Mothercare plc
Interim Results

International strong; structural review of UK business

Mothercare plc announces interim results for the 28 weeks (first half) ended 8 October 2011.

Financial Results

- Worldwide network sales[(1)] £623.9m, up 5.4% (2010: £592.0m)
- Group sales £412.9m, up 4.0% (2010: £397.1m)
- Group underlying loss[(1)] before tax £4.4m (2010: profit of £12.2m)
- One-off exceptional charge of £78.5m (£59.6m non cash, £18.9m cash). Includes write-down of UK goodwill and other intangibles (£55.0m) and UK property restructure charge (£19.8m)
- Group loss before tax after exceptional charge and other non-underlying items £81.4m (2010: profit of £0.3m)
- Net debt £24.6m (2010: £8.6m); total credit facility £90.0m
- Underlying basic EPS 5.1p loss (2010: 10.3p profit)
- Interim dividend 2.0p (2010: 6.4p)

Key Highlights

International performance:
- Strong first half with International retail sales[(1)] £338.3m (2010: £292.5m), up 15.7%
- 81 new overseas stores taking total to 975 in 55 countries at H1. Opened 350th overseas Early Learning Centre
- First stores opened in Latin America; new joint venture in Ukraine

UK performance:
- Weak first half with total UK sales £281.1m, down 4.3%. Like-for-like sales[(1)] down 7.0% (down 6.0% inc. VAT). Direct in Home sales £42.6m, down 4.2%. Gross margin down 4.0%
- New Mothercare website on target for launch in 2012; Wholesale sales £18.4m (2010: £8.3m), up 121.7%
- UK property restructure announced in May 2011 on track to deliver significant benefits over next 18 months, targeting a reduced portfolio of 266 stores

Alan Parker, Executive Chairman, said:

"The Mothercare group has had a difficult first half. Whilst the International business continues to perform strongly our performance in the UK illustrates the extent of the challenges facing the business in a weak economic and consumer environment.

"Nevertheless, my first 100 days as Chairman of Mothercare plc have confirmed my initial views regarding the strength of the Mothercare and Early Learning Centre brands, the significant global opportunity of our International business and our world class sourcing operation which is a core competency of the group. I am confident that we can return to a profitable and sustainable business in the UK over time.

"We are announcing today a structural and operational review of our planned UK business size and shape. This review will consider the number, format and location of retail outlets and the plan for e-commerce. It will also include the right-sizing of our overheads to fit the new operating base. The review will include the important Christmas trading period and will be completed in the first quarter of the calendar year with implementation in 2012/13.

"The search for our new CEO is proceeding on plan. We are determined to find the right candidate for this important role. In the interim period, the Board has appointed me to the role of Executive Chairman and I will continue to lead whatever decisions are necessary to restore profitability to the UK and create the structure for long-term success."

Mothercare plc

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Note 1 - For definitions of 'network sales', 'International retail sales', 'like-for-like sales' and 'underlying profit/(loss)' see Financial Review on pages 4 to 7.

RESULTS SUMMARY

GROUP RESULTS

Group sales in the first half rose by 4.0% to £412.9 million (2010: £397.1 million). The group recorded a loss before tax of £81.4 million compared with a profit before tax of £0.3 million last year. This is after charging £77.0 million of non-underlying items (2010: £11.9 million) including a £78.5 million exceptional charge (2010: £1.3 million) analysed in more detail below. Underlying loss before tax for the first half of the year was £4.4 million compared with an underlying profit before tax of £12.2 million last year. At the end of the first half, a seasonal cash low point of the year, the group had a net debt of £24.6 million (2010 net debt: £8.6 million) funded by a drawdown of £20 million of the committed £80 million revolving credit facility plus a net drawdown of £4.6 million of our £10 million overdraft facility.

As a result of the decline in profitability and the increased net debt position at the half year end, the Board has decided to cut the interim dividend from 6.4p to 2.0p. It is prudent to reduce the dividend until the UK trading performance has stabilised and the property restructure has been completed. The Board remains confident about the outlook for the group as a whole and the growth of the cash-generative and profitable International business in particular.

Non-underlying items

As a result of the downturn in UK trading in the first half, and the announcement of a major UK property restructure in May, we have reviewed the carrying value of goodwill and other intangibles in the group balance sheet which arose from the acquisition of the Early Learning Centre in 2007.

The impairment review has shown that, in overall terms, the goodwill has significantly more value than that recorded in the books as we have more than doubled the number of Early Learning Centre stores since acquisition. However, at the time of acquisition, Early Learning Centre was predominantly a UK business, resulting in the majority of goodwill being allocated to the UK. Whilst Internationally Early Learning Centre has subsequently grown very rapidly and we recently opened our 350th Early Learning Centre overseas, we cannot offset the surplus in International goodwill against the deficit in UK goodwill. This has led to the impairment of UK goodwill and related intangible assets. The write-off is non cash and does not affect the company's distributable reserves or the ability to pay dividends.

The UK property restructure, previously announced, involves the closure of 111 loss-making in-town stores by March 2013. This comprises 76 closures at lease expiry together with the disposal of 35 further loss-making stores. This will result in a cash cost of £16.6 million.

