Mothercare Plc
FY2015/16 Full Year Results
Underlying profits up 51% as UK turnaround continues with plans underway to strengthen the International business

Mothercare plc, the global retailer for parents and young children, today announces full-year results for the 52-week period to 26 March 2016.

Highlights for FY2015/16

- Underlying profit before tax up 51% at £19.6m
- Further progress in UK with margins up 70 bps, online sales growth of 15%, like-for-like sales growth of 3.6% and losses reduced by 64%
- International remains challenging with economic and currency headwinds impacting profits, which were down (12%)
- Statutory profit before tax of £9.7m compared to a loss in the previous four years
- Closing net cash of £13.5m, after investing £39.2m during the year
- Review of International business completed with plans in place to strengthen the business

Group performance

	FY2015/16 52 weeks to 26 Mar 2016 £million	**FY2014/15 52 weeks to 28 Mar 2015 £million**	***% change vs. last year***
UK			
UK like-for-like sales[1]	+3.6%	+2.0%	-
Total UK sales	459.7	458.1	*+0.3%*
Underlying UK loss[2]	(6.4)	(18.0)	*+64.4%*
International			
International like-for-like sales[1]	(4.5)%	+5.6%	-
International retail sales in constant currency	(1.4)%	+12.4%	
International retail sales in actual currency	(7.4)%	+2.1%	
Total International sales	689.7	745.4	*(7.5)%*
Underlying International profit[2]	40.3	45.9	*(12.2)%*
Group			
Worldwide sales[1]	1,149.4	1,203.5	*(4.5)%*
Total group sales	682.3	713.9	*(4.4)%*
Group underlying profit before tax[2]	19.6	13.0	*+50.8%*
Exceptional credit/charge & non-underlying items	(9.9)	(26.1)	-
Group profit before tax after exceptional and non-underlying items	9.7	(13.1)	-
Underlying EPS[2]	9.6p	8.6p	*+11.6%*
Net cash	13.5	31.5	-

Mark Newton-Jones, Chief Executive of Mothercare plc, said:

"I'm pleased to report that two years into our turnaround strategy we have recorded a 51% growth in underlying profit before tax and the delivery of our first statutory profit in five years."

"The results highlight the significant progress we are making towards returning the UK to profitability. Improvements to our customer offer, both in store and online, and the look and feel of the store estate are driving like-for-like sales growth for a second consecutive year. Nearly 40% of the store estate is now in the new and much improved format and the feedback from customers continues to be positive. This sales growth is not at the expense of gross margins which have also returned to growth. There is still much to do, but we are encouraged by our maintained trajectory towards profitability in the UK."

"Conditions for our International business remain challenging. The issues are primarily at a macro level, with economic and currency headwinds persisting. Whilst we recognise these pressures, we believe that we can also make some improvements in how we operate. We are exiting underperforming stores whilst continuing to grow space where there is potential for long term growth. We are also taking the lessons learned from our success in the UK and exporting them to our International markets. This is strengthening our International operations and improving the management of our brand globally."

"Our vision remains clear: to be the leading global retailer for parents and young children."

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Notes:
1 – UK like-for-like sales are defined as sales from stores that have been trading continuously from the same space for at least a year and include online sales.
International retail sales are the estimated total retail sales of overseas franchise and joint venture partners to their customers. International like-for-like sales are the estimated franchisee retail sales at constant currency from stores that have been trading continuously from the same selling space for at least a year and include online sales on a similar basis.
Total International sales are International retail sales plus International Wholesale sales. Worldwide sales are total International sales plus total UK sales. International stores refer to overseas franchise and joint venture stores.
2 – Underlying profit before tax refers to PBT before exceptional and non-underlying items. Underlying EPS is calculated on the basis of underlying profit.
3 – This announcement contains certain forward-looking statements concerning the Group. Although the Board believes its expectations are based on reasonable assumptions, the matters to which such statements refer may be influenced by factors that could cause actual outcomes and results to be materially different. The forward-looking statements speak only as at the date of this document and the Group does not undertake any obligation to announce any revisions to such statements, except as required by law or by any appropriate regulatory authority.
4 – Mothercare plc will host its AGM at which point it will also release its Q1 Trading Update for the 15 weeks to 9 July 2016 on Thursday 14 July 2016.

CHIEF EXECUTIVE'S REVIEW

Overview

We have made solid progress in each of our six strategic pillars in this past year as we continue to transform and modernise our business. In the UK almost 40% of space is now in the new and much improved format. We have invested in product, service, systems and the team which is delivering a significantly improved experience for our customers both in store and online. Like-for-like sales are up for the second year in a row and margins, after five years of decline, are up 70 bps reflecting our improved product quality and design, better buying negotiations and a focus on full price sales. Combined, this has resulted in a 64% reduction in losses compared to the previous year and we are on track to return the UK to profit.

International has been more of a challenge, but we remain focused on building a strong and more resilient business for the future. Our plan has been to fix the UK business by transforming it in to a modern and professional retailer and, by doing so, make it more exportable. We are now taking the lessons learned and the new practices from the UK into our International markets which will improve our partners' businesses and indeed the management of our brand globally. Despite the challenges faced in our International markets, where sales and profit have been impacted by economic and currency headwinds, we are still opening new space. We have also recently completed a full review of our International operations, looking for ways in which we can improve and strengthen the business. We believe we can work even more closely with our partners to support their businesses and strengthen the franchise model, ensuring that we will be best placed to benefit when market conditions improve.

I'd like to thank our teams and our International partners for all of their effort in this past year, as we transform and modernise our business.

We have made further progress against each of our six strategic pillars and overall the business is on a firmer footing and we are positioning ourselves well for the future.

1. Become a digitally led business
    - Online sales up 15%, accounting for 37% of UK retail sales (FY2014/15: 32%). In store online ordering continuing to grow, up 25% year-on-year and now accounting for 41% (FY2014/15: 38%) of all online sales
    - Mobile now 81% of online traffic and 58% of online sales for customers ordering from outside our retail store network
2. Supported by a modern retail estate and great service
    - 56 UK stores, or almost 40% of UK space, in new and much improved format
    - Closed 19 underperforming stores, refurbished 47, resited four and opened two new stores in the UK
3. Offering style, quality and innovation in product
    - Improved style, quality, innovation and design for all three product categories
    - Launched "Smile" by Julian Macdonald, our first designer collaboration
4. Stabilise and recapture gross margin
    - Margins up by 70 bps driven by less discounting and improved buying
    - Significantly lower levels of stock going into sale with 66% of product sold at full price compared to 57% two years ago
5. Running a lean organisation while investing for the future
    - Continued tight control of costs, despite need to invest selectively in some areas
    - £34m of free cash generated, before capital expenditure
6. Expanding further internationally
    - Space up 4.6% with 1,310 stores in 57 countries as a net 37 new stores opened
    - Closing stores in unprofitable markets – Honduras, Slovenia and Uzbekistan

Group results

We now trade from 1,480 stores in 58 countries across the world. Global retail space was up 0.6% year-on-year at 4.6m sq.ft., despite challenging market conditions in many of our International markets and continued planned store closures in the UK. In the UK space was down (6.4%) and we ended the year with 170 stores and 1.6m sq.ft. of retail space. International continued to grow space, which was up 4.6% and we ended the year with 1,310 stores and 3.0m sq.ft. of retail space.

