MOTHERCARE PLC
Interim Results

Transformation and Growth plan on track
Strong International profit growth and UK losses reduced

Mothercare plc, the leading international mother and baby retailer, today announces interim results for the 28 weeks to 13 October 2012.

Key highlights for first half

- Work on the Transformation and Growth plan is progressing well, with store portfolio restructuring on track, new store format launched, management team restructured and strengthened, website relaunched, improved value proposition, new ranges across all three business segments and improved focus on customer service
- Worldwide network sales up 2.1% at £636.8 million, with International retail sales up 10.8% and UK retail sales down 8.6%
- International like-for-like sales up 4.4% and UK like-for-like sales performance improved, with decline reduced to -3.4%
- Group underlying loss before tax reduced to £0.6 million (H1 2011/12: loss of £4.4m)
- Net debt of £29.8 million, following tight control of working capital and cash

	H1 2012/13 13-Oct-12 £million	**H1 2011/12 08-Oct-11 £million**	***% change vs. last year***
Group			
Worldwide network sales(1)	636.8	623.9	*+2.1*
Total group sales	388.4	412.9	*-5.9*
Group underlying loss before tax	(0.6)	(4.4)	-
Exceptional charge & non-underlying items	(26.8)	(77.0)	-
Group loss before tax after exceptional charge	(27.4)	(81.4)	-
Underlying EPS	(0.7)p	(5.1)p	-
Net debt	(29.8)	(24.6)	-
International			
International like-for-like sales growth(1)	+4.4%	+5.4%	-
International retail sales	374.8	338.3	*+10.8*
International wholesale sales	4.4	4.5	*-2.2*
Underlying International profit	22.1	18.4	*+20.1*
UK			
UK like-for-like sales growth(1)	-3.4%	-7.0%	-
UK direct sales	60.9	62.0	*-1.8*
UK retail sales (including direct sales)	240.0	262.7	*-8.6*
UK wholesale sales	17.6	18.4	*-4.3*
Underlying UK loss	(17.0)	(18.5)	-

Alan Parker, Chairman of Mothercare, said:
"We have made good progress over the last six months in implementing the cost and efficiency measures of our three-year Transformation & Growth plan for Mothercare. These are early days and while there is much still to do, I remain confident that we are on track."

Simon Calver, Chief Executive of Mothercare, said:
"My first six months as CEO have been both challenging and exciting. We are starting to see the impact of our actions to ensure that Mothercare can deliver what our customers want – better value, choice and service. Our results show early signs of progress despite the challenging trading conditions in the UK and the Eurozone. International profits have grown by 20%, while the like-for-like sales trend in the UK has improved and losses have reduced. Ahead of our peak trading period over Christmas, we are working hard to serve our customers better and focusing on the delivery of our plan."

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Notes

(1) Worldwide network sales are total International sales plus total UK sales. International retail sales are the estimated retail sales of overseas franchisees and joint ventures and associates to their customers. International like-for-like sales are the estimated franchisee retail sales from stores that have been trading continuously from the same selling space for at least a year. Total International sales are International retail sales plus International wholesale sales. UK like-for-like sales are defined as sales from 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.

This announcement contains certain forward-looking statements concerning the company. Although the Board believes its expectations are based on reasonable assumptions, the matters to which such statements refer may be influenced by factors that could cause actual outcomes and results to be materially different. The forward looking statements speak only as at the date of this document and the company does not undertake any obligation to announce any revisions to such statements, except as required by law or by any appropriate regulatory authority.

CHIEF EXECUTIVE'S REVIEW

Group results on track

Six months into our three-year Transformation and Growth plan, we are making progress towards delivering what our customers want – better value, choice and service. Under the plan we have restructured and strengthened our management team, started the work to rationalise our UK cost base and continued to grow our International business.

Mothercare is an international mother and baby retailer, and we now operate through 1,378 stores worldwide – 420 in Europe, 339 in Asia Pacific, 312 in the Middle East & Africa, 280 in the UK and 27 in Latin America, with 60% of network sales generated outside the UK. We would expect the overseas proportion to grow as we deliver on our three-year plan and continue to drive International expansion. We have grown our International sales by 15.2% in constant currency, in spite of the challenging trading conditions in the Eurozone. This more than balances the planned decline in UK sales that comes as we close underperforming stores, predominantly high street Early Learning Centre stores.

For the first half of the year, worldwide network sales were up 2.1% at £636.8million (H1 2011/12: £623.9 million), with total International sales up 10.6% at £379.2 million (H1 2011/12: £342.8 million) and total UK sales down 8.4% at £257.6million (H1 2011/12: £281.1 million). Group sales, which reflect UK sales and revenues from our International partners declined 5.9% at £388.4 million (H1 2011/12: £412.9 million).

We have reduced underlying Group losses before tax to £0.6 million (H1 2011/12: loss of £4.4 million). International profits grew by 20.1% to £22.1 million (H1 2011/12: £18.4 million) while UK losses reduced to £17.0 million (H1 2011/12: loss of £18.5 million) and corporate expenses rose to £4.2 million (H1 2011/12: £4.0 million).

After exceptional items and other charges of £26.8 million (H1 2011/12: charge of £77.0 million), the reported loss before tax was reduced to £27.4 million (H1 2011/12: loss of £81.4 million).

These charges of £26.8 million include a charge for UK restructuring, as highlighted in May 2012, of £13.9 million (£11.8 million relating to the store closure programme and £2.1 million relating to other restructuring costs). We have also taken a charge of £10.6 million to write down our Australian associate. Finally, there is a £1.8 million charge relating to non-cash foreign currency adjustments and £0.5 million relating to the amortisation of intangible items.

Working capital and cash have been tightly controlled and we end the half-year with net debt of £29.8 million (H1 2011/12: £24.6 million), better than expected, with £60 million headroom against our committed £90 million banking facilities.

Overall, we have made progress during the half-year with continued growth in our International profits and a reduction in the losses incurred in the UK. We are in the early stages of our three-year Transformation and Growth plan, with much still to do. In line with the announcement made with the trading update on 12 April 2012, the Company will not pay a dividend until the Transformation and Growth plan is delivering benefits and accordingly no dividend has been declared for the 28 week period ended 13 October 2012.

