Mothercare plc

FY2016/17 Full Year Results

The UK returns to underlying profit in the second half.

Sharpening our focus on digital and our core customer to drive future growth.

Mothercare plc, the leading global retailer for parents and young children, today announces full year results for the 52 week period to 25th March 2017.

Highlights for FY16/17

- 41% of UK sales now online, with database of over 3 million customers (FY15 150K); margin up 54bps, and a return to underlying profit in the second half
- 70% store estate now in the newly refurbished club format
- International total sales growth up 10.6% with progress in many markets supported by currency tailwinds, but like-for-like down (4.1)%, primarily due to the Middle East
- Ten new websites opened, 21 countries now online
- Group underlying profit before tax level on the year at £19.7 million (FY16 £19.6 million) in spite of a difficult summer period
- Debt of £15.9 million driven by investment in store refurbishment, digital and warehousing (FY16 net cash £13.5 million). New bank facilities agreed

Group performance

	FY2016/17 52 weeks to 25 Mar 2017 £million	**FY2015/16 52 weeks to 26 Mar 2016 £million**	***% change vs. last year***
UK			
UK like-for-like sales[1]	+1.1%	+3.6%	
Total UK sales	459.4	459.7	*(0.1)%*
Underlying UK loss[2]	(4.4)	(6.4)	*31%*
International			
International like-for-like sales[1]	(4.1)%	(4.5)%	
International retail sales in constant currency	(2.4)%	(1.4)%	
International retail sales in actual currency	10.3%	(7.4)%	
Total International sales	762.5	689.7	*10.6%*
Underlying International profit[2]	35.2	40.3	*(13)%*

Group			
Worldwide sales[1]	1,221.9	1,149.4	*6.3%*
Total group sales	667.4	682.3	*(2.2)%*
Group underlying profit before tax[2]	19.7	19.6	*1%*
Exceptional (charge)/credit & non-underlying items	(12.6)	(9.9)	
Group profit before tax after exceptional and non-underlying items	7.1	9.7	
Underlying EPS[2]	9.7p	9.6p	*0.9%*
Net (debt)/cash	(15.9)	13.5	-

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

"We are now in the third year of our turnaround and I am pleased to report that we have achieved much of what we set out to do from our six pillar strategy introduced in 2014. Whilst we are proud of what we've achieved to date, we believe we are only half way through the transformation of the Mothercare brand."

"Following a difficult start to the year, the UK recovered in the second half, returning to underlying profit for the first time in six years. International markets showed signs of recovery with strong growth in Russia and Indonesia, and a sales recovery in China, albeit the country is yet to return to positive cash profit. The Middle East continues to be economically challenging. We have launched ten new websites globally, bringing our total to 21 countries now trading online."

"Through our work over the past 3 years and with an extensive database of over 3m, we have developed a far deeper understanding and insight into our customers and the importance of our brand to them. This knowledge can now inform us as to how we shape our business and our ranges, to become ever more relevant to our modern digitally enabled customer."

"Our customers shop across both digital and store channels and thus we will invest in both. Digital revenue is on a trajectory to be over half of our turnover. We are clear in the role our stores will play for the future, by offering specialist advice and service and first class product presentation. Store numbers will reduce over time as we focus on a regional presence in key conurbations across the UK."

"We shall focus our product offer on maternity, newborn, baby and toddler up to pre-school. We are a true specialist in these categories and thus we will build our future ranges and our services upon this basis."

"Over time, this simpler approach will lead to a leaner, more agile business resulting in more stable and sustainable cash flows."

"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 release its Q1 Trading Update for the 15 weeks to 8th July on 20th July 2017.

Chief Executive's review

This year marks the third year of our turnaround and I am very pleased to report that we have continued to make good progress, despite some challenging conditions in this past year. The UK has returned to underlying profit in the second half of the year for the first time in six years. In the UK we have closed unprofitable stores, transitioned the store portfolio to two thirds out of town and one third in town, and 70% of our UK store estate is now refurbished in the new club format. We now have an agile store estate with an average lease length of five years.

The trend towards omnichannel shopping continues to rise as we see our digitally enabled customers shopping seamlessly between stores and online. Our database of over three million active customers combined with over four million e-receipts, is giving us great insight into their shopping and browsing behaviours. This intelligence is equipping us to both shape our ranges and personalise the shopping experience for our customers.