	FY2015/16 52 weeks to 26 Mar 16 £million	**H1 FY2014/15 28 weeks to 28 Mar 15 £million**	***% change vs. last year***
Underlying International profit[2]	40.3	45.9	*(12.2)%*
Underlying UK loss[2]	(6.4)	(18.0)	*+64.4%*
Corporate expenses	(8.1)	(8.6)	*+5.8%*
Underlying profit from operations[2]	**25.8**	**19.3**	***+33.7%***
Underlying net finance costs	(3.2)	(5.0)	-
Share based payments	(3.0)	(1.3)	-
Underlying profit before tax[2]	**19.6**	**13.0**	***+50.8%***
Exceptional items	(10.2)	(32.0)	-
Non-cash foreign currency adjustments	1.2	6.9	-
Amortisation of intangibles	(0.9)	(1.0)	-
Reported profit before tax	**9.7**	**(13.1)**	**-**

Worldwide sales were down (4.5%) at £1,149m with total UK sales up 0.4% and total International sales down (7.4%). Group sales were down (4.4%) at £682m, reflecting the gain of 0.4% in the UK and more than offset by the (13.0%) reduction in receipts from our International partners as a result of the adverse currency impact and destocking in some key markets.

Despite the decline in sales, underlying Group profit before tax was up 51% at £19.6m. The UK reduced losses by 64% delivering a loss of (£6.4m), while International profits were down (12%) at £40.3m. Other Group expenses were down (5.8%) during the year with corporate costs of (£8.1m), finance costs of (£3.2m) and share based payments of (£3.0m).

Non-underlying costs were significantly reduced with a charge of (£10.2m) for exceptional items, a credit of £1.2m for non-cash foreign currency adjustments and a charge of (£0.9m) for amortisation of intangible assets. As a result we ended the year with a reported profit of £9.7m compared to a loss in the previous year (FY2014/15: loss of (£13.1)).

Our balance sheet remains strong with a net cash balance of £13.5m (FY2014/15: £31.5m) after investing £39.2m in the business over the year.

UK

In the UK we have made significant progress over the last year with total UK sales up 0.3% at £460m and UK losses reduced by 64% at (£6.4m).

We now have 56 stores in the new and significantly improved format, which along with the improvements in product and service (both in store and online), have contributed to the results this year. We are now confident in our approach and will continue to roll out the new store format to the rest of the UK store portfolio. The new and improved format will also be adopted by our International partners for both new store openings and refurbishments of existing stores.

	FY2015/16 52 weeks to 26 Mar 16	FY2014/15 52 weeks to 28 Mar 15	*% change vs. last year*
UK like-for-like sales growth	+3.6%	+2.0%	-
UK online sales	£159.4m	£138.4m	*+15.2%*
UK retail sales (including online)	£426.1m	£425.7m	*+0.1%*
UK wholesale sales	£33.6m	£32.4m	*+3.7%*
Total UK sales	£459.7m	£458.1m	*+0.3%*
Underlying loss	£(6.4)m	£(18.0)m	*+64.4%*

Become a digitally led business

Online sales were up 15% at £159.4m with in store online sales via iPads now accounting for 41% of the mix. This continued level of growth means online sales now account for 37% (FY2014/15: 32%) of UK retail sales, which is significantly above the UK average of c18%.

Our target customers are digitally enabled millennials who use their mobile devices whilst out and about to browse merchandise, review content, read reviews and purchase product. Our focus on content and enhancing the customer journey is helping to support conversion rates. Mobile now accounts for 81% (FY2014/15: 70%) of online traffic and 58% (FY2014/15: 53%) of online sales for customers ordering from home or outside our retail store network. Click-and-collect remains an important delivery option for our busy customers and represents about a third of all online orders placed.

Supported by a modern retail estate and great service

Our store network has seen a step change over the last year. We closed 19 underperforming stores (13 Mothercare and six ELC), refurbished 47 stores, resited four and opened two new stores. Nearly 40% of retail space in the UK is now in the new, modern and much improved format.

New stores have clearly marked departments. In Clothing and footwear we have sections for Maternity and Newborn. In Home and travel we have departments for Car seats, Pushchairs, Feeding and Nursery furniture. ELC also received a makeover. The new departments make it easier for customers to navigate around and browse our stores and locate the products that meet their needs. Our larger stores have coffee shops and soft play areas, which are helping to increase dwell times. These facilities are increasingly used by our customers as somewhere to meet like-minded mums and dads and relax over a coffee while their toddlers have a run around in a fully supervised play zone.

Whist only a few of our stores have been trading in the new format for more than a year, we are pleased with their performance since refurbishment. Early indications are that they are largely performing in line with their business plans. There are however a small number of stores that are not meeting expectations and we have been able to identify the cause and put in place remedial action plans while also learning from these for future refurbishments.

As a result of these changes 56 of our 170 stores (162 Mothercare and eight ELC) or nearly 40% of UK retail space is in the new format. We are also continuing to migrate our estate to larger stores and ended the year with 96 out-of-town Mothercare stores, 66 Mothercare in town and eight ELC in town stores with 121 ELC inserts within Mothercare stores. As a result our out-of-town stores now account for 75% of UK space.

Whilst our strategy of closing underperforming stores reduced UK space by (6.4%) year-on-year and reduced UK sales by (£14m), it contributed positively towards the overall performance of the UK by reducing UK losses by £3.5m.

Offering style, quality and innovation in product

Improving stores without a similar improvement in product wouldn’t deliver the sorts of results we are seeing. The teams have been busy over the last year upgrading our style, quality and value for money.

In **Clothing and footwear**, we have continued to work with brands to sit alongside our own in-house designed product. The branded product has good sell through rates at full price and also helps our range architecture in the "Best" category of Clothing & footwear as we improve our own ranges. In our own designed product we have successfully moved from four phases of product each year to seven – introducing more newness to the customer offer.

In 'Newborn', an area of strength, we increased the level of Special Occasion product which also helped increase our gift sales both in store and online. These ranges have higher than average selling prices. In 'Maternity', another area where we have traditionally been strong, we reacted to customer feedback and introduced a range of Maternity Essentials at entry price points while also adding brands like "Ripe" and "Hotmilk". In addition, in our refurbished stores, we have introduced discreet maternity departments with a boutique feel to differentiate the department and improve the display of product. Again the customer response has been encouraging and we will continue to work with our customers to offer them the products that they need at this important time in their lives. By upgrading our quality and style, we have migrated our ranges such that 21% of our own brand product is now in the "Best" category compared to just 11% two years ago. The addition of "Smile" by Julian Macdonald, an occasion wear range and our first designer collaboration, gives this transition further impetus.

