Mothercare Australia Limited
Financial Report 2011

mothercare

the world's leading
mother & baby store

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Mothercare Australia Limited and Controlled Entities

CHAIRMAN'S REPORT

On behalf of the Board, I am pleased to present this year's Financial Report.

The Board of Mothercare Australia announced an after-tax loss for the full year of $21.3m.

In summary:

- Total revenue from continuing operations increased by 179% to $65.7m following the acquisition and integration of Babies Galore and Baby on a Budget and the continued rollout of Mothercare stores.
- EBITDA loss of $19.6m including non-recurring items of $6.4m.
- Depreciation and amortisation of $2.4m.
- Underlying loss before tax of $15.5m.
- Basic EPS of (11.10) cents.
- The Group had net cash of $3.1m at the end of July 2011. Net cash inflow following the Capital Raising is expected to be $3.9m.

Items beyond normal trading, which contributed to the loss were:

- Restructuring and redundancy costs of $1.2m.
- An unrealised foreign exchange loss of $2m.
- A $1.5m stock write-down.
- A fixed asset write down of $1.7m associated with store closures and information technology assets arising out of the integration process.
- Transaction costs and duties of $0.8m.
- Kids Central intangibles write-off of $0.7m as the Kids Central brand was replaced by Mothercare and ELC in the majority of locations.

Operational highlights

While the company is making progress towards achieving its objective of becoming a unique parenting and baby retailer in Australia, the following factors adversely impacted full year results:

Lower revenue versus forecast

- The Australian retail market remained difficult in terms of weak consumer demand and consequently price-based competition escalated. As indicated in our interim results in February, the sales performance of the group was below expected levels. Market conditions became progressively more challenging in the second half of the year and the ramp-up of sales in the new Mothercare branded stores was lower than anticipated. It is noteworthy, however, that the comparative sales of the Early Learning Centre and remaining Kids Central stores in the toy and gift segment showed 4.7 % growth.

Clearance activity and store conversion costs

- The planned clearance activity combined with operating costs associated with the rapid conversion program and store closures impacted the company gross margin substantially, as well as store operating costs for the year. The tough retail environment led to greater discounting on legacy stock following the acquisitions of Babies Galore and Baby on a Budget as the company paved the way for Mothercare branded merchandise.

  Since March of this year over 10,000m^2 of retail space has been converted to Mothercare stores and four unprofitable Babies Galore stores were closed.

Sales mix

- The gross margin was also adversely affected by the initial lower level of sales of proprietary branded products.

Post merger integration and organisational structure

- Integration costs associated with the merger of three businesses and the need to initially retain personnel for an extended period involved significant costs.

Review of the achievements in the full year:

Mothercare has invested in progressing towards achieving its strategic objective of becoming a market leader in its sector through the following initiatives:

- The acquisition of Babies Galore (21/09/2010) and the subsequent conversion of stores to Mothercare across NSW and Queensland. The conversion process was completed in 12 months rather than the originally expected 18 months, bringing forward the required capital expenditure to 2011/2012 financial year.

CHAIRMAN'S REPORT

- The acquisition of Baby On A Budget (01/10/2010). The conversion of its two largest stores to Mothercare is complete, with the remaining four stores to be converted imminently.
- The conversion of key Kids Central locations to Mothercare, including the flagship Castle Hill location in Sydney.
- The enhancement of the underlying gross margin across key product categories, giving the group a competitive advantage in its retail segment.
- The opening of 4 new Mothercare branded stores, 3 in Victoria and 1 in Queensland.
- The introduction of Mothercare plc, the Myer Family Holdings and Allegro Private Equity as major shareholders.
- The divestment of the Beanie Kids and Giftware wholesale business.
- The transitioning of the group's principal banking relationship to the ANZ.
- The reconstitution of the Board to add retail and the Mothercare international roll-out experience.

Outlook and Capital Raising

The events of the past year have adversely affected the group cash flow and available cash resources. While the retail environment remained difficult in July and August 2011 the group is committed to continuing to grow the presence of its two brands, Mothercare and the Early Learning Centre. In addition to funding support from Mothercare plc and the Myer Family Holding, the Board resolved to complete a capital raising of approximately $7.6m by way of a rights issue. The prospectus was lodged on September 1st 2011 and the offer closed on Monday September 26th. With subscriptions and underwriting, the $7.6M objective was achieved.

Capital raised will enable the company to immediately:

- Provide the group with additional necessary working capital.
- Open at least six new stores – including two new Mothercare fashion centric mall stores in the next 6 months.
- Continue with the national marketing campaign.
- Accelerate its online business model (www.mothercare.com.au and www.elctoys.com.au)
- Further rationalise its expense structure.

In the 2012 financial year, the group is estimating revenue to increase above $80m as it benefits from new store openings, and a full year's trading on the acquired portfolio under the Mothercare brand. In this coming financial year, there will not be a material clearance impact on gross profit and sales of proprietary product is expected to improve with the expanded marketing effort. In addition, the company has reduced its head office costs by approximately 10% as a result of the integration process. Further, the growth in sales, the improved gross margin from improved sales and enhanced buying arrangements, and the cost efficiencies achieved are expected to contribute to a marked improvement in performance over the next 12 months.

The Board wishes to reiterate that it appreciates the challenging task lying ahead for the company and the difficult economic climate in which it is operating.

Mothercare Australia and its major shareholders remain committed to achieving its goal to become a sustainable and profitable market leader as a mother, baby and kids retailer in Australia and New Zealand.

The Board of Directors of Mothercare Australia wishes to acknowledge the support of its staff, suppliers, bankers and in particular, Mothercare plc and Myer Family Holdings.

Robert Gavshon
Chairman

30 September 2011

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity ('the Group') consisting of Mothercare Australia Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011.

DIRECTORS

The names of the directors of Mothercare Australia Limited ('the Company') in office during the year and until the date of this report unless otherwise stated are:

Robert Gavshon (Non -Executive Chairman)
Robert Gavshon was appointed to the Board on 1 December 2010. Robert is also a member of the Audit Committee.

Robert Gavshon came from South Africa 33 years ago, where he was a partner in one of that country's leading law firms. In Sydney, he began his career as Group General Counsel and Director of Corporate Affairs for a multi-national corporation. Subsequently, Robert became a significant shareholder in, and served as a director of a number of companies including Deputy Chairman of Barbeques Galore, a NASDAQ listed company until its sale to a leading Australian private equity group. He also served as a non-executive Director and a founder of Rebel Sport, the largest sporting goods retailer in Australia and New Zealand and Chairman of Oporto and Think: Education, until their sales. He is currently Chairman of SOLA Sport, Open Colleges Australia, Viteknologies and Mothercare Australia and is a director of a number of other investee companies.

Robert has extensive community involvement, occupying leading positions in Australian not-for-profit organisations.

Directorship of public listed companies for the past three years: Nil

Brent Dennison (Managing Director)
Brent Dennison was appointed to the Board on 21 July 2008. Brent returned to Australia after working in the European private equity industry for 6 years. Immediately prior to returning, Brent executed and managed a successful buy-and-build investment in Italy in conjunction with the Dutch fund, Favonius Ventures. Before working with Favonius, Brent was a director with Citigroup in NY evaluating small to medium sized financial services investment opportunities of strategic interest to the bank. Prior to Citigroup, Brent led two entrepreneurial ventures, a UK-based software business that was sold to a German ERP player, and the launch of Turkey's first management consulting practise in the mid-1990s. Before embarking on his entrepreneurial pursuits, Brent was a strategy consultant with the Boston Consulting Group in Melbourne and New York.

Directorship of public listed companies for the past three years: Nil

Ross Bartlett (Executive Director)
Ross Bartlett was appointed to the Board on 1st September 2009 at the time of the merged Skansen-Kids Central entity. Ross is also Chairman of the Remuneration Committee. Ross has over 30 years experience in retail, marketing, brand management and product development. Over that period, Ross held many senior management roles at Coles Myer including General Manager of Merchandising & Marketing for Kmart Australasia. He has experience in Strategic Planning and Buying-Brand management including the development of exciting new Brands and unique products, long term development of retail formats and their market positioning.

Directorship of public listed companies for the past three years: Nil

Jerry Cull (Non-Executive Director)
Jerry Cull was appointed to the Board on 30 September 2010. Jerry has been appointed to the Remuneration Committee.

Jerry is currently the Group International Director of Mothercare plc. He has over 30 years' experience working within the Mothercare Group. Jerry was previously within the UK Mothercare business before moving to the international division. Since that time, he has led the growth of Mothercare internationally to a 950 store portfolio in 54 countries with annual retail sales in excess of $1 billion (AUD).

Directorship of public listed companies for the past three years: Nil

Mike Lewis (Non-Executive Director)
Mike Lewis was appointed to the Board on 30 September 2010.

Mike Lewis established OshKosh B'Gosh in Australia in 1987. He was also responsible for the development of OshKosh's Asia / Pacific business based in HKG, and the set up of a their sourcing office servicing the Asia/Pacific markets. Post the success of the Asia initiative, Mike was appointed from 1996 until 2000 to drive the growth of the OshKosh brand in the UK and Europe. Upon his return to Australia, Mike negotiated the Australian / NZ rights for the Early Learning Centre (ELC), and developed the ELC business in conjunction with the Kids Central retail concept. In 2007, Mike negotiated the Mothercare rights for Australia. Mike then joined with Headline Group (now Mothercare Australia) to undertake the Mothercare launch and rollout.

Mike has a BEc degree from Sydney University and is a qualified accountant.

Directorship of public listed companies for the past three years: Nil

DIRECTORS (continued)

David Shelmerdine (Non- Executive Director)
David Shelmerdine was appointed to the Board on 30 November 2010. David has also been appointed to the Audit Committee.

Mr Shelmerdine is a director of The Gold Standard Foundation and past Deputy Chairman of The Myer Family Company Holdings Pty Ltd, a member of its investment committee, remuneration and nominations committee and Chairman of the Audit and Governance Committee.

In addition, David is a founding director and Deputy chairman of ClimateWorks Australia, and is Convenor of the Sustainability and the Environment Funding Program for the Sidney Myer Fund and The Myer Foundation. He has been involved in several significant philanthropic initiatives with the Foundation and the Fund over the past ten years.

He is Managing Director of Laradoc Pty Ltd, a privately owned agribusiness company with interests in the pastoral, livestock and viticulture sectors. David has a Graduate Diploma in Agriculture from Adelaide University Roseworthy College in South Australia and has been directly involved in the management and strategic direction of a number of privately owned agribusiness companies

Directorship of public listed companies for the past three years: Nil

Chester Moynihan (Non-Executive Director)
Chester Moynihan was appointed to the Board on 30th November 2010. Chester has also been appointed Chairman of the Audit Committee.

Chester co-founded Quay Capital (predecessor to Allegro Funds) in 2004 and is currently a co partner. Chester has over 19 years of experience in private equity investing, corporate advisory and executive management.

Chester is a Chartered Accountant and has the following additional qualifications, Investment Management Certificate and advanced Insolvency law and practice.

Directorship of public listed companies for the past three years: Nil

Gordon Elkington (Executive Chairman)
Gordon Elkington was appointed to the Board on 31 October 2004 and resigned on 30 November 2010.

Gordon has over 30 years' experience in the retail and manufacturing sectors. From 1999 to 2003 Gordon was the Managing Director of Sabco Limited. From 1994 to 1999 he was the Managing Director of Willow Sales Management. He was previously a director of Davis Plastics, prior to its acquisition by the Willow Group. Gordon was also the Chairman of the Audit Committee until his resignation in November of last year.

Directorship of public listed companies for the past three years: Nil

George Choo (Executive Director & Chief Financial Officer)
George Choo resigned from the Board and as Company Secretary on 30 November 2010.

George holds qualifications in Business Studies majoring in Accounting and Graduate-Diploma in Electronic Data Processing (EDP).

Directorship of public listed companies for the past three years: Nil

COMPANY SECRETARY

Ian Gordon
Ian Gordon was appointed Company Secretary on 9 October 2007, and resigned on 29 June 2011. Ian has been a Fellow of The Institute of Chartered Accountants in Australia since 1977, and has practised as a Chartered Accountant in Sydney since 1974 as a partner in McBurney & Partners. He has had previous experience acting as Company Secretary for Neverfail Springwater Limited from its initial ASX listing until taken over by Coca-Cola Amatil Limited, and is responsible in his accounting practice for corporate secretarial services for a diverse range of unlisted companies.

George Choo
George Choo, Executive Director & Chief Financial Officer, was appointed as an additional Company Secretary on 22 August 2008 and resigned from both positions on 30 November 2010.

Robert de Lorenzo
Robert de Lorenzo is currently the CFO for Mothercare Australia and was appointed Company Secretary on 1 December 2010. Robert is a CPA and his qualifications include a Bachelor of Business and a MBA. Robert has a number of years of financial and commercial experience across international and locally listed companies, including the most recent roles at Westpac Banking Corporation, and Hutchison Telecommunications.

DIRECTORS' REPORT

Interests in the shares and options of the Company and related bodies corporate
As at the date of this report, the interests of the directors in the shares and options of the Company were:

	Ordinary shares fully paid	Options over ordinary shares
Mike Lewis	5,373,748	-
Brent Dennison	11,779,374	-

CORPORATE STRUCTURE

Mothercare Australia Limited (ACN 060 199 082) is a company limited by shares that is incorporated and domiciled in Australia. Mothercare Australia Limited has prepared consolidated financial statements incorporating the entities that it controlled during the financial year. All subsidiaries are 100% owned and domiciled in Australia except where indicated.

