel was boosted by the successful launch of mini club, our new clothing partnership with Boots.

"The UK consumer environment remains uncertain and we continue to plan cautiously. We are however benefiting significantly from the strategic initiatives we have taken and from the rapid growth of International, Direct and Wholesale. Having regard to the overall performance of the group and its underlying cashflow, the interim dividend has been increased by 16.4%."

Mothercare plc

Ben Gordon, Chief Executive	01923 206001
Neil Harrington, Finance Director	01923 206187
Joanne Russell, Head of Investor Relations	01923 694900

Brunswick Group

Catherine Hicks/Catriona McDermott	020 7404 5959

Notes
(1) For definitions of 'network sales', 'International franchisee retail sales', 'like-for-like sales' and 'underlying profit' see Financial Review on pages 5 to 8.

CHIEF EXECUTIVE'S REVIEW

RESULTS SUMMARY

Group results

The Mothercare group is continuing to see results from the strategy of focussing on the global expansion of the Mothercare and Early Learning Centre brands, whilst transforming the UK business through our property restructure and the growth of Direct and Wholesale.

Group sales in the half rose by 2.5% to £397.1m (2009: £387.3m). Group profit before tax increased from a loss of £7.1m last year to a profit of £0.3m this year. This is after charging £11.9m of non-underlying items (2009: £17.1m) mostly relating to volatile non-cash adjustments where we are required to revalue stock and commercial currency hedges to spot rate. Underlying profit before tax increased by 22.0% to £12.2m (2009: £10.0m) after a £2.0m share based payment charge (2009: £6.1m).

At the end of the first half, the group had net debt of £8.6m, compared with net cash of £8.2m last half year. The first half cash flow contains one-off outflows of £21.0m relating to acquisitions and payments under long-term incentive schemes. It also contains cash outflows relating to the initial working capital requirements of the new mini club partnership. On an underlying basis, excluding these payments, the group remains strongly cash generative. As a result of the positive underlying performance of the group and of International in particular, and the positive underlying cash generation, we have increased the interim dividend by 16.4% to 6.4p.

International results

International reported sales in the first half increased 12.1% from £91.0m to £102.0m. International franchisee retail sales increased by 17.3% from £249.7m to £293.0m. International profit from operations was 33.9% higher than last year at £15.8m (2009: £11.8m).

UK results

Total UK reported sales in the first half decreased by 0.4% to £295.1m (2009: £296.3m). UK retail sales were 2.1% lower at £286.8m (2009: £293.1m) and UK Wholesale sales increased from £3.2m to £8.3m. The UK retail gross margin in the first half was impacted by higher freight costs, as well as an adverse foreign exchange environment which will become favourable in the second half. Therefore, although the first half UK retail gross margin was 150 basis points lower than last year, our full year margin expectations remain unchanged at c. 100 basis points lower, subject to trading over the important Christmas period. UK underlying profit from operations was lower than last year at £2.8m (2009: £9.0m).

WORLD CLASS BRANDS

Over the last five years Mothercare has grown from a predominantly UK retailer into a global multi-channel group through its two world class brands, Mothercare and the Early Learning Centre. This transformation has been achieved through excellent product design and innovation together with a focus on parenting and specialism.

In Clothing, our focus is on innovation, fashionability and great value at each of our three pricing levels - Good, Better, Best. At the "Good" end we have re-engineered our prices to remain competitive whilst retaining all of the specialism and quality that Mothercare is known for. At the "Best" end of our range we create high quality, fashionable and yet functional clothing whilst still delivering great value for money, with our own sub-brands such as Humphrey's Corner and Baby K.

In Home & Travel, we continue to invest in our own brand and product development and in this category now a large proportion of the range is Mothercare own brand, a key strength. We have a strong development pipeline, and continue to push ahead with innovation and our newest pushchair, the Urbanite, will be launched next month.

In Toys, we have introduced an unprecedented level of innovation and product development in the Early Learning Centre. We have launched Autumn/Winter ranges with 25% new product, a competitive pricing architecture and strong marketing and promotional strategy which includes our first television advertising campaign for some time.

GROUP STRATEGY UPDATE

The Mothercare growth strategy is delivered through four channels - International Franchise, UK Retailing, Direct and Wholesale.

1. International Franchise

This is the single biggest growth opportunity for the Mothercare group. For the first time first half International franchisee retail sales, which increased by 17.3%, exceeded UK retail sales. We continue to see strong sales growth in all of our key territories including Eastern Europe, the Middle

East, India and Australasia. During the first half we opened 112 new international stores in 27 countries increasing retail space by 13% and at the end of the first half we had 840 stores overseas in 53 countries. We have increased our target for new overseas store openings this year from 100 to 150 stores, increasing overseas retail space by 20%.

In both India and China, two of our key growth markets, we operate joint ventures with a 30% equity stake in our franchise partners and these are both performing well. We now have 52 stores in India with plans to open a further 20 in the current financial year and 10 stores in China, with 5 more openings expected this year.

In September we announced a new partnership in Australia, a country with significant growth potential for our brands, with the acquisition of a 25% stake in our Australian franchise partner, Headline Group. Headline has acquired two baby product retailers in Australia and will convert the stores acquired to the Mothercare and Early Learning Centre format. These initiatives will accelerate the growth of our brands to a national footprint, building a chain of 60 stores.