In **Home and travel** we continued to work with our suppliers to increase the level of exclusive product and offers for our customers. At the same time we have invested in our own brand ranges with products like our first own brand ISO fix car seat and the award winning XSS Pockit stroller weighing less than 4kgs and folding down to just 34cm by 14cm (Junior Design Award for Best Lightweight Buggy: October 2015). Our in store and online product presentation took another step change with the creation of shop-in-shops, giving a more boutique feel and through brand stores online. Our store staff are using iPads effectively and have continued to improve service levels for customers. In some of our stores we are seeing up to half of Home and travel sales originating from iPads in our advisers' hands.

In **ELC Toys** our work has focused on improving the ranges and introducing more newness, going back to our heritage of educational toys. Brand additions, including Mellisa & Doug and Leapfrog, have helped towards this goal. We now have 17% of sales coming from brands compared to 13% a year ago and for peak trading we had 48% of products as new compared with just 32% in the previous year.

<u>Stabilise and recapture margin</u>

It is pleasing to see the results of all of the work we have done in improving our product and controlling the markdown and promotional activity. Following five years of significant margin decline, we were able to stabilise margins in FY2015. Our continued focus on both buying and reducing discounting has resulted in a strong outturn in FY2016 with margins up 70 bps. This is within our stated range of 50-100 bps improvement in the year.

We would not have been able to achieve this result had it not been for the hard work of all of our teams and our unrelenting focus on product and stock levels which allowed us to increase full price sales. Compared to two years ago, full price sales have increased by nearly 10% in total with clothing sales at full price improving nearly 15%.

<u>Running a lean organisation</u>

Despite the significant investment in the business, we have not lost sight of cost control. Whilst costs were up in certain areas as we invested in the future, overall we were able to take £1.8m of costs out of the business. In particular, we have been able to deliver reductions in areas like rent, contracts and some salaries. We have also invested in the key areas of marketing and product, in particular to strengthen our capabilities in digital, buying, merchandising and design.

International

<u>Review of International</u>

The recent macro-economic challenges across our International markets have led us to review our International business model in more detail and, after extensive analysis, we firmly believe that the franchise model is still the appropriate strategy, being both low risk, capital light and scalable. However we recognise that in the past the business has been managed as the International division of an essentially UK business, and to some degree at arm's length, with a relatively loose operating framework. We recognise that this needs to change and as such we aim to build closer ties with our partners to become a truly global business, with the UK seen as a division of the whole. We are working with our partners to increase collaboration between ourselves as franchisor and them as franchisees, sharing best retail practice but also developing better services for them in buying, merchandising, digital, marketing and training.

Our progress in the UK has given confidence to our partners that we are developing a more modern and professional business to franchise. We have invested in the International team, with three Managing Directors each with regional responsibility, to provide more depth. Importantly we have also extended the responsibility of the Executive Committee to include International in their remit. Whilst Jerry Cull will be stepping down as Managing Director of International, he will continue to be onboard supporting us with his knowledge and experience as we progress with our strategy in International.

<u>International performance</u>
Our International markets have been faced with ongoing macro headwinds for some time. The weaker oil price is now beginning to impact consumer sentiment and demand in the Middle East, while China has also seen a slowdown in consumer spending as GDP growth has slowed. Currency devaluation has also had an adverse impact, particularly in important markets like Russia where the rouble has devalued significantly and so had a material impact on the cost of goods and our profits in sterling. Despite these challenges, our franchise partners have looked to strengthen and grow their store portfolios where appropriate whilst also closing underperforming stores. Equally our partners are investing to put the foundations in place to build their digital capability, either in the form of a traditional website or in the less mature online markets by building a database.

Additionally, we are working with our franchise partners to ensure the trading approach is appropriate for current market conditions including de-stocking where necessary to ensure that old stock is cleared to create open-to-buy for our new improved ranges. By looking to strengthen our International business in this downturn, we believe we will be well positioned for a stronger recovery when market conditions improve.

	FY2015/16 52 weeks to 26 Mar 16	**FY2014/15 52 weeks to 28 Mar 15**	***% change vs. last year***
International like-for-like sales growth	(4.5)%	+5.6%	-
International retail sales: constant currency	(1.4)%	+12.4%	-
International retail sales: actual currency	(7.4)%	+2.1%	-
International retail sales	£682.9m	£737.3m	*(7.4)%*
International wholesale sales	£6.7m	£8.1m	*(17.3)%*
Total International sales	£689.7m	£745.4m	*(7.5)%*
Underlying profit	£40.3m	£45.9m	*(12.2)%*

<u>Expanding further internationally</u>
We are working with our partners to take a more proactive approach to space growth, exiting where we see issues manifest and growing where we see opportunity. As a result we believe that we are laying the foundations for a more robust business. During the year we closed 92 stores, reducing space by 214k sq.ft., while at the same time opening 129 stores and increasing space by 347k sq.ft.. On a net basis space was up 4.6% with 37 stores and 132k sq.ft. of space added during the year. Like the UK, our International stores are now migrating to a larger format and will continue to do so over the next few years as we replicate the best learnings from the UK.

International like-for-like sales were down (4.5%) year-on-year with Europe, including Russia, the only one of our four regions in growth. International sales in constant currency were down (1.4%) with all but the Middle East in growth. Whilst growth in the Middle East slowed over the course of the year, the region saw a marked slowdown during the last quarter as oil prices began to impact consumer confidence. With currency moves continuing to have an adverse impact, International sales in actual currency was down (7.4%) at £683m, despite beneficial currency moves from the Middle East and to a lesser degree Asia.

Wholesale sales were down at £6.7m resulting in a decline of (7.5%) in total International sales to £690m.

International profit was down (12.2%) at £40.3m, with adverse currency moves, particularly the rouble, having a £1m impact for the year and cost recovery also being weaker with lower volumes of product to our International partners. International remains an important and significant part of our group business and now accounts for 66% of worldwide space and 60% of worldwide sales.

Outlook

In the UK, we are making solid progress against our strategic pillars and expect to see further improvement in the year ahead. Online sales growth remains strong and is supporting like-for-like sales and total UK sales growth. We will continue to invest in digital, our stores, improve product and upgrade service and systems. Together these initiatives should deliver further improvement in UK profitability in the year ahead.

Our International businesses will continue to face the challenges of economic and currency headwinds in their markets. However, we are continuing to build these businesses with our partners, investing in stores and online and exporting the lessons learned from our successes in the UK. Mothercare is a global brand, by working more closely with our partners we will operate as a global business with the UK a division of the whole.

Whilst we recognise that there is still much to be done in the transformation of our group, we have made good progress overall and our vision remains clear – to be the leading global retailer for parents and young children.