In total, of the £78.5 million exceptional charge, just £18.9 million affects cash, of which £2.0 million has been spent in the first half of the year. There is a strong payback on this expenditure. Further details of the exceptional charge and other non-underlying items are included in the Financial Review and in note 3.

FOUR CHANNELS

The Mothercare and Early Learning Centre brands are delivered to customers through four channels, International, UK Retailing, UK Direct and UK Wholesale.

1. International

Total International sales increased by 14.9% to £342.8 million. This was mainly driven by International retail sales which increased by 15.7% in the first half to £338.3 million. International operating profit after share of joint venture start-up losses of £2.2 million, increased by 16.5% to £18.4 million.

International is our biggest growth driver and remains our largest opportunity. During the first half we opened 81 stores taking the total to 975 in 55 countries. Total retail space in the first half increased by 15.1%.

The joint venture in China now has 14 profitable stores in 5 cities. The brand continues to gain traction and we expect to open at least 15 new stores and enter 8 new cities next year. In India, we now have 74 stores in 17 cities with our joint venture partner and our franchise partners. We are on track to achieve our target of 200 stores by March 2015 and to support this growth we have opened two new logistics hubs in Chennai and Delhi. Our Australian joint venture partner has over the last 18 months acquired three mother and baby chains which are in the process of being converted to Mothercare and Early Learning Centre stores. We currently have 62 stores in 5 cities which we expect to grow to 76 stores by the end of the financial year.

We have now taken our first steps into Latin America opening two stores in Panama and this week our first store in Chile and we will open our first store in Colombia before Christmas.

We have recently entered into our fourth joint venture in another of our most important growth countries, Ukraine. This is an already profitable and successful franchise business with 29 stores, which will be earnings enhancing from day one.

2. UK Retailing

The UK trading environment has become progressively more challenging with total sales down 4.3% and like-for-likes down 7.0% in the first half, resulting in an operating loss of £18.5 million for the period (2010: profit of £2.8 million).

Our clothing range, which is all own brand, continues to perform well and has held market share in core categories, however September trading was weak due to the unseasonably warm weather and we had to increase markdown to maintain clean stock levels at half year end. We have also held market share in Home & Travel, albeit at the expense of gross margin, although this is in a competitive and declining market as our customers trade down on bigger ticket items.

Over the last four years we have concentrated on rightsizing our UK property estate to improve the cost base and operational gearing. During this time we have reduced the group's in-town store estate by nearly a third to 251 stores, moving Early Learning Centre stores into larger Mothercare stores through "2-into-1s". Through this, we have created a more flexible estate with a much shorter average lease profile and lower operating costs.

We announced in May a significant acceleration of the property strategy targeting a much smaller estate by March 2013 centered around a core of 102 profitable parenting centres with just 164 in-town stores in the UK. This programme is on track and the benefits of the strategy will come through from the start of the next financial year. In total the benefits from the property strategy have increased to between £6 million and £7 million. By March 2013 total store occupancy costs which comprise rent, rates and service charge will be reduced by 18% or £18 million.

We have made some important management and operational changes in the UK and have developed a near term action plan to improve the performance of the UK business. This includes improving both pricing and price perception, improving advice and service, enhancing the shopping environment and reducing operational costs.

We are announcing today a structural and operational review of our planned UK business size and shape. This review will consider the number, format and location of retail outlets and the plan for e-commerce. It will also include the right-sizing of our overheads to fit the new operating base. The review will include the important Christmas trading period and will be completed in the first quarter of the calendar year with implementation in 2012/13.

3. UK Direct

Total Direct sales were £62.0 million (2010: £65.7 million) with Direct in Home £42.6 million (2010: £44.5 million) and Direct in Store £19.4 million (2010: £21.2 million). The performance of our Direct in Home business has been disappointing with sales declining 4.2% over the first half of this year. The majority of this decline is attributable to the declining Home & Travel market which accounts for the majority of online sales. We have recently made a number of important operational changes and we are developing a new Mothercare website which will launch in 2012 which we expect to improve performance significantly.

4. UK Wholesale

Wholesale continues to grow rapidly with sales increasing 121.7% to £18.4 million. Mini Club is now present in 389 Boots stores and launched online in September 2011 through the Boots.com website. We have also launched new trials with Argos and Ocado with a limited range for the Christmas period.

SUMMARY AND OUTLOOK

The Board is confident about the outlook for the International business which we expect to continue to grow sales by 15-20% per annum, opening 150 stores each year. In the UK, we anticipate that the consumer environment will remain difficult through the important Christmas period. In the medium term, the Board expects the UK to return to profitability benefiting from the significant property reduction already announced and the operational and management changes we are now implementing. In the longer term we anticipate further potential for sustained profit growth from a new business base.

FINANCIAL REVIEW

RESULTS SUMMARY

Group underlying loss before tax was £4.4 million (2010: profit of £12.2 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 loss of £81.4 million (2010: profit of £0.3 million).