2. UK Retailing

The UK trading environment remains difficult, with total sales down 0.4% and like-for-like sales down 3.8% in the first half. This is against positive comparatives of +4.0% in the first half last year. As we have previously stated, we have been planning for negative like-for-like sales, due to cannibalisation by new out of town store openings which are, as expected, reducing UK like-for-like sales whilst improving overall profitability.

Our focus in the UK has been on the quality of our offering and transforming our property estate whilst growing rapidly our Direct and Wholesale channels. We have increased the number of larger and more profitable out of town parenting centres whilst closing and relocating lower profit high street stores, thereby increasing significantly the profitability of the UK chain.

The strategy is progressing well and we are ahead of schedule with our plans to open 10 new parenting centres in the financial year of which 7 already opened in the first half, taking the total to 96. In addition, we are on track to close or renegotiate 30 smaller low profit high street stores this year with 20 already closed. The property strategy is on track to deliver benefits of £5.0m in the current financial year. It is also increasing flexibility of the portfolio with the average lease length already reduced from 6 years to 4.5 years.

3. Direct

We are continuing to drive growth in our Direct business through three key areas - increasing ranges, improving service and trialling international e-commerce sites. Our multi-channel UK business has again performed well with Direct in Home sales up 15.8% to £36.8m and Direct in Store sales up 6.4% to £27.9m. In the first half we launched a new website for the Early Learning Centre in time for peak trading and this is performing well. In Mothercare, we have made further enhancements to our offer allowing our customers to select deliveries on a named day, Saturday or next day. Our customers can also now collect products ordered on the website from any of our UK stores.

4. Wholesale

This relatively new channel is growing rapidly with Wholesale sales doubling in the first half to £12.6m (2009: £6.3m). This was boosted by the successful launch in September of mini club, our new clothing partnership with Boots. mini club is a fashionable, high quality clothing offer for children aged 0-6 years and is already available in around 370 Boots stores in the UK.

SUMMARY AND OUTLOOK

Our growth strategy is delivering results for the Mothercare group with worldwide network sales up 7.5% and underlying profit before tax up 22.0%. Our International business has delivered an exceptional first half and in the challenging UK market we have seen strong growth in Direct and Wholesale and further benefits from our property strategy. At the end of the first half we had a total of 1,217 stores worldwide in 54 countries.

The UK consumer environment remains uncertain and we continue to plan cautiously. We are however benefiting significantly from the strategic initiatives we have taken and from the rapid growth of International, Direct and Wholesale. Having regard to the overall performance of the group and its underlying cashflow, the interim dividend has been increased by 16.4%.

FINANCIAL REVIEW

RESULTS SUMMARY

Group underlying profit before tax increased by 22.0% to £12.2 million (2009: £10.0 million). Underlying profit excludes exceptional items and other non-underlying items which are analysed below. After these non-underlying items, the group recorded a pre tax profit of £0.3 million (2009: loss of £7.1 million).

Income Statement

£ million	**H1 10/11**	**H1 09/10**	**FY 09/10**
Revenue	397.1	387.3	766.4
Profit from operations before share based payments	**14.5**	**16.4**	**52.0**
Share based payments	(2.0)	(6.1)	(14.4)
Financing	(0.3)	(0.3)	(0.4)
Underlying profit before tax	**12.2**	**10.0**	**37.2**
Exceptional items and unwind of discount on exceptional provisions	(1.4)	(0.8)	(1.3)
Non-cash foreign currency adjustments	(9.3)	(15.2)	(1.3)
Amortisation of intangible assets	(1.2)	(1.1)	(2.1)
Profit before tax	**0.3**	**(7.1)**	**32.5**
Underlying EPS - basic	10.3p	8.4p	31.5p

Profit from operations before share based payments includes all of the group's trading activities but excludes the volatile share based payment costs charged to the income statement in accordance with IFRS 2 (see below and note 15).

Non-underlying Items

Underlying profit before tax excludes the following non-underlying items:

- Non-cash adjustments principally relating to marking to market of commercial foreign currency hedges at the period end. As hedges are taken out to match future stock purchase commitments, these are theoretical adjustments which we are required to make under IAS 39 and IAS 21 to revalue stock and commercial foreign currency hedges to spot. This volatile adjustment does not affect the cash flows or ongoing profitability of the group and reverses at the start of the next accounting period.
- Amortisation of intangible assets (excluding software).
- Exceptional business restructuring costs of £1.5 million relating to a restructure of the UK head office operations to improve efficiency and reduce costs (see note 3).
- Net profits on disposal/termination of property interests £0.2 million (see note 3).
- Unwind of discount on exceptional property provisions £0.1 million (see note 3).

Exceptional items in the first half of 2009/10 were £0.6 million of integration costs and £0.2 million unwind of discount on exceptional property provisions.

Results by Segment

The primary segments of Mothercare plc are the UK business and the International business.

£ million - Revenue	**H1 10/11**	**H1 09/10**	**FY 09/10**
UK	295.1	296.3	590.3
International	102.0	91.0	176.1
Total	**397.1**	**387.3**	**766.4**

£ million - Underlying Profit	**H1 10/11**	**H1 09/10**	**FY 09/10**
UK	2.8	9.0	36.1
International	15.8	11.8	23.2
Corporate	(4.1)	(4.4)	(7.3)
Profit from operations before share based payments	**14.5**	**16.4**	**52.0**
Share based payments	(2.0)	(6.1)	(14.4)
Financing	(0.3)	(0.3)	(0.4)
Underlying profit before tax	**12.2**	**10.0**	**37.2**

In the first half UK like-for-like retail sales declined by 3.8% and gross margin percentage was also lower due to adverse freight costs and foreign exchange. These have been partly offset by the benefits from the property strategy and growth in the Wholesale channel.