Mothercare plc
Preliminary Results

FINANCIAL REVIEW

RESULTS SUMMARY

Group underlying profit before tax increased by £6.6 million to £19.6 million (2014/15: £13.0 million). Underlying profit excludes exceptional items and other non-underlying items which are analysed below. Exceptional items include costs relating to activity on property. After exceptional and non-underlying items, the Group recorded a pre-tax profit of £9.7 million (2014/15: loss of £13.1 million).

Income statement

£ million	52 weeks ended 26 March 2016	52 weeks ended 28 March 2015
Revenue	682.3	713.9
Underlying profit from operations before interest and share based payments	**25.8**	**19.3**
Share based payments	(3.0)	(1.3)
Net finance costs	(3.2)	(5.0)
Underlying profit before tax	**19.6**	**13.0**
Exceptional items	(10.2)	(32.0)
Non-cash foreign currency adjustments	1.2	6.9
Amortisation of intangible assets	(0.9)	(1.0)
Profit/(Loss) before tax	**9.7**	**(13.1)**
Underlying EPS – basic (pence)	9.6	8.6
EPS – basic (pence)	3.8	(12.6)

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

Results by segment

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

	52 weeks ended 26 March 2016	52 weeks to 28 March 2015
£ million – Revenue		
UK	**459.7**	458.1
International	**222.6**	255.8
Total	**682.3**	713.9

	52 weeks to 26 March 2016	52 weeks to 28 March 2015
£ million – Underlying Profit/(loss)		
UK	(6.4)	(18.0)
International	40.3	45.9
Corporate	(8.1)	(8.6)
Profit from operations before share based payments	**25.8**	**19.3**
Share based payments	(3.0)	(1.3)
Net finance costs	(3.2)	(5.0)
Underlying profit before tax	**19.6**	**13.0**

UK LFL sales have increased by 3.6% with support from online sales which were up 15.2% year on year. Total UK sales were marginally higher year on year, with underlying trading offsetting the impact of 25 planned store closures. The business continued to sell more at full price, and this along with improved buying margins and planned efficiencies improved profitability.

International retail sales decreased by 1.4% on a constant currency basis with all four regions seeing a reduction in both constant and actual currency sales. As a result of the ongoing economic and currency headwinds, reported sales are down by 13%, with profit down on last year.

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

Share based payments

Underlying profit before tax also includes a share based payments charge of £3.0 million (2014/15: £1.3 million) in relation to the Company's long-term incentive schemes. There are a number of long-term share based incentive schemes including the Long Term Incentive Plans, the Save As You Earn schemes and the Company Share Option Plan. Full details can be found in note 28 in the consolidated financial statements.

The charges as calculated under IFRS 2 are calculations based on a number of market based factors and estimates about the future including estimates of Mothercare's future share price, future profitability and TSR in relation to a comparator group of retailers. As a result it is difficult to estimate or predict reliably future charges.

Like-for-like sales, total International sales and worldwide sales

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

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

£ million	**Reported sales**		**Worldwide sales***	
	52 weeks ended 26 March 2016	**52 weeks ended 28 March 2015**	**52 weeks ended 26 March 2016**	**52 weeks ended 28 March 2015**
UK retail sales	426.1	425.7	426.1	425.7
UK wholesale sales	33.6	32.4	33.6	32.4
Total UK sales	459.7	458.1	459.7	458.1
International retail sales	215.9	247.7	683.0	737.3
International wholesale sales	6.7	8.1	6.7	8.1
Total International sales	222.6	255.8	689.7	745.4
Group sales/Group worldwide sales	**682.3**	**713.9**	**1,149.4**	**1,203.5**

* Estimated

Analysis of worldwide sales movement

£ million – Worldwide sales	
Sales for 52 weeks ended 28 March 2015	1,203.5
Currency impact	(44.3)
Proforma sales for 52 weeks ended 28 March 2015	1,159.2
Decrease in International LFL	(29.5)
Increase in International space	19.5
Increase in UK LFL	14.2
Decrease in UK space	(13.8)
Decrease in wholesale	(0.2)
Sales for 52 weeks ended 26 March 2016	**1,149.4**

Sales in the year ended 26 March 2016 were lower by £54.1m primarily as a result of an adverse currency impact of £44.3m.

Excluding the currency impact, worldwide sales have decreased by 0.8% driven by International sales; a decrease in like for like sales by 4.5% and an increase in space by 4.6%.

UK like for like sales have grown strongly by 3.6%, but have been offset by a decrease in UK space as a result of planned store closures.

Analysis of profit movement

£ million – underlying profit before tax	
Underlying profit for 52 weeks ended 28 March 2015	13.0
Currency impact	(1.0)
Proforma underlying profit for 52 weeks ended 28 March 2015	12.0
Decrease in International volumes	(6.4)
UK closures of loss making stores	3.5
UK new and re-site stores	0.5
UK sales and margin improvement	8.2
Decrease in costs	1.8
Underlying profit before tax for 52 weeks ended 26 March 2016	**19.6**

On a proforma basis (i.e. excluding the currency impact) underlying profit has increased by £7.6m. This is driven by UK sales and margin improvement, the closure of UK loss making stores, and a reduction in the cost base. This is partly offset by a decrease in international volume.

Foreign exchange

The main exchange rates used to translate the consolidated income statement and balance sheet are set out below:

	52 weeks ended 26 March 2016	52 weeks ended 28 March 2015
Average:		
Russian rouble	**95.40**	70.57
Indonesian rupiah	**20,418**	19,484
Saudi riyal	**5.68**	6.03
Emirati Dirham	**5.54**	5.91
Closing:		
Russian rouble	**98.09**	88.67
Indonesian rupiah	**18,959**	19,499
Saudi riyal	**5.43**	5.61
Emirati Dirham	**5.32**	5.49

The principal currencies that impact our results are Russian rouble, Indonesian rupiah, Saudi riyal and Emirati Dirham. The Russian rouble continued to weaken against the sterling in the year impacting profit significantly. The net effect of currency translation caused worldwide sales and underlying operating profit from ongoing operations to decrease by £44.3m and £1.0m respectively compared with 2015 as shown below:

	Worldwide Sales £ million	Underlying Operating profit £ million
Russian rouble	(35.8)	(2.1)
Euro - Ireland	(2.2)	(0.1)
Euro - Greece	(2.0)	(0.1)
Indonesian rupiah	(1.2)	(0.1)
Saudi riyal	6.2	0.6
Emirati Dirham	4.8	0.4
Other currencies	(14.1)	0.4
	(44.3)	**(1.0)**

The profit impacts are somewhat mitigated by our hedging strategy on royalty receipts.

In addition to the translation exposure, the group is also exposed to movements on certain of its transactions, principally movements in the US dollar. These exposures are largely hedged and therefore did not significantly impact underlying profit.