Income Statement

£ million	H1 11/12	H1 10/11	FY 10/11
Revenue	412.9	397.1	793.6
Underlying (loss)/profit from operations before share based payments	**(4.1)**	**14.5**	**31.1**
Share based payments	(0.5)	(2.0)	(2.2)
Net finance income/(costs)	0.2	(0.3)	(0.4)
Underlying (loss)/profit before tax	**(4.4)**	**12.2**	**28.5**
Exceptional items and unwind of discount on exceptional provisions	(78.5)	(1.4)	(3.6)
Non-cash foreign currency adjustments	2.8	(9.3)	(13.8)
Amortisation of intangible assets	(1.3)	(1.2)	(2.3)
(Loss)/profit before tax	**(81.4)**	**0.3**	**8.8**
Underlying EPS – basic	(5.1p)	10.3p	24.7p
EPS – basic	(86.9p)	0.5p	7.6p

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

<u>Non-underlying items</u>

Underlying profit before tax excludes the following non-underlying items (see note 3):

- Impairment of goodwill and intangible assets of the UK business; £55.0 million
- Net losses on disposal/termination of property interests £19.8 million relating to UK property restructure
- Exceptional business restructuring costs of £2.7 million
- Share based payments credit of £0.9 million
- Store impairments of £1.9 million
- Non-cash adjustments of £2.8 million 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 adjustments which we are required to make under IAS 39 and IAS 21. These standards require us to revalue stock and our 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) of £1.3 million.

Results by Segment

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

£ million – Revenue	H1 11/12	H1 10/11	FY 10/11
UK	281.1	293.6	587.2
International	131.8	103.5	206.4
Total	**412.9**	**397.1**	**793.6**

£ million – Underlying (Loss)/Profit	H1 11/12	H1 10/11	FY 10/11
UK	(18.5)	2.8	11.1
International	18.4	15.8	27.5
Corporate	(4.0)	(4.1)	(7.5)
Underlying (loss)/profit from operations before share based payments	**(4.1)**	**14.5**	**31.1**
Share based payments	(0.5)	(2.0)	(2.2)
Net finance income/(costs)	0.2	(0.3)	(0.4)
Underlying (loss)/profit before tax	**(4.4)**	**12.2**	**28.5**

In the period the UK has suffered a like-for-like retail sales decline and margin pressures, which have more than offset the realised benefits from the property strategy and growth in the Wholesale channel.

International has benefited from the 15.7% growth in retail sales driving growth in royalty income and shipments, with central costs growing at a much slower rate.

Corporate expenses 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 an underlying share based payments charge of £0.5 million (2010: £2.0 million) in relation to the Company's long-term incentive schemes. The charge is calculated on a theoretical fair value basis in accordance with IFRS 2 despite the fact that vesting of these schemes is currently unlikely. 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. The total underlying charge for the full year is expected to be between £1 million and £2 million (2010: £2.2 million). There is also a share based payment credit in exceptional items of £0.9 million.

Like-for-like sales, International retail sales and 'network sales'

'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 retail sales are the estimated retail sales of overseas franchisees and joint ventures and associates to their customers (rather than Mothercare sales to franchisees as included in the statutory or reported sales numbers). 'Total International sales' are International retail sales plus International wholesale sales. Group 'network sales' are Total International sales plus total UK sales. Group network sales are analysed as follows:

£ million	Reported sales				Network sales			
	H1 11/12	H1 10/11	%	FY 10/11	H1 11/12	H1 10/11	%	FY 10/11
UK retail	262.7	285.3	(7.9)	565.6	262.7	285.3	(7.9)	565.6
UK Wholesale	18.4	8.3	121.7	21.6	18.4	8.3	121.7	21.6
Total UK	**281.1**	**293.6**	**(4.3)**	**587.2**	**281.1**	**293.6**	**(4.3)**	**587.2**
International retail	127.3	97.6	30.4	197.0	338.3	292.5	15.7	561.5
International Wholesale	4.5	5.9	(23.7)	9.4	4.5	5.9	(23.7)	9.4
Total International	**131.8**	**103.5**	**27.3**	**206.4**	**342.8**	**298.4**	**14.9**	**570.9**
Group sales	**412.9**	**397.1**	**4.0**	**793.6**	**623.9**	**592.0**	**5.4**	**1,158.1**

Financing and Taxation

Net finance income represents interest receivable arising on bank deposit accounts partly offset by 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 26 per cent (2010: 28 per cent). An underlying tax charge of £nil (2010: £3.4 million) has been included for the period; the total tax credit was £6.2 million (2010: £0.1 million).

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 11/12	H1 10/11	FY 10/11
Income statement			
Service cost	(1.2)	(1.5)	(2.9)
Return on assets / interest on liabilities	0.1	(0.4)	(0.6)
Net charge	(1.1)	(1.9)	(3.5)
Cash funding			
Recurring payments	(1.0)	(1.3)	(2.2)
Deficit funding	(2.8)	(2.3)	(2.3)
Total cash funding	(3.8)	(3.6)	(4.5)
Balance sheet			
Fair value of schemes' assets	201.4	202.6	208.4
Present value of defined benefit obligations	(257.1)	(266.6)	(246.0)
Net liability	(55.7)	(64.0)	(37.6)

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

	H1 11/12	H1 10/11	Sensitivity	Effect of sensitivity £ million
Discount rate	5.0%	5.1%	+/-0.1%	-/+6.2
			+/-0.5%	-/+29.0
Inflation – RPI	3.1%	3.3%	+/-0.5%	+/-24.0

The sensitivity of the IAS 19 valuation to a 0.1% and 0.5% movement in the discount rate and a 0.5% movement in inflation are set out in the table above.