We continue to improve margin through better buying negotiation, as well as a focus on product quality and exclusivity, all of which will drive full price sales. At the end of the year, we had returned to full price sales of 60% after a difficult summer season.

The investment programme in the business has continued to strengthen our capabilities in key areas. We have invested in digital by re-platforming our website. In IT infrastructure, we have upgraded our planning and merchandising systems to enable us to better manage stock and help grow full price sales. We have upgraded our warehouse capability so we can fulfil products for both stores and online from one campus; in the longer term, this will enable us to reduce overall stock levels.

In our International business, we have seen strong sales in Indonesia and Russia, supported by currency tailwinds. India continues to be a key opportunity for growth and we consolidated our franchisee partners there during the year. In China sales recovered toward the end of the year, however the business is yet to return to positive cash profit. The Middle East continues to face economic challenges, but we are still expanding there and are well positioned to benefit when market conditions improve. We continue to work closely with all our partners, exporting our learnings and good practice from the UK.

More recently, we have made some changes to the Executive team to support the next stage of our transformation. Executive responsibility has been combined for both UK retail stores and e-commerce, brand and marketing under the new post of Chief Customer Officer, reflecting our omnichannel customer. We have also created the role of Global Product Officer for an integrated approach to our product, planning, sourcing and distribution for all international markets. Matt Stringer will take on this role. Kevin Rusling has been appointed as International Managing Director, on our Executive board and will report to me. Kevin brings a wealth of international retail experience and will drive our franchise and joint venture businesses forward.

Finally we also welcome Kirsty Homer as HR Director, to manage all aspects of the people side of our business in the UK and Asia. Kirsty brings a renewed focus for our people and will drive the adoption of our values, the engagement of our teams and oversee the step change we wish to deliver in service and specialism.

I am extremely proud of the progress we have made in the last three years, none of which would have been achieved without the hard work and commitment of our colleagues, International partners and suppliers around the world. They are all playing their part as we continue to transform Mothercare into a modern, profitable and global brand.

Become a digitally led business

- Online sales up 7.8% and now account for 41% of UK retail sales (FY16: 37%)
- Mobile c83% of online traffic
- Launch of new responsive website improving conversion and with a faster check out
- Upgraded app driving improved conversion with over 1 million downloads
- Deep customer insight being built with over 3 million on the database and 4.3million e-receipts

Supported by a modern retail estate and great service

- Closed 21 underperforming stores; opened three new stores, including one re-site
- Refurbished 40 stores; 70% of store estate in the new club format refurbishment.
- Agile store estate with average lease length of five years
- 40% of total online sales generated by iPads in store
- Colleagues trained in specialist service

Offering style, quality and innovation in product

- 34% of Home and Travel options in 'best' category
- 20% of clothing now in the 'best' category
- Launched 13 new brands in Home and Travel
- 35% Home and Travel products are now exclusive

Stabilise and recapture gross margin

- Underlying bought in margin up year on year
- 60% full price sales mix in a tough environment (FY16: 65%, FY14: 57%)
- Margin up 54 bps, third successive year of margin improvement
- Negative margin impact of planned warehouse change offset by VAT recovery claim

Running a lean organisation while investing for the future

- Development of a new warehouse infrastructure – both online and stores are now combined
- Upgraded planning and merchandising systems to improve stock management and grow full price sales
- Tight control of costs has enabled further investment in marketing and digital

Expanding further internationally

- International LFL (4.1)% primarily due to challenging economic conditions in the Middle East
- Online sales up 64% in constant currency
- Trading online in 21 countries and 26 online channels (FY16: 11 countries and 14 online channels)
- Space +0.9% with 1,150 stores* in 55 countries
- Opened 144 stores and closed 116 during the year, as part of our rationalisation plan with our partners

Group results

We now trade from 1,302* stores in 55 countries across the world. Global retail space was c4.4 million* sq.ft, despite challenging market conditions in the Middle East and continued planned store closures in the UK. In the UK space was down (5.9)% and we ended the year with 152 stores and c1.5 million sq.ft of retail space. International continued to grow space which was up 0.9% and we ended the year with 1,150 stores* and c3 million sq.ft* of retail space.