Net finance cost

Financing represents interest receivable on bank deposits, fees payable on borrowing facilities, the amortisation of costs relating to bank facility fees and the net interest charge on the liabilities/assets of the pension scheme. The net finance cost is materially lower than last year as the Group was largely in a net cash position during the year.

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Net interest on liabilities/ return on assets on pension	**2.7**	2.1
Other net interest	**0.5**	4.4
Net finance costs	**3.2**	6.5

Taxation

The underlying tax charge is comprised of current overseas taxes and a prior year adjustment for UK taxes and is offset by UK deferred tax. The effective tax rate is 16.4% (2014/15: 19.2%) The effective tax rate is lower than the standard tax rate of 20% mainly due to the utilisation of brought forward tax losses. An underlying tax charge of £3.2m (2014/15: £2.5 million) has been included for the period and in total the tax charge was £3.3m (2014/15: £2.3m). The cash tax payments were £2.4m.

Non-underlying items

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

Exceptional items (see Note 3):

- Assets written off at net book value with respect to the store restructuring and refurbishment programme of £5.6 million.
- A credit for the release of store property provisions in relation to the UK business of £0.8 million.
- International bad debt costs of £1.9 million.
- Impairment of joint venture by £3.3 million.

Exceptional items in 2014/15 included restructuring costs of the UK and head office organisation totalling £9.1 million, a credit for the release of the store impairment provision in relation to the UK business of £4.8 million, property related exceptional costs of £25.9 million and costs relating to re-financing completed in October 2014 of £1.5 million.

Other non-underlying items:

- The retranslation of foreign cash, payables and receivables.
- The revaluation of outstanding forward contracts, these represent contracts that have not yet been matched to the purchase of stock. (note: the prior year credit included the fair value movement of contracts taken out before hedge accounting under IAS 39 "Financial Instruments: Recognition and Measurement" was adopted in January 2014).
- Amortisation of intangible assets (excluding software).

Earnings per share and dividend

Basic earnings per share were 3.8 pence compared to a loss per share of 12.6 pence in 2014/15. Basic underlying earnings per share were 9.6 pence compared to 8.6 pence last year.

	52 weeks ended 26 March 2016 Million	52 weeks ended 28 March 2015 Million
Weighted average number of shares in issue	**170.6**	122.2
Dilution- option schemes (for underlying results only)	**6.0**	3.6
Diluted weighted average number of shares in issue	**176.6**	125.8
Number of shares at period end	**170.9**	170.5

	£ Million	£ Million
Profit/(loss) for basic and diluted earnings per share	**6.4**	(15.4)
Exceptional items and other non-underlying items (Note 3)	**9.9**	26.1
Tax effect of above items	**0.1**	(0.2)
Underlying earnings	**16.4**	10.5

Basic earnings/(loss) per share	**3.8**	(12.6)
Basic underlying earnings per share	**9.6**	8.6
Diluted earnings/(loss) per share	**3.6**	(12.6)
Diluted underlying earnings per share	**9.3**	8.3

The Board has concluded that given the cash investment required to deliver the new strategy the Company will not pay a final dividend for 2015/16. The total dividend for the year is nil pence per share (2014/15: nil pence per share).

Pensions

The Mothercare defined benefit pension schemes were closed with effect from 30 March 2013. Details of the income statement net charge, total cash funding and net assets and liabilities are as follows:

£ million	52 weeks ending 25 March 2017 *	52 weeks ending 26 March 2016	52 weeks ended 28 March 2015
Income statement			
Running costs	(2.7)	(2.7)	(1.4)
Net interest on liabilities/ return on assets	(2.5)	(2.7)	(2.1)
Net charge	(5.2)	(5.4)	(3.5)
Cash funding			
Regular contributions	(2.2)	(2.2)	(0.6)
Deficit contributions	(7.7)	(8.9)	(5.8)
Total cash funding	(9.9)	(11.1)	(6.4)
Balance sheet			
Fair value of schemes' assets	n/a	287.5	283.4
Present value of defined benefit obligations	n/a	(361.9)	(364.6)
Net liability	n/a	(74.4)	(81.2)

* Estimate

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

	2015/16	2014/15	2015/16 Sensitivity	2015/16 Sensitivity £ million
Discount rate	3.6%	3.5%	+/- 0.1%	-6.4/+6.4
Inflation – RPI	3.1%	3.1%	+/- 0.1%	+6.3/-6.3
Inflation - CPI	2.0%	2.0%	+/- 0.1%	+6.3/-6.3

Cash flow

Underlying free cash flow was £(5.6)million with cash generated from operations of £35.8 million being used for capital expenditure and taxation.

Capital expenditure of £39.2 million reflected the investment in the year in store refurbishment and IT infrastructure.

Working capital movement of £nil is higher than 2015, reflecting the timing profile of payments for stock.

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Underlying profit from operations before interest and share based payments	**25.8**	19.3
Depreciation and amortisation	**17.5**	16.7
Retirement benefit schemes	**(8.4)**	(5.0)
Change in working capital	**-**	(9.8)
Other movements	**0.9**	(3.2)
Cash generated from operations	**35.8**	18.0
Capital expenditure	**(39.2)**	(12.7)
Interest and tax received/(paid)	**(2.2)**	(6.2)
Underlying Free cashflow	**(5.6)**	(0.9)
Exceptional	**(12.9)**	(16.7)
Free cashflow	**(18.5)**	(17.6)
Net bank loans repaid	**-**	(65.0)
Issue of ordinary share capital	**0.4**	95.3
Exchange differences	**0.1**	1.5
Cash and cash equivalents at beginning of period	**31.5**	17.3
Net cash and cash equivalents at end of period	**13.5**	31.5

Balance sheet

The balance sheet includes identifiable intangible assets arising on the acquisition of the Early Learning Centre of £5.5 million and goodwill of £26.8 million. These assets are allocated to the International business.

	26 March 2016 £ million	28 March 2015 £ million
Goodwill and other intangibles	**53.9**	45.9
Property, plant and equipment	**69.4**	56.4
Retirement benefit obligations (net of tax)	**(58.1)**	(64.9)
Net cash	**13.5**	31.5
Derivative financial instruments	**11.2**	9.3
Other net liabilities	**(0.8)**	(0.5)
Net assets	**89.1**	77.7
Share capital and premium	**146.4**	146.0
Reserves	**(57.3)**	(68.3)
Total equity	**89.1**	77.7

Shareholders' funds amount to £89.1 million, an increase of £11.4 million in the year driven mainly by a fall in the defined benefit obligation of £6.8 million. This represents £0.52 per share compared to £0.46 per share at the previous year end.

Going concern

The directors have reviewed the going concern principle according to revised guidance provided by the FRC.

The group's business activities and the factors likely to affect its future development are set out in the principle risks and uncertainties section. The financial position of the group, its cash flows, liquidity position and borrowing facilities are set out in the financial review.
At the end of the year the group had a cash balance of £13.5m and was debt free with sufficient headroom against covenants.