Mothercare Australia Limited (formerly Headline Group Limited)

Skansen Pty Limited

Baby on a Budget Pty Limited

A.C.N. 000 950 649 Pty Limited (formerly Reko Pty Limited)

DoDo Holdings Pty Limited

BK World Online Pty Limited

Skansen Giftware (UK) Limited (domiciled in the United Kingdom)

Skansen KCG Pty Limited

REGISTERED OFFICE

Level 1
Building 2A/220
The Entertainment Quarter
122 Lang Road
Moore Park NSW 2021

NATURE OF OPERATION AND PRINCIPAL ACTIVITIES

The principal activities during the year within the Group was the sale of educational toys, parenting and children's products and mother and child fashion.

The Group is focused on marketing and retailing exclusive brands to the Australian parenting and children's market segment. The Group is continuing an exciting growth phase with the roll-out of Mothercare in Australia and New Zealand.

DIVIDENDS

No dividends have been declared or paid during or since the end of the financial year.

REVIEW OF OPERATIONS

For the year ended 30 June 2011, the Group incurred a net loss before tax of $21.89 million and a net comprehensive loss after tax of $20.29 million. This is not comparable to the 30 June 2010 net loss before tax of $4.09 million because of the acquisition of Babies on a Budget and Babies Galore which has incurred some one-off expenses for the year ended 30 June 2011.

The major factors impacting the result included:

- Australian retail market conditions remained difficult in terms of weak consumer demand and consequently price-based completion escalated.
- Restructuring costs including redundancies of $1.2m.
- An unrealised foreign exchange loss of $2m.
- A fair value $1.5m stock write down of acquired Babies Galore Stock.
- A fixed asset write down of $1.7m associated with store closures and information technology assets arising out of the integration process.
- Transaction costs and duties of $0.8m.
- Kids Central intangibles write off of $0.7m as the Kids Central Brand was replaced by Mothercare and ELC in the majority of locations.
- Depreciation and amortisation of $2.4m.

SHAREHOLDER RETURNS

The figures in the table are not all sourced from audited accounts as they reflect a combination of audited and internal management information. Accordingly the figures should only be used as a guide to trends to business performance.

				6-Month Year *	
	2011	**2010**	**2009**	**2008**	**2007**
Revenues from ordinary activities ($'000)	65,657	31,081	11,588	5,966	21,569
Return on sales (EBITDA)/Revenue	(29.9)%	(10.0)%	(14.5)%	(17.4)%	(8.7)%
NTA (cents per share)	3.1	4.5	11.7	13.0	13.9
Basic EPS (cents per share) attributable to members	(11.09)	(2.7)	(1.3)	(0.9)	(2.3)
Dividends paid during the year (cents per share)	-	-	-	-	1.5
Closing share price (cents per share)	20.5	28.0	12.0	15.5	15.0
Shares on issue ('000)	212,921	119,690	119,690	119,690	120,046

* In 2008 reporting year end moved to 30 June. Prior to 2008 reporting year end was 31 December.

COMPANY PERFORMANCE

The above table shows the performance of the Group over the last five periods.

REVIEW OF FINANCIAL CONDITION

Capital Structure

93.2m new shares were issued in 2011 (2010:nil). No shares were issued under the Dividend Reinvestment Plan following the suspension of the plan on 28 March 2006. The plan remains suspended until further notice.

Cash from Operations

Net cash flows used in operating activities for the year ended 30 June 2011 was ($16.5) million as compared to ($3.97) million for the year ended 30 June 2010.

Liquidity and Funding

The Group has funding facilities as at 30 June 2011 as shown in note 9 to the financial statements.

Cash on hand as at 30 June 2011 was $3 million (2010 $4.8 million).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS
On 31 August 2010, Mothercare Australia announced the sale of Skansen KCG's Giftware business (i.e. Beanie Kids) to Zoo SkyMedia Pty Ltd. As a result of Mothercare Australia being clearly focused on the roll out of its Mothercare and ELC retail concepts, the Giftware business no longer formed part of Mothercare Australia's core business. Since October 2009 when Mothercare Australia acquired a controlling interest in Kids Central, Mothercare Australia's emphasis has been establishing the platform to take Mothercare in Australia to a national footprint. The capital previously employed in this division will be utilised to accelerate the national footprint.

On 1 October 2010, Mothercare Australia acquired 100% of the issued capital of Western Australian mother and baby chain called "Baby on a Budget". In addition, effective 21 September 2010, Mothercare Australia acquired selected business assets and liabilities of the New South Wales and Queensland based mother and baby chain called "Babies Galore". Both these acquisitions have progressed the rollout of the Mothercare national footprint.

On 23 December 2010 the company changed it's name from Headline Group Limited to Mothercare Australia Limited.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the Directors, it would prejudice the interests of the Group to include additional information, except as reported in this Directors report and the annual report, which related to likely developments in the operations of the consolidated entity and the expected results of those operations in financial periods subsequent to 30 June 2011.

EVENTS SUBSEQUENT TO REPORTING DATE

Mothercare Australia announced in conjunction with the recent release of the Appendix 4E, a rights issue consisting of one Mandatorily Converting Note for every five shares held. It is priced at $0.18 per security yielding interest of 11.45% per annum (in respect of interest payments that are not franked) or 8% per annum (in respect of interest payments are fully franked from available profits). The New Mandatorily Converting Notes issued by the Company will be secured by a second ranking fixed and floating charge over all of the Company's assets.

The proceeds of the offer will be used to:
- enable the Company to take advantage of increased store location opportunities where appropriate;
- expand the Company's marketing investment in creating Mothercare's brand awareness; and
- provide additional working capital for the Company.

The offer has closed and raised $7.6M (excluding the costs associated with the raising). This comprised up to $4.6M in new subscription monies with the balance contributed by the underwriters. Part of the proceeds generated will be applied to capitalising loans to Mothercare plc and Myer Family Company.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group complies with all environmental regulations.

SHARE OPTIONS AND SHAREHOLDINGS

During the year, no options were granted to executives or employees.
Refer to note 26 for shareholdings and option holdings of directors and key management personnel.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Group has paid premiums in respect of a contract insuring all of the directors and certain officers of Mothercare Australia Limited against costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or
(b) a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The Group is bound by a confidentiality clause in its insurance policy not to disclose the insurance contract premiums.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of the Company and the Group.

A) PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

Remuneration Philosophy

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives.

To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Establish appropriate performance hurdles in relation to variable executive remuneration; and
- A portion of executive remuneration "at risk" dependent upon meeting pre-determined performance benchmarks.

Responsibility

The Board is responsible for determining and reviewing compensation arrangements for the directors, the managing director and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

To assist in achieving these objectives, the Board links the nature and amount of executive directors' and officers' emoluments to the Company's financial performance.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and senior management remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective
The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of a high calibre, whilst incurring a cost which is acceptable to shareholders.

Structure
The constitution of the Company and the ASX Listing Rules specify that the aggregate of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 29 July 2002 when shareholders approved an aggregate remuneration of $250,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers, when needed, advice from external consultants as well as fees paid to non-executive directors of comparable companies when undertaking the annual review process.

This review process does not necessarily mean a fee increase is sought from the next annual general meeting. Each director receives a fee for being a director of the Company. No additional fee is paid for sitting on a board committee. However a director may, at the request from the Board, undertake additional consulting work, which will be invoiced in addition to normal director's fees. Non-executive directors do not receive performance related remuneration.

Executive Director Remuneration

Objective
The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- Reward executives for the Group, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

Structure
Remuneration consists of the two key elements:

- Fixed remuneration; and
- Variable remuneration.

The proportion of fixed and variable remuneration is established by the Board.

REMUNERATION REPORT (AUDITED) (continued)

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Board and the process involves a review of business unit and individual performance and relevant competitive remuneration in the market.

Structure

Key management personnel are given the opportunity to receive their fixed remuneration in a variety of forms including cash, car allowance and fringe benefits such as a motor vehicle. It is intended that the manner of payment chosen will be optimal for the recipient without undue cost for the Company.

Variable Remuneration

Objective

The objective of the variable remuneration is to link the achievements of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The main target is the achievement of the business unit's profit budget. The total potential variable remuneration available is set so as to provide sufficient incentive to the key management personnel to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Details of the nature and amount of each element of the emolument of each director of the Group and each of the key management personnel of the Group and the consolidated entity are as follows:

B) DETAILS OF REMUNERATION

Details of directors and other key management personnel:

(i) Directors

G Elkington	Executive Chairman – (resigned 30 November 2010)
B Dennison	Managing Director
G Choo	Executive Director / CFO (resigned 30 November 2010
R Bartlett	Non-Executive Director
R.Gavshon	Non-executive Chairman – (appointed 1 December 2010)
M.Lewis	Executive Director – (appointed 30 September 2010)
J Cull	Non-executive Director – (appointed 30 September 2010)
D Shelmerdine	Non-executive Director – (appointed 30 November 2010)
C Moynihan	Non-executive Director - (appointed 30 November 2010)

(ii) Other key management personnel

I. Gordon	Company Secretary - (resigned 29 June 2011)
R. de Lorenzo	Company Secretary / CFO - (appointed 1 December 2010).

The terms "director" and "officer" have been treated as mutually exclusive for the purposes of this disclosure. The elements of emoluments have been determined on the basis of the cost to the Group; and

Key management personnel are those directly accountable and responsible for the operational management and strategic direction of the Group. In the directors' view, other senior personnel do not fall into the definition above.

REMUNERATION REPORT (AUDITED) (continued)

Details of the remuneration of the Directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosure) and specified executives are set out in the following table.

		Short term				*Post Employment*	*Non Monetary*	
Directors		*Salary & fees* $	*Cash bonus* $	*Car Allowance* $	*Termination Benefits* $	*Super-annuation* $	*Motor Vehicle* $	*Total* $
G Elkington (resigned Nov 2010)								
	2011	**167,368**	**-**	**14,583**	**175,000**	**15,063**	**-**	**372,014**
	2010	314,994	-	35,000	-	31,499	-	381,493
B Dennison								
	2011	**337,179**	**50,000**	**-**	**-**	**34,846**	**-**	**422,025**
	2010	262,500	-	-	-	23,625	-	286,125
G Choo (resigned Nov 2010)								
	2011	**87,616**	**-**	**7,000**	**80,000**	**3,510**	**-**	**178,126**
	2010	120,000	-	8,509	-	11,566	15,491	155,566
R Bartlett								
	2011	**76,250**	**-**	**-**	**-**	**-**	**-**	**76,250**
	2010	157,500	-	-	-	-	-	157,500
Mike Lewis (appointed Sept 2010)								
	2011	**196,431**	**-**	**-**	**137,500**	**4,725**	**-**	**338,656**
Jerry Cull (appointed Sept 2010)								
	2011	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Robert Gavshon (appointed Nov 2010)								
	2011	**45,538**	**-**	**-**	**-**	**4,098**	**-**	**49,636**
Chester Moynihan (appointed Nov 2010)								
	2011	**-**	**-**	**-**	**-**	**-**	**-**	**-**
David Shelmerdine (appointed Nov 2010)								
	2011	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Sub-totals - Directors	**2011**	**910,382**	**50,000**	**21,583**	**392,500**	**62,242**	**-**	**1,436,707**
	2010	854,994	-	43,509	-	66,690	15,491	980,684

<u>Other key management personnel</u>								
I Gordon *								
R De Lorenzo CFO (appointed 1st December 2010		**201,461**	**-**	**13,103**	**-**	**27,393**	**-**	**241,957**
Grand Totals	**2011**	**1,111,843**	**50,000**	**34,686**	**392,500**	**89,635**	**-**	**1,678,664**
	2010	854,994	-	43,509	-	66,690	15,491	980,684

REMUNERATION REPORT (AUDITED) (continued)

*Mr. I Gordon, Company Secretary, is a partner of McBurney & Partners, provided company secretarial services to Mothercare Australia Limited. The agreement between Mothercare Australia Limited and McBurney & Partners is based on normal commercial terms. In 2011, a total of $72,359 (2010: $23,967) was received by McBurney & Partners.

- No share based payments were made during the year and the previous reporting period.
- Percentage of remuneration related to performance and share options during the year is Nil.

C) EMPLOYMENT CONTRACTS

Mr Brent Dennison, Managing Director

- Duration of contract is three (3) years commencing 1 March 2009.
- Base salary excluding superannuation is $350,000 per annum and it is to be reviewed by the Board on an annual basis. In October 2010, Mr Dennison's base salary excluding superannuation was increased to $350,000 per annum.
- The contract may be terminated by either party by providing 90 days notice. Mr Dennison is entitled to compensation for the unexpired months and the compensation shall be no greater than $250,000.
- Remuneration is not linked to any performance indicators.
- The discretionary bonus for Brent Dennison granted in September 2010 and paid in relation to the completion of the Skansen business sale, and the closing of the two Mothercare business-related acquisitions and associated capital raisings. The amount was determined by the remuneration Committee at that time.

Mr Robert Gavshon, Chairman

- Duration of contract aligned to holding position as Chairman
- Base salary excluding superannuation is $80,000 per annum and it is to be reviewed by the Board on an annual basis.
- Long term incentive scheme to be approved by shareholders at AGM. In the event the incentive scheme is not approved, an additional $80,000 to be paid.
- Remuneration is not linked to any performance indicators.

D) OPTIONS GRANTED AS PART OF REMUNERATION

There were no options granted for the year ended 30 June 2011 (2010: nil).

E) ADDITIONAL INFORMATION

Whilst remuneration for key management personnel is not directly linked to the Group's performance, personnel may be rewarded by way of year end bonuses or/and increases in remuneration. Details of the Group's performance during the last five years are tabled below.