International has benefited from the 17.3% growth in franchisee retail sales driving growth in royalty income and shipments, with central costs growing at a much slower rate.

Corporate expenses, which have reduced compared with last year, represent board and company secretarial costs and other head office costs including audit, professional fees, insurance and head office property.

Share based payment charges

Underlying profit before tax also includes share based payments charges of £2.0 million (2009: £6.1 million) in relation to the Company's long-term incentive schemes. The charge, which is volatile, is calculated on a theoretical fair value basis in accordance with IFRS 2. The charge is based on a number of factors and these include both the Mothercare share price in relation to the FTSE General Retailers' Index and the growth in underlying profits - both measured over a series of three-year cycles. In the first half the charge has reduced to £2.0m from £6.1m. The total charge for the full year is not possible to predict with any certainty as many of the assumptions are market based.

Like-for-like sales, International franchisee retail sales, network sales and store numbers

'Like-for-like' sales are defined as sales for stores that have been trading continuously from the same selling space for at least a year and include Direct in Home and Direct in Store.

'International franchisee retail sales' are the estimated retail sales of franchisees and joint ventures. 'Total International network sales' are International franchisee retail sales plus International Wholesale sales. Worldwide 'network sales', are our retail sales, plus the estimated retail sales made by our franchise and joint venture partners, plus our other Wholesale sales. Joint ventures represent commercial arrangements which are accounted for as joint ventures, associates, or profit sharing partnerships as appropriate.

£ million - Network sales	**H1 10/11**	**H1 09/10**	**FY 09/10**
UK retail (inc. Direct)	286.8	293.1	585.5
UK Wholesale and joint venture	6.1	3.2	4.8
Total UK network sales	**292.9**	**296.3**	**590.3**
Total International network sales	297.3	252.8	490.9
Worldwide network sales	**590.2**	**549.1**	**1,081.2**

At the end of the first half, there were 1,217 Mothercare and Early Learning Centre stores in 54 countries worldwide. In the UK there were 377 stores, 10 fewer than last year end. Overseas there were 840 franchise and joint venture stores, 112 more than last year. Internationally, due to the wide variety of operating formats, broader range of store size and differing franchise arrangements, we consider retail selling space to be the key measure of the size and growth of the business, rather than store numbers. At the end of the first half, total International retail selling space was 1,729,000 sq. ft., up 13% from year end and total UK retail selling space was 2,015,000 sq. ft., up 0.4%.

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 28% (2009: 30%). An underlying tax charge of £3.4 million (2009: £2.9 million) has been included for the period.

Pensions

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

£ million	**H1 10/11**	**H1 09/10**
Income statement		
Service cost	(1.5)	(1.1)
Return on assets / interest on liabilities	(0.4)	(0.5)
Net charge	(1.9)	(1.6)
Cash funding		
Regular contributions	(1.3)	(1.6)
Deficit and one-off contributions	(2.3)	(3.0)
Total cash funding	(3.6)	(4.6)
Balance sheet		
Fair value of schemes' assets	202.6	181.0
Present value of defined benefit obligations	(266.6)	(225.5)
Net liability	(64.0)	(44.5)

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

	H1 10/11	**H1 09/10**	**Sensitivity**	**Effect of sensitivity £ million**
Discount rate	5.1%	5.6%	0.1%	(6)
			0.5%	(32)
Inflation	3.3%	3.3%	0.1%	6

Balance Sheet and Cash Flow

The balance sheet includes identifiable intangible assets arising on the acquisition of Early Learning Centre and the Blooming Marvellous brands of £27.3 million and goodwill of £68.6 million.

The group is seasonal with much of the cash generation in the second half; in the first half the group had a cash outflow from operations of £13.6 million. The first half working capital outflow of £34.7 million included £10.9 million of payments in relation to executive incentive schemes as well as planned increases in stock levels due to the new mini club joint venture and growth in International and Direct, together with the increase in our own direct sourcing operations.

After investing £10.1 million on acquisitions of joint ventures, associates and trademarks, £12.9 million of capital expenditure (£7.2 million net of lease incentives received) and paying £9.9 million of dividends, the net debt position at the half year is at £8.6 million (2009: £8.2 million net cash). The net debt was funded by a draw down against our £40.0 million committed secured borrowing facilities.

Going Concern

The group's objective with respect to managing capital is to maintain a balance sheet structure that is both efficient in terms of providing long-term returns to shareholders and safeguards the group's ability to continue as a going concern. As appropriate, the group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, returns of capital to shareholders, issuing new shares or the level of capital expenditure.

The group has a committed secured bank facility of £40.0 million at an interest rate of 1.70% above LIBOR which expires on 31 October 2013. It also has an uncommitted unsecured bank overdraft of £10.0 million.

The group's current committed borrowing facility contains certain financial covenants which have been met throughout the period. The covenants are tested half-yearly and are based around gearing, fixed charge cover and guarantor cover.

The committed bank facility was drawn down by a maximum of £30.0 million during the period and at the half year the group had a net debt balance of £8.6 million funded by a draw down against the facility of £10.0 million.

The current economic conditions create uncertainty around the level of demand for the group's products. However, the group has long-term contracts with its franchisees around the world and long standing relationships with many of its suppliers. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the uncertain economic outlook.