	52 weeks to 25 March 2017 £million	**52 weeks to 26 March 2016 £million**	***% change vs. last year***
Underlying International profit[2]	35.2	40.3	*(12.7)%*
Underlying UK loss[2]	(4.4)	(6.4)	*31.3%*
Corporate expenses	(7.0)	(8.1)	*13.6%*
Underlying profit from operations[2]	**23.8**	**25.8**	*(7.8)%*
Underlying net finance costs	(3.3)	(3.2)	-
Share based payments	(0.8)	(3.0)	-
Underlying profit before tax[2]	**19.7**	**19.6**	*1%*
Exceptional items	(15.7)	(10.2)	-
Non-cash foreign currency adjustments	4.1	1.2	-
Amortisation of intangibles	(1.0)	(0.9)	-
Reported profit before tax	**7.1**	**9.7**	**-**

Worldwide sales were up 6.3% at £1,222 million with total UK sales down (0.1%) and UK like for like up 1.1%. Total International sales up 10.6%. Group sales were down (2.2%) at £667 million due to lower shipments to our partners.

Despite the decline in Group sales, underlying Group profit before tax was up 1% to £19.7 million. The UK reduced losses by 31% to (£4.4 million), making an underlying profit in the second half of £4.4m while International profits were down 13% to £35.2 million. Other Group expenses were down 14% during the year with corporate costs of (£7 million), finance costs of (£3.3 million) and share based payments of (£0.8 million).

Non-underlying costs were significantly higher at (£15.7 million) for exceptional items, including property related costs, International stock provisions and provision for China JV receivables as well as other restructuring costs; a credit of £4.1 million for non-cash foreign currency adjustments and a charge of (£1 million) for amortisation of intangible assets. As a result, we ended the year with a reported profit before tax of £7.1 million compared to £9.7 million in the previous year (FY15: loss of (£13.1 million)).

Debt at the end of the year was (£15.9 million), (FY16: £13.5m cash) in line with our plan as we invested £39.3 million in our store refurbishment and infrastructure programme.

FOOTNOTE: *ELC inserts within a mothercare store have previously been classified as separate stores, with their own square footage. We have now aligned the classification policy with our UK business ie. an ELC store located within or adjacent to a mothercare store, sharing a common passage way or entrance, is classified as one store. This reclassification means that 188 stores have been removed from the Q4 reported numbers of 1,338 stores, resulting in 1,150 International stores and c three million sq ft of space.

UK

In the UK, we continued to make progress on our six strategic pillars. However, the first half of the year was challenging and sales and margin in the period stalled. There were two factors at play here – firstly the widely reported slowdown in sales across the high street due to unseasonable weather through the spring/summer season, resulting in higher markdown. Secondly, our planned warehouse infrastructure change meant there was a reduced flow of product to our stores for eight weeks in the summer and a one-off increase in operational costs as the new systems bedded in.

We made good progress in the second half of the year with performance in line with expectations which partially compensates for the shortfall in the first half and also received an outstanding VAT claim which offset the margin impact of our warehouse changes. We finished the year with total UK sales marginally down (0.1%) at £459 million and underlying UK losses reduced by 31% to (£4.4 million). Underlying UK losses three years ago were (£21.5million) in FY2013/14, prior to our turnaround.

	52 weeks to 25 March 2017 £million	**52 weeks to 26 March 2016 £million**	***% change vs. last year***
UK like-for-like sales growth[1]	1.1%	3.6%	-
UK online sales	171.9	159.4	*7.8%*
UK retail sales (including online)	423.6	426.1	*(0.6)%*
UK wholesale sales	35.8	33.6	*6.5%*
Total UK sales	459.4	459.7	*(0.1)%*
Underlying loss[2]	(4.4)	(6.4)	*(31)%*

Six Pillar Strategy

Become a digitally led business

Online sales were up 7.8% at c£172million with sales via iPads in our stores now accounting for 40% of the mix. The trend towards mobile continues, with our digitally enabled customers using their mobiles to browse and purchase product, review content and engage with us on our social channels. Mobile now accounts for 83% of online traffic. Click and Collect orders are now 25% of online sales; giving customers this flexibility to collect in store, bringing the additional benefit of driving footfall. The re-platforming of our website has provided customers with an enhanced web experience, providing better navigation, clearer product presentation and simplified check out process. This functionality, combined with the customer insight from our database of over 3 million, up from 150,000 three years ago, is enabling us to now personalise the shopping experience with content that is relevant to our customers' life stage and needs.