	2011	2010	2009	6-Month Year 2008	2007
Revenues from ordinary activities ($'000)	65,657	31,081	11,588	5,966	21,569
NTA (cents per share)	3.1	4.5	11.7	13.0	13.9
Basic EPS (cents per share) attributable to members	(11.09)	(2.7)	(1.3)	(0.9)	(2.3)
Dividends paid during the year (cents per share)	-	-	-	-	1.5
Closing share price (cents per share)	20.5	28.0	12.0	15.5	15.0
Shares on issue ('000)	212,921	119,690	119,690	119,690	120,046

DIRECTORS' MEETINGS

During the year, six directors' meetings and one audit committee meeting was held. The number of meetings at which directors were in attendance is as follows:

	Meeting of Directors		Audit Committee	
	No. held while in office	Meetings attended	No. held while in office	Meetings attended
G Elkington	3	3	-	-
B Dennison	6	6	-	-
R Bartlett	6	6	-	-
G Choo	3	3	-	-
J.Cull	5	4	-	-
M.Lewis	5	5	-	-
R. Gavshon	3	3	1	1
C.Moynihan	3	3	1	1
D.Shelmerdine	3	3	1	1

As at the date of this report, the Company has an Audit Committee. The members of the Audit Committee are Mr C Moynihan (Chairman), Mr R Gavshon, and Mr D Shelmerdine.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

AUDITOR INDEPENDENCE

The auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 13 of this report.

NON-AUDIT SERVICES

Non-audit services were provided by the entity's auditor PKF. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. PKF received or are due to receive the following amounts for the provision of non-audit services.

- other assurance services provided $13,500 (2010: $31,892)

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Mothercare Australia Limited support and have adhered to the principles of corporate governance. The Company's corporate governance statement is detailed in the financial report.

Signed in accordance with a resolution of the directors.

Robert Gavshon
Chairman

30 September 2011
Sydney

PKF
Chartered Accountants
& Business Advisers

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To : The Directors
Mothercare Australia Limited and the entities it controlled during the year

I declare to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- no contraventions of any applicable code of professional conduct in relation to the audit.

John Bresolin
Partner

PKF
Sydney
30 September 2011

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CORPORATE GOVERNANCE STATEMENT

The Board of Directors ('the Board') of Mothercare Australia Limited ('the Company') are responsible for the corporate governance practices of the consolidated entity. Mothercare Australia Limited and its controlled entities are referred to as 'the Group'. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board supports the core principles developed by the Australian Securities Exchange ("ASX") Corporate Governance Council ("the Council") as a basis for enhancing the credibility and transparency of our capital markets. The structures, policies and procedures already in place have been developed and implemented by the Board and management over many years to ensure the Company continues to operate on those principles.

The Board believes that the Group's Corporate Governance policies should be tailored to account for the size and structure of the Group, risks associated with the Group's operations and the Group's inherent strengths and weaknesses. The ASX concurs with this view and allows companies to explain deviations from the ASX Corporate Governance Council's recommendations.

Areas where the Group has deviated from the Council's recommendations are discussed below, but the Board believes the areas of non-conformance do not impact on the Group's ability to operate with the highest standards of Corporate Governance.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The Board is responsible to shareholders for the Group's overall corporate governance practices, and is responsible for the direction and oversight of the Group's businesses on behalf of the shareholders.

The Board's responsibilities include:

- reviewing and determining the Group's strategic direction and operational policies;
- establishing goals for management and monitoring the achievement of these goals;
- reviewing and approving the Group's Business Plan;
- appointing and remunerating the Managing Director;
- approving all significant business transactions including acquisitions, divestments and property developments;
- monitoring business risk exposures and risk management systems;
- approving and monitoring financial and other external reporting;
- approving changes to the Group's capital structure;
- reporting to shareholders; and
- promoting ethical conduct.

The Board delegates responsibility for the formulation of strategy and administration of day-to-day business to the Managing Director and Chief Financial Officer who comprise the Company's senior management group.

The senior management group is responsible for:

- ensuring business development and other activities are conducted in accordance with the Group's overall business strategy;
- managing the Group's property developments, businesses and other investments to maximise returns to shareholders;
- informing the Board on a regular basis of the status of all projects and the performance of all Group's assets;
- managing relationships with investors and analysts;
- approving capital expenditure and business transactions within predetermined limits set by the Board;
- planning in accordance with the financial control guidelines which govern the allocation and management of financial resources throughout the Group;
- ensuring that appropriate financial reporting is provided to the Board on a monthly, six monthly and annual basis; and
- establishing and monitoring the Group's risk management framework to ensure that policies, guidelines and controls are effective in reducing the Group's operational and financial exposures to an acceptable level.

Recommendation 1.2 Disclose the process for evaluating the performance of senior executives.

Senior management's performance is assessed regularly against both qualitative and quantitative factors at board meetings.

There have been no departures from Principle 1 during the year ended 30 June 2011.

Principle 2: Structure the board to add value

The Board comprises the Non-Executive Chairman, Managing Director and five Non-Executive Directors. The size and composition of the Board is formulated to provide an appropriate range of experience, skills, knowledge and perspective to enable it to appoint, guide and supervise a high standard of management for the Group's business. The names, skills, experience and expertise of each Director of the Company are set out in the Annual Report and on the Company's website.

Recommendation 2.1: A majority of the Board should be independent directors.

Directors of Mothercare Australia are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their independent judgement. In the context of director independence, "materiality" is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. The Board considers an item to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the ability of the director in question to shape the direction of the Company's loyalty.

In accordance with this definition of independence, none of the current directors are independent directors by virtue of their substantial shareholdings in Mothercare Australia as detailed in the Annual Report or by their management role. The Board does not comprise a majority of independent directors and consequently its composition does not comply with Recommendation 2.1 of the ASX Corporate Governance Guidelines. This departure arises from the size and nature of operations of the Group.

However, the Board has adopted the following measures to ensure that independent judgment is achieved and maintained in respect of its decision-making processes:

- Directors are entitled to seek independent professional advice at the Company's expense, subject to the approval of the Board;
- Directors having a conflict of interest in relation to a particular item of business must absent themselves from the board meeting before commencement of discussion on the topic; and
- Non-executive directors confer on a needs basis without management in attendance.

Each director brings a range of complementary skills and experience to the Group as indicated in the Annual Report.

Recommendation 2.2: The Chairperson should be an independent Director.

The Company's Chairman is Mr Robert Gavshon.

Recommendation 2.3: The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.

The Chairman is Mr Robert Gavshon and the Chief Executive Officer is Mr Brent Dennison, therefore as required under best practice, there is a separation of these two roles.

Recommendation 2.4: The Board should establish a Nomination Committee.

Due to the size and structure of the Company's Board, a Nominations Committee has not been established as required under ASX Recommendation 2.4. All directors may make recommendations to the Board regarding the membership of the Board, including proposed new appointments. However, all directors must agree unanimously on any new director appointments. In addition, the Company's Constitution provides that at each annual general meeting, one third of directors shall retire (and be eligible for re-election).

The Board believes that these alternative procedures are more than adequate to preserve the integrity of the Board.

Recommendation 2.5: Disclose the process for evaluating the performance of the Board, its committees and individual directors.

Due to the size and nature of the Group, the Board believes that external formal evaluation is not necessary as performance is continually being evaluated on an ongoing basis. This is therefore a departure from Recommendation 2.5.

Principle 3: Promote ethical and responsible decision making

Recommendation 3.1: Companies should establish a code of conduct and disclose the code.

The Board encourages the highest standards of ethical conduct by all directors and employees of the Group. The Board has adopted a Code of Conduct & Ethics that sets out the principles and standards with which all Group's officers and employees are expected to comply in the performance of their respective functions. Officers and employees are expected to:

- comply with the law;
- act honestly and with integrity;
- reduce the opportunity for situations to arise which result in divided loyalties or conflicts of interest;
- use the Group's assets responsibly and in the best interests of the Company's shareholders; and
- be responsible and accountable for their actions.

Senior management immediately investigates possible failures to comply with the principles of ethical and responsible conduct, employing the use of third party expertise where necessary. The appropriate level of disciplinary action is applied where departures from these principles are confirmed.

This Code is regularly reviewed and updated as necessary to ensure it remains consistent with the Board's objectives.

Recommendation 3.2: Establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Dealing in Company Shares

Officers, management and employees are actively encouraged to own shares in the Company. The Board's policy is that trading in the Company's shares and/or options over such shares by directors and staff should only occur in circumstances where the market is fully informed of the Group's activities. The Board considers at each months board meeting whether trading in the Company's shares is appropriate in the coming month taking into account the circumstances which exist. The policy requires that Directors discuss any intention to trade in the Company's shares and/or options over such shares with the Chairman in circumstances where there exists a board decision that shares and/or options over such shares ought not to be traded. Senior management and employees require the approval of the Executive Chairman prior to trading. The Board recognises that it is the individual responsibility of each Director and employee to ensure that they comply with the spirit and letter of the insider trading laws, and that notification to the Board, the Chairman or the Managing Director of an intention to trade in no way implies their approval of any transaction.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1: The Board should establish an Audit Committee.

The Company's Managing Director and Chief Financial Officer report in writing to the Board that the consolidated financial statements of the Group for each half and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards. The Audit Committee operates throughout the year with the primary objective to assist the Board of Directors in fulfilling the Board's responsibilities relating to the accounting, reporting and financial risk management practices of the Group. In fulfilling this objective, the Audit Committee meets at least two times each year.

The main duties and responsibilities of the Audit Committee include:

- review and consideration of statutory compliance matters;
- review of the annual and half-yearly financial reports;
- recommend to the Board nominations for appointment as external auditors;
- review the scope of the audit, the level of audit fees and the performance of the external auditors;
- liaison with external auditors, review of audit planning and consideration of audit results; and
- evaluation of the adequacy and effectiveness of the Group's administrative, operating and accounting policies and internal controls through active communication with operating management and the external auditors.

Recommendation 4.2: Structure the Audit Committee so that it consists only of non-executive directors, consists of a majority of independent directors and is chaired by an independent chair, who is not chair of the board and has at least three members.

Recommendation 4.3: The Audit Committee should have a formal charter.

Principle 4: Safeguard integrity in financial reporting (continued)

The members of the Audit Committee during the year were Mr Chester Moynihan (Chairman), Mr Robert Gavshon, and Mr David Shelmerdine. As non-executive directors the committee complies with recommendation 4.2.

Mr G Elkington (Chairman) and Mr G Choo were both were previous members of the audit committee and resigned during the year. Both were not independent and held executive positions which was a departure from Recommendation 4.2. This has since changed with the appointment of the new Audit Committee.

The Audit Committee also does not have a formal charter in accordance with Recommendation 4.3.

The departures from Recommendations 4.3 arise on account of the size and nature of the Group and the present structure of the Board. The Board is aware of the Corporate Governance Principles and Recommendations (2nd Edition), and will continue to work towards full adoption of the recommendations in line with growth and development of the Group in the years ahead.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for the compliance and disclosure of those policies or a summary of those policies.

Documented procedures are in place to identify matters that are likely to have a material effect on the price of the Company's securities and to ensure those matters are notified to the ASX in accordance with the Company's Listing Rule disclosure requirements. The Managing Director and Chief Financial Officer are responsible for monitoring the Company's activities in light of its continuous disclosure policy and where necessary, discussing disclosure obligations with the Board.

The Company Secretary is responsible for all communications with the ASX. All communications with external stakeholders in respect of sensitive company information is subject to the relevant safeguarding and confidentiality procedures. These communications are undertaken in light of continuous disclosure requirements of the ASX and the broad principles of ensuring the market is fully informed of price sensitive information.

Principle 6: Respect the rights of shareholders

Recommendation 6.1: Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. Use company websites to complement the official release of material information to the market.

The Board encourages communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group.

Mechanisms employed include:

- regular shareholder communications such as Half-Yearly Reports, and the Full Annual Financial Report;
- financial results presentations at the Company's Annual General Meeting ("AGM");
- shareholder access to communications through the use of information technology such as the Company's website; and
- utilising Computershare, the Company's share registry service provider.

The Board encourages full participation of shareholders at the AGM to ensure a high level of accountability and understanding of the Group's strategy and goals. The Company encourages the Group's external auditor to attend the AGM.

Principle 7: Recognise and manage risk

Recommendation 7.1: The Board or appropriate Board Committee should establish policies on risk oversight and management of material business risk and disclose a summary of those policies.

The Board is responsible for oversight of the Group's risk management and control framework (the Group does not have a separate Risk Management Committee). The Audit Committee assists the Board in fulfilling its responsibilities in this regard by reviewing the financial and reporting aspects of the Group's risk management and control framework. The Group has implemented a policy framework designed to ensure that the Group's risks are identified and that controls are adequate, in place and functioning effectively.

This framework will incorporate the maintenance of comprehensive policies, procedures and guidelines that encompass the Group's activities. It addresses areas such as contract negotiation, project management, occupational health and safety, environmental management, trade practices, IT disaster recovery and business continuity planning.

Principle 7: Recognise and manage risk (continued)

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Responsibility for control and risk management is delegated to the appropriate level of management within the Group with the Managing Director and Chief Financial Officer having ultimate responsibility to the Board for the Group's risk management and internal control activities. Arrangements put in place by the Board to monitor risk management and internal controls include:

- regular monthly reporting to the Board in respect of operations and the financial position of the Group;
- reports by the Chairman of the Audit Committee and circulation to the Board of the minutes of each meeting held by the Audit Committee;
- presentations made to the Board throughout the year by appropriate members of the Group's management team (and/or independent advisers, where necessary) on the nature of particular risks and details of the measures which are either in place or can be adopted to manage or mitigate the risk; and
- any Director may request that operational and project audits be undertaken by management.

Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Prior to signing the Group's annual financial statements, the Company's Managing Director and Chief Financial Officer report in writing to the Board that:

- the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Principle 8: Remunerate fairly and responsible

Recommendation 8.1: The Board should establish a remuneration committee.

Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The Group's polices relating to Directors' and Senior Executives' remunerations are set out in the Group's annual report.

During the year a remuneration committee was established consisting of Mr Ross Bartlett (Chairman), Mr Robert Gavshon, and Mr Jerry Cull.

The Group does not have any scheme for retirement benefits, other than superannuation.

At the time of appointment, each Director and Senior Executive signs a formal employment contract outlining their duties, rights, responsibilities and any entitlements on termination. These duties and responsibilities are reviewed annually by the Board and when necessary is revised in consultation with the employee.

It is the Group's objective to provide maximum stakeholder benefit from the retention of high quality Board members and Senior Executives by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the nature and amount of executive directors' and officers' emoluments are linked to the Group's financial and operational performance.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	CONSOLIDATED	
		2011	2010
		$'000	$'000
Continuing operations			
Revenue	4	**65,657**	23,521
Total revenue		**65,657**	23,521
Cost of sales		**(40,475)**	(10,766)
Gross profit		**25,182**	12,755
Other income	5	**108**	222
Interest income	4	**336**	252
Selling expenses	6	**(30,866)**	(15,422)
Distribution expenses	6	**(659)**	(90)
Administration expenses	6	**(7,168)**	(579)
Other expenses	6	**(6,405)**	-
Depreciation and amortisation expense	6	**(2,426)**	(895)
Finance costs	6	**(595)**	(328)
Operating expenses		**(48,119)**	(17,313)
Loss from continuing operations before income tax and gain on acquisition.		**(22,493)**	(4,085)
Gain on acquisition	32	**596**	-
Loss from continuing operations before income tax		**(21,897)**	(4,085)
Income tax benefit/ (expense)	7	**594**	(78)
Loss from continuing operations after income tax		**(21,303)**	(4,163)
Profit from discontinued operations	33	**35**	109
Loss for the year		**(21,268)**	(4,054)
Other comprehensive income, net of tax			
Exchange differences on translation of foreign operations		**25**	2
Total comprehensive income for the year		**(21,243)**	(4,052)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	CONSOLIDATED	
		2011	2010
		$'000	$'000
Loss for the year is attributable to:			
Members of Mothercare Australia Limited		**(20,292)**	(3,185)
Non-controlling interest		**(976)**	(869)
		(21,268)	(4,054)
Total comprehensive income for the year is attributable to:			
Members of Mothercare Australia Limited		**(20,267)**	(3,184)
Non-controlling interest		**(976)**	(868)
		(21,243)	(4,052)
Earnings/(loss) per share for (loss)/profit attributable to members of Mothercare Australia Limited			
Basic earnings/(loss) per share (cents per share)	24	**(11.10)**	(2.66)
Diluted earnings/(loss) per share (cents per share)	24	**(11.10)**	(2.66)

The accompanying notes form an integral part of this Statement of Comprehensive Income.

MOTHERCARE AUSTRALIA LIMITED & CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Notes	CONSOLIDATED 2011 $'000	2010 $'000
CURRENT ASSETS			
Cash and cash equivalents	9	**3,064**	4,805
Trade and other receivables	10	**283**	1,364
Inventories	11	**21,297**	7,884
Derivative financial instruments	19	**-**	186
Other assets	12	**429**	44
		25,073	14,283
Assets classified as held for sale	35	**-**	56
TOTAL CURRENT ASSETS		**25,073**	14,339
NON-CURRENT ASSETS			
Property, plant and equipment	14	**11,596**	6,029
Intangible assets	15	**8,737**	6,546
Deferred tax assets	7	**1,217**	379
TOTAL NON-CURRENT ASSETS		**21,550**	12,954
TOTAL ASSETS		**46,623**	27,293
CURRENT LIABILITIES			
Trade and other payables	16	**15,715**	8,631
Trade finance	9	**6,963**	3,144
Provisions	18	**2,884**	704
Borrowings	17	**4,513**	2,354
Derivative financial instruments	19	**184**	-
		30,259	14,833
Liabilities directly associated with the assets classified as held for sale	35	**-**	3
TOTAL CURRENT LIABILITIES		**30,259**	14,836
NON-CURRENT LIABILITIES			
Provisions	18	**1,159**	583
TOTAL NON-CURRENT LIABILITIES		**1,159**	583
TOTAL LIABILITIES		**31,418**	15,419
NET ASSETS		**15,205**	11,874
EQUITY			
Issued capital	20	**57,825**	31,001
Reserves	20	**(2,303)**	118
Accumulated losses	22	**(40,317)**	(20,025)
Equity attributable to the members of Mothercare Australia Limited		**15,205**	11,094
Non-controlling interest		**-**	780
TOTAL EQUITY		**15,205**	11,874

The accompanying notes form an integral part of this Statement of Financial Position.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Issued capital $'000	Convertible note option reserve $'000	Foreign currency reserve $' 000	Equity reserve $'000	Accum. losses $'000	Total $'000	Non-control Interest $'000	Total equity $'000
As at 1 July 2009		**31,001**	**-**	**(111)**	**-**	**(16,840)**	**14,050**	**-**	**14,050**
Loss for the year		-	-	-	-	(3,185)	(3,185)	(869)	(4,054)
Foreign currency translation differences		-	-	2	-	-	2	-	2
Total comprehensive income for the year		-	-	2	-	(3,185)	(3,183)	(869)	(4,052)
Transactions with owners in their capacity as owners									
Reversal of contingent consideration		-	-	-	123	-	123	-	123
Non-controlling interest on Kids Central acquisition		-	-	-	-	-	-	1,649	1,649
Issue of convertible notes – equity component, net of deferred tax		-	104	-	-	-	104	-	104
As at 30 June 2010		**31,001**	**104**	**(109)**	**123**	**(20,025)**	**11,094**	**780**	**11,874**
As at 1 July 2010		**31,001**	**104**	**(109)**	**123**	**(20,025)**	**11,094**	**780**	**11,874**
Loss for the year		-	-	-	-	(20,292)	(20,292)	(976)	(21,268)
Foreign currency translation differences		-	-	25	-	-	25	-	25
Total comprehensive income for the year		-	-	25	-	(20,292)	(20,267)	(976)	(21,243)
Transactions with owners in their capacity as owners									
Elimination of non-controlling interest on Kids Central acquisition	20	-	-	-	(2,342)	-	(2,342)	196	(2,146)
Shares issued, net of equity raising	20	26,824	-	-	-	-	26,824	-	26,824
Convertible note movements net of deferred tax	20	-	(104)	-	-	-	(104)	-	(104)
As at 30 June 2011		**57,825**	**-**	**(84)**	**(2,219)**	**(40,317)**	**15,205**	**-**	**15,205**

The accompanying notes form an integral part of the Statement of Changes in Equity

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**73,512**	**35,210**
Payments to suppliers and employees		**(89,618)**	**(39,199)**
Interest received		**336**	**257**
Other income received		**-**	**176**
Interest and other finance costs paid		**(518)**	**(454)**
Income tax (paid)/received		**(178)**	**37**
NET CASH FLOWS USED IN OPERATING ACTIVITIES	9	**(16,466)**	**(3,973)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash acquired on business combinations	32	**-**	**438**
Net cash outflow on business combinations	32	**(4,740)**	**-**
Purchase of property, plant and equipment and intangible assets		**(6,138)**	**(2,726)**
Net cash proceeds from sale of business	33	**2,000**	**-**
Net proceeds from sale of property	35	**-**	**1,900**
Payments for security deposits		**-**	**(98)**
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(8,878)**	**(486)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**3,879**	**774**
Proceeds from related party loans	17	**3,500**	**-**
Repayment of borrowings		**(2,500)**	**(1,114)**
Repayment of leases		**-**	**(27)**
Proceeds from issue of shares		**18,724**	**-**
NET CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		**23,603**	**(367)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,741)**	**(4,826)**
Cash and cash equivalents at the beginning of the year		**4,805**	**9,632**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	**3,064**	**4,805**

The accompanying notes form an integral part of the Statement of Cash Flows.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

1. CORPORATE INFORMATION

The financial report of Mothercare Australia Limited and its controlled entities for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 30 September 2011.

Mothercare Australia Limited ("the Company") is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

On the 22 December 2010 Headline Group Limited was renamed to Mothercare Australia Limited.

The principal activities during the year within the Company was the sale of educational toys, parenting and children's products and mother and child fashion.

The Company is focused on marketing and retailing exclusive brands to the Australian parenting and children's market segment. The Company is continuing an exciting growth phase with the roll-out of Mothercare in Australia and New Zealand.

The registered office and principal place of business of the Company is Level 1, Building 220/2A, The Entertainment Quarter, 122 Lang Road, Moore Park, NSW 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including Interpretations, issued by the Australian Accounting Standards Board ("AASB").

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

(b) Going Concern

The consolidated entity has incurred an after tax loss for the financial year of $21.3 million (2010: $4.2 million) and has net current asset deficiency of $5.2 million. Notwithstanding this, the directors have prepared the financial report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business, due to the following mitigating factors:

- The consolidated entity has undertaken a 1 for 5 non-renounceable rights issue which will raise approximately $7.6 million;
- The current liabilities total at the year end includes a $3.5 million loan from Mothercare UK and the Myer family Company which will be capitalised upon completion of the rights issue;
- The company is compliant with its banking covenants with the exception of certain obligations (which do not involve the payment of money to ANZ) in the ANZ facility. These breaches have been waived by ANZ, subject to certain conditions which the company expects to fulfil. This will result in the reclassification of $869k of bank debt from current to non- current liabilities;
- The consolidated entity's results for the year ended 30 June 2011 included $6.4 million of non-recurring significant expenses and write-downs;
- The conversion of Babies Galore and Baby On a Budget stores to Mothercare is underway and is having a positive impact on the trading and gross profit performance of these stores; and
- Head office costs have been reduced by approximately 10 %.

(c) Reporting period and prior year comparatives

The financial statements have been prepared for the year ended 30 June 2011. The previous reporting period was for the year ended 30 June 2010.

(d) Statement of compliance

The consolidated financial statements of the Company and its subsidiaries comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2011. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 2009-12 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 2010-5 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any ‘recycling’ of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments are a consequence of the annual improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provide clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instrument; clarifies that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provides guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 124 Related Party Disclosures (December 2009)

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2011. This revised standard simplifies the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. This revised standard introduces a partial exemption of disclosure requirement for government-related entities. The adoption of this standard from 1 July 2011 will not have a material impact on the consolidated entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of these amendments from 1 July 2011 will increase the disclosure requirements on the consolidated entity when an asset is transferred but is not derecognised and new disclosure required when assets are derecognised but the consolidated entity continues to have a continuing exposure to the asset after the sale

(f) Basis of consolidation

The consolidated financial statements comprise the financial statements of Mothercare Australia Limited and its subsidiaries referred to collectively throughout these financial statements as the "Group" or "consolidated entity".

Subsidiaries are all those entities over which the company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transaction between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries and special purpose entities have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'Business Combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the Statement of Comprehensive Income and Statement of Financial Position of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

The change in accounting policy has been applied prospectively.

(g) Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Business combinations (continued)

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss.

Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(h) Segment reporting

Change in accounting policy from 1 July 2009

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(i) Foreign currency translation

Both the functional and presentation currency of Mothercare Australia Limited and its Australian subsidiaries is Australian Dollars ($).

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences in the consolidated financial statements are taken to the Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiary Skansen Giftware (UK) Limited is Pounds Sterling (GBP) and of the Early Learning Centre Limited in New Zealand is NZ dollar (NZD).

As at the reporting date the assets and liabilities of the overseas subsidiary is translated into the presentation currency of Mothercare Australia Limited at the rate of exchange ruling at the reporting date and the Statement of Comprehensive Income is translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity, being the foreign currency reserve.

(j) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with maturity of 4 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the Statement of Financial Position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Trade and other receivables

Trade receivables are recognised at fair value and subsequently at amortised cost using the effective interest rate method. Trade receivables, which generally have 30-90 day terms.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(l) Inventories

Inventories are valued at the lower of cost or net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Finished goods and work-in-progress – cost of direct materials, freight and import charges.
- Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

Forward currency contracts are entered into where agreements are made to buy or sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sales and purchases in foreign currencies, to protect against the possibility of loss from future exchange fluctuations. The forward currency contracts are usually for no longer than 6 months.

The Company does not apply hedge accounting as it does not meet the requirements of the Australian Accounting Standards. The fair value of forward currency contracts are recognised through the Statement of Comprehensive Income when the underlying transaction is recognised in income. Net receipts and payments are recognised through the Statement of Comprehensive Income. Any gains or losses arising from changes in fair value are taken directly to the Statement of Comprehensive Income.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

(n) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the Statement of Comprehensive Income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Land and buildings are measured at fair value, based on periodic but at least triennial valuations by external independent valuers, less accumulated depreciation on buildings and less any impairment losses recognised after the date of valuation.

Depreciation is calculated on a straight-line basis on all property, plant and equipment, other than freehold land.

Major depreciation periods are:	**2011**	**2010**
Plant and equipment	5 to 15 years	5 to 15 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of fixed assets is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income in the period the item is derecognised.