Balance Sheet and Cash Flow

The balance sheet includes goodwill and identifiable intangible assets arising on the acquisition of Early Learning Centre. During the first half the group has carried out a review to determine whether there is any indication that these assets, the majority of which were allocated to the UK, have suffered any impairment loss. It has been determined that the UK assets do not generate sufficient cash flows to support the full value of the assets and consequently an impairment loss of £55.0 million has been provided.

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 £14.6 million. The first half working capital outflow of £16.3 million (2010: £34.7 million) included increases in stock levels in UK stores/warehouses in preparation for the Christmas season and growth in International sales, increased receivables primarily prepayments due to timing of rent quarter days partly offset by higher trade payables as stock builds for Christmas. Working capital overall was broadly in line with last year, despite the rapid growth of International and Direct sourcing.

After investing £2.3 million in joint ventures and associates, £12.9 million of capital expenditure (£9.8 million net of lease incentives received) and paying £10.1 million of dividends, the net debt position including the £20 million facility drawdown (2010: £10 million) at the half year is at £24.6 million (2010: £8.6 million at October 2010).

The net debt was principally funded by a drawdown of £20 million draw down against our £80 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 committed secured bank facilities of £80 million with an average interest rate of 1.4% above LIBOR which expires in May 2014. It also has an uncommitted unsecured bank overdraft facility of £10 million.

The group's current committed borrowing facilities contains certain financial covenants which have been met throughout the period and latest forecasts show they will continue to be met for the foreseeable future. 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 £40 million during the period and at the half year the group had a net debt balance of £24.6 million funded by a draw down against the facility of £20 million.

The current economic conditions, particularly the difficult consumer and retail environment, 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, long standing relationships with many of its suppliers and other mitigating actions available. 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 half-yearly financial statements are therefore prepared on the going concern basis.

Capital Expenditure

Total capital expenditure in the first half was £12.9 million (2010: £12.9 million), of which £2.5 million was for software intangibles and £7.7 million was invested in UK stores. Landlord contributions of £3.1 million (2010: £5.7 million) were received, partially offsetting the outflow. Net capital expenditure for the full year, after landlord contributions, is expected to be no more than £20 million.

Earnings per Share and Dividend

Basic underlying earnings per share were a loss per share of 5.1 pence compared to 10.3 pence profit last year. The directors recommend an interim dividend of 2.0 pence (2010: 6.4 pence).

The interim dividend will be payable on 3 February 2012 to shareholders registered on 6 January 2012.

Related Party

Related party transactions are disclosed in note 17 in the condensed set of Financial Statements.

Consolidated income statement

For the 28 weeks ended 8 October 2011

	Note	28 weeks ended 8 October 2011 (unaudited) Underlying[1] £ million	Non-underlying[2] £ million	Total £ million	28 weeks ended 9 October 2010 (unaudited) Underlying[1] £ million	Non-underlying[2] £ million	Total £ million	52 weeks ended 26 March 2011 Total £ million
Revenue		**412.9**	**-**	**412.9**	397.1	-	397.1	793.6
Cost of sales		**(395.0)**	**1.3**	**(393.7)**	(361.9)	(10.5)	(372.4)	(737.7)
Gross profit		**17.9**	**1.3**	**19.2**	35.2	(10.5)	24.7	55.9
Administrative expenses before share-based payments		**(19.8)**	**(4.0)**	**(23.8)**	(20.5)	(1.5)	(22.0)	(42.7)
Share-based payments		**(0.5)**	**0.9**	**0.4**	(2.0)	-	(2.0)	(2.2)
Administrative expenses		**(20.3)**	**(3.1)**	**(23.4)**	(22.5)	(1.5)	(24.0)	(44.9)
(Loss)/profit from retail operations before share-based payments		**(1.9)**	**(2.7)**	**(4.6)**	14.7	(12.0)	2.7	13.2
(Loss)/profit from retail operations		**(2.4)**	**(1.8)**	**(4.2)**	12.7	(12.0)	0.7	11.0
(Loss)/profit on disposal/termination of property interests	3	**-**	**(19.8)**	**(19.8)**	-	0.2	0.2	0.2
Goodwill and intangible assets impairment	3	**-**	**(55.0)**	**(55.0)**	-	-	-	-
Share of results of joint ventures	3	**(2.2)**	**(0.4)**	**(2.6)**	(0.2)	-	(0.2)	(1.8)
(Loss)/profit from operations before share-based payments		**(4.1)**	**(77.9)**	**(82.0)**	14.5	(11.8)	2.7	11.6
(Loss)/profit from operations		**(4.6)**	**(77.0)**	**(81.6)**	12.5	(11.8)	0.7	9.4
Net finance income/(costs)		**0.2**	**-**	**0.2**	(0.3)	(0.1)	(0.4)	(0.6)
(Loss)/profit before taxation		**(4.4)**	**(77.0)**	**(81.4)**	12.2	(11.9)	0.3	8.8
Taxation	4	**-**	**6.2**	**6.2**	(3.4)	3.5	0.1	(2.3)
(Loss)/profit for the period attributable to equity holders of the parent		**(4.4)**	**(70.8)**	**(75.2)**	8.8	(8.4)	0.4	6.5
(Loss)/earnings per share								
Basic	6	**(5.1p)**		**(86.9p)**	10.3p		0.5p	7.6p
Diluted	6	**(5.1p)**		**(86.9p)**	10.0p		0.5p	7.4p