International profits grew by 20%

Our International business now trades from 2,453 sq.ft. (up 15.4% vs. H1 2011/12) with 1,098 stores across 60 countries. We operate transactional websites in five international markets. We opened a net 70 stores during the first half of the year and continue to see good growth opportunities across all our regions.

International retail sales were up 15.2% in constant currency during the first half, whilst in sterling terms this was up 10.8% to £374.8 million (H1 2011/12: £338.3 million. International wholesale sales declined 2.2% at £4.4 million (H1 2011/12: £4.5 million), which resulted in total International sales growth of 10.6% at £379.2 million (H1 2011/12: £342.8 million). Reported International sales were down 0.8% at £130.8 million (H1 2011/12: £131.8 million).

Our International performance, reflects the dual impact of weaker sales in our Eurozone markets and adverse currency movements, and is thus lower than the recent trend. With the exception of our Eurozone markets, our International markets continue to deliver strong growth at combined rates excluding the Eurozone of over 20%. Like-for-like sales growth for International is positive at 4.4%.

We are pleased to report underlying International profits growth of 20.1% to £22.1million (H1 2011/12: £18.4 million) with retail profits of £22.9 million (H1 2011/12: £20.6 million) and joint venture and associate losses reduced to £0.8 million (H1 2011/12: £2.2 million).

Europe is our largest region with 420 stores in 28 countries and a net 11 stores were opened during the first half of the year. As we highlighted in October, weaker trading conditions in the Eurozone have dampened overall International sales growth and adverse currency movements have impacted reported sales. Our Eastern European markets and Turkey continue to deliver strong growth in line with expectations.

The Middle East and Africa is our oldest region and continues to offer exciting growth opportunities. During the first half of the year a net 22 stores were opened, increasing space by 15.3% year-on-year. There are now 312 stores across 14 countries in this region.

Asia Pacific is a high-growth region for us and grew space by 25.1% year-on-year, to reach 339 stores across 13 countries. Our joint ventures in India and China continue to deliver rapid growth as planned and we opened 15 stores in these two markets during the half-year. However, trading conditions in Australia have been challenging and our associate Mothercare Australia Limited has agreed to sell its Mothercare and Early Learning Centre businesses to The Myer Family Company Holding Pty Ltd. This is subject to shareholder approval and in the meantime, we have made a provision for the remaining value of the investment while also providing for other receivables from Mothercare Australia Limited. In total, we have provided £10.6 million.

We now have 27 stores in five countries in our newest region Latin America. We are impressed by the quality of new and potential partners in this region and believe that there is significant opportunity for Mothercare to expand in this new and exciting territory, to take us further along the path towards being a truly global retailer.

UK losses reduced as planned

In the UK we believe we are starting to see the results of our early efforts to improve value for our customers and the improved performance of our online platform following the website relaunch. Like-for-like sales declined by 3.4%, for the first half of the year, against a 7% decline in the same period the year before. We are also encouraged by the swing into positive territory in the second quarter, when like-for-like sales rose by 0.3%, the first positive outcome following 10 consecutive quarters of decline. We remain cautious, however, as we benefited from weaker comparatives from the previous year in the period and we continue to trade against challenging market conditions.

We have made good progress rationalising our store base, which resulted in total UK sales being down 8.4% at £257.6 million (H1 2011/12: £281.1 million), with UK retail sales down 8.6% to £240.0 million (H1 2011/12: £262.7 million) and UK wholesale sales down 4.3% to £17.6 million (H1 2011/12: £18.4 million). Our focus on delivering planned cost savings and protecting cash margins has resulted in a reduction in the underlying loss for the UK to £17.0 million (H1 2011/12: £18.5 million).

Our store closure programme remains on track. We closed 31 stores (25 Early Learning Centre and six Mothercare stores) during the first half of the year. We now trade from 1,887k sq.ft. in the UK, a reduction of 58k sq.ft. since the end of the year. Our target for the full year remains approximately 50 store closures. At the same time we have launched new store formats which are producing encouraging results.

As part of our multi-channel approach, Direct in Home was our first focus and sales have responded positively to the launch of our new website in May, up by 0.9% at £43.0 million (H1 2011/12: £42.6 million). Since its relaunch, natural searches have improved and customer traffic is being directed more easily to our website, which is also easier to navigate with improved and richer content. As a result both traffic to our site and customer conversion rates have improved. Direct in Store, where we are now turning our attention, saw sales down 7.7% at £17.9 million (H1 2011/12: £19.4 million). Direct in Store will benefit from an improvement in our delivery options which include moving to next day for all our stores. Our store network, which offers national coverage, is at the heart of our multi-channel strategy of offering customers the ability to shop the way that is most convenient to them. Overall, total Direct sales were down 1.8% at £60.9 million (H1 2011/12: £62.0 million).

Our customers have told us we need to offer them better value. During the half-year, we took the first steps towards improving our value credentials by bringing prices down across our clothing ranges and launching our 'Value' range at keen price points. This has been a great success with our customers and led to mid-season stock reordering. Our strategy to match value and price against key competitors has reinforced customer confidence in our market-leading home & travel category and in toys we have grown our ranges priced at or below £10.

It is not also just about the entry level for prices. We successfully launched 'Little Bird', a premium clothing range in collaboration with Jools Oliver, in 70 of our largest stores and online; we are now looking at how this might be extended for spring/summer 2013. 'Baby K', also a premium range, is now in its tenth season and continues to perform very well for us. 'Blooming Marvellous', our maternity wear brand, was relaunched for autumn/winter 2012, to offer our customers better quality, fashion and value.

Our customers have also told us we need to offer them better service. In order to track this we launched 'My Customer', an in-store customer satisfaction survey, which is driving initiatives on staff training and product availability. Our customers have been candid about what we need to do and although we have a long way to go, we have started the journey towards improving customer satisfaction.

In the UK, we have taken the first steps towards stemming the losses and are confident that we are on the right path towards delivering our plan.