The directors have reviewed the group's latest forecasts and projections, which have been sensitivity-tested for reasonably possible adverse variations in performance. This indicates the group will operate within the terms of its borrowing facilities and covenants for the foreseeable future. To the extent that future trading is worse than a reasonably possible downside, which the directors do not consider a likely scenario, then there are mitigating actions available, which would enable the group to continue to operate within the terms of the borrowing facilities and covenants for the foreseeable future. Based on this, the directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements are therefore prepared on the going concern basis.

Viability Statement

In accordance with provision C.2.2 of the 2014 revision of the Code, the directors have assessed the prospects and viability of the company and its ability to meet liabilities as they fall due over the medium term. The directors concluded that a period of three years is a suitable time period for their review for the following reasons:

- This period aligns with our business planning cycle and delivery of strategic goals
- Performance is significantly impacted by both UK and International economic conditions which are difficult to predict beyond this period

The assessment was made by considering the principal risks facing the company, and stress testing the strategic plan to model the impact of a combination of these risks occurring together to drive severe and extreme pressure on the business over the three year period to FY19. The review included detailed financial projections covering profit, cash flows and banking facility covenants. Two different scenarios were modelled.

The first scenario assumed a continuation of severe external macro-economic and currency pressures across key International markets over an 18 month period, alongside a marked downward turn in consumer confidence in the UK market over the same timeframe, with the impact equivalent to the worst UK performance over a five year historic period. Modest recovery is assumed thereafter across the Group. Projections under this scenario factored in short term high single digit negative LFL growth in International, and negative LFL and margins in the UK. The second scenario assumes a less severe but sustained negative impact on both the UK and International businesses, with smaller declines each year over the entire period.

In both of the above scenarios, the profitability of the business would be significantly impacted, and profit related bank covenants would require re-negotiation in H2 FY17 in order to retain the current overdraft and rolling credit facility totalling £50m (due for renewal in May 2018). However, the directors concluded that while management would need to take significant mitigating actions such as an immediate and material reduction in capital spend and costs, there would be sufficient cash available for the business to remain liquid in both of the above scenarios over the period reviewed.

Based on the results of this review, the directors confirm they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for the next three years.

Treasury policy and financial risk management

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

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

Foreign currency risk

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

International reported sales represent approximately 33% of group sales. Total International worldwide sales in the 52 week period represent approximately 60% of group worldwide sales. The Group therefore has some currency exposure on these sales, but they are used to offset or hedge in part the group's US dollar denominated product purchases. The group policy is that all material exposures are hedged by using forward currency contracts. To help mitigate against the currency impact on royalty receipts, the group has hedged against its major market currency exposure.

Interest rate risk

The group remained cash positive during the year ended 26 March 2016 and is not currently exposed to any material interest rate risk.

The group has a revolving credit facility, which as at 26 March 2016 has not had any amounts drawn down on it. However, should the group draw down on this facility in the future, the group would incur interest rate risk again.

Events after the balance sheet date

There have been no post balance sheet events.

Consolidated income statement

For the 52 weeks ended 26 March 2016

	Note	**52 weeks ended 26 March 2016**			52 weeks ended 28 March 2015		
		Underlying[1]	**Non-underlying [2]**	**Total**	Underlying[1]	Non-underlying[2]	Total
		£ million	**£ million**	**£ million**	£ million	£ million	£ million
Revenue	2	**682.3**	**-**	**682.3**	713.9	-	713.9
Cost of sales		**(622.1)**	**-**	**(622.1)**	(658.8)	2.5	(656.3)
Gross profit		**60.2**	**-**	**60.2**	55.1	2.5	57.6
Administrative expenses		**(36.3)**	**(6.5)**	**(42.8)**	(36.9)	(0.9)	(37.8)
Profit / (loss) from retail operations		**23.9**	**(6.5)**	**17.4**	18.2	1.6	19.8
Other exceptional items	3	-	**(3.4)**	**(3.4)**	-	(26.2)	(26.2)
Share of results of joint ventures		**(1.1)**	**-**	**(1.1)**	(0.2)	-	(0.2)
Profit / (loss) from operations	2	**22.8**	**(9.9)**	**12.9**	18.0	(24.6)	(6.6)
Net finance costs	3,4	**(3.2)**	**-**	**(3.2)**	(5.0)	(1.5)	(6.5)
Profit/(loss) before taxation		**19.6**	**(9.9)**	**9.7**	13.0	(26.1)	(13.1)
Taxation	5	**(3.2)**	**(0.1)**	**(3.3)**	(2.5)	0.2	(2.3)
Profit / (loss) for the period attributable to equity holders of the parent		**16.4**	**(10.0)**	**6.4**	10.5	(25.9)	(15.4)
Earnings /(loss) per share							
Basic	7	**9.6p**		**3.8p**	8.6p		(12.6p)
Diluted	7	**9.3p**		**3.6p**	8.3p		(12.6p)

All results relate to continuing operations.

[1] Before items described in footnote 2 below.
[2] Includes exceptional items (property costs, restructuring costs and impairment charges) and other non-underlying items of amortisation of intangible assets (excluding software) and the impact of non-cash foreign currency adjustments under IAS 39 and IAS 21 as set out in Note 3.

Consolidated statement of comprehensive income / (expense)

For the 52 weeks ended 26 March 2016

	52 weeks ended 26 March 2016	52 weeks ended 28 March 2015
	£ million	£ million
Profit/(loss) for the period	**6.4**	(15.4)
Items that will not be reclassified subsequently to the income statement:		
Remeasurement of net defined benefit liability – actuarial gain/(loss) on defined benefit pension schemes	**1.1**	(34.4)
Deferred tax relating to items not reclassified	**(1.5)**	7.0
	(0.4)	(27.4)
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**(0.4)**	1.6
Cash flow hedges: gains arising in the period	**4.2**	13.3
Deferred tax relating to items reclassified	**(0.3)**	(1.7)
	3.5	13.2
Other comprehensive income/(expense)for the period	**3.1**	(14.2)
Total comprehensive income/(expense) for the period wholly attributable to equity holders of the parent	**9.5**	(29.6)