(p) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(q) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as liabilities. The incentives are recognised as other income on a straight line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of an intangible asset is measured as the difference between net disposal proceeds and the carrying amount of the intangible assets. The method and useful lives of finite life intangibles are reviewed annually. Changes in expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Where an entity or operation is acquired in a business combination, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Licences and development right

Other intangibles include costs associated with the acquisition of the development right of the Mothercare name and store concept, as well as the acquisition of the Kids Central and Early Learning Centre licences. The licences and development right will be amortised over a period between 10 to 20 years.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Customer database

Customer database was acquired as part of an acquisition, has been recognised at fair value and will be amortised over 8 years.

(s) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(t) Trade and other payables

Trade payables and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.
Due to their short term nature they are measured at amortised cost and not discounted.

(u) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on short-term and long-term borrowings
- interest on trade finance
- interest on finance leases

(v) Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Employee benefits (continued)

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

(w) Share-based payment transactions

In 2003 the Group provided benefits to employees of the Group in the form of share-based payment transactions, whereby employees were granted rights over shares ('equity-settled transactions') as part of their salary and incentive scheme.

The Employee Share Option Plan is currently the only plan in place and no further options have been granted since 2003. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by management using the Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Mothercare Australia Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the grant date fair value of the award

(ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest and

(iii) the extent to which the vesting period has expired. This opinion is formed based on the best available information at the reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(x) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(y) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Revenue (continued)

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards are considered passed to the buyer at the time the goods have been despatched to the customer.

Interest
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends
Revenue is recognised when the Group's right to receive payments is established.

Royalties
Revenue is recognised when the Group receives the royalty statement from the licensee.

(z) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Comprehensive Income.

Mothercare Australia Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Mothercare Australia Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Mothercare Australia Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly –owned tax consolidated entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(ab) Earnings per share

Basic earnings per share is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average numbers of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus elements in ordinary shares issued during the financial year.

(ac) Convertible notes

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

i) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise these temporary differences.

ii) Business combinations

As discussed in note 2(g), business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by management taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

iii) Goodwill and other indefinite life intangible assets

The consolidated entity tests annually whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2(r). The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

iv) Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

	CONSOLIDATED	
	2011	2010
	$'000	$'000
4. REVENUE		
Revenue from sales of goods	**65,657**	23,521
Interest received – external parties	**336**	252
Total revenues from ordinary activities	**65,993**	31,338
5. OTHER INCOME		
Profit on sale of property (Lisarow)	**-**	25
Sundry income	**-**	89
Landlord contribution	**108**	108
	108	222
6. EXPENSES		
(a) Loss before income tax includes the following specific expenses:		
Selling expenses		
Employment and contracting expenses	**13,503**	7,362
Rental charges	**11,559**	4,702
Other selling expenses	**5,804**	3,358
	30,866	15,422
Distribution expenses	**659**	90
Administration expenses		
Employment and contracting expenses	**4,428**	-
Rental charges	**136**	-
Administration and office expenses*	**2,604**	579
	7,168	579

*FY2010 selling expenses includes administration wages, due to restructuring of the business and changes to reporting, administration wages are excluded from selling expenses in FY 2011.

Other significant expenses		
Foreign exchange loss	**1,995**	125
Disposal of store assets- closed BG stores	**1,700**	-
Write off of Kids Central intangible (note 15)	**693**	-
Non-continuing administration costs	**2,017**	-
	6,405	125
Depreciation and amortisation expense		
Depreciation - plant & equipment	**2,274**	779
Amortisation - licence and development Rights	**152**	116
	2,426	895

	CONSOLIDATED	
	2011	2010
	$'000	$'000
6. EXPENSES (continued)		
Finance costs		
Interest expense - HP	**-**	1
Interest expense - convertible notes	**156**	180
Interest expense - shareholder loan	**19**	-
Interest expense – bank loan	**98**	-
Interest expense - trade finance facility	**322**	147
	595	328
Employee benefits expenses		
Wages and salaries & contracting	**15,275**	6,259
Workers compensation costs	**205**	48
Superannuation costs	**1,286**	498
Payroll tax	**695**	338
Other employment expenses	**470**	219
	17,931	7,362
Net fair value (gain)/loss on derivative financial instruments	**370**	(186)
Rental expenses relating to operating leases		
Minimum lease payments	**11,695**	4,789

7. INCOME TAX

Major components of income tax (benefit)/expense for the financial year includes:

	2011	2010
Statement of Comprehensive Income		
Current income tax	**-**	-
Deferred tax relating to origination and reversal of temporary differences	**(594)**	78
Income tax (benefit)/expense reported in the Statement of Comprehensive Income	**(594)**	78
Deferred tax included in income tax (benefit)/expense comprises:		
Increase in deferred tax assets	**(594)**	(79)
Decrease in deferred tax liabilities	**-**	157
	(594)	78

	CONSOLIDATED	
	2011	2010
	$'000	$'000
7. INCOME TAX (continued)		
Numerical reconciliation between income tax (benefit)/expense recognised in the Statement of Comprehensive Income to prima facie tax payable		
Loss before income tax (benefit)/expense from continuing operations	**(21,897)**	(4,085)
Tax at the Australian statutory income tax rate of 30% (2010: 30%)	**(6,569)**	(1,226)
Non deductible items	**1,229**	24
Tax gain on sale of business and property	**-**	264
Tax losses not brought to account	**4,773**	1,044
Adjustment to prior year tax accounts	**-**	(28)
Income tax (benefit)/expense	**(594)**	78
Applicable weighted average effective tax rates are as follows	**-2.7%**	1.9%

There has not been a significant movement in the applicable tax rate calculated above. The reason the applicable rate is so low in comparison to the Australian statutory rate is that the group are not recognising tax losses in the Statement of Financial Position.

	STATEMENT OF FINANCIAL POSITION		STATEMENT OF COMPREHENSIVE INCOME	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
7. INCOME TAX (continued)				
Deferred income tax				
Deferred income tax comprises temporary differences relating to the following:				
Deferred tax liabilities				
Fair value adjustment to land and buildings classified as held for sale	**-**	-	**-**	(79)
Gross deferred tax liabilities	**-**	-		
Deferred tax assets				
Employee leave entitlements	**396**	252	**(144)**	(166)
Other employee related items	**92**	24	**(68)**	(13)
Provision for doubtful debts	**-**	8	**8**	22
Stock obsolescence and other accruals	**729**	73	**(656)**	(31)
Amortisation of intangibles	**-**	22	**22**	(22)
Unrealised exchange loss	**-**	-	**-**	82
Gross deferred tax assets	**1,217**	379		
Adjustments to deferred tax assets on business combinations (Note 32)			**244**	142
Adjustments to deferred tax assets on reclassification of assets as discontinued operations			**-**	143
Made up as follows:				
Continuing operations	**1,217**	379		
	1,217	379		
Deferred tax expense/(benefit)			**(594)**	78
Aggregate deferred income tax expense is attributable to:				
Continuing operations			**(594)**	(65)
Discontinued operations			**-**	143
			(594)	78

Tax losses

Management of Mothercare Australia Limited has received advice that the revenue and capital tax losses of the Mothercare Australia Limited tax consolidated group will be available subject to the entity continuing to pass either the continuity of ownership or same business test criteria in the future as outlined in the Income Tax Assessment Act. The outcome of the capital raising subsequent to year end may affect the ability of the group to pass these tests.

The Australian tax consolidated group has approximately $33.3 million of revenue and capital tax losses ($10.0 million tax effected). Of the Mothercare Australia Limited revenue and capital tax losses, approximately $19.8 million are able to be immediately applied with the remainder subject to their reduced loss utilisation rates.

Tax consolidation

Mothercare Australia Limited and its 100% owned subsidiaries are a tax consolidated group. Members of the tax consolidated group have entered into a tax sharing/funding arrangement in order to allocate income tax expense/(benefit) to the wholly owned subsidiaries on the basis as if they were individual tax entities.

	CONSOLIDATED	
	2011	2010
	$'000	$'000

8. DIVIDENDS PAID

Dividends paid during the year	**-**	-
	-	-

Franking credit balance

The amount of franking credits available for the subsequent financial year are :		
Franking account balance as at the end of the financial year at 30% (2010: 30%)	**2,996**	2,996
Franking debits that will arise from the refund of income tax payable as at the end of the financial year	**-**	-
	2,996	2,996

9. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	**3,064**	650
Deposits at call	**-**	4,155
	3,064	4,805

Cash at bank and in hand earns interest at floating rates based on daily deposit rates and fixed interest.

The fair value of cash and cash equivalents is $3,064,000 (2010: $4,805,000).

Reconciliation of cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at the reporting date:

Balance as above	3,064	**4,805**
	3,064	**4,805**
Cash at bank and in hand attributable to discontinued operations (note 33)	-	**1**
	3,064	**4,806**

	CONSOLIDATED	
	2011	2010
	$'000	$'000
9. CASH AND CASH EQUIVALENTS (continued)		
Reconciliation of the net loss after tax to the net cash flows from operations		
Net loss after tax	**(21,243)**	(4,054)
Depreciation and amortisation expense	**2,426**	1,067
Gain on sale of properties held for resale	**-**	(25)
Impairment expense	**693**	137
Doubtful debts	**-**	(56)
Fair value adjustment on foreign exchange contracts outstanding	**184**	(458)
Foreign exchange losses	**1,771**	125
Other non-cash items	**(105)**	(134)
Changes in assets and liabilities		
Decrease in trade receivables	**(605)**	904
(Increase)/decrease in inventory	**(4,530)**	(2,713)
(Increase) in deferred tax asset	**(586)**	57
(Increase)/decrease in prepayments/sundry debtors	**(393)**	305
Increase in trade and other payables	**4,420**	498
Increase in provisions	**1,502**	453
Increase/(decrease) in deferred tax liability	**-**	(79)
Net cash flow from operating activities	**(16,466)**	(3,973)

The consolidated entity and the parent entity have bank bills/letter of credit facility.

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

Total facilities available		
Forward exchange contracts	**4,000**	8,000
Trade finance	**7,000**	3,100
Credit cards	**100**	140
Used at the reporting date:		
Forward exchange contracts	**3,421**	5,900
Trade finance (a)	**6,963**	3,144
Credit cards	**20**	20
Unused at the reporting date:		
Forward exchange contracts	**579**	2,100
Trade finance	**37**	(44)
Credit cards	**80**	120

9. CASH AND CASH EQUIVALENTS (continued)

(a) Trade finance balance as at 30 June 2011 of $6,963,000 (2010: $3,144,000) includes interest payable at reporting date of $81,000 (2010: $55,000), therefore the group had not exceeded the facility limit.

Trade Finance has a limit facility of $7m and provides credit on international counter season stock for between 120 and 180 days. The average interest rate on the loan facility is 6.5%.

Non-cash financing and investing activities

During the year the consolidated entity and the parent entity did not acquire any plant and equipment by way of finance leases.

		CONSOLIDATED	
		2011	2010
		$'000	$'000
10. TRADE AND OTHER RECEIVABLES (CURRENT)			
Trade receivables		**34**	1,227
Provision for impairment of trade receivables	(a)	**-**	(26)
		34	1,201
Sundry debtors		**249**	163
		283	1,364

(a) Allowance for impairment loss for continuing operations

Trade receivables are non-interest bearing and are generally on 30 day terms except for some who are on 60-90 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment loss has been recognised for 2011 due to the sale of wholesale operation Beanie Kids (2010: $18,000).

During the year the trade debtors amounting to $2,000 (2010: $26,000) were considered fully impaired and written directly to the Statement of Comprehensive Income. The amount has been included in the administration expenses item.

Movements in the provision for impairment loss were as follows:

Opening balance	**26**	100
Amounts charged/(written back) during the year	**2**	18
Provision released	**(28)**	(92)
Closing balance	**-**	26

As at reporting date, the ageing analysis of trade receivables is as follows:

		Total	**0-30 days**	**31-60 days**	**31-60 days PDNI***	**61-90 days**	**61-90 days PDNI***	**+91 days PDNI***	**+91 days CI***
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2011	**Consolidated**	**34**	**34**	**-**	**-**	**-**	**-**	**-**	**-**
2010	Consolidated	1,227	540	-	322	-	197	142	26

* Past due not impaired ('PDNI')
Considered impaired ('CI')

Receivables past due but not considered impaired are nil (2010: $661,000).

	CONSOLIDATED	
	2011	2010
	$'000	$'000
11. INVENTORIES (CURRENT)		
Finished goods - at net realisable value	**21,297**	7,884
	21,297	7,884
12. OTHER ASSETS (CURRENT)		
Prepayments	**405**	44
Deposits	**24**	-
	429	44

13. INVESTMENT IN CONTROLLED ENTITIES	**Country of incorporation**	**Percentage of equity interest held by the consolidated entity**	
		2011	2010
		%	%
Skansen Pty Limited	Australia	**100**	100
BK World Online Pty Limited (before 1.10.09)	Australia	**100**	100
A.C.N. 000 950 649 Pty Limited	Australia	**100**	100
Dodo Holdings Pty Limited	Australia	**100**	100
Skansen Giftware (UK) Limited	UK	**100**	100
Skansen KCG Pty Limited	Australia	**100**	73
Baby on a Budget Pty Ltd	Australia	**100**	N/A
Skansen KCG Pty Limited consists of the following businesses and subsidiaries:			
Kids Central / Mothercare /Early Learning Centre business	Australia	**100**	73
BK World Online Pty Limited	Australia	**100**	100
Early Learning Centre Limited	NZ	**100**	73

	Note	CONSOLIDATED 2011 $'000	2010 $'000
14. PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT)			
Plant and equipment			
At cost		**13,870**	7,953
Accumulated depreciation		**(2,274)**	(1,924)
Total carrying value		**11,596**	6,029

Assets

Reconciliations of the carrying amount of fixed assets at the beginning and end of the financial year.