Summary and outlook – on track despite challenging markets

It has been a busy first six months in implementing the initiatives of our three-year Transformation and Growth plan. Looking ahead, trading conditions and consumer confidence levels in the UK remain weak and we still have our peak trading quarter ahead of us. With this in mind, we are managing the UK business to deliver targeted cash margin and are on track with our store closure and cost reduction programme. Weak Eurozone markets continue to weigh on International and we would expect International retail sales growth in the second half of the year to be similar to the first half. Space growth remains on track with growth opportunities from both new and existing markets.

Against this backdrop I am pleased with our early signs of progress and we remain on track to deliver on our Transformation and Growth plans.

FINANCIAL REVIEW

RESULTS SUMMARY

Group underlying loss before tax was £0.6 million, for the 28 weeks to 13 October 2012, (2011/12: £4.4 million loss). Underlying loss excludes exceptional items and other non-underlying items which are analysed below. Exceptional items include further provision for store closures as part of the Transformation and Growth plan and impairments against the investment in our Australian associate and related receivable balances. After exceptional and non-underlying items, the group recorded a pre-tax loss of £27.4 million (2011/12: loss of £81.4 million).

Income statement

£ million	H1 12/13	H1 11/12	FY 11/12
Revenue	388.4	412.9	812.7
Underlying profit / (loss) from operations before share based payments	**0.9**	**(4.1)**	**2.6**
Share based payments	0.1	(0.5)	(0.6)
Net finance (costs)/income	(1.6)	0.2	(0.4)
Underlying (loss) / profit before tax	**(0.6)**	**(4.4)**	**1.6**
Exceptional items and unwind of discount on exceptional provisions	(24.5)	(78.5)	(104.5)
Non-cash foreign currency adjustments	(1.8)	2.8	2.0
Amortisation of intangible assets	(0.5)	(1.3)	(2.0)
Loss before tax	**(27.4)**	**(81.4)**	**(102.9)**
Underlying EPS – basic	(0.7p)	(5.1p)	1.8p
EPS – basic	(27.1p)	(86.9p)	(105.2p)

Profit from operations before share based payments includes all of the group's trading activities, but excludes the share based payment credit/charge to the income statement in accordance with IFRS 2 (see below).

Non-underlying items

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

Exceptional items:

- Net losses on disposal or termination of property interests of £11.8 million relating to further store closures announced in May 2012.
- Other restructuring costs and share based payments charge in the UK of £2.1 million.
- Impairment costs relating to the Australian associate business of £10.6 million.

Other 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 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).

Results by segment

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

£ million - Revenue	H1 12/13	H1 11/12	2011/12
UK	257.6	281.1	560.0
International	130.8	131.8	252.7
Total	**388.4**	**412.9**	**812.7**

£ million – Underlying profit / (loss)	H1 12/13	H1 11/12	2011/12
UK	(17.0)	(18.5)	(24.7)
International	22.1	18.4	34.9
Corporate	(4.2)	(4.0)	(7.6)
Underlying profit / (loss) from operations before share based payments	**0.9**	**(4.1)**	**2.6**
Share based payments credit/(charge)	0.1	(0.5)	(0.6)
Net finance (costs)/income	(1.6)	0.2	(0.4)
Underlying (loss) / profit before tax	**(0.6)**	**(4.4)**	**1.6**

UK retail sales have declined year-on-year due to store closures and negative like-for-like sales across the store estate offset by a return to growth in the Direct in Home channel. However, results have benefited from the removal of 31 loss making stores over the period and delivering planned cost savings.

International retail sales (see below) have increased 15.2% on a constant currency basis. The negative effect of foreign currencies and the timing of shipments to franchise partners result in International reported sales decreasing by 1%. Profit has benefited from the increased retail sales and reduction in joint venture losses.

Corporate expenses represent board and company secretarial costs and other head office costs including audit, professional fees, insurance and head office property.

Share based payments

Underlying profit before tax also includes a share based payments credit of £0.1 million (2011/12: £0.5 million charge) in relation to the company's long-term incentive schemes. There are four main types of long-term share based incentive scheme being the Executive Incentive Plan, the Performance Share Plan, the Deferred Shares Plan and the Save As You Earn schemes. Full details can be found in the Annual Report.

The underlying IFRS 2 charge has benefited from a credit in 2012/13 reflecting a number of leavers from the executive schemes.

Like-for-like sales, total International 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 and reported sales are analysed as follows:

£ million	Reported sales				Network sales*			
	H1 12/13	H1 11/12	%	FY 11/12	H1 12/13	H1 11/12	%	FY 11/12
UK retail sales	240.0	262.7	(8.6)	528.7	240.0	262.7	(8.6)	528.7
UK wholesale sales	17.6	18.4	(4.3)	31.3	17.6	18.4	(4.3)	31.3
Total UK sales	257.6	281.1	(8.4)	560.0	257.6	281.1	(8.4)	560.0
International retail sales	126.4	127.3	(0.7)	245.8	374.8	338.3	10.8	665.5
International wholesale sales	4.4	4.5	(2.2)	6.9	4.4	4.5	(2.2)	6.9
Total International sales	130.8	131.8	(0.8)	252.7	379.2	342.8	10.6	672.4
Group sales	**388.4**	**412.9**	**(5.9)**	**812.7**	**636.8**	**623.9**	**2.1**	**1,232.4**

* Estimate

Financing and taxation

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

The underlying tax charge is comprised of current overseas taxes incurred and is offset by UK deferred tax. The total tax credit was £3.4 million (2011/12: credit of £6.2 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 12/13	H1 11/12	FY 11/12
Income statement			
Service cost	(1.3)	(1.2)	(2.3)
(Interest on liabilities)/return on assets	(0.6)	0.1	0.2
Gains on curtailment	-	-	0.2
Net charge	(1.9)	(1.1)	(1.9)
Cash funding			
Regular contributions	(1.0)	(1.0)	(1.9)
Deficit contributions	-	(2.8)	(6.1)
Total cash funding	(1.0)	(3.8)	(8.0)
Balance sheet			
Fair value of schemes' assets	219.5	201.4	217.3
Present value of defined benefit obligations	(271.0)	(257.1)	(270.0)
Net liability	(51.5)	(55.7)	(52.7)

In the current period the tri-annual valuation of the pension schemes as at March 2011 has been finalised. As a result an additional deficit contribution payment of £2.0 million will be paid in January 2013. The gains on curtailment in 2011/12 were due to the UK restructuring headcount reduction.