Supported by a modern retail estate and great service

We now have 90 stores refurbished in the new club format, representing 70% of our total store estate. Customers have reacted very positively to the investment and we are seeing improved performance in most of these stores. We are developing our stores to be more than just outlets to sell product but centres of expertise, advice and support. They play a valuable role in bringing together communities of mums and dads to meet, chat, seek information and knowledge. We had over 50,000 customers attend our Expectant Parent Events and hosted parent meet-ups and many parties and get togethers in our coffee shops and play areas.

We have renegotiated the majority of leases in our portfolio and now have an agile store estate. This now allows us the flexibility to ensure we have the right footprint to support our customers' evolving shopper behaviours. The average lease length is now five years.

Whilst our strategy of closing underperforming stores reduced UK space by (5.9)% we still grew UK like-for-like sales by 1.1% and only dropped overall UK sales by (0.1)%.

Offering style, quality and innovation in product

Our continued focus in quality, exclusivity and value for money has been well received by our customers this year.

In **Clothing and Footwear,** we have delivered our target of 20% of our clothing range in the 'best' category, compared to just 11% three years ago. We continue to innovate with new collections like Heritage which takes our back catalogue of designs and re-introduces them as a retro collection. Our celebrity collaborations are also firm favourites: 'Smile' by Julian Macdonald; Jools Oliver's 'Little Bird' collection which has now been extended into maternity and nursery, bedding and accessories and the newly relaunched 'My K' by Myleene Klass.

In **Home and Travel** we have continued to work with our suppliers to increase our exclusive product and offers for our customers. We now have 35% of Home and Travel product exclusive to Mothercare from nothing three years ago. We have introduced 13 new brands this year. Our 'better' and 'best' categories are now 81% of our Home and Travel product offer with 34% 'best'. Design innovation remains a key focus. Our latest in-house designed pushchair range 'Journey' combines the best of cutting edge technology with modern design and became an instant best seller.

In **Toys,** branded and licensed toys have continued to grow in line with our strategy and are now 20% of our mix, compared to less than 10% three years ago, with good growth from existing brands like Vtech, Fisher Price and SmarTrike. Product newness and innovation are of high importance with 1,440 newlines introduced this year 20% more than the previous year.

In ELC the ever popular Happyland has seen investment in new designs and tooling to launch ten new play sets. These include our Christmas advent calendar which was a complete sell out. We have also continued to develop and enhance our Learning range of products designed to help teach early literacy and numerical skills.

Stabilise and recapture margin

Despite the challenges in the first half of the year, we made good progress in the second half, finishing the year with gross margin up 54 bps and in line with our long-term guidance of 50-100bps. This is our third successive year of gross margin improvement after several years of decline. Our percentage of full price sales was 60% compared to 57% three years ago.

We have upgraded our planning and merchandise systems which will enable us to better manage stock and should lead to a reduction in markdown and further growth in full price sales.

Running a lean organisation

We have absorbed the underlying cost inflation of the national living wage through productivity improvements, additionally, our cost base has also reduced as store numbers have come down.

Our Watford head office has been refurbished to create a flexible, multi-functional space for meetings with our suppliers and colleagues. We have constructed a mock shop at the centre of the office to enable us to lay out product as it would appear to our customer. This working mock shop will enable us to present our product ranges more professionally to our franchise partners for their selection and importantly will help with the construction of our global ranges.

International

In 2016 we undertook a review of our International business. An output from this review is to strengthen the franchise model by focusing our activity on where we believe there are the biggest opportunities for growth. This will mean investing more time and resource in our largest territories and over time consolidating or exiting some of our small territories. In the last year we have exited franchise agreements in Poland and Morocco for both the Mothercare and ELC brands and in Venezuela for ELC only. The number of stores closed across these three markets as a result was eight and a total of c18,000 sq.ft.

In the year, we opened 144 new stores and closed 116, with 50 stores now in the new club format post refurbishment.

We are helping our partners to position our brand correctly against local competition both through a product mix and pricing architecture, and additionally helping them to better manage their inventory levels through the buy and then the subsequent level of markdown needed to clear the stock.

We see significant global opportunity in digital with our International online sales growing by 64% in constant currency this year. We ended the year trading online in 21 countries with 26 online channels (FY16: trading in 11 countries and 14 online channels). Online penetration is now 3% of International sales and climbing (FY16: 2%).In Russia and China, where we are more established, online sales penetration is now over 10%.