The group's latest forecasts and projections have been sensitivity-tested for reasonably possible adverse variations in trading performance and show that the group will operate within the terms of its borrowing facilities and covenants for the foreseeable future.

After making appropriate enquiries, the directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future. The financial statements are therefore prepared on the going concern basis.

Capital Expenditure

Total capital expenditure in the first half was £12.9 million (2009: £10.7 million), of which £3.4 million was for software intangibles and £8.0 million was invested in UK stores. Landlord contributions of £5.7 million (2009: £5.2 million) were received, partially offsetting the outflow. Net capital expenditure for the full year, after landlord contributions, is expected to be approximately £20 million.

Earnings per Share and Dividend

Basic underlying earnings per share were 10.3 pence compared to 8.4 pence last year. The interim dividend has been increased by 16.4% to 6.4 pence (2009: 5.5 pence). The interim dividend will be payable on 4 February 2011 to shareholders registered on 7 January 2011.

Consolidated income statement

For the 28 weeks ended 9 October 2010

	Note	28 weeks ended 9 October 2010 (unaudited) Underlying[1] £ million	Non-underlying[2] £ million	Total £ million	28 weeks ended 10 October 2009 (unaudited) Underlying[1] £ million	Non-underlying[2] £ million	Total £ million	52 weeks ended 27 March 2010 Total £ million
Revenue		**397.1**	**-**	**397.1**	387.3	-	387.3	766.4
Cost of sales		**(361.9)**	**(10.5)**	**(372.4)**	(351.4)	(16.3)	(367.7)	(679.4)
Gross profit		**35.2**	**(10.5)**	**24.7**	35.9	(16.3)	19.6	87.0
Administrative expenses before share based payments		**(20.5)**	**(1.5)**	**(22.0)**	(19.2)	(0.6)	(19.8)	(38.7)
Share based payments		**(2.0)**	**-**	**(2.0)**	(6.1)	-	(6.1)	(15.6)
Administrative expenses		**(22.5)**	**(1.5)**	**(24.0)**	(25.3)	(0.6)	(25.9)	(54.3)
Profit/(loss) from retail operations before share based payments		**14.7**	**(12.0)**	**2.7**	16.7	(16.9)	(0.2)	48.3
Profit/(loss) from retail operations		**12.7**	**(12.0)**	**0.7**	10.6	(16.9)	(6.3)	32.7
Profit on disposal/termination of property interests	3	**-**	**0.2**	**0.2**	-	-	-	1.0
Share of results of joint ventures		**(0.2)**	**-**	**(0.2)**	(0.3)	-	(0.3)	(0.5)
Profit/(loss) from operations before share based payments		**14.5**	**(11.8)**	**2.7**	16.4	(16.9)	(0.5)	48.8
Profit/(loss) from operations		**12.5**	**(11.8)**	**0.7**	10.3	(16.9)	(6.6)	33.2
Finance costs		**(0.3)**	**(0.1)**	**(0.4)**	(0.3)	(0.2)	(0.5)	(0.7)
Profit/(loss) before taxation		**12.2**	**(11.9)**	**0.3**	10.0	(17.1)	(7.1)	32.5
Taxation	4	**(3.4)**	**3.5**	**0.1**	(2.9)	5.1	2.2	(8.9)
Profit/(loss) for the period attributable to equity holders of the parent		**8.8**	**(8.4)**	**0.4**	7.1	(12.0)	(4.9)	23.6
Earnings/(loss) per share								
Basic	6	**10.3p**		**0.5p**	8.4p		(5.9p)	28.0p
Diluted	6	**10.0p**		**0.5p**	8.2p		(5.9p)	27.3p

All results relate to continuing operations.

(1) Before items described in note 2 below.
(2) Includes exceptional items (Profit on disposal/termination of property interests, restructuring and integration costs), amortisation of intangible assets (excluding software) and the impact of non-cash foreign currency adjustments under IAS 39 and IAS 21 as set out in note 3 to the financial statements.

Consolidated statement of comprehensive income

For the 28 weeks ended 9 October 2010

	28 weeks ended 9 October 2010 (unaudited) £ million	28 weeks ended 10 October 2009 (unaudited) £ million	52 weeks ended 27 March 2010 £ million
Other comprehensive income - actuarial loss on defined benefit pension schemes	**(10.6)**	(22.1)	(32.1)
Tax relating to components of other comprehensive income	**2.6**	6.2	9.0
Exchange differences on translation of foreign operations	**(0.9)**	(0.9)	0.1
Net loss recognised in other comprehensive income	**(8.9)**	(16.8)	(23.0)
Profit/(loss) for the period	**0.4**	(4.9)	23.6
Total comprehensive income for the period attributable to equity holders of the parent	**(8.5)**	(21.7)	0.6