In consultation with the independent actuaries to the schemes, the key market rate assumptions used in the valuation and their sensitivity to a 0.1% movement in the rate are shown below.

	H1 12/13	H1 11/12	2012/13 Sensitivity	2012/13 Impact on scheme liabilities £ million
Discount rate	4.5%	5.0%	+/- 0.1%	-/+£6.0m
Inflation – RPI	2.7%	3.1%	+/- 0.1%	+/-£5.3m
Inflation - CPI	1.7%	2.1%	+/- 0.1%	+/-£5.3m

Balance sheet and cash flow

The balance sheet includes identifiable intangible assets arising on the acquisition of the Early Learning Centre of £7.7 million and goodwill of £26.8 million. These assets are allocated to the International business.

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 £0.7 million. The first half working capital inflow of £0.7 million reflected the build up of inventory in preparation for the Christmas season offset by a decrease in debtors and increase in creditors due to changes in settlement terms.

We have made further investment in our joint ventures during this year to drive growth in International, including £0.7 million in China and £0.4 million in India.

After investing £8.2 million of capital expenditure, of which £6.7 million relates to current year additions (£6.1 million net of lease incentives received) and receiving property sale proceeds of £2.2 million, the net debt position at the half year end is £29.8 million (2011: net debt of £24.6 million).

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 issuing new shares or varying the level of capital expenditure.

On 11 April 2012 the group refinanced with the support of its two existing banks, HSBC and Barclays increasing the level of committed facilities from £80 million to £90 million (at an interest rate range of 3.5 per cent to 4.0 per cent above LIBOR) and extending the terms to 31 May 2015. These facilities provided additional liquidity and covenant headroom to accommodate the three year strategy. The covenants in the new facilities are tested quarterly and are based around gearing, fixed charge cover and guarantor cover.

Good progress has been made over the last six months with actions taken in the UK as part of the Transformation and Growth plan resulting in a reduction in the underlying loss for the period to £17.0 million (2011: loss of £18.5 million). The International business continues to expand generating an underlying profit for the period of £22.1 million (2011: £18.4 million).

The committed bank facility was drawn down by a maximum of £50.0 million and overdraft by £3.5 million during the period, and at the period end the group had a net debt balance of £29.8 million funded by a draw down against the facility of £50.0 million, net of £20.2 million of cash. At the period end the group had available headroom of £60.2 million on its committed facilities.

The current challenging economic conditions, particularly the difficult consumer and retail environment, create uncertainty around the level of demand for the group's products. However, with the Transformation and Growth plan in place, the long-term contracts with its franchisees around the world, long standing relationships with many of its suppliers and other mitigating actions available, the directors believe the group is well placed to manage its business risks successfully despite the uncertain economic outlook.

The group's latest forecasts and projections, which incorporate the execution of the 'Transformation and Growth' plan, have been sensitivity-tested for reasonably possible adverse` variations in trading performance. This indicates the group will operate within the terms of its borrowing facilities and covenants for the foreseeable future. To the extent that future trading is worse than a reasonably possible downside, which the directors do not consider a likely scenario, there are mitigating actions available which enable the group to continue to operate within the terms of the borrowing facilities and covenants for the foreseeable future.

After considering the forecasts, sensitivities and mitigating actions available to management, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements are prepared on the going concern basis.

Capital expenditure

Total capital expenditure for the half year was £8.2 million (2011/12: £12.9 million), of which £1.9 million was for software intangibles and £6.3m for tangible fixed assets. Landlord contributions of £2.1 million (2011/12: £3.1 million) were received, partially offsetting the £8.2 million outflow. Net capital expenditure after landlord contributions was £6.1 million (2011/12: £9.8 million). Net capital expenditure for 2012/13, after landlord contributions, is expected to be circa £13.0 million.

Earnings per share and dividend

Basic underlying earnings per share were a loss of 0.7 pence compared to a loss of 5.1 pence last year. In line with the announcement made with the trading update on 12 April 2012, the Company will not pay a dividend until the Transformation and Growth plan is delivering benefits and accordingly no dividend has been declared for the 28 week period ended 13 October 2012 (2011: 2.0 pence).

Treasury policy and financial risk management

The Board approves treasury policies and senior management directly controls day-to-day operations within these policies. The major financial risk to which the group is exposed relates to movements in foreign exchange rates and interest rates. Where appropriate, cost effective and practicable, the group uses financial instruments and derivatives to manage the risks.

No speculative use of derivatives, currency or other instruments is permitted.

Foreign currency risk

All International sales to franchisees are invoiced in pounds sterling or US dollars.

International reported sales represent approximately 34 per cent of group sales. Total International sales in the 28 week period represent approximately 60 per cent of group network sales. The group therefore has some currency exposure on these sales, but it is used to offset or hedge in part the group's US dollar and Euro denominated product purchases. The group policy is that all material exposures are hedged by using forward currency contracts.

Interest rate risk

At 13 October 2012, the group had drawn down £50 million on its term borrowing facility. Following the group refinancing on 11 April 2012 the group now hedges all of the floating interest rate on this term facility using interest rate swaps. These financial instruments are accounted for as a cash flow hedge with changes in the fair value of the financial instrument that are designated as effective recognised in comprehensive income and any ineffective portion recognised immediately in the income statement.

Shareholders' funds

Shareholders' funds amount to £49.7 million, a decrease of £23.0 million in the 28 week period driven largely by the exceptional provisions required for the UK property restructuring and the impairment of the Australian associate. This represents £0.56 per share compared to £0.83 per share at the previous year end. The retained deficit in the consolidated balance sheet is £51.1 million.

Accounting Policies and Standards

There are no new standards in the period affecting the reported results and financial position.