We are still encouraged by many more exciting opportunities in both existing and new markets around the world.

	52 weeks to 25 March 2017	**52 weeks to 26 March 2016**	***% change vs. last year***
International like-for-like sales growth[1]	(4.1)%	(4.5)%	-
International retail sales: constant currency	(2.4)%	(1.4)%	-
International retail sales: actual currency	10.3%	(7.4)%	-
International retail sales	753.2	683.0	*10.3%*
International wholesale sales	9.3	6.7	*38.8%*
Total International sales	762.5	689.7	*10.6%*
Underlying profit[2]	35.2	40.3	*(13)%*

Outlook

We have achieved much of what we set out to do from our original six pillar strategy set in 2014. We have gained a deeper insight into our customers' changing product needs and, importantly, how their shopping behaviour is altering. Our online transactions now represent 41% of our UK turnover and are growing extensively in our global business.

The UK returned to profit in the second half of the year, this was last achieved six years ago. Whilst we are proud of what we have achieved to date, we believe we are only half way through the transformation of the Mothercare brand.

With the clear progress and results being seen in the UK, we now enter the second phase of our turnaround. Through the work we have put in and the build of an extensive database, we approach this next phase with a far deeper understanding of our customers and the importance of our brand to them.

Our knowledge and insight can now inform us as to how we shape the business and our ranges. As a result, we are becoming even more focused in our core markets of maternity, newborn baby and toddler up to pre-school. We are a true specialist in these categories and will build our offer and our services upon this basis.

In the UK our store numbers will reduce to between 80 and 100 as we focus on a regional presence in key conurbations. We are clear that the role of our store network is to support our digitally led approach by providing specialist face to face service and advice along with first class product presentation. With the data we continue to build, we are equipped to personalise our customer shopping journey, from the baby's due date, all the way through to their pre-school age. We will no longer sell ranges in the UK for older children in either Clothing or Toys.

Over time, this simpler approach will lead to a leaner, more agile business resulting in more stable and sustainable cash flows.

None of us are certain how the UK consumer will respond in the short term to the inflationary pressures that will inevitably flow into their household expenditure. However, we do know that we are moving the mothercare brand forward and becoming more relevant to our modern customer. As such we are excited by the next phase of the turnaround and remain confident of the Group's future prospects.

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 £0.1 million to £19.7 million (2015/16: £19.6 million). Underlying profit excludes exceptional items and other non-underlying items which are analysed below. Exceptional items include costs relating to activity on property, warehousing costs, restructuring costs and provision for joint venture receivable. After exceptional and non-underlying items, the Group recorded a pre-tax profit of £7.1 million (2015/16: £9.7 million).

Income statement

£ million	**52 weeks ended 25 March 2017**	52 weeks ended 26 March 2016
Revenue	667.4	682.3
Underlying profit from operations before interest and share based payments	**23.8**	**25.8**
Share based payments	(0.8)	(3.0)
Net finance costs	(3.3)	(3.2)
Underlying profit before tax	**19.7**	**19.6**
Exceptional items	(15.7)	(10.2)
Non-cash foreign currency adjustments	4.1	1.2
Amortisation of intangible assets	(1.0)	(0.9)
Profit before tax	**7.1**	**9.7**
Underlying EPS – basic (pence)	9.7	9.6
EPS – basic (pence)	4.8	3.8

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 25 March 2017	52 weeks ended 26 March 2016
£ million – Revenue		
UK	**459.4**	459.7
International	**208.0**	222.6
Total	**667.4**	682.3

	52 weeks to 25 March 2017	52 weeks to 26 March 2016
£ million – Underlying Profit		
UK	(4.4)	(6.4)
International	35.2	40.3
Corporate	(7.0)	(8.1)
Profit from operations before share based payments	**23.8**	**25.8**
Share based payments	(0.8)	(3.0)
Net finance costs	(3.3)	(3.2)
Underlying profit before tax	**19.7**	**19.6**