Consolidated balance sheet
As at 26 March 2016

	26 March 2016 £ million	28 March 2015 £ million
Non-current assets		
Goodwill	**26.8**	26.8
Intangible assets	**27.1**	19.1
Property, plant and equipment	**69.4**	56.4
Investments in joint ventures	**-**	7.3
Deferred tax asset	**20.3**	23.6
Derivative financial instruments	**0.2**	-
	143.8	133.2
Current assets		
Inventories	**101.8**	87.7
Trade and other receivables	**75.9**	69.4
Current tax asset	**0.3**	-
Derivative financial instruments	**12.1**	9.3
Cash and cash equivalents	**13.5**	31.5
	203.6	197.9
Total assets	**347.4**	331.1
Current liabilities		
Trade and other payables	**(130.1)**	(107.0)
Borrowings	**-**	-
Current tax liabilities	**-**	(0.3)
Derivative financial instruments	**(1.1)**	-
Short-term provisions	**(14.6)**	(26.5)
	(145.8)	(133.8)
Non-current liabilities		
Trade and other payables	**(22.1)**	(20.4)
Borrowings	**-**	-
Retirement benefit obligations	**(74.4)**	(81.2)
Long-term provisions	**(16.0)**	(18.0)
	(112.5)	(119.6)
Total liabilities	**(258.3)**	(253.4)
Net assets	**89.1**	77.7
Equity attributable to equity holders of the parent		
Share capital	**85.4**	85.2
Share premium account	**61.0**	60.8
Own shares	**(0.3)**	(0.4)
Translation reserve	**0.5**	0.9
Hedging reserve	**9.7**	6.8
Retained deficit	**(67.2)**	(75.6)
Total equity	**89.1**	77.7

Consolidated statement of changes in equity

For the 52 weeks ended 26 March 2016

	Equity attributable to equity holders of the parent						
	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Hedging Reserve £ million	Retained earnings £ million	**Total equity** **£ million**
Balance at 28 March 2015	**85.2**	**60.8**	**(0.4)**	**0.9**	**6.8**	**(75.6)**	**77.7**
Other comprehensive expense for the period	-	-	-	(0.4)	3.9	(0.4)	3.1
Profit for the period	-	-	-	-	-	6.4	6.4
Total comprehensive income/(expense) for the period	-	-	-	(0.4)	3.9	6.0	9.5
Removal from equity to inventories during the period	-	-	-	-	(1.0)	-	(1.0)
Issue of equity shares	0.2	0.2	0.1	-	-	-	0.5
Credit to equity for equity-settled share-based payments	-	-	-	-	-	2.4	2.4
Balance at 26 March 2016	**85.4**	**61.0**	**(0.3)**	**0.5**	**9.7**	**(67.2)**	**89.1**

For the 52 weeks ended 28 March 2015

	Equity attributable to equity holders of the parent						
	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Hedging reserve £ million	Retained earnings £ million	**Total equity** £ million
Balance at 30 March 2014	**44.4**	**6.3**	**(0.4)**	**(0.7)**	**(0.4)**	**(34.0)**	**15.2**
Other comprehensive income for the period	-	-	-	1.6	11.6	(27.4)	(14.2)
Loss for the period	-	-	-	-	-	(15.4)	(15.4)
Total comprehensive income/(expense) for the period	-	-	-	1.6	11.6	(42.8)	(29.6)
Removal from equity to inventories during the period	-	-	-	-	(4.4)	-	(4.4)
Issue of equity shares	40.8	54.5	-	-	-	-	95.3
Credit to equity for equity-settled share-based payments	-	-	-	-	-	1.2	1.2
Balance at 28 March 2015	**85.2**	**60.8**	**(0.4)**	**0.9**	**6.8**	**(75.6)**	**77.7**

Consolidated cash flow statement

For the 52 weeks ended 26 March 2016

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Net cash flow from operating activities	**21.9**	(1.1)
Cash flows from investing activities		
Interest received	**0.2**	-
Purchase of property, plant and equipment	**(27.8)**	(6.5)
Purchase of intangibles – software	**(11.4)**	(6.2)
Net cash used in investing activities	**(39.0)**	(12.7)
Cash flows from financing activities		
Interest paid	**(1.4)**	(2.7)
Facility fees paid	**-**	(1.1)
Bank loans paid	**-**	(65.0)
Issue of ordinary share capital	**0.4**	95.3
Net cash (used)/raised in financing activities	**(1.0)**	26.5
Net (decrease)/increase in cash and cash equivalents	**(18.1)**	12.7
Cash and cash equivalents at beginning of period	**31.5**	17.3
Effect of foreign exchange rate changes	**0.1**	1.5
Net cash and cash equivalents at end of period	**13.5**	31.5

Notes

1. General information

a) The accounting policies followed are the same as those published by the group within the 2015 annual report.

b) Whilst the financial information included in this preliminary announcement has been prepared in accordance with IFRS as endorsed by the European Union, this announcement does not itself contain sufficient information to comply with all the disclosure requirements of IFRS.

c) The Company believes that underlying profit before tax and underlying earnings provides additional useful information for shareholders. The term underlying earnings is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for IFRS measures of profit. As the Company has chosen to present an alternative earnings per share measure, a reconciliation of this alternative measure to the statutory measure required by IFRS is given in note 7.

d) The financial information set out in this announcement does not constitute the Company's statutory accounts for the 52 week period ended 26 March 2016 or the 52 week period ended 28 March 2015, but it is derived from those accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498 (2) or (3) of the Companies Act 2006. The 2015 financial statements are available on the Company's website (www.mothercareplc.com).

Notes (continued)

2. Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reported to the group's board in order to allocate resources to the segments and assess their performance. The group's reporting segments under IFRS 8 are UK and International.

UK comprises the group's UK store and wholesale operations, catalogue and web sales. The International business comprises the group's franchise and wholesale revenues outside the UK. The unallocated corporate expenses represent board and company secretarial costs and other head office costs including audit, professional fees, insurance and head office property.

	52 weeks ended 26 March 2016			
	UK £ million	**International £ million**	**Unallocated corporate expenses £ million**	**Consolidated £ million**
Revenue				
External sales	**459.7**	**222.6**	**-**	**682.3**
Result				
Segment result (underlying)	**(6.4)**	**40.3**	**(8.1)**	**25.8**
Share-based payments				**(3.0)**
Non-cash foreign currency adjustments (non-underlying)				**1.2**
Amortisation of intangible assets (non-underlying)				**(0.9)**
Exceptional items (note 3)				**(10.2)**
Profit from operations				**12.9**
Net finance costs (underlying)				**(3.2)**
Profit before taxation				**9.7**
Taxation				**(3.3)**
Profit for the period				**6.4**

	52 weeks ended 28 March 2015			
	UK £ million	International £ million	Unallocated corporate expenses £ million	Consolidated £ million
Revenue				
External sales	458.1	255.8	-	713.9
Result				
Segment result (underlying)	(18.0)	45.9	(8.6)	19.3
Share-based payments				(1.3)
Non-cash foreign currency adjustments (non-underlying)				6.9
Amortisation of intangible assets (non-underlying)				(1.0)
Exceptional items (note 6)				(30.5)
Loss from operations				(6.6)
Net finance costs (including £1.5million non-underlying)				(6.5)
Loss before taxation				(13.1)
Taxation				(2.3)
Loss for the period				(15.4)

Notes (continued)

3. **Exceptional and other non-underlying items**

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

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Exceptional items:		
Restructuring costs in cost of sales	**(0.3)**	(3.4)
Restructuring and property impairment included in administrative expenses	**(6.5)**	(0.9)
Property related costs in other exceptional items	**(0.1)**	(25.9)
Impairment of investment in joint venture in other exceptional items	**(3.3)**	(0.3)
Restructuring costs included in finance costs	**-**	(1.5)
Total exceptional items:	**(10.2)**	(32.0)
Other non-underlying items:		
Non-cash foreign currency adjustments under IAS 39 and IAS 21[1]	**1.2**	6.9
Amortisation of intangibles[1]	**(0.9)**	(1.0)
Exceptional and other non-underlying items	**(9.9)**	(26.1)

[1]Included in non-underlying cost of sales is a credit of £0.3 million (2015: credit of £5.9 million).