Consolidated income statement

For the 28 weeks ended 13 October 2012

		28 weeks ended 13 October 2012 (unaudited)			28 weeks ended 8 October 2011 (unaudited)			53 weeks ended 31 March 2012
	Note	**Underlying[1] £ million**	**Non-underlying [2] £ million**	**Total £ million**	Underlying[1] £ million	Non-underlying [2] £ million	Total £ million	Total £ million
Revenue		**388.4**	**-**	**388.4**	412.9	-	412.9	812.7
Cost of sales		**(367.0)**	**(2.5)**	**(369.5)**	(395.0)	1.3	(393.7)	(770.4)
Gross profit		**21.4**	**(2.5)**	**18.9**	17.9	1.3	19.2	42.3
Administrative expenses		**(19.6)**	**(1.5)**	**(21.1)**	(20.3)	(3.1)	(23.4)	(49.2)
Profit / (loss) from retail operations		**1.8**	**(4.0)**	**(2.2)**	(2.4)	(1.8)	(4.2)	(6.9)
Loss on disposal/termination of property interests	3	**-**	**(11.8)**	**(11.8)**	-	(19.8)	(19.8)	(22.6)
Other exceptional items	3	**-**	**(10.6)**	**(10.6)**	-	(55.0)	(55.0)	(69.3)
Share of results of joint ventures and associates		**(0.8)**	**-**	**(0.8)**	(2.2)	(0.4)	(2.6)	(3.6)
Profit / (loss) from operations		**1.0**	**(26.4)**	**(25.4)**	(4.6)	(77.0)	(81.6)	(102.4)
Finance (costs)/income		**(1.6)**	**(0.4)**	**(2.0)**	0.2	-	0.2	(0.5)
Loss before taxation		**(0.6)**	**(26.8)**	**(27.4)**	(4.4)	(77.0)	(81.4)	(102.9)
Taxation	4	**-**	**3.4**	**3.4**	-	6.2	6.2	11.1
Loss for the period attributable to equity holders of the parent		**(0.6)**	**(23.4)**	**(24.0)**	(4.4)	(70.8)	(75.2)	(91.8)
Loss per share								
Basic	6	**(0.7p)**		**(27.1p)**	(5.1p)		(86.9p)	(105.2p)
Diluted	6	**(0.7p)**		**(27.1p)**	(5.1p)		(86.9p)	(105.2p)

All results relate to continuing operations.

(1) Before items described in note 2 below.
(2) Includes exceptional items (Profit/(loss) on disposal/termination of property interests, restructuring costs, impairment charges) and other non-underlying items of 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 13 October 2012

	28 weeks ended 13 October 2012 (unaudited) £ million	28 weeks ended 8 October 2011 (unaudited) £ million	53 weeks ended 31 March 2012 £ million
Other comprehensive income – actuarial gain/(loss) on defined benefit pension schemes	**2.1**	(20.7)	(21.2)
Cash flow hedges: losses arising in the period	**(0.4)**	-	-
Exchange differences on translation of foreign operations	**0.5**	0.7	(0.1)
Tax relating to components of other comprehensive income	**(1.2)**	5.2	4.1
Net gain/(loss) recognised in other comprehensive income	**1.0**	(14.8)	(17.2)
Loss for the period	**(24.0)**	(75.2)	(91.8)
Total comprehensive expense for the period attributable to equity holders of the parent	**(23.0)**	(90.0)	(109.0)

Consolidated balance sheet

As at 13 October 2012

	Note	**13 October 2012 (unaudited) £ million**	8 October 2011 (unaudited) £ million	31 March 2012 £ million
Non-current assets				
Goodwill		**26.8**	26.8	26.8
Intangible assets		**20.8**	24.2	22.1
Property, plant and equipment	8	**78.4**	87.5	86.3
Investments in joint ventures		**7.7**	3.9	6.8
Investments in associate		**-**	6.2	3.2
Deferred tax asset	4	**20.7**	15.5	17.6
		154.4	164.1	162.8
Current assets				
Inventories		**115.5**	133.0	99.1
Trade and other receivables	10	**64.6**	82.5	74.7
Cash and cash equivalents		**20.2**	2.7	1.8
Current tax asset		**3.6**	3.2	-
Derivative financial instruments		**-**	2.6	-
		203.9	224.0	175.6
Total assets		**358.3**	388.1	338.4
Current liabilities				
Trade and other payables	11	**(136.9)**	(150.5)	(123.8)
Current tax liabilities		**(2.0)**	(0.9)	(0.1)
Borrowings	9	**-**	(27.3)	(1.9)
Short term provisions	12	**(24.4)**	(15.1)	(24.5)
Derivative financial instruments		**(1.9)**	-	(1.3)
		(165.2)	(193.8)	(151.6)
Non-current liabilities				
Trade and other payables	11	**(29.3)**	(34.3)	(29.0)
Borrowings	9	**(50.0)**	-	(20.0)
Retirement benefit obligations	15	**(51.5)**	(55.7)	(52.7)
Long-term provisions	12	**(12.6)**	(11.4)	(12.4)
		(143.4)	(101.4)	(114.1)
Total liabilities		**(308.6)**	(295.2)	(265.7)
Net assets		**49.7**	92.9	72.7
Equity attributable to equity holders of the parent				
Share capital		**44.3**	44.3	44.3
Share premium account		**6.2**	6.1	6.2
Other reserve		**50.8**	50.8	50.8
Own shares		**(0.6)**	(2.9)	(2.1)
Translation and hedging reserve		**0.1**	0.8	-
Retained deficit		**(51.1)**	(6.2)	(26.5)
Total equity		**49.7**	92.9	72.7

Consolidated statement of changes in equity

For the 28 weeks ended 13 October 2012

	Share capital £ million	Share premium account £ million	Other reserve £ million	Own shares £ million	Translation and hedging reserve £ million	Retained deficit £ million	**Total equity £ million**
Balance at 31 March 2012	44.3	6.2	50.8	(2.1)	-	(26.5)	72.7
Other comprehensive income for the period	-	-	-	-	0.1	0.9	1.0
Loss for the period	-	-	-	-	-	(24.0)	(24.0)
Total comprehensive income for the period	-	-	-	-	0.1	(23.1)	(23.0)
Shares transferred to employees on vesting	-	-	-	1.5	-	(1.5)	-
Balance at 13 October 2012 (unaudited)	**44.3**	**6.2**	**50.8**	**(0.6)**	**0.1**	**(51.1)**	**49.7**