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), impairment of goodwill and intangible assets, 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 8 October 2011

	28 weeks ended 8 October 2011 (unaudited) £ million	28 weeks ended 9 October 2010 (unaudited) £ million	52 weeks ended 26 March 2011 £ million
Other comprehensive income - actuarial (loss)/gain on defined benefit pension schemes	**(20.7)**	(10.6)	16.5
Tax relating to components of other comprehensive income	**5.2**	2.6	(4.3)
Exchange differences on translation of foreign operations	**0.7**	(0.9)	(1.2)
Net (loss)/gain recognised in other comprehensive income	**(14.8)**	(8.9)	11.0
(Loss)/profit for the period	**(75.2)**	0.4	6.5
Total comprehensive (expense)/income for the period attributable to equity holders of the parent	**(90.0)**	(8.5)	17.5

Consolidated balance sheet

As at 8 October 2011

	Note	**8 October 2011 (unaudited) £ million**	9 October 2010 (unaudited) £ million	26 March 2011 £ million
Non-current assets				
Goodwill		**26.8**	68.6	68.6
Intangible assets		**24.2**	39.7	38.5
Property, plant and equipment	8	**87.5**	91.8	91.1
Investments in joint ventures and associates		**10.1**	9.3	10.4
Deferred tax asset	4	**15.5**	7.6	6.9
		164.1	217.0	215.5
Current assets				
Inventories		**133.0**	124.9	116.0
Trade and other receivables	11	**82.5**	74.1	62.5
Cash at bank and in hand		**2.7**	1.4	15.3
Current tax asset		**3.2**	5.5	-
Currency derivative assets		**2.6**	-	-
		224.0	205.9	193.8
Total assets		**388.1**	422.9	409.3
Current liabilities				
Trade and other payables	12	**(150.5)**	(128.7)	(130.1)
Current tax liabilities		**(0.9)**	(0.9)	(1.0)
Borrowings	9	**(27.3)**	(10.0)	-
Short term provisions	13	**(15.1)**	(5.4)	(5.6)
Currency derivative liabilities		**-**	(1.6)	(2.7)
		(193.8)	(146.6)	(139.4)
Non-current liabilities				
Trade and other payables	12	**(34.3)**	(30.7)	(32.3)
Retirement benefit obligations	16	**(55.7)**	(64.0)	(37.6)
Long-term provisions	13	**(11.4)**	(9.3)	(7.2)
		(101.4)	(104.0)	(77.1)
Total liabilities		**(295.2)**	(250.6)	(216.5)
Net assets		**92.9**	172.3	192.8
Equity attributable to equity holders of the parent				
Called up share capital	10	**44.3**	44.1	44.3
Share premium account		**6.1**	5.1	5.9
Other reserve		**50.8**	50.8	50.8
Own shares		**(2.9)**	(7.8)	(9.0)
Translation reserves		**0.8**	0.4	0.1
Retained earnings		**(6.2)**	79.7	100.7
Total equity		**92.9**	172.3	192.8

Consolidated statement of changes in equity

For the 28 weeks ended 8 October 2011

	Share capital £ million	Share premium account £ million	Other reserve £ million	Own shares £ million	Translation reserve £ million	Retained earnings £ million	**Total equity £ million**
Balance at 26 March 2011	44.3	5.9	50.8	(9.0)	0.1	100.7	192.8
Total comprehensive income for the period	-	-	-	-	0.7	(90.7)	(90.0)
Issue of equity shares	-	0.2	-	-	-	-	0.2
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	-
Shares transferred to employees on vesting	-	-	-	6.1	-	(6.1)	-
Dividends paid	-	-	-	-	-	(10.1)	(10.1)
Balance at 8 October 2011 (unaudited)	**44.3**	**6.1**	**50.8**	**(2.9)**	**0.8**	**(6.2)**	**92.9**

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 52 weeks ended 26 March 2011

	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	-	-	-	-	(1.2)	18.7	17.5
Issue of equity shares	0.2	1.0	-	-	-	-	1.2
Credit to equity for equity-settled share-based payments	-	-	-	-	-	2.6	2.6
Purchase of shares	-	-	-	(1.4)	-	-	(1.4)
Shares transferred to employees on vesting	-	-	-	1.3	-	(1.3)	-
Dividends paid	-	-	-	-	-	(15.5)	(15.5)
Balance at 26 March 2011	44.3	5.9	50.8	(9.0)	0.1	100.7	192.8