Plant and equipment	Note	2011	2010
Carrying amount at beginning		**6,029**	521
Additions		**6,423**	2,671
Acquisitions through business combinations	32	**3,564**	3,865
Disposals through business sale	33	**(164)**	-
Disposals		**(1,982)**	(77)
Depreciation	6	**(2,274)**	(951)
		11,596	6,029

15. NON-CURRENT ASSETS - INTANGIBLES	Note	2011	2010
Patents and trademarks – at cost		**-**	5
Less: impairment		**-**	-
		-	5
Customer database - at cost		**395**	-
Less: impairment		**-**	-
		395	-
Goodwill on acquisition – at cost	32	**6,253**	3,607
Less: impairment		**-**	-
		6,253	3,607
Licence and development rights - at cost		**3,050**	3,050
Less: accumulated amortisation		**(268)**	(116)
Less impairment of Kids Central intangible asset		**(693)**	-
		2,089	2,934
Total intangibles		**8,737**	6,546

15. NON-CURRENT ASSETS – INTANGIBLES (continued)

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Patent & trademarks $'000	Goodwill on acquisition $'000	Licence & development rights $'000	Customer Database $'000	Total $'000
Balance at 1 July 2009	-	-	-	-	-
Additions through business combinations (note 32)	5	3,607	2,775	-	**6,387**
Additions	-	-	275	-	**275**
Amortisation expense	-	-	(116)	-	**(116)**
Balance at 30 June 2010	5	3,607	2,934	-	**6,546**

Consolidated	Patent & trademarks $'000	Goodwill on acquisition $'000	Licence & development rights $'000	Customer database $'000	Total $'000
Balance at 1 July 2010	5	3,607	2,934	-	6,546
Additions through business combinations (note 32)	(5)	2,646	-	395	**3,041**
Impairment of assets	-	-	(693)	-	**(698)**
Amortisation expense	-	-	(153)	-	**(153)**
Balance at 30 June 2011	-	6,253	2,089	395	**8,737**

Goodwill is allocated to the following cash-generating unit (CGU):

	Consolidated	
	2011	2010
	$'000	$'000
Mothercare	**6,253**	3,607

Management has assessed the Mothercare CGU as one retail segment, inclusive of baby goods and baby products.

Impairment of cash generating units including goodwill and indefinite life assets

Impairment Disclosures

The impairment of licence and development rights is due to the write off of the Kids Central intangible. This intangible relates to the Kids central format stores which are currently being converted to the Mothercare Store format.

The recoverable amount of the cash-generating unit's goodwill has been determined by a value in use calculation using a discounted cash flow model, based on a 3 year projection period approved by management and extrapolated for a further 2 years using a steady growth rate, together with a terminal value.

The key assumptions used in the models are those to which the recoverable amount of an asset is most sensitive.

The following key assumptions were used in the discounted cash flow model for the company;
(a) 21% pre tax discount rate
(b) 3% per annum projected growth rate

The discount rate of 21% pre tax reflects management's estimate of the time value of money and the entity's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected 3% long term growth rate is reasonable and justified given the planned number of store expansions and general inflation.

There were no other key assumptions.

15. NON-CURRENT ASSETS – INTANGIBLES (continued)

Sensitivity

As discussed above, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill may vary in the carrying amount. The sensitivities are as follows:

(i) Revenue would need to decrease by more than 1% for Mothercare before goodwill needs to be impaired, with all other assumptions remaining constant.

(ii) If the discount rate were to increase by more than 2% the goodwill would need to be impaired by $203,000 with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of the entity's goodwill is based would not cause the entity's carrying amount to exceed its recoverable amount.

If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in a further impairment of goodwill.

Amortisation of Intangibles has been recognised under Depreciation and Amortisation expenses on the Statement of Comprehensive Income .

	CONSOLIDATED	
	2011	2010
	$'000	$'000
16. TRADE AND OTHER PAYABLES (CURRENT)		
Trade payables	**14,408**	8,233
Other payables	**1,307**	398
	15,715	8,631
Amounts payable in foreign currencies not effectively hedged:		
GB Pounds	**5,105**	2,181
US Dollars	**17**	707
17. BORROWINGS		
Shareholders loans	**3,500**	2,354
ANZ bank loan*	**1,013**	-
	4,513	2,354

During the year Mothercare Australia Limited acquired the remaining 27% in Skansen KCG, in exchange for the repayment of the convertible note of $2.5million and the issue of 7.5 million shares.

The current shareholder loan comprises of two short term loans by Mothercare UK $2m, and Myer family $1.5m, which were provided in advance of the rights issue which is detailed in note 34. These two loans will be capitalised as part of the rights issue.

* The ANZ bank loan is a long term loan with monthly repayments of $12,500. Refer to going concern note (Note 2) in relation to short term classification of ANZ loan.

	Notes	CONSOLIDATED	
		2011	2010
		$'000	$'000
18. PROVISIONS			
Current			
Employee benefits (a)		**887**	641
Gift vouchers/laybys (b)		**929**	-
Earn-out (Note 32)		**525**	-
Customer loyalty points (d)		**273**	-
Provision for fixed asset disposal (e)		**150**	-
Landlord contribution (c)		**120**	63
		2,884	704
Non-Current			
Provision for make-good (leases) (f)		**80**	-
Employee benefits (a)		**434**	280
Landlord contribution (c)		**645**	303
		1,159	583

(a) The provision for employee benefits represents annual leave and long service leave entitlements. The calculation of the present value of future cash flows in respect to long service leave is based on historical data.

(b) Sales on layby product are only recognised after final layby instalment.

(c) Landlord contribution relates to lease incentives deferred over the period of each lease.

(d) Loyalty points accrued on the Mothercare and Early Learning Centre loyalty programme.

(e) Provision for fixed asset disposal.

(f) Provision for store make good costs.

Movement in provision

Movements in landlord provision during the financial year:

	Gift Vouchers /Laybys		Landlord Contribution	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Carrying amount at the start of the year	-	-	**366**	-
Contributions received	-	-	**507**	366
Issued in the year	**1,077**	-	-	-
Amount written back to Statement of Comprehensive Income	**(148)**	-	**(108)**	-
Carrying amount at the end of year	**929**	-	**765**	366

18. PROVISIONS (continued)

	Earn Out		Customer Loyalty	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Carrying amount at the start of the year	-	-	-	-
Issued in the year	**525**	-	**838**	-
Amount written back to Statement of Comprehensive Income	-	-	**(565)**	-
Carrying amount at the end of year	**525**	-	**273**	-

	Provision for Fixed Assets Disposal		Make Good Provision	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Carrying amount at the start of the year	-	-	-	-
Recognised in the year	**150**	-	**80**	-
Carrying amount at the end of year	**150**	-	**80**	-

19. DERIVATIVE FINANCIAL INSTRUMENTS (CURRENT)

	CONSOLIDATED	
	2011	2010
	$'000	$'000
Derivative financial instruments - liability	**(184)**	-
Derivative financial instruments - assets	-	186
	(184)	186

The derivative financial instruments represent foreign exchange contracts not effectively hedged at the reporting date and are reported through the Statement of Comprehensive Income at fair value.

20. ISSUED CAPITAL

(a) ISSUED AND FULLY PAID

212,920,556 ordinary shares fully paid (2010: 119,690,390)	**57,825**	31,001

20. ISSUED CAPITAL (continued)

(b) MOVEMENT IN SHARES ON ISSUE

	CONSOLIDATED	
	No.	2011 $'000
Balance at the beginning of the period	119,690,390	31,001
Shares issued in relation to part consideration of Babies Galore acquisition	16,666,666	5,000
Shares issued to Mothercare Finance Limited (UK)	43,620,000	12,200
Shares issued in relation to acquisition of remaining 27% of Skansen KCG Pty Limited	7,500,000	2,100
Shares issued on exercise of option to Mothercare Finance Ltd (UK)	5,443,500	1,524
Shares issued in relation to acquisition of Baby on a Budget	3,333,334	1,000
Convertible notes issued to Myer Family Company Holdings Limited	16,666,666	5,000
Balance as at the end of the period	212,920,556	57,825

(c) NATURE AND PURPOSE OF RESERVES

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Convertible note reserve

The convertible note reserve has been cleared during the financial year following settlement of the outstanding convertible note loan and subsequent release of the equity portion of that loan.

Equity reserve

Movement in the equity reserve has resulted due to the elimination of non-controlling interest on the acquisition of the remaining interest in Skansen KCG Pty Ltd.

(d) TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

The ordinary Shares have no par value and there is no limited amount of authorised capital.

(e) SHARE OPTIONS

During the year, nil options were issued (2010: nil).

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, trade finance, cash and short-term deposits and forward foreign exchange contracts (derivative financial instruments). These activities expose the Group to a variety of financial risks: market risk (including foreign currency risk, interest rate risk), credit risk and liquidity risk.

The Directors manage the different types of risks to which it is exposed by considering risk and monitoring levels of exposure to interest rate and foreign exchange risk and by being aware of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through general business budgets and forecasts.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group holds the following financial instruments:

Consolidated Entity	**Fixed interest rate**		**Floating interest rate**		**Non interest bearing**		**Total**	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000
Financial assets								
Cash and cash equivalents	**-**	4,155	**3,064**	651	**-**	-	**3,064**	4,806
Derivative financial instruments	**-**	-	**-**	-	**-**	186	**-**	186
Trade debtors	**-**	-	**-**	-	**283**	1,227	**283**	1,227
Financial Assets	**-**	4,155	**3,064**	651	**283**	1,413	**3,347**	6,219
Financial liabilities								
Borrowings	**3,500**	-	**1,013**	2,354	**-**	-	**4,513**	2,354
Derivative financial instruments	**-**	-	**-**	-	**184**	-	**184**	-
Trade finance (excluding interest)	**-**	-	**6,963**	3,089	**-**	-	**6,963**	3,089
Trade and other payables	**-**	-	**-**	-	**15,715**	8,631	**15,715**	8,631
Financial Liabilities	**3,500**	-	**7,976**	5,443	**15,899**	8,631	**27,375**	14,074
Net Exposure	**(3,500)**	4,155	**(4,912)**	(4,792)	**(15,616)**	(7,218)	**(24,028)**	(7,855)

Market Risk

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's short term deposits held, borrowings and trade finance.

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

Management considers the below movements in interest rates to have a material impact on the Group's interest rate exposure.

If interest rates had moved, as illustrated in the table below, with all other variables held constant, loss and net assets would have been affected as follows:

	Consolidated entity	
	2011 $'000	2010 $'000
If interest rates were 1% higher	**31**	50
If interest rates were 1% lower	**(31)**	(50)

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

Foreign currency risk
The Group has transactional currency exposures. Such exposure arises from purchases by Skansen KCG Pty Ltd in currencies other than the unit's measurement currency. In order to protect against exchange rate movements, the group has entered into forward foreign exchange contracts. Management has a risk policy to hedge between 50% and 100% against anticipated transactions for the next 6 – 12 months.

The Group's exposure to foreign currency risk as at 30 June 2011 is as follows

	Note	2011	2010
Expressed in foreign currencies			
Forward exchange contracts (buy foreign currency) - USD '000		-	1,880
Trade payables – USD '000	16	**17**	707
Forward exchange contracts (buy foreign currency) - GBP '000		**2,138**	2,097
Trade payables – GBP '000	16	**5,099**	2,181

The maturity, settlement amounts and the average contractual exchange rates of the consolidated entity's outstanding forward foreign exchange contracts at the reporting date was as follows:

Expressed in foreign currencies	**Sell Australian Dollars**		**Average Exchange Rates**	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Buy US Dollars				
Maturity:				
0-3 months	-	1,230	-	0.869
3-6 months	-	650	-	0.851
Buy GB Pounds				
Maturity:				
0-3 months	**2,138**	1,520	**0.625**	0.586
3-6 months	-	577	-	0.577

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

Expressed in Australian dollars Translated at spot rates at reporting date	**Assets**		**Liabilities**	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Consolidated				
US Dollars	-	5	**16**	829
GB Pounds	-	-	**7,709**	3,844
NZ Dollars	**155**	103	**56**	-
	155	108	**7,781**	4,673

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

Foreign currency risk (continued)
The consolidated entity had net liabilities denominated in foreign currencies of $7.63m (assets $0.155M less liabilities $7.78M) as at 30 June 2011 (2010: $4.56m (assets $0.108M less liabilities $4.67M)).

Sensitivity analysis
Based on this exposure, had the Australian Dollar weakened by 10% or strengthened by 5% (2010: weakened by 10% or strengthened by 5%) against these foreign currencies with all other variables held constant, the consolidated entity's loss before tax for the year would have been $0.848M higher or $0.364M lower (2010: $0.071M lower or $0.165M higher) and equity would have been $0.848M lower or $0.364M higher (2010: $0.165M lower or $0.071M higher).

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2011 was $1.63m (2010: $0.311M).

Credit Risk
Credit risk arises from the Group’s cash and cash equivalents, deposits with banks as well as credit exposure to wholesale and independent retail customers.

Credit risk is managed on a Group basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements. The Group does not hold any collateral but in many instances have personal/directors’ guarantees from the customers.

Management closely monitors the receivable balance on a monthly basis and is in regular contact with customers to mitigate risk.

The Group trades only with recognised, creditworthy third parties.

It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The Group’s exposure to bad debts is not significant and is detailed in note 10.

Price Risk
Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in marker prices largely due to demand and supply factors for commodities.

Liquidity risk
The Group’s objective is to maintain sufficient available funding to meet its operational commitments and acquisitions that may arise. The need for available funds is monitored through the preparation and maintenance of future rolling cash flow forecasts.

The Group’s financial liabilities as at the reporting date comprise of trade payables, trade finance facility, borrowings and foreign currency forward contracts; and under the agreed terms, foreign currency forward contracts are payable within 12 months of the reporting date.