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 deficit £ million	**Total equity £ million**
Balance at 27 March 2011	44.3	5.9	50.8	(9.0)	0.1	100.7	192.8
Other comprehensive income/(expense) for the period	-	-	-	-	0.7	(15.5)	(14.8)
Loss for the period	-	-	-	-	-	(75.2)	(75.2)
Total comprehensive income/(expense) for the period	-	-	-	-	0.7	(90.7)	(90.0)
Issue of equity shares	-	0.2	-	-	-	-	0.2
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 53 weeks ended 31 March 2012

	Share capital £ million	Share premium account £ million	Other reserve £ million	Own shares £ million	Translation reserve £ million	Retained deficit £ million	**Total equity £ million**
Balance at 27 March 2011	44.3	5.9	50.8	(9.0)	0.1	100.7	192.8
Other comprehensive expense for the period	-	-	-	-	(0.1)	(17.1)	(17.2)
Loss for the period	-	-	-	-	-	(91.8)	(91.8)
Total comprehensive expense for the period	-	-	-	-	(0.1)	(108.9)	(109.0)
Issue of equity shares	-	0.3	-	-	-	-	0.3
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.5	0.5
Shares transferred to employees on vesting	-	-	-	6.9	-	(6.9)	-
Dividends paid	-	-	-	-	-	(11.9)	(11.9)
Balance at 31 March 2012	**44.3**	**6.2**	**50.8**	**(2.1)**	**-**	**(26.5)**	**72.7**

Consolidated cash flow statement

For the 28 weeks ended 13 October 2012

	Note	**28 weeks ended 13 October 2012 (unaudited)**	28 weeks ended 8 October 2011 (unaudited) Restated *	53 weeks ended 31 March 2012 Restated*
		£ million	£ million	£ million
Net cash flow from operating activities	13	**(0.7)**	(14.6)	5.6
Cash flows from investing activities				
Interest received		**-**	-	0.9
Purchase of property, plant and equipment		**(6.3)**	(10.4)	(21.7)
Purchase of intangibles – software		**(1.9)**	(2.5)	(3.2)
Proceeds from sale of property, plant and equipment		**2.2**	-	2.3
Investments in joint ventures and associates		**(1.1)**	(2.3)	(5.7)
Net cash used in investing activities		**(7.1)**	(15.2)	(27.4)
Cash flows from financing activities				
Interest paid		**(1.2)**	(0.8)	(1.3)
Facility fees paid		**(1.4)**	-	-
Net bank loans raised		**30.0**	20.0	20.0
Equity dividends paid		**-**	(10.1)	(11.9)
Issue of ordinary share capital		**-**	0.2	0.3
Net cash raised in financing activities		**27.4**	9.3	7.1
Net increase / (decrease) in cash and cash equivalents		**19.6**	(20.5)	(14.7)
Cash and cash equivalents at beginning of period		**(0.1)**	15.3	15.3
Effect of foreign exchange rate changes		**0.7**	0.6	(0.7)
Net cash and cash equivalents / (debt) at end of period		**20.2**	(4.6)	(0.1)

* The cash flow statement for the periods ending 8 October 2011 and 31 March 2012 have been restated to give a better understanding of the movement in provisions and their impact on exceptional items.

Analysis of cash and cash equivalents

	31 March 2012	Cash flow	Foreign exchange	**13 October 2012**
	£ million	£ million	£ million	**£ million**
Cash and cash equivalents	1.8	17.7	0.7	**20.2**
Net overdrafts	(1.9)	1.9	-	**-**
Cash and cash equivalents / (debt)	(0.1)	19.6	0.7	**20.2**

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 in the Chief Executive's review and the financial review 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 recognise a tax credit only to the extent that the resulting tax asset is more than likely not to reverse.
- the group uses interest rate swaps to manage its exposure to fluctuating interest rates. Changes in the fair value of interest rate swaps that are designated and effective as hedges of future cash flows are recognised in the comprehensive income statement and any ineffective portion is recognised immediately in the income statement.

(a) The results for the 28 weeks ended 13 October 2012 are unaudited but have been reviewed by the group's auditor, whose report forms part of this document. The information for the 53 weeks ended 31 March 2012 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 not qualified or modified, 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 and impairment charges. 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 or losses on the disposal/termination of property interests related to property restructures, 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.

Notes (continued)

1. General information and accounting policies

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 15.

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 internet sales. The International business comprises the group's franchise and wholesale operations, joint ventures and associates outside of the UK.

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

				28 weeks ended 13 October 2012 (unaudited)
	UK £ million	**International £ million**	**Unallocated Corporate Expenses £ million**	**Consolidated £ million**
Revenue				
External sales	**257.6**	**130.8**	**-**	**388.4**
Result				
Segment result (underlying)	**(17.0)**	**22.1**	**(4.2)**	**0.9**
Share-based payments (underlying)				**0.1**
Non-cash foreign currency adjustments				**(1.8)**
Amortisation of intangible assets				**(0.5)**
Exceptional items				**(24.1)**
Loss from operations				**(25.4)**
Finance cost (including £0.4m non-underlying)				**(2.0)**
Loss before taxation				**(27.4)**
Taxation				**3.4**
Loss for the period				**(24.0)**

				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)
Finance income				0.2
Loss before taxation				(81.4)
Taxation				6.2
Loss for the period				(75.2)

				53 weeks ended 31 March 2012
	UK £ million	International £ million	Unallocated Corporate Expenses £ million	Consolidated £ million
Revenue				
External sales	560.0	252.7	-	812.7
Result				
Segment result (underlying)	(24.7)	34.9	(7.6)	2.6
Share-based payments (underlying)				(0.6)
Non-cash foreign currency adjustments				2.0
Amortisation of intangible assets				(2.0)
Exceptional items				(104.4)
Loss from operations				(102.4)
Finance costs (including £0.1m non-underlying)				(0.5)
Loss before taxation				(102.9)
Taxation				11.1
Loss for the period				(91.8)