Consolidated cash flow statement

For the 28 weeks ended 8 October 2011

	Note	**28 weeks ended 8 October 2011 (unaudited) £ million**	28 weeks ended 9 October 2010 (unaudited) £ million	52 weeks ended 26 March 2011 £ million
Net cash flow from operating activities	14	**(14.6)**	(16.6)	27.1
Cash flows from investing activities				
Interest received		**-**	-	0.1
Purchase of property, plant and equipment		**(10.4)**	(9.5)	(16.6)
Purchase of intangibles - software		**(2.5)**	(3.4)	(5.2)
Purchase of intangibles - trademarks		**-**	(2.3)	(3.1)
Proceeds from sale of property, plant & equipment		**-**	3.0	3.3
Investments in joint ventures and associates		**(2.3)**	(7.8)	(10.5)
Net cash used in investing activities		**(15.2)**	(20.0)	(32.0)
Cash flows from financing activities				
Interest paid		**(0.8)**	(0.3)	(0.6)
New bank loans raised		**20.0**	10.0	-
Equity dividends paid		**(10.1)**	(9.9)	(15.5)
Purchase of own shares		**-**	-	(1.4)
Issue of ordinary share capital		**0.2**	0.2	1.2
Net cash from/(used in) financing activities		**9.3**	-	(16.3)
Net decrease in cash and cash equivalents		**(20.5)**	(36.6)	(21.2)
Cash and cash equivalents at beginning of period		**15.3**	38.5	38.5
Effect of foreign exchange rate changes		**0.6**	(0.5)	(2.0)
Cash and cash equivalents at end of period		**(4.6)**	1.4	15.3

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 and recognises a tax credit only to the extent that the resulting tax asset is more than likely not to reverse.

(a) The results for the 28 weeks ended 8 October 2011 are unaudited but have been reviewed by the group's auditor, whose report forms part of this document. The information for the 52 weeks ended 26 March 2011 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 and is available via the group's website at www.mothercareplc.com. 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, impairment of goodwill and intangible assets, 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, 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

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 8 October 2011 (unaudited)
	UK £ million	**International £ million**	**Unallocated Corporate Expenses £ million**	**Consolidated £ million**
Revenue				
External sales	**281.1**	**131.8**	**-**	**412.9**
Result				
Segment result (underlying)	**(18.5)**	**18.4**	**(4.0)**	**(4.1)**
Share-based payments (underlying)				**(0.5)**
Non-cash foreign currency adjustments				**2.8**
Amortisation of intangible assets				**(1.3)**
Goodwill and intangible assets impairment				**(55.0)**
Exceptional items				**(23.5)**
Loss from operations				**(81.6)**
Net finance income/(costs)				**0.2**
Loss before taxation				**(81.4)**
Taxation				**6.2**
Loss for the period				**(75.2)**

				28 weeks ended 9 October 2010 (unaudited)
	UK £ million	International £ million	Unallocated Corporate Expenses £ million	Consolidated £ million
Revenue				
External sales(1)	293.6	103.5	-	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
Net finance income/(costs)				(0.4)
Profit before taxation				0.3
Taxation				0.1
Profit for the period				0.4

Note 1 - £1.5 million revenue has been restated from UK to International to better reflect the nature of certain transactions. This reclassification is consistent with the presentation within 2011 Annual Report.

				52 weeks ended 26 March 2011
	UK £ million	International £ million	Unallocated Corporate Expenses £ million	Consolidated £ million
Revenue				
External sales	587.2	206.4	-	793.6
Result				
Segment result (underlying)	11.1	27.5	(7.5)	31.1
Share-based payments				(2.2)
Non-cash foreign currency adjustments				(13.8)
Amortisation of intangible assets				(2.3)
Exceptional items				(3.4)
Profit from operations				9.4
Net finance income/(costs)				(0.6)
Profit before taxation				8.8
Taxation				(2.3)
Profit for the period				6.5

Notes (continued)

Corporate expenses not allocated to UK or International represents 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 8 October 2011 (unaudited) £ million	28 weeks ended 9 October 2010 (unaudited) £ million	52 weeks ended 26 March 2011 £ million
Exceptional items:			
(Loss)/profit on disposal/termination of property interests	**(19.8)**	0.2	0.2
Restructuring costs included in administrative expenses	**(2.1)**	(1.5)	(3.6)
Restructuring costs included in cost of sales	**(0.2)**	-	-
Restructuring costs in share of joint ventures	**(0.4)**	-	-
Share based payments credit included in administrative expenses	**0.9**	-	-
Store impairment included in administrative expenses	**(1.9)**		
Goodwill and intangible assets impairment	**(55.0)**	-	-
Total exceptional items:	**(78.5)**	(1.3)	(3.4)
Other non-underlying items:			
Non-cash foreign currency adjustments	**2.8**	(9.3)	(13.8)
Amortisation of intangibles	**(1.3)**	(1.2)	(2.3)
Unwinding of discount on exceptional provision included in finance costs	**-**	(0.1)	(0.2)
Exceptional and non-underlying items before tax	**(77.0)**	(11.9)	(19.7)

(Loss)/profit on disposal/termination of property interests

During the 28 weeks ended 8 October 2011 a net charge of £19.8 million (2010: £0.2 million credit) has been recognised in profit from operations relating to losses on disposal/termination of property interests relating to UK property restructure.