Restructuring costs in cost of sales

During the 52 weeks ended 26 March 2016 a charge of £0.3 million (2015: £3.4 million) was recognised relating to store restructuring. In 2015, this related to store restructuring and disruption costs relating to a major supplier of distribution going into administration.

Restructuring and property related costs included in administrative expenses

During the 52 weeks ended 26 March 2016 a charge of £6.5 million (2015: £0.9 million) was recognised. Total restructuring costs resulted in a charge of £8.3 million (2015: £5.7 million). £5.6 million related to fixed assets written off with respect to the store restructuring and refurbishment programme and £1.9 million related to the write off of amounts owed by a franchisee. In 2015 this charge related to head office restructuring, implementation costs, indirect professional fees associated with the rights issue, recruitment and relocation costs. Partially offsetting this was a property impairment credit of £1.8 million (2015: a credit £4.8million). This arose due to the carrying value of property, plant and equipment being higher than the fair value and value in use. This is mainly driven by better trading performance of stores after refurbishment programme and more planned store closure.

Notes (continued)

3. Exceptional and other non-underlying items (continued)

Property related costs
Provisions of £0.1 million (2015: £25.9 million) have been made for onerous leases and losses on disposal/termination of property interests.

Impairment of joint venture investment
During the year, the group fully impaired its investment in Mothercare-Goodbaby China Retail Limited ('China JV') due to uncertainties in respect of the future cash flows. The impairment was recorded at the start of January 2016. The charge in the period amounts to £3.3m. In 2015, the amount related to the loss on disposal of our India JV.

Restructuring costs included in net finance costs
In 2015, following a renegotiation of new banking facilities, a charge of £1.5 million for the write off of the previous unamortised facility charge was recognised. No costs have been incurred in the current year.

4. Net finance costs

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Interest and bank fees on bank loans and overdrafts	0.5	4.4
Net interest on liabilities/ return on assets on pension	2.7	2.1
Net finance costs	3.2	6.5

Notes (continued)

5. Taxation

The charge for taxation on profit/ (loss) for the period comprises:

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Current tax:		
Current year	**1.8**	2.0
Adjustment in respect of prior periods	**-**	0.2
	1.8	2.2
Deferred tax: (see note 16)		
Current year	**0.6**	-
Change in tax rate in respect of prior periods	**0.2**	-
Adjustment in respect of prior periods	**0.7**	0.1
	1.5	0.1
Charge for taxation on profit/(loss) for the period	**3.3**	2.3

UK corporation tax is calculated at 20% (2015: 21%) of the estimated assessable profit/ (loss) for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the period can be reconciled to the profit/ (loss) for the period before taxation per the consolidated income statement as follows:

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Profit/(loss) for the period before taxation	**9.7**	(13.1)
Profit/(loss) for the period before taxation multiplied by the standard rate of corporation tax in the UK of 20 % (2015: 21 %)	**1.9**	(2.8)
Effects of:		
Expenses not deductible for tax purposes	**1.6**	5.7
Change in tax rate on deferred tax	**0.2**	-
Impact of overseas tax rates	**1.5**	1.2
Relief for losses brought forward	**(1.9)**	(0.7)
Impact of double tax relief	**(0.7)**	(1.1)
Adjustment in respect of prior periods	**-**	0.2
Relief for exercise of share options	**-**	(0.3)
Impact of write-off of prior year deferred tax asset	**0.7**	0.1
Charge for taxation on profit/(loss) for the period	**3.3**	2.3

In addition to the amount charged to the income statement, a deferred tax charge relating to retirement benefit obligations amounting to £1.5 million (2015: £7.0 million credit) has been taken directly to other comprehensive income.

Notes (continued)

6. Dividends

The directors are not recommending the payment of a final dividend for the year (2015: £nil). No interim dividend was paid during the year (2015: £nil).

7. Earnings per share

	52 weeks ended 26 March 2016 million	52 weeks ended 28 March 2015 million
Weighted average number of shares in issue	**170.6**	122.2
Dilution – option schemes (for underlying results only)	**6.0**	3.6
Diluted weighted average number of shares in issue	**176.6**	125.8
Number of shares at period end	**170.9**	170.5
	£ million	£ million
Profit/(loss) for basic and diluted earnings per share	**6.4**	(15.4)
Exceptional and other non-underlying items (note 6)	**9.9**	26.1
Tax effect of above items	**0.1**	(0.2)
Underlying earnings	**16.4**	10.5
	pence	pence
Basic earnings/(loss) per share	**3.8**	(12.6)
Basic underlying earnings per share	**9.6**	8.6
Diluted earnings/(loss) per share	**3.6**	(12.6)
Diluted underlying earnings per share	**9.3**	8.3

Notes (continued)

8. Reconciliation of cash flow from operating activities

	52 weeks ended 26 March 2016 £ million	52 weeks ended 28 March 2015 £ million
Profit from retail operations	**17.4**	19.8
Adjustments for:		
Depreciation of property, plant and equipment	**13.3**	13.1
Amortisation of intangible assets	**5.1**	4.6
Impairment of property, plant and equipment and intangible assets	**1.5**	(4.8)
Losses on disposal of property, plant and equipment and intangible assets	**4.2**	0.2
Profit on non-underlying non-cash foreign currency adjustments	**(1.2)**	(6.9)
Equity-settled share-based payments	**3.0**	1.3
Movement in provisions	**(13.9)**	(10.6)
Cash payments for other exceptional items	**2.8**	0.1
Amortisation of lease incentives	**(4.1)**	(4.8)
Lease incentives received	**5.3**	1.6
Payments to retirement benefit schemes	**(11.1)**	(6.4)
Charge to profit from operations in respect of retirement benefit schemes	**2.7**	1.4
Operating cash flow before movement in working capital	**25.0**	8.6
(Increase)/ decrease in inventories	**(12.9)**	7.7
Increase in receivables	**(1.1)**	(9.6)
Increase/ (decrease) in payables	**13.3**	(5.4)
Cash generated from operations	**24.3**	1.3
Income taxes paid	**(2.4)**	(2.4)
Net cash flow from operating activities	**21.9**	(1.1)

9. Events after the balance sheet date

There have been no post balance sheet events.