Consolidated balance sheet

As at 9 October 2010

	Note	**9 October 2010 (unaudited) £ million**	10 October 2009 (unaudited) £ million	27 March 2010 £ million
Non-current assets				
Goodwill		**68.6**	68.6	68.6
Intangible assets		**39.7**	35.3	36.3
Property, plant and equipment	8	**91.8**	91.4	93.9
Investments in joint ventures and associates		**9.3**	0.7	1.7
Deferred tax asset	4	**7.6**	12.2	7.9
		217.0	208.2	208.4
Current assets				
Inventories		**124.9**	107.6	91.3
Trade and other receivables	11	**79.6**	61.7	57.7
Cash at bank and in hand		**1.4**	8.2	38.5
Currency derivative assets		**-**	-	14.1
		205.9	177.5	201.6
Total assets		**422.9**	385.7	410.0
Current liabilities				
Trade and other payables	12	**(128.7)**	(124.5)	(120.6)
Current tax liabilities		**(0.9)**	(2.9)	(1.4)
Borrowings	9	**(10.0)**	-	-
Short term provisions	13	**(5.4)**	(9.6)	(9.0)
Currency derivative liabilities		**(1.6)**	(1.4)	-
		(146.6)	(138.4)	(131.0)
Non-current liabilities				
Trade and other payables	12	**(30.7)**	(22.9)	(26.2)
Retirement benefit obligations	16	**(64.0)**	(44.5)	(55.1)
Long-term provisions	13	**(9.3)**	(10.8)	(9.3)
		(104.0)	(78.2)	(90.6)
Total liabilities		**(250.6)**	(216.6)	(221.6)
Net assets		**172.3**	169.1	188.4
Equity attributable to equity holders of the parent				
Called up share capital	10	**44.1**	44.0	44.1
Share premium account		**5.1**	4.9	4.9
Other reserve		**50.8**	50.8	50.8
Own shares		**(7.8)**	(9.9)	(8.9)
Translation reserves		**0.4**	0.3	1.3
Retained earnings		**79.7**	79.0	96.2
Total equity		**172.3**	169.1	188.4

Consolidated statement of changes in equity

For the 28 weeks ended 9 October 2010

	Share capital £ million	Share premium account £ million	Other reserve £ million	Own shares £ million	Translation reserve £ million	Retained earnings £ million	**Total equity £ million**
Balance at 27 March 2010	44.1	4.9	50.8	(8.9)	1.3	96.2	188.4
Total comprehensive income for the period	-	-	-	-	(0.9)	(7.6)	(8.5)
Issue of equity shares	-	0.2	-	-	-	-	0.2
Credit to equity for equity-settled share based payments	-	-	-	-	-	2.1	2.1
Shares transferred to employees on vesting	-	-	-	1.1	-	(1.1)	-
Dividends paid	-	-	-	-	-	(9.9)	(9.9)
Balance at 9 October 2010 (unaudited)	**44.1**	**5.1**	**50.8**	**(7.8)**	**0.4**	**79.7**	**172.3**

For the 28 weeks ended 10 October 2009

	Share capital £ million	Share premium account £ million	Other reserve £ million	Own shares £ million	Translation reserve £ million	Retained earnings £ million	**Total equity £ million**
Balance at 29 March 2009	43.8	4.3	50.8	(10.6)	1.2	108.0	197.5
Total comprehensive income for the period	-	-	-	-	(0.9)	(20.8)	(21.7)
Issue of equity shares	0.2	0.6	-	-	-	-	0.8
Credit to equity for equity-settled share based payments	-	-	-	-	-	1.0	1.0
Shares transferred to employees on vesting	-	-	-	0.7	-	(0.7)	-
Dividends paid	-	-	-	-	-	(8.5)	(8.5)
Balance at 10 October 2009 (unaudited)	44.0	4.9	50.8	(9.9)	0.3	79.0	169.1

For the 52 weeks ended 27 March 2010

	Share capital £ million	Share premium account £ million	Other reserve £ million	Own shares £ million	Translation reserve £ million	Retained earnings £ million	**Total equity £ million**
Balance at 29 March 2009	43.8	4.3	50.8	(10.6)	1.2	108.0	197.5
Total comprehensive income for the period	-	-	-	-	0.1	0.5	0.6
Issue of equity shares	0.3	0.6	-	-	-	-	0.9
Credit to equity for equity-settled share based payments	-	-	-	-	-	2.6	2.6
Shares transferred to employees on vesting	-	-	-	1.7	-	(1.7)	-
Dividends paid	-	-	-	-	-	(13.2)	(13.2)
Balance at 27 March 2010	44.1	4.9	50.8	(8.9)	1.3	96.2	188.4

Consolidated cash flow statement

For the 28 weeks ended 9 October 2010

	Note	**28 weeks ended 9 October 2010 (unaudited) £ million**	28 weeks ended 10 October 2009 (unaudited) £ million	52 weeks ended 27 March 2010 £ million
Net cash flow from operating activities	14	**(16.6)**	2.9	50.1
Cash flows from investing activities				
Purchase of property, plant and equipment		**(9.5)**	(8.7)	(18.7)
Purchase of intangibles - software and trademarks		**(5.7)**	(2.0)	(5.5)
Proceeds from sale of property, plant & equipment		**3.0**	-	2.4
Investments in joint ventures and associates		**(7.8)**	(0.7)	(1.9)
Net cash used in investing activities		**(20.0)**	(11.4)	(23.7)
Cash flows from financing activities				
Interest paid		**(0.3)**	(0.3)	(0.5)
New bank loans raised		**10.0**	-	-
Repayment of obligations under finance leases		**-**	(0.1)	(0.1)
Equity dividends paid		**(9.9)**	(8.5)	(13.2)
Issue of ordinary share capital		**0.2**	0.8	0.9
Net cash used in financing activities		**-**	(8.1)	(12.9)
Net (decrease)/increase in cash and cash equivalents		**(36.6)**	(16.6)	13.5
Cash and cash equivalents at beginning of period		**38.5**	24.8	24.8
Effect of foreign exchange rate changes		**(0.5)**	-	0.2
Cash and cash equivalents at end of period		**1.4**	8.2	38.5

Notes

1 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 group's business activities, together with factors likely to affect its future development, performance and position are set out on pages 1 to 8 and include a summary of the group's financial position, its cash flows and borrowing facilities and a discussion of why the directors consider that the going concern basis is appropriate.