The Group’s financing arrangements are shown in note 9 in the financial statements.

Remaining contractual maturities
The following tables detail the consolidated entity’s remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

Consolidated - 2011	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	**14,408**	-	-	-	**14,408**
Other payables	-	**1,307**	-	-	-	**1,307**
Interest-bearing – variable rate						
Trade finance	8.00	**6,963**	-	-	-	**6,963**
ANZ Bank loan	7.62	**1,013**	-	-	-	**1,013**
Interest-bearing – fixed rate						
Short term loan	10.00	**3,500**	-	-	-	**3,500**
Total non-derivatives		**27,191**	-	-	-	**27,191**
Derivatives						
Forward foreign exchange contracts net settled		**3,421**	-	-	-	**3,421**

Consolidated - 2010	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	8,233	-	-	-	8,233
Other payables	-	398	-	-	-	398
Interest-bearing – variable rate						
Trade finance	5.02	3,144	-	-	-	3,144
Convertible notes	9.85	2,500	-	-	-	2,500
Total non-derivatives		14,275	-	-	-	14,275
Derivatives						
Forward foreign exchange contracts net settled	-	5,900	-	-	-	5,900

Fair values

The following tables detail the consolidated entity's fair values of financial instruments categorised by the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value (continued)

Consolidated – 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Derivative financial instruments	-	184	-	184

Consolidated – 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative financial instruments	-	186	-	186

There were no transfers between levels during the financial year.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

All assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or at fair value, are recognised at amounts that represents a reasonable approximation of fair values unless otherwise stated in the applicable notes.

	CONSOLIDATED	
	2011	2010
	$'000	$'000
22. ACCUMULATED LOSSES		
Balance at the beginning of the financial year	**(20,025)**	(16,840)
Loss for the year attributable to members	**(20,292)**	(3,185)
Total available for appropriation	**(40,317)**	(20,025)
Dividends paid (Note 8)	**-**	-
Balance at end of the financial year	**(40,317)**	(20,025)
23. COMMITMENTS AND CONTINGENCIES		
(a) Operating lease expenditure commitments		
Operating Leases (non-cancellable)		
- not later than one year	**6,449**	5,350
- later than one year and not later than five years	**16,008**	12,554
- aggregate lease expenditure contracted for at the reporting date	**22,457**	17,904

Operating lease commitments include contracted amounts for stores and properties. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

23. COMMITMENTS AND CONTINGENCIES (continued)

	Consolidated	
	2011	2010
	$000's	$000's
(b) Remuneration commitments		
Commitments for the payment of salaries and other remuneration under long term employment contracts in existence at the reporting date but not recognised as liabilities payable:		
- not later than one year	**250**	835
- later than one year and not later than five years	**-**	-
	250	835

Remuneration commitments include contracted amounts arising from the service agreements of key management personnel as disclosed in the remuneration report in the directors report.

24. EARNINGS PER SHARE

	2011 $'000's	2010 $'000's	**2011 EPS (Cents)**	2010 EPS (Cents)
Basic earnings per share				
Net loss attributable to members of Mothercare Australia Limited	**(20,292)**	(3,184)	**(11.10)**	(2.66)
Weighted average number of ordinary shares (in thousands) on issue used in the calculation of basic earnings per share	**183,046**	119,690		
Diluted earnings per share				
Net loss attributable to members of Mothercare Australia Limited	**(20,292)**	(3,184)	**(2.66)**	(2.66)
Weighted average number of ordinary shares (in thousands) on issue used in the calculation of diluted earnings per share	**183,046**	119,690		

25. CONTINGENT LIABILITIES

The consolidated entity has given bank guarantees as at 30 June 2011 of $1,883,721 (2010: $1,626,960) to various landlords, held over the life of the lease term.

26. KEY MANAGEMENT PERSONNEL

Details of directors and key management personnel

(i) Directors

The following personnel were directors of Mothercare Australia Limited during the financial year:

G Elkington	Executive Chairman – Resigned 30 November 2010
B Dennison	Managing Director
G Choo	Executive Director / Chief Financial Officer – Resigned 30 November 2010
R Bartlett	Non-executive Director
M. Lewis	Executive Director - Appointed 30 September 2010
R.Gavshon	Non-executive Chairman - Appointed 1 December 2010
J Cull	Non-executive Director - Appointed 30 September 2010
D Shelmerdine	Non-executive Director – Appointed 30 November 2010
C Moynihan	Non-executive Director – Appointed 30 November 2010

(ii) Other key management personnel

I Gordon	Company Secretary – Resigned 29 June 2011
R.De Lorenzo	Company Secretary/Chief Financial Officer – Appointed 1 December 2010

Key management compensation

Detailed remuneration disclosures are provided in Sections A – E of the Remuneration Report on pages 8 – 11 of the directors report.

	CONSOLIDATED	
	2011 $000's	2010 $000's
Short-term employee benefits	**1,111,843**	898,503
Cash bonus	**50,000**	-
Termination	**392,500**	-
Post-employment benefits	**89,635**	66,690
Non-monetary benefits	**34,686**	15,491
	1,678,664	980,684

Shareholdings in Mothercare Australia Ltd of directors and key management personnel

30 June 2011

	Balance at 1 July 2010	*Granted as remuneration*	*Options exercised*	*Net change other*	*Balance at 30 June 2011*
Directors					
G Elkington	8,492,346	-	-	(7,433,346)	1,059,000
B Dennison	12,741,374	-	-	(962,000)	11,779,374
G Choo	82,567	-	-	(82,567)	-
M.Lewis	-	-	-	5,373,748	5,373,748
R. de Lorenzo	-	-	-	20,000	20,000

30 June 2010

	Balance as at 1 July 2009	*Granted as remuneration*	*Options exercised*	*Net change other*	*Balance at 30 June 2010*
Directors					
G Elkington	7,809,846	-	-	682,500	8,492,346
B Dennison	13,959,154	-	-	(1,217,780)	12,741,374
G Choo	82,567	-	-	-	82,567

27. AUDITORS' REMUNERATION

	CONSOLIDATED	
	2011	2010
	$	$
Amounts received or due and receivable by the auditors of Mothercare Australia Limited for:		
– an audit or review of the financial statements of the entity and any other entity in the consolidated entity	**245,333**	159,788
– other assurance services in relation to the entity and any other entity in the consolidated entity	**13,500**	31,892
	258,833	191,680

28. RELATED PARTY DISCLOSURES

a) The directors of Mothercare Australia Limited during the financial year were:

G Elkington	(Resigned 30 November 2010)
B Dennison	
G Choo	(Resigned 30 November 2010)
R Bartlett	
J. Cull	(Appointed 30 September 2010)
M.Lewis	(Appointed 30 September 2010)
R.Gavshon	(Appointed 1 December 2010)
C.Moynihan	(Appointed 30 November 2010)
D. Shelmerdine	(Appointed 30 November 2010)

b) Interests in subsidiaries are shown in Note 13.

c) Mothercare Australia Limited is the ultimate parent entity.

d) The following related party transactions occurred during the financial year, all were on normal commercial terms:

(i) Transactions with related parties in wholly-owned group

1. Loans made by Mothercare Australia Limited to wholly-owned entities repayable on demand $27,714,000 (2010: $2,507,000); and
2. Loans made to Mothercare Australia Limited by wholly-owned entities repayable on demand $- (2010: $592,000).

(ii) Transactions with director-related entities.

There was no transactions with director-related entities up to 30 June 2011 (2010: nil).

(iii) Shareholder related Party loans

The shareholder loans comprises of two short term loans by Mothercare UK $2m, and Myer Family $1.5m, which was provided in advance of the current rights issue. These two loans will be capitalised as part of the rights issue.

(iv) Purchases from Shareholders

Purchases from Mothercare UK $15,612,000 (2010 $7,834,972).

29. SEGMENT INFORMATION

Year ended 30 June 2011

Management has determined the operating segments based on reports reviewed by the executive management committee for making strategic decisions. The executive management committee comprises of the Managing Director, Chief Financial Officer and divisional managers. The committee monitors the business based on shop type segments and have identified 2 reportable segments. The basis of determining segments has been expanded to divide the retail segment into the business divisions of Mothercare (Baby goods/products) and ELC (Toys).

Operating Segments

	ELC $'000	Mothercare $'000	Giftware* (Discontinued) $'000	Total $'000
REVENUE				
Sales to external customers	19,135	46,522	1,339	66,996
Other income				108
				67,104
Interest revenue				366
Total segment revenue				67,470
RESULT				
Segment contribution/(loss)	998	(6,872)	62	(5,812)
Gain on acquisition				596
Unallocated revenue and expenses				(7,168)
Trading loss				(12,384)
Finance costs				(595)
Depreciation & amortisation				(2,453)
Significant non-recurring other costs				
FX Loss				(1,995)
Disposal of BG store assets due to closure				(1,700)
Non continuing administration costs				(2,010)
Write off Kids central intangible due to conversion of branded stores to Mothercare format				(700)
Net loss from continuing operations before tax				(21,837)
Income tax benefit				594
Net loss for the year				(21,243)
Assets				
Segment assets	5,456	32,081		37,537
Unallocated assets				9,087
Total assets				46,624

*The giftware segment has been included for comparative reasons. As detailed per note 33 the Giftware business (Beanie Kids was disposed of during the year).

29. SEGMENT INFORMATION (continued)

Year ended 30 June 2010

Operating Segments

	ELC	Mothercare	Giftware* (Discontinued)	Total
	$'000	$'000	$'000	$'000
REVENUE				
Sales to external customers	22,088	1,176	7,817	31,081
Other income				551
				31,632
Interest revenue				257
Total segment revenue				31,889
RESULT				
Segment contribution/(loss)	(3,298	(84)	81	(3,301)
Gain on acquisition				-
Unallocated revenue and expenses				579
Trading Loss				(2,722)
Finance Costs				(328)
Depreciation and amortisation				(1,067)
Net loss from continuing operations before tax				(4,117)
Income tax benefit				65
Net loss for the year				(4,052)
Assets				
Segment assets	8,140	7,023	2,669	17,832
Unallocated assets				9,461
Total assets				27,293

* The Giftware segment has been included for comparative reasons, as detailed per note 33 the Giftware business (Beanie Kids) was disposed of during the year. FY10 MC contribution includes two stores MC Doncaster and MC Chadstone. Five Kids Central stores are reported under the ELC segment in FY10 that are now reported under Mothercare in FY11 due to conversion to the Mothercare store format.

The executive management committee monitors segment performance based on store contribution. This measure excludes depreciation and amortisation, unallocated head office costs and non-recurring expenditure such as restructuring transaction costs. The basis of measuring segment profit or loss has not changed from the last annual financial statements.

All operations are carried out in Australia and New Zealand and no individual customer provides greater than 10% of total revenue.

30. CAPITAL MANAGEMENT STRATEGY

Mothercare Australia and its subsidiaries objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders, benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There are no externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistently with others in the industry, Mothercare Australia monitors capital on the basis of the gearing ratio.

The consolidated entity and parent entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity and parent entity are actively pursuing additional investments in the short to medium term as it continues to integrate and grow its existing businesses in order to maximise synergies.

31. PARENT ENTITY INFORMATION

	2011 $'000	2010 $'000
Information relating to Mothercare Australia Ltd:		
Current assets	**62**	6,486
Total assets	**39,981**	13,144
Current liabilities	**-**	(880)
Total liabilities	**-**	(892)
Issued capital	**(57,825)**	(31,001)
Retained earnings	**17,349**	18,749
Total shareholders' equity	**39,981**	(12,252)
Loss of the parent entity	**(495)**	(2,106)
Total comprehensive income of the parent entity	**(495)**	(2,106)
Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries:		
• Fixed and floating charge over parent's assets and uncalled capital for borrowings from ANZ for the consolidated group.	**8,424**	-
• Total facilities – please refer to note 9	**11,100**	11,240
Details of any contingent liabilities of the parent entity	**-**	-
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment	**-**	-

32. BUSINESS COMBINATIONS

During the year, on 1 October 2010, Mothercare Australia Limited acquired 100% of the issued capital of Western Australian mother and baby chain called "Baby on a Budget". In addition, effective 21 September 2010, Mothercare Australia Limited acquired selected business assets and liabilities of the New South Wales and Queensland based mother and baby chain called "Babies Galore". Both these acquisitions have progressed the rollout of the Mothercare national footprint. The assets and liabilities acquired through both acquisitions are as follows:

Baby on a Budget – 100% issued capital acquired on 1 October 2010

Purchase consideration:	**$'000**
Cash	1,000
3,333,334 ordinary shares issued by Mothercare Australia Limited	1,000
Contingent consideration	525
Total purchase consideration	2,525

The assets and liabilities of the combined business at fair value are as follows:

Cash and cash equivalents	60
Trade receivables	27
Inventories	3,041
Other assets	3
Property, plant and equipment	254
Deferred tax assets	44
Trade creditors and other payables	(1,841)
Interest-bearing loans and borrowings	(1,101)
Other creditors and accruals	(551)
Employee entitlements	(59)
Net identifiable assets and liabilities acquired	(123)
Goodwill on acquisition	2,648
	2,525

32. BUSINESS COMBINATIONS (continued)

The goodwill is attributable to the Baby on a Budget existing customer network. Synergies are expected to be achieved once the highly successful model of Mothercare's Parenting Centres across Western Australia have been rolled out. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition related costs of $162,000 are included in the administration expenses line per the Statement of Comprehensive Income.