Restructuring costs

During the 28 weeks ended 8 October 2011 a charge of £2.7 million (2010: £1.5 million) was recognised relating to head office restructuring and group reorganisation and joint venture restructuring.

Goodwill and intangible assets impairment

The group has carried out a review to determine whether there is any indication that the goodwill and intangible assets have suffered any impairment loss. It has been determined that the UK business does not generate sufficient cash flows to support the full value of the goodwill and intangible assets and consequently an impairment loss of £55.0 million has been charged.

Store impairment

The group has carried out a review of future cashflows generated by the store assets. For a small number of stores, it has been determined that the cashflows do not support the full value of the assets and consequently an impairment charge of £1.9 million has been incurred.

4 Taxation

	28 weeks ended 8 October 2011 (unaudited) £ million	28 weeks ended 9 October 2010 (unaudited) £ million	52 weeks ended 26 March 2011 £ million
Current tax: UK corporation tax	**(2.8)**	(3.0)	7.3
Deferred tax: charge for timing differences	**(3.4)**	2.9	(5.0)
Total tax (credit)/charge	**(6.2)**	(0.1)	2.3

Notes (continued)

The tax (credit)/charge is comprised of current and deferred tax and is calculated at 26 per cent (2010: 28 per cent) representing the best estimate of the average annual underlying effective income tax rate expected for the full year, a tax credit is recognised only to the extent that the resulting tax asset is more than likely than not to reverse.

The net deferred tax asset at 8 October 2011 is £15.5 million (2010: £7.6 million) including £13.9 million of deferred tax assets in relation to retirement benefit obligations.

5 Dividends

	28 weeks ended 8 October 2011 £ million	28 weeks ended 9 October 2010 £ million	52 weeks ended 26 March 2011 £ million
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the 52 weeks ended 26 March 2011 of 11.9 pence per share (2010: 11.3 pence per share)	**10.1**	9.9	9.9
Interim dividend for the 52 weeks ended 26 March 2011 of 6.4 pence per share	**-**	-	5.6
	10.1	9.9	15.5

The proposed interim dividend of 2.0 pence per share for the 28 weeks ended 8 October 2011 was approved by the Board on 16 November 2011, and so, in line with the requirements of IAS 10 'Events after the Balance Sheet Date', the related cost of £1.8 million has not been included as a liability as at 8 October 2011. This dividend will be paid on 3 February 2012 to shareholders registered on 6 January 2012.

6 (Loss)/earnings per share

	28 weeks ended 8 October 2011 (unaudited) million	28 weeks ended 9 October 2010 (unaudited) million	52 weeks ended 26 March 2011 million
Weighted average number of shares in issue for the purpose of basic earnings per share	**86.5**	85.7	85.8
Effect of dilutive potential ordinary shares – option schemes	**-**	2.0	1.8
Weighted average number of shares in issue for the purpose of diluted earnings per share	**86.5**	87.7	87.6
	£ million	£ million	£ million
(Loss)/earnings for basic and diluted earnings per share	**(75.2)**	0.4	6.5
Non-cash foreign currency adjustments	**(2.8)**	9.3	13.8
Amortisation of intangibles arising on acquisition of ELC	**1.3**	1.2	2.3
Unwinding of discount on exceptional property provisions	**-**	0.1	0.2
Exceptional items (note 3)	**78.5**	1.3	3.4
Tax effect of above items	**(6.2)**	(3.5)	(5.0)
Underlying (loss)/earnings	**(4.4)**	8.8	21.2
	Pence	Pence	Pence
Basic (loss)/earnings per share	**(86.9)**	0.5	7.6
Basic underlying (loss)/earnings per share	**(5.1)**	10.3	24.7
Diluted (loss)/earnings per share	**(86.9)**	0.5	7.4
Diluted underlying (loss)/earnings per share	**(5.1)**	10.0	24.2

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 £10.4 million (2010: £9.5 million) comprising additions to Stores £7.7 million (2010: £8.0 million), Systems £1.2 million (2010: £0.1 million), Product Development £0.4 million (2010: £0.4 million), Distribution £0.4 million (2010: £0.4 million) and other items £0.7 million (2010: £0.6 million).

Notes (continued)

9 Bank loans and overdrafts

As at 8 October 2011, the group had drawn down £20 million (2010: £10 million) of its £80 million committed secured borrowing facilities and other non secured overdrafts of £7.3 million. The committed secured borrowing facilities attract an average interest rate of 1.4 per cent above LIBOR and the final maturity date is May 2014.

10 Share capital

Share capital as at 8 October 2011 amounted to £44.3 million (2010: £44.1 million). During the period, the group issued 89,415 shares, bringing the total number of shares in issue at 8 October 2011 to 88.6 million.