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; in the current year the group has adopted International Financial Reporting Standard 3 'Business Combinations' (revised 2008) and International Accounting Standard 27 'Consolidated and Separate Financial Statements' (revised 2008). There have been no acquisitions in the period to which these revised standards apply.

(a) The results for the 28 weeks ended 9 October 2010 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 27 March 2010 included in this report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. 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 unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

(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 non-cash foreign currency adjustments under IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 21 'The Effects of Changes in Foreign Exchange Rates'.

(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 6. The adjustments made to reported results are as follows:

Exceptional items: Due to their significance or one-off nature, certain items have been classified as exceptional. The gains and losses on these discrete items, such as profits on the disposal/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 3.

Non-cash foreign currency adjustments: The Company has taken the decision not to adopt hedge accounting under IAS 39 'Financial Instruments: Recognition and Measurement'. The effect of not applying hedge accounting under IAS 39 means that the reported results reflect the actual rate of exchange ruling on the date of a transaction regardless of the cash flow paid by the group at the predetermined rate of exchange. In addition, any gain or loss accruing on open contracts at a reporting period end is recognised in the result for the period (regardless of the actual outcome of the contract on close-out). Whilst the impacts described above could be highly volatile depending on movements in exchange rates, this volatility will not be reflected in the cash flows of the group,

Notes (continued)

which will be based on the hedged rate. In addition, foreign currency monetary assets and liabilities are revalued to the closing balance sheet rate under IAS 21 'The Effects of Changes in Foreign Exchange Rates'. The adjustment made by the group therefore is to report its underlying performance consistently with the cash flows, reflecting the hedging which is in place.

Amortisation of intangible assets: The average estimated useful life of identifiable intangible assets is 10 to 20 years for trade names and 5 to 10 years for customer relationships. 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 16.

Notes (continued)

2 Segmental information

Information reported to the group's Chief Executive for the purpose of resource allocation and assessment of segment performance is focussed on 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.

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

				28 weeks ended 9 October 2010 (unaudited)
	UK £ million	**International £ million**	**Unallocated Corporate Expenses £ million**	**Consolidated £ million**
Revenue				
External sales	**295.1**	**102.0**	**-**	**397.1**
Result				
Segment result (underlying)	**2.8**	**15.8**	**(4.1)**	**14.5**
Share based payments				**(2.0)**
Non-cash foreign currency adjustments				**(9.3)**
Amortisation of intangible assets				**(1.2)**
Exceptional items				**(1.3)**
Profit from operations				**0.7**
Finance costs				**(0.4)**
Profit before taxation				**0.3**
Taxation				**0.1**
Profit for the period				**0.4**

				28 weeks ended 10 October 2009 (unaudited)
	UK £ million	International £ million	Unallocated Corporate Expenses £ million	Consolidated £ million
Revenue				
External sales	296.3	91.0	-	387.3
Result				
Segment result (underlying)	9.0	11.8	(4.4)	16.4
Share based payments				(6.1)
Non-cash foreign currency adjustments				(15.2)
Amortisation of intangible assets				(1.1)
Exceptional items				(0.6)
Loss from operations				(6.6)
Finance costs				(0.5)
Loss before taxation				(7.1)
Taxation				2.2
Loss for the period				(4.9)

				52 weeks ended 27 March 2010
	UK £ million	International £ million	Unallocated Corporate Expenses £ million	Consolidated £ million
Revenue				
External sales	590.3	176.1	-	766.4
Result				
Segment result (underlying)	36.1	23.2	(7.3)	52.0
Share based payments				(14.4)
Non-cash foreign currency adjustments				(1.3)
Amortisation of intangible assets				(2.1)
Exceptional items				(1.0)
Profit from operations				33.2
Finance costs				(0.7)
Profit before taxation				32.5
Taxation				(8.9)
Profit for the period				23.6

Notes (continued)

Corporate expenses not allocated to UK or International represent board and company secretarial costs and other head office costs including audit, professional fees, insurance and head office property.

3 Exceptional and non-underlying items

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

	28 weeks ended 9 October 2010 (unaudited) £ million	28 weeks ended 10 October 2009 (unaudited) £ million	52 weeks ended 27 March 2010 £ million
Exceptional items:			

Profit on disposal/termination of property interests	**0.2**	-	1.0
Restructuring costs included in administrative expenses	**(1.5)**	-	-
Integration of ELC included in administrative expenses	**-**	(0.6)	(0.8)
Share based payments charge included in admin expenses	**-**	-	(1.2)
Other non-underlying items:			
Non-cash foreign currency adjustments	**(9.3)**	(15.2)	(1.3)
Amortisation of intangibles	**(1.2)**	(1.1)	(2.1)
Unwinding of discount on exceptional provision included in finance costs	**(0.1)**	(0.2)	(0.3)
Exceptional and non-underlying items before tax	**(11.9)**	(17.1)	(4.7)

Profit on disposal/termination of property interests

During the 28 weeks ended 9 October 2010 a net credit of £0.2 million has been recognised in profit from operations relating to profit on disposal/termination of property interests and provisions against subleases and vacant property.

Restructuring costs

During the 28 weeks ended 9 October 2010 a charge of £1.5 million was recognised in administrative expenses relating to head office restructuring and group reorganisation to improve efficiency and reduce costs.