Revenue and profit contribution

From the date of acquisition, Baby on a Budget Limited has contributed $8.4m to revenue and a loss of $0.133M to the result of the group. If the acquisition had occurred on 1 July 2010, the revenue would have been $11.2m and net loss after tax would have been $0.177M.

Contingent consideration

The contingent consideration is the fair value of the expected future earn-out to the vendors of Baby on a Budget. The earn-out is a mixture of cash and shares in Mothercare Australia Limited, if certain EBITDA figures are met. The contingent consideration is calculated by reference to the probability of weighted future expected earnings of the Baby on a Budget business.

Due to the restructuring of the Baby on a Budget stores and conversion to the Mothercare Brand format a sensitivity review of the contingent consideration has not been included.

Babies Galore - Selected assets and liabilities effective 21 September 2010

Purchase Consideration:	**$'000**
Cash	3,800
16,666,666 ordinary shares issued by Mothercare Australia Limited	5,000
Total purchase consideration	8,800

The assets and liabilities of the combined business at fair value are as follows:

Inventories	6,533
Property, plant and equipment	3,310
Customer database	395
Deferred tax assets	208
Customer liabilities	(686)
Employee entitlements	(364)
Net identifiable assets and liabilities acquired	9,396
Gain on acquisition	(596)
	8,800

The gain on acquisition of $2.1M which was recognised in the half year Financial Statements for 31 December 2010 has been revised and finalised at $0.596M . The revision is in relation to an adjustment to the stock assets acquired which have been re-valued in line with fair value accounting ($1.2M) and recognition of customer laybys ($0.328M). The Babies Galore acquisition was made to accelerate the roll-out of the Mothercare and ELC brands to a national footprint in Australia. The gain on acquisition resulted as the Babies Galore business performance was being significantly impacted by increased pricing competition and lack of available financing. The Directors of Mothercare Australia Limited saw the opportunity of the positive margin impact of introducing the higher margin Mothercare product once the Babies Galore stores have been rebranded. This rebranding has now been completed with stores now converted to the Mothercare format.

Acquisition related costs of $503,012 are included in the administration expenses line per the Statement of Comprehensive Income.

Revenue and profit contribution

From the date of acquisition, Babies Galore has contributed $14.9M to revenue and a net loss of $8M to the net loss of the group. The contribution of Babies Galore to the revenue and loss of the consolidated entity if acquisition had occurred on 1 July 2010 has not been disclosed as Babies Galore has been restructured since acquisition and it is impracticable to determine contribution since 1 July 2010.

32. BUSINESS COMBINATION (continued)

2010

On 1 October 2009, Mothercare Australia through a controlled entity, Skansen KCG Pty Ltd acquired the business assets and liabilities of the Kids Central / Early Learning Centre. The assets and liabilities from the acquisition are as follows:

Purchase consideration:	**$'000**
Issued convertible notes	2,500
Ordinary shares issued by Skansen KCG	1,649
Contingent consideration	123
Total purchase consideration	4,272

The assets and liabilities of the combined business at fair value are as follows:

Cash and cash equivalents	438
Trade receivables	193
Inventories	3,629
Other current assets	341
Property, plant and equipment	3,865
Intangibles – licences and development right	2,780
Deferred tax assets	185
Trade creditors and other payables	(6,319)
Convertible notes	(1,100)
Trade finance	(2,370)
Employee entitlements	(537)
Related party payables	(440)
Net identifiable assets acquired	665
Add goodwill	3,607
	4,272

Mothercare through a wholly owned subsidiary, Skansen Pty Ltd, acquired 73% of Skansen KCG Pty Ltd and the non-controlling interest is 27%. This is based on Skansen Pty Ltd owning 4.5 million shares out of a total of 6.15 million shares.

The net cash inflow from the acquired business was $0.438M.

The goodwill is attributable to the Kids Central and Mothercare / Early Learning Centre (ELC) existing network and systems as well as the expected growth from the further development of the businesses. Synergies are expected to be achieved once the highly successful model of Mothercare's Parenting Centres across Australia has been rolled out. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition-related costs of $0.676M are included in the administration expenses in the statement of comprehensive income.

<u>Contingent consideration</u>

The contingent consideration of $0.123M is the fair value of the expected future earn-out payable to Mike Lewis. Mr. Lewis will receive an earn-out up to a maximum of $0.351M in shares in Skansen KCG, if certain performance criteria are met. The contingent consideration is calculated by reference to the probability of weighted future expected earnings of the Kids Central business.

Given the performance of this financial year, the performance criteria was not met. The contingent consideration was settled within equity during the year as shown in the Statement of Changes in Equity.

<u>Revenue and profit contribution</u>

The acquiree contributed revenues of $23.5M with a net loss of $3.4M to the Group for the period from 1 October 2009 to 30 June 2010. The contribution of the acquiree to the revenue and profit or loss of the consolidated entity if the acquisition had occurred on 1 July 2009 has not been disclosed as the acquiree has been restructured since acquisition and it is impracticable to determine its contribution since 1 July 2009.

33. DISCOUNTINUED OPERATIONS

On 31 August 2010, Mothercare Australia Limited announced the sale of Skansen KCG Giftware business (i.e Beanie Kids) to Zoo SkyMedia PTY Ltd. As a result of Mothercare Australia Limited being clearly focused on the roll out of its Mothercare and ELC retail concepts. The Giftware business no longer formed part of Mothercare Australia's core business. Since October 2009 when Mothercare Australia acquired a controlling interest in Kids Central, Mothercare Australia emphasis has been establishing the platform to take Mothercare in Australia to a national footprint. The capital previously employed in this division will be utilised to accelerate the national footprint.

Financial information relating to Skansen KCG Giftware business from 1 July 2010 to 31 August 2010 (date of disposal), and for the year ended 30 June 2010 is set out below :

Financial Performance	**1 July 2010 to 31 August 2010 $'000**	**30 June 2010 $'000**
Revenue	1,339	7,817
COGS and overheads	(1,259)	(7.541)
Depreciation and amortisation	(27)	(172)
Interest income	-	5
Net profit attributable to discontinued operations	**53**	109
Loss on sale of business	(18)	-
Income tax expense	-	-
Loss on sale of division after income tax	**(18)**	-
Profit from discontinued operation	**35**	109

Information relating to the financial position of the Giftware business at disposal date (31 August 2010) and at the end of the previous annual reporting period are as set out below.

	Disposal date 31 August 2010 $'000	**From annual financial statements 30 June 2010 $'000**
Assets		
Property, plant and equipment	**170**	317
Trade debtors	**1,713**	1,109
Inventories	**691**	997
Other assets	**11**	79
Cash and cash equivalents	**-**	165
Total assets	**2,585**	2,667
Liabilities		
Trade and other payables	**414**	521
Provision for employee entitlements	**153**	151
Total liabilities	**567**	672
Net assets	**2,018**	1,995

33. DISCOUNTINUED OPERATIONS (continued)

Cash flow information for the 2 months ended 31 August 2010 and the year ended 30 June 2010 are as follows :

	1 July 2010 to 31 August 2010	Year ended 30 June 2010
	$'000	$'000
Net cash inflow from operating activities	**67**	38
Net cash inflow from sale of business	**2,000**	-
Net increase in cash generated by the giftware division	**2,067**	38

Detail of the sale of the BK brand and wholesale division are as follows:

Consideration received	**2,000**
Carrying amount of net assets sold	**2,018**
Loss on sale before income tax	**(18)**
Income tax expense	**-**
Loss on sale after income tax	**(18)**

34. EVENTS SUBSEQUENT TO REPORTING DATE

Mothercare Australia announced in conjunction with the recent release of the Appendix 4E, a rights issue consisting of one Mandatorily Converting Note for every five shares held. It is priced at $0.18 per security yielding interest of 11.45% per annum (in respect of interest payments that are not franked) or 8% per annum (in respect of interest payments are fully franked from available profits). The New Mandatorily Converting Notes issued by the Company will be secured by a second ranking fixed and floating charge over all of the Company's assets.

The proceeds of the offer will be used to:

- enable the Company to take advantage of increased store location opportunities;
- expand the Company's marketing investment in creating Mothercare's brand awareness; and
- provide additional working capital for the Company.

The offer has closed and raised $7.6M, before the costs of the offer. This comprised up to $4.6M in new subscription monies with the balance covered by the underwriters. Part of the proceeds generated will be applied to capitalising loans to Mothercare plc and Myer Family Company.

Apart from the matters above, no other matters or circumstances have arisen since the end of year which significantly affected the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity.

35. ASSETS AND LIABILITIES HELD FOR SALE

a) Details of operations disposed

The remaining property in Lisarow was sold and was fully settled in full in early May 2010 with net proceeds of $1.9M and for a profit of $0.025M. It was included in the 'Assets classified as Held for Sale in June 2009 with an impairment charge of $0.198M recognised to align the carrying value of the asset with its fair value less cost to sell. The impairment charge was included on the face of the Statement of Comprehensive Income in 2009.

The major classes of assets and liabilities as at:

	2011 $'000	2010 $'000
Assets		
Land & buildings	-	-
Other assets	-	55
Cash and cash equivalents	-	1
Assets classified as held for sale	-	56
Liabilities		
Trade and other payables	-	3
Deferred tax liabilities	-	-
Liabilities directly associated with assets classified as held for resale	-	3

DIRECTORS DECLARATION

FOR THE YEAR ENDED 30 JUNE 2011

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Robert Gavshon
Non-Executive Chairman

30 September 2011
Sydney

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MOTHERCARE AUSTRALIA LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Mothercare Australia Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of Mothercare Australia Limited (the company) and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(c), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
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PKF

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of Mothercare Australia Limited and the consolidated entity is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(d).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Mothercare Australia Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

PKF

John Bresolin
Partner

30 September 2011
Sydney

SHAREHOLDER INFORMATION

FOR THE YEAR ENDED 30 JUNE 2011

Additional information required by the Australian Stock Exchange Limited not shown elsewhere in this report is as follows:

The information is current as at 15 September 2011.

1. Substantial shareholders

Shareholder	Shares	%
MOTHERCARE FINANCE LIMITED	49,063,500	23.04
J P MORGAN NOMINEES AUSTRALIA LIMITED	17,759,275	8.34
M F CUSTODIANS LTD	16,666,666	7.83
CLIME INVESTMENT MANAGEMENT LTD	11,402,024	5.36

2. Securities subject to voluntary escrow:

Nil

1. Statement of shareholdings

Shareholder	*20 largest shareholders ordinary shares No. of shares*	
MOTHERCARE FINANCE LIMITED	49,063,500	23.04
J P MORGAN NOMINEES AUSTRALIA LIMITED	17,759,275	8.34
M F CUSTODIANS LTD	16,666,666	7.83
CLIME INVESTMENT MANAGEMENT LTD	11,402,024	5.36
MR BRENT DENNISON	9,506,770	4.46
ALLEGRO PRIVATE EQUITY FUND 1 BV	7,750,001	3.64
PERPETUAL TRUSTEES CONSOLIDATED LIMITED <CLIME ASSET MANAGEMENT A/C>	7,582,616	3.56
J EDWARDS INVESTMENTS PTY LTD <J EDWARDS INVEST SUPER A/C>	7,000,000	3.29
JESSFIELD LIMITED	5,373,748	2.52
M F CUSTODIANS LTD	5,000,000	2.35
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	4,458,333	2.09
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	4,458,333	2.09
MR MORGAN EVAN WILLIAMS	3,953,026	1.86
MR GIUSEPPE PALUMBO	3,952,922	1.86
EQUIPMENT COMPANY OF AUSTRALIA PTY LIMITED	2,490,508	1.17
MR BRENT RONALD DENNISON	2,272,604	1.07
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,130,140	1.00
MR KERRY PAUL GALLOWAY + MRS MERLE LORRAINE GALLOWAY <KERRY GALLOWAY S/F A/C>	2,130,050	1.00
PICTON COVE PTY LTD	1,900,269	0.89
MR DAVID JOHN PHIPPARD + MRS ELAINE MARIE PHIPPARD <PHIPPARD SUPER FUND A/C>	1,870,900	0.88
	166,721,685	

Proportion held by 20 largest holders	78.3%
Number of shareholders holding less than a marketable parcel (<2,000)	69

Shareholder spread ordinary shares			No. of holders
1	-	1,000	38
1,001	-	5,000	188
5,001	-	10,000	125
10,001	-	100,000	329
100,001	-	Over	100
			780

4. Voting rights

Ordinary shares - carry one vote per share without restriction.

DIRECTORY

DIRECTORS

Robert Gavshon
Non-Executive Chairman

Brent Dennison
Managing Director

Chester Moynihan
Non-Executive Director

David Shelmerdine
Non-Executive Director

Jerry Cull
Non-Executive Director

Mike Lewis
Non-Executive Director

Ross Bartlett
Non-Executive Director

Robert de Lorenzo
Company Secretary/Chief Financial Officer

HEAD OFFICE

Mothercare Australia Limited (ACN 060 199 082)
Level 1
Building 2A/220
The Entertainment Quarter
122 Lang Road
Moore Park NSW 2021

Telephone 02 9332 9900
Facsimile 02 9358 5799

REGISTERED OFFICE

Mothercare Australia Limited
Level 1
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The Entertainment Quarter
122 Lang Road
Moore Park NSW 2021

Telephone 02 9332 9900
Facsimile 02 9358 5799

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
SYDNEY NSW 2000

Telephone 02 8234 5000
Facsimile 02 8234 5050
www.computershare.com

DIRECTORY

AUDITORS

PKF
Chartered Accountants & Business Advisers
Level 10
1 Margaret Street
SYDNEY NSW 2000

MOTHERCARE AUSTRALIA COMPANIES

Skansen KCG P/L (ACN 134 497 420)
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