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 13 October 2012 (unaudited) £ million	28 weeks ended 8 October 2011 (unaudited) £ million	53 weeks ended 31 March 2012 £ million
Exceptional items:			
Restructuring costs included in cost of sales	**(0.2)**	(0.2)	(2.0)
Restructuring costs included in administrative expenses	**(1.4)**	(2.1)	(7.1)
Store property, plant and equipment impairment included in administrative expenses	**-**	(1.9)	(3.8)
Share based payments (charge)/ credit included in administrative expenses	**(0.1)**	0.9	0.8
Onerous lease provision	**-**	-	(11.5)
Loss on disposal/termination of property interests	**(11.8)**	(19.8)	(22.6)
Goodwill and intangible assets impairment	**-**	(55.0)	(55.0)
Impairment of investment in and receivables due from associate	**(10.6)**	-	(2.8)
Share of restructuring cost in associate	**-**	(0.4)	(0.4)
Restructuring costs included in net finance costs	**(0.4)**	-	-
Total exceptional items:	**(24.5)**	(78.5)	(104.4)
Other non-underlying items:			
Non-cash foreign currency adjustments	**(1.8)**	2.8	2.0
Amortisation of intangibles	**(0.5)**	(1.3)	(2.0)
Unwinding of discount on exceptional provision included in finance costs	-	-	(0.1)
Exceptional and non-underlying items before tax	**(26.8)**	(77.0)	(104.5)

Restructuring costs

During the 28 weeks ended 13 October 2012 a charge of £2.0 million (2011: £2.7 million) was recognised relating to further head office restructuring and group reorganisation.

Profit on disposal/termination of property interests

In April 2012 the group announced that it was targeting a portfolio of 200 stores at March 2015, including the closure of a further 64 stores compared to previously announced targets. During the 28 weeks ended 13 October 2012 a net charge of £11.8 million (2011: £19.8 million) has been recognised in profit from operations relating to the losses on disposal/termination of property interests.

Impairment of investment in associate

During the period the group's associate business in Australia has continued to generate operating losses and the business requires further funding to be able to meet its liabilities. Subject to shareholder approval the associate business has agreed to sell its Mothercare and Early Learning Centre business to The Myer Family Company Holding Pty Ltd. As a result the carrying value of the investment and receivable balances are no longer considered recoverable and have therefore been fully impaired.

Notes (continued)

4 Taxation

	28 weeks ended 13 October 2012 (unaudited) £ million	28 weeks ended 8 October 2011 (unaudited) £ million	53 weeks ended 31 March 2012 £ million
Current tax – Overseas tax and UK corporation tax	**0.9**	(2.8)	(4.5)
Deferred tax - UK charge for timing differences	**(4.3)**	(3.4)	(6.6)
Total tax credit	**(3.4)**	(6.2)	(11.1)

The deferred tax credit arises on UK timing differences including the impact of the change in rate from 24% (2011) to 23% (2012).

The net deferred tax asset at 13 October 2012 is £20.7million (2011: £15.5 million) including £11.8 million of deferred tax assets in relation to retirement benefit obligations (2011: £13.9 million).

5 Dividends

	28 weeks ended 13 October 2012 £ million	28 weeks ended 8 October 2011 £ million	53 weeks ended 31 March 2012 £ million
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the 53 weeks ended 31 March 2012 of nil pence per share (2011: 11.9 pence per share)	**-**	10.1	10.1
Interim dividend for the 53 weeks ended 31 March 2012 of 2.0 pence per share	**-**	-	1.8
	-	10.1	11.9

In line with the announcement made with the trading update on 12 April 2012, the Company will not pay a dividend until the Transformation and Growth plan is delivering benefits and accordingly no dividend has been declared for the 28 week period ended 13 October 2012.

6 Earnings per share

	28 weeks ended 13 October 2012 (unaudited) million	28 weeks ended 8 October 2011 (unaudited) Million	53 weeks ended 31 March 2012 million
Weighted average number of shares in issue for the purpose of basic earnings per share	**88.5**	86.5	87.2
Effect of dilutive potential ordinary shares – option schemes	**-**	-	1.7
Weighted average number of shares in issue for the purpose of diluted earnings per share	**88.5**	86.5	88.9
	£ million	£ million	£ million
Loss for basic and diluted earnings per share	**(24.0)**	(75.2)	(91.8)
Exceptional and other non-underlying items	**26.8**	77.0	104.5
Tax effect of above items	**(3.4)**	(6.2)	(11.1)
Underlying (loss) / earnings	**(0.6)**	(4.4)	1.6
	Pence	Pence	Pence
Basic loss per share	**(27.1)**	(86.9)	(105.2)
Basic underlying (loss) / earnings per share	**(0.7)**	(5.1)	1.8
Diluted loss per share	**(27.1)**	(86.9)	(105.2)
Diluted underlying (loss) / earnings per share	**(0.7)**	(5.1)	1.8

7 Seasonality of the Early Learning Centre

Sales for the Early Learning Centre are more heavily weighted towards the second half of the year, with approximately 38% of annual sales occurring in the third quarter (mid-October to early January).

8 Property, plant and equipment (excluding software intangibles)

Capital additions of £5.0 million were made during the period (2011: £10.4 million) comprising additions to stores (£1.7 million; 2011: £7.7 million), product development (£0.3 million; 2011: £0.4 million), and other items (£3.0 million; 2011: £2.3 million).

9 Bank loans and overdrafts

As at 13 October 2012, the group had drawn down £50.0 million (2011: £20.0 million) of its £90.0 million committed secured borrowing facilities. The committed secured borrowing facilities attract an interest rate of 3.5 per cent to 4.0 per cent above LIBOR and the final maturity date is 31 May 2015.

10 Trade and other receivables

	13 October 2012 (unaudited) £ million	8 October 2011 (unaudited) £ million	31 March 2012 £ million
Trade receivables	**39.1**	56.6	48.6
Prepayments and accrued income	**20.1**	22.9	19.0
Other receivables	**5.4**	2.9	7.1
VAT receivable	**-**	0.1	-
	64.6	82.5	74.7

Included within trade receivables are trade and other receivables due after more than one year:

	13 October 2012 (unaudited) £ million	8 October 2011 (unaudited) £ million	31 March 2012 £ million
Trade receivables	**0.1**	-	1.4

11 Trade and other payables

	13 October 2012 (unaudited) £ million	8 October 2011 (unaudited) £ million	31 March 2012 £ million
Current liabilities:			
Trade payables	**83.5**	95.6	71.0
Payroll and other taxes, including social security	**3.1**	7.0	2.3
Accruals and deferred income	**45.5**	44.5	43.7
VAT payable	**0.6**	-	2.0
Lease incentives	**4.2**	3.4	4.8
	136.9	150.5	123.8
Non-current liabilities:			
Lease incentives	**29.3**	34.3	29.0