11 Trade and other receivables

	8 October 2011 (unaudited) £ million	9 October 2010 (unaudited) £ million	26 March 2011 £ million
Trade receivables	**56.6**	44.8	51.0
Prepayments and accrued income	**22.9**	24.3	8.0
Other receivables	**2.9**	4.6	3.5
VAT receivable	**0.1**	0.4	-
	82.5	74.1	62.5

12 Trade and other payables

	8 October 2011 (unaudited) £ million	9 October 2010 (unaudited) £ million	26 March 2011 £ million
Current liabilities:			
Trade payables	**95.6**	82.1	77.5
Payroll and other taxes, including social security	**7.0**	3.8	2.0
Accruals and deferred income	**44.5**	39.5	42.6
VAT payable	**-**	-	4.0
Lease incentives	**3.4**	3.3	4.0
	150.5	128.7	130.1
Non-current liabilities:			
Lease incentives	**34.3**	30.7	32.3

13 Provisions

	8 October 2011 (unaudited) £ million	9 October 2010 (unaudited) £ million	26 March 2011 £ million
Current liabilities:			
Property provisions	**14.8**	4.9	5.2
Other provisions	**0.3**	0.5	0.4
Short term provisions	**15.1**	5.4	5.6
Non-current liabilities:			
Property provisions	**11.0**	8.9	6.8
Other provisions	**0.4**	0.4	0.4
Long-term provisions	**11.4**	9.3	7.2
Total liabilities:			
Property provisions	**25.8**	13.8	12.0
Other provisions	**0.7**	0.9	0.8
Total provisions	**26.5**	14.7	12.8

The movement on total provisions is as follows:

	Property provisions £ million	Other provisions £ million	**Total provisions £ million**
Balance at 26 March 2011	12.0	0.8	**12.8**
Utilised in period	(2.8)	(0.2)	**(3.0)**
Charged in period	17.2	0.1	**17.3**
Released in period	(0.6)	-	**(0.6)**
Balance at 8 October 2011 (unaudited)	**25.8**	**0.7**	**26.5**

Notes (continued)

Property provisions principally represent the costs of store disposals relating to the optimisation of the UK portfolio which involves the closure and re-siting 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/closure dates of the properties concerned.

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

14 Notes to the cash flow statement

	28 weeks ended 8 October 2011 (unaudited) £ million	**28 weeks ended 9 October 2010 (unaudited)** £ million	52 weeks ended 26 March 2011 £ million
(Loss)/profit from retail operations	**(4.2)**	0.7	11.0
Adjustments for:			
Depreciation of property, plant and equipment	**8.8**	8.8	16.6
Amortisation of intangible assets – software	**2.3**	2.1	4.1
Amortisation of intangible assets – other	**1.3**	1.2	2.3
Impairment of property, plant and equipment	**5.1**	-	-
(Loss)/profit on write-down and disposal of property, plant and equipment	**(19.8)**	0.6	0.9
(Loss)/gain on non-underlying non-cash foreign currency adjustments	**(2.8)**	9.3	13.8
Equity settled share-based payments	**-**	2.1	2.6
Movement in provisions	**13.7**	(3.9)	(5.8)
Amortisation of lease incentives	**(2.6)**	(3.8)	(5.9)
Lease incentives received	**3.1**	5.7	9.6
Payments to retirement benefit schemes	**(4.2)**	(3.8)	(5.2)
Charge to profit from operations in respect of retirement benefit schemes	**1.5**	2.1	4.1
Operating cash flow before movements in working capital	**2.2**	21.1	48.1
Increase in inventories	**(17.7)**	(28.5)	(23.9)
Increase in receivables	**(18.8)**	(16.5)	(4.8)
Increase in payables	**20.2**	10.3	13.7
Net cash flow from operations	**(14.1)**	(13.6)	33.1
Income taxes paid	**(0.5)**	(3.0)	(6.0)
Net cash flow from operating activities	**(14.6)**	(16.6)	27.1

Cash and cash equivalents (which are presented on the consolidated cash flow statement) comprise cash at bank and in hand and other non-secured overdrafts.

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 total net credit for share-based payments under IFRS 2 is £0.4 million (28 weeks ended 9 October 2010: £2.0 million charge) of which £nil million (28 weeks ended 9 October 2010: £2.1 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 8 October 2011. 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 £55.7 million (2010: £64.0 million) has been recognised.

Notes (continued)

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 8 October 2011 (unaudited)	10.6	11.3
28 weeks ended 9 October 2010 (unaudited)	4.4	7.1
52 weeks ended 26 March 2011	14.3	8.4

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.

The only other transactions which fall to be treated as related party transactions are those relating to the remuneration of key management personnel, which are not disclosed in this half-yearly report, and which will be disclosed in the group's next annual report.

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 2011 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 2011 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.

Cautionary statement

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 remaining 25 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

Neil Harrington
Finance Director
16 November 2011

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 8 October 2011 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 it 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 enquiries, 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 8 October 2011 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 Auditor
London, UK
16 November 2011

Shareholder information

Financial calendar

	2012
Payment of interim dividend	3 February
Preliminary announcement of results for the 53 weeks ending 31 March 2012	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 16 October 2012	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
Tim Ashby

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

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.