Share based payments charge included in admin expenses

During the 52 weeks ended 27 March 2010, a one-off share based payments charge relating to the 2007 Executive Incentive Plan of £1.2 million (2009: £nil million) was recognised in administrative expenses relating to synergies achieved from the integration of Early Learning Centre.

4 Taxation

	28 weeks ended 9 October 2010 (unaudited) £ million	28 weeks ended 10 October 2009 (unaudited) £ million	52 weeks ended 27 March 2010 £ million
Current tax: UK corporation tax	**(3.0)**	2.5	7.0
Deferred tax: charge for timing differences (comprises utilisation of tax losses and deductions for pension contributions)	**2.9**	(4.7)	1.9
Total tax (credit)/charge	**(0.1)**	(2.2)	8.9

The tax charge is comprised of current and deferred tax and is calculated at 28% (2009: 30%) representing the best estimate of the average annual underlying effective income tax rate expected for the full year.

The net deferred tax asset at 9 October 2010 is £7.6 million (2009: £12.2 million) including £18.0 million of deferred tax assets in relation to retirement benefit obligations.

Notes (continued)

5 Dividends

	28 weeks ended 9 October 2010 £ million	28 weeks ended 10 October 2009 £ million	52 weeks ended 27 March 2010 £ million
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the 52 weeks ended 27 March 2010 of 11.3 pence per share (2009: 9.9 pence per share)	**9.9**	8.5	8.5
Interim dividend for the 52 weeks ended 27 March 2010 of 5.5 pence per share	**-**	-	4.7
	9.9	8.5	13.2

The proposed interim dividend of 6.4 pence per share for the 28 weeks ended 9 October 2010 was approved by the board on 17 November 2010, and so, in line with the requirements of IAS 10 'Events after the Balance Sheet Date', the related cost of £5.6 million has not been included as a liability as at 9 October 2010. This dividend will be paid on 4 February 2011 to shareholders registered on 7 January 2011.

6 Earnings per share

	28 weeks ended 9 October 2010 (unaudited) million	28 weeks ended 10 October 2009 (unaudited) million	52 weeks ended 27 March 2010 million
Weighted average number of shares in issue for the purpose of basic earnings per share	**85.7**	84.1	84.4
Effect of dilutive potential ordinary shares - option schemes	**2.0**	2.0	2.1
Weighted average number of shares in issue for the purpose of diluted earnings per share	**87.7**	86.1	86.5

	£ million	£ million	£ million
Earnings/(loss) for basic and diluted earnings per share	**0.4**	(4.9)	23.6
Non-cash foreign currency adjustments	**9.3**	15.2	1.3
Amortisation of intangibles arising on acquisition of ELC	**1.2**	1.1	2.1
Unwinding of discount on exceptional property provisions	**0.1**	0.2	0.3

Exceptional items (note 3)	**1.3**	0.6	1.0
Tax effect of above items	**(3.5)**	(5.1)	(1.7)
Underlying earnings	**8.8**	7.1	26.6

	Pence	Pence	Pence
Basic earnings/(loss) per share	**0.5**	(5.9)	28.0
Basic underlying earnings per share	**10.3**	8.4	31.5
Diluted earnings/(loss) per share	**0.5**	(5.9)	27.3
Diluted underlying earnings per share	**10.0**	8.2	30.7

7 Seasonality of the Early Learning Centre

Sales for the Early Learning Centre 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).

8 Property, plant and equipment (excluding software intangibles)

During the period, the group invested £9.5 million (2009: £8.7 million) comprising additions to Stores (£8.0 million; 2009: £6.1 million), Systems (£0.1 million; 2009: £0.8 million), Product Development (£0.4 million; 2009: £0.8 million), Distribution (£0.4 million; 2009: £0.2 million) and other items (£0.6 million; 2009: £0.8 million).

9 Bank loans and overdrafts

As at 9 October 2010, the group had drawn down £10.0 million (2009: £nil) of its £40.0 million committed secured borrowing facilities. These borrowing facilities attract an interest rate of 1.70% above LIBOR and the final maturity date is 31 October 2013.

Notes (continued)

10 Share capital

Share capital as at 9 October 2010 amounted to £44.1 million. During the period, the group issued 0.1 million shares, bringing the total number of shares in issue at 9 October 2010 to 88.2 million.

11 Trade and other receivables

	9 October 2010 (unaudited) £ million	10 October 2009 (unaudited) £ million	27 March 2010 £ million
Trade receivables	**44.8**	36.4	39.8
Prepayments and accrued income	**24.3**	20.8	13.4
Other receivables	**4.6**	4.5	4.5
Current tax asset	**5.5**	-	-
VAT receivable	**0.4**	-	-
	79.6	61.7	57.7

12 Trade and other payables

	9 October 2010 (unaudited) £ million	10 October 2009 (unaudited) £ million	27 March 2010 £ million
Current liabilities:			
Trade payables	**82.1**	72.3	59.1
Payroll and other taxes, including social security	**3.8**	3.8	4.2
Accruals and deferred income	**39.5**	44.9	51.5
VAT payable	**-**	0.8	2.1
Lease incentives	**3.3**	2.7	3.7
	128.7	124.5	120.6
Non-current liabilities:			
Lease incentives	**30.7**	22.9	26.2