Notes (continued)

12 Provisions

	13 October 2012 (unaudited) £ million	8 October 2011 (unaudited) £ million	31 March 2012 £ million
Current liabilities:			
Property provisions	**24.0**	14.8	24.1
Other provisions	**0.4**	0.3	0.4
Short term provisions	**24.4**	15.1	24.5
Non-current liabilities:			
Property provisions	**12.2**	11.0	12.0
Other provisions	**0.4**	0.4	0.4
Long-term provisions	**12.6**	11.4	12.4
Total liabilities:			
Property provisions	**36.2**	25.8	36.1
Other provisions	**0.8**	0.7	0.8
Total provisions	**37.0**	26.5	36.9

The movement on total provisions is as follows:

	Property provisions £ million	Other provisions £ million	Total provisions £ million
Balance at 1 April 2012	36.1	0.8	**36.9**
Utilised in period	(10.1)	(0.1)	**(10.2)**
Charged in period	10.2	0.1	**10.3**
Balance at 13 October 2012 (unaudited)	**36.2**	**0.8**	**37.0**

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 provisions for onerous leases. The timing of the utilisation of the above provisions is variable dependent upon the lease expiry and closure dates of the properties concerned. The majority of this provision is expected to be utilised over the next three years.

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

Notes (continued)

13 Notes to the cash flow statement

	28 weeks ended 13 October 2012 (unaudited) £ million	28 weeks ended 8 October 2011 (unaudited) Restated* £ million	53 weeks ended 31 March 2012 Restated* £ million
Loss from retail operations	**(2.2)**	(4.2)	(6.9)
Adjustments for:			
Depreciation of property, plant and equipment	**8.4**	8.8	16.2
Amortisation of intangible assets – software	**2.4**	2.4	4.6
Amortisation of intangible assets – other	**0.5**	1.3	2.0
Impairment of intangible assets	**0.1**	-	-
Impairment of property, plant and equipment	**-**	1.9	3.8
Underlying (losses)/profits on disposal of property, plant and equipment	**-**	-	0.7
Loss/(profit) on non-underlying non-cash foreign currency adjustments	**1.8**	(2.8)	(2.0)
Equity settled share-based payments	**-**	-	0.5
Utilisation of property provisions	**(10.1)**	(3.2)	(8.7)
Utilisation of other provisions	**(0.1)**	-	(0.4)
Underlying charge to provisions	**0.1**	0.7	1.1
Cash payments for non underlying property disposals	**(0.1)**	(0.5)	(0.7)
Amortisation of lease incentives	**(2.7)**	(2.6)	(5.2)
Lease incentives received	**2.1**	3.1	3.5
Payments to retirement benefit schemes	**(1.0)**	(3.8)	(8.0)
Charge to profit from operations in respect of retirement benefit schemes	**1.9**	1.1	1.9
Operating cash flow before movements in working capital	**1.1**	2.2	2.4
(Increase)/decrease in inventories	**(17.6)**	(17.7)	18.5
Decrease/(increase) in receivables	**2.5**	(18.8)	(9.8)
Increase/(decrease) in payables	**15.8**	20.2	(9.6)
Cash generated / (utilised) from operations	**1.8**	(14.1)	1.5
Income taxes (paid) / received	**(2.5)**	(0.5)	4.1
Net cash (outflow) / inflow from operating activities	**(0.7)**	(14.6)	5.6

* The cash flow statement for the periods ending 8 October 2011 and 31 March 2012 have been restated to give a better understanding of the movement in provisions and their impact on exceptional items.

14 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 £nil million mainly due to the impact of leavers (28 weeks ended 8 October 2011: £0.4 million credit) of which £nil million (28 weeks ended 8 October 2011: £nil 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.

15 Defined benefit schemes

The group has updated its accounting for pensions under IAS 19 as at 13 October 2012. 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 2011, a liability of £51.5 million (2011: £55.7 million) has been recognised.

Notes (continued)

16 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 (net of provisions) £ million
28 weeks ended 13 October 2012 (unaudited)	13.4	5.5
28 weeks ended 8 October 2011 (unaudited)	10.6	11.3
53 weeks ended 31 March 2012	22.0	9.9

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. As previously noted in this statement, provisions have been made in respect of receivables due from the Australian associate (£8.2m). No other provisions have been made in respect of amounts owed by other related parties.

Risks and uncertainties

The Board continually assesses and monitors the key risks of the business. The principal risks and uncertainties which could impact the Company's long-term performance remain those detailed on pages 24 and 25 of the Company's 2012 Annual Report and Accounts and which are summarised below:

- The group fails to meet the financial targets set out in the Transformation and Growth plan
- Shortfall in LFL sales, particularly in the UK
- Macro-economic conditions, especially in the Euro-zone
- Additional cash funding to support International joint ventures
- UK store rationalisation programme falls behind schedule
- Foreign exchange rates risk
- Logistics, distribution or IT systems failure
- Organisational change and headcount reduction
- Changes in consumer demand
- Risk of loss of reputation
- Failure to react to competition

A copy of the Company's 2012 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).

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from the legislation in other jurisdictions.

By order of the Board

Simon Calver
Chief Executive
21 November 2012

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 13 October 2012 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 16. 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 13 October 2012 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
21 November 2012

Shareholder information

Financial calendar

	2013
Preliminary announcement of results for the 52 weeks ending 30 March 2013	end May
Issue of report and accounts	mid June
Annual General Meeting	mid July
Announcement of interim results for the 28 weeks ended 12 October 2013	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

Postal share dealing service
A postal share dealing service is available through the Company's registrars for the purchase and sale of Mothercare plc shares. Further details can be obtained from Equiniti on 0871 384 2248 (calls to this number are charged at 8p per minute from a BT landline. Other telephony providers costs may vary). Lines are open 08:30 to 17:30, Monday to Friday.

The Company's stockbrokers are:

JPMorgan Cazenove & Co Limited
25 Bank Street
Canary Wharf,
London E14 5JP
Telephone 020 7742 4000

Numis Securities
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT
Telephone 020 7260 1000

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.