

the holding company for the retail group. Mothercare plc acquired Chelsea Stores Holding Limited in 2007, effectively taking ownership of Early Learning Center, which was then a fully owned subsidiary of Chelsea Stores Holding Limited. Mothercare Financial Times Stock Exchange has been extremely volatile and generally declining in the last twelve month from February 2010 to January, 2011. The efficient market hypothesis suggests that stock market prices will reflect all the available financial information (Pandey 2004). This analysis is therefore intended to establish the past, current and future financial performance of Mothercare plc with the general aim of offering advice for making an informed investment decision.

Fundamental Analysis

Stock market analysis is widely divided into two categories, i.e. technical analysis (heavily relies on historical data to make stock market predictions about future movement in stock price), and fundamental analysis (uses past and present data to make predictions of future movement in share prices). Fundamental analysis holds that the value of the company (value of its stock prices) is driven by fluctuations around its intrinsic value (Schlichting 2009, p. 10). In this sense, the intrinsic value is the fair value of the company and is determined by analyzing the extent to which fundamental factors have affected the value of the company. Fundamental analysis might be either horizontal, vertical, ratio, comparative or strategic analysis. The analysis in most cases will relate to associations among the various elements of the financial statements (Sincere 2003, p. 83). The following analysis is a fundamental analysis of Mothercare plc.

Sales Performance

Sales revenue is the most important aspect of a company's financial performance. It is the principal cash generating activity and the very essence for the existence of any business.

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