13 Provisions

	9 October 2010 (unaudited) £ million	10 October 2009 (unaudited) £ million	27 March 2010 £ million
Current liabilities:			
Property provisions	**4.9**	9.2	8.5
Other provisions	**0.5**	0.4	0.5
Short term provisions	**5.4**	9.6	9.0
Non-current liabilities:			
Property provisions	**8.9**	10.4	8.9
Other provisions	**0.4**	0.4	0.4
Long-term provisions	**9.3**	10.8	9.3
Total liabilities:			
Property provisions	**13.8**	19.6	17.4
Other provisions	**0.9**	0.8	0.9
Total provisions	**14.7**	20.4	18.3

The movement on total provisions is as follows:

	Property provisions £ million	Other provisions £ million	**Total provisions £ million**
Balance at 27 March 2010	17.4	0.9	**18.3**
Utilised in period	(3.9)	(0.1)	**(4.0)**
Charged in period	0.2	0.1	**0.3**
Unwinding of discount	0.1	-	**0.1**
Balance at 9 October 2010 (unaudited)	**13.8**	**0.9**	**14.7**

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 and onerous lease costs relating to Early Learning Centre's supply chain. The timing of the utilisation of the above provisions is variable dependent upon the lease expiry dates of the properties concerned.

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

Notes (continued)

14 Notes to the cash flow statement

	28 weeks ended 9 October 2010 (unaudited) £ million	28 weeks ended 10 October 2009 (unaudited) £ million	52 weeks ended 27 March 2010 £ million
Profit/(loss) from retail operations	**0.7**	(6.3)	32.7
Adjustments for:			
Depreciation of property, plant and equipment	**8.8**	8.8	15.1
Amortisation of intangible assets - software	**2.1**	1.7	3.3
Amortisation of intangible assets - other	**1.2**	1.1	2.1
Loss on disposal of property, plant and equipment	**0.6**	0.8	1.0
Loss on disposal of intangible assets - software	**-**	0.2	0.1
Loss on non-underlying non-cash foreign currency adjustments	**9.3**	15.2	1.3
Equity settled share based payments	**2.1**	1.0	2.6
Movement in property provisions	**(3.9)**	(2.1)	(5.0)
Movement in integration provisions	**-**	(3.3)	(3.3)
Movement in other provisions	**-**	-	0.1
Amortisation of lease incentives	**(3.8)**	(1.4)	(3.4)
Lease incentives received	**5.7**	5.2	10.2
Payments to retirement benefit schemes	**(3.8)**	(4.8)	(6.1)
Charge to profit from operations in respect of retirement benefit schemes	**2.1**	1.8	3.7
Operating cash flow before movements in working capital	**21.1**	17.9	54.4
Increase in inventories	**(28.5)**	(24.0)	(7.2)
Increase in receivables	**(16.5)**	(7.8)	(2.9)
Increase in payables	**10.3**	19.0	13.5
Net cash flow from operations	**(13.6)**	5.1	57.8
Income taxes paid	**(3.0)**	(2.2)	(7.7)
Net cash flow from operating activities	**(16.6)**	2.9	50.1

15 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 £2.0 million (28 weeks ended 10 October 2009: £6.1 million) of which £2.1 million (28 weeks ended 10 October 2009: £1.0 million) will be equity settled. The assumptions used to measure the fair values of the share based payments are in line with those previously published.

16 Defined benefit schemes

The group has updated its accounting for pensions under IAS 19 as at 9 October 2010. 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 2008, a liability of £64.0 million (2009: £44.5 million) has been recognised.

17 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 joint ventures and associates are disclosed below.

Trading transactions:

Joint ventures and associates	Sales of goods £ million	Amounts owed by related parties £ million
28 weeks ended 9 October 2010 (unaudited)	4.4	7.1
28 weeks ended 10 October 2009 (unaudited)	0.7	0.7
52 weeks ended 27 March 2010	1.3	1.7

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.

Notes (continued)

Other transactions:

During the 28 weeks ended 9 October 2010, the group sold a freehold property on an arms length basis to the Mothercare defined benefit pension scheme for cash of £3.0 million. There were no amounts outstanding in relation to this transaction at the period end.

Risks and uncertainties

The principal risks and uncertainties which could impact the Company's long-term performance remain those detailed on pages 31 and 32 of the Company's 2010 Annual Report and Accounts and which are summarised below:

- Continuity of supply
- Market conditions
- Foreign exchange rates risk
- Credit risk on international franchise operations
- Defined benefit pension scheme
- Logistics, distribution or IT systems failure
- Loss of key personnel
- Changes in consumer demand
- Financing risk
- Risk of loss of reputation

A copy of the Company's 2010 Annual Report and Accounts is available on the Company's website www.mothercareplc.com.

There are no additional primary uncertainties affecting the Company for the remainder of the financial year.

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
17 November 2010

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 9 October 2010 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 17. 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 (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 Kingdoms' 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 9 October 2010 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 LLP
Chartered Accountants and Statutory Auditors
London, UK
17 November 2010

Shareholder information

Financial calendar

	2011
Payment of interim dividend	4 February
Preliminary announcement of results for the 52 weeks ending 26 March 2011	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 8 October 2011	mid November

Registered office and head office
Cherry Tree Road, Watford, Hertfordshire WD24 6SH
Telephone 01923 241000
www.mothercareplc.com
Registered number 1950509

Company secretary
Mr Tim Ashby
Telephone 01923 206177

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 0871 384 2013
www.equiniti.com

Low cost share dealing service
A postal share dealing service is available 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 or by telephone on 020 7930 3737.