UK LFL sales have increased by 1.1% with support from online sales which were up 8.9% year on year. Total UK sales were stable year on year, with underlying trading offsetting the impact of 21 planned store closures and 3 new store openings. 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 2.4% on a constant currency basis and up 10.3% in actual currency, reflecting the ongoing currency tailwinds. However the decrease in International volumes along with lower royalties from China resulted in profits being 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 £0.8 million (2015/16: £3.0 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. The decrease in the charge year on year is due to a change in the estimated number of shares that will vest. 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 25 March 2017	52 weeks ended 26 March 2016	52 weeks ended 25 March 2017	52 weeks ended 26 March 2016
UK retail sales	423.6	426.1	423.6	426.1
UK wholesale sales	35.8	33.6	35.8	33.6
Total UK sales	459.4	459.7	459.4	459.7
International retail sales	198.7	215.9	753.2	683.0
International wholesale sales	9.3	6.7	9.3	6.7
Total International sales	208.0	222.6	762.5	689.7
Group sales/Group worldwide sales	**667.4**	**682.3**	**1,221.9**	**1,149.4**

* Estimated

Analysis of worldwide sales movement

£ million – Worldwide sales	
Sales for 52 weeks ended 26 March 2016	1,149.4
Currency impact	88.8
Proforma sales for 52 weeks ended 26 March 2016	1,238.2
Decrease in International LFL	(30.1)
Increase in International space	11.6
Increase in UK LFL	4.6
Decrease in UK space	(6.0)
Increase in wholesale	3.6
Sales for 52 weeks ended 25 March 2017	**1,221.9**

Sales in the year ended 25 March 2017 were higher by £72.5 million primarily as a result of favourable currency impact of £88.8 million due to the devaluation of sterling.

Including the currency impact, International sales have increased by £72.8million driven by an increase in space offset by reduced LFL sales.

UK sales have remained stable with an increase in LFL sales and wholesale sales offset by a decrease in space.

Analysis of profit movement

£ million – underlying profit before tax	
Underlying profit for 52 weeks ended 26 March 2016	19.6
Currency impact	1.3
Proforma underlying profit for 52 weeks ended 26 March 2016	20.9
Decrease in International volumes	(4.2)
UK closures of loss making stores	0.7
UK sales and margin improvement	6.4
Lower China royalties	(1.5)
Increase in costs	(2.6)
Underlying profit before tax for 52 weeks ended 25 March 2017	**19.7**

On a proforma basis (i.e. excluding the currency impact) underlying profit has fallen from £20.9 million to £19.7 million. This is driven by a decrease in International volumes and an increase in costs. This is partly offset by an improvement in UK sales and margin.

Margin was supported by ongoing work to recover VAT and includes benefits relating to the current and prior years. This is offset by the margin impact during the summer from the planned upgrade of our distribution centre, which reduced availability and led to an increased level of markdown.

Foreign exchange

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

	52 weeks ended 25 March 2017	52 weeks ended 26 March 2016
Average:		
Euro	**1.19**	1.37
Chinese reniminbi	**8.78**	9.57
Kuwaiti dinar	**0.40**	0.46
Saudi riyal	**4.95**	5.68
Emirati Dirham	**4.81**	5.54
Russian rouble	**82.40**	95.40
Closing:		
Euro	**1.15**	1.29
Chinese reniminbi	**8.56**	9.37
Kuwaiti dinar	**0.38**	0.44
Saudi riyal	**4.65**	5.43
Emirati Dirham	**4.55**	5.32
Russian rouble	**70.90**	98.09

The principal currencies that impact our results are Euro, Chinese reniminbi, Kuwaiti dinar, Saudi riyal, Emirati Dirham and Russian rouble. The net effect of currency translation caused worldwide sales and underlying operating profit from ongoing operations to increase by £88.8 million and £1.3 million respectively compared with 2016 as shown below:

	Worldwide Sales £ million	Underlying Operating profit £ million
Euro	11.5	0.2
Chinese reniminbi	17.9	0.1
Saudi riyal	14.2	0.1

Emirati Dirham	11.2	0.1
Russian rouble	17.9	-
Kuwaiti dinar	5.4	0.1
Other currencies	10.7	0.7
	88.8	**1.3**

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 in the current year.

Net finance cost

Financing represents interest receivable on bank deposits, less amounts capitalised for borrowing costs associated with the build of qualifying assets, 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 in line with last year.

	52 weeks ended 25 March 2017 £ million	52 weeks ended 26 March 2016 £ million
Net interest on liabilities/return on assets on pension	**2.6**	2.7
Other net interest	**0.7**	0.5
Net finance costs	**3.3**	3.2

Taxation

The underlying tax charge is comprised of current overseas taxes and a prior year adjustment for overseas taxes and is offset by UK deferred tax. The effective tax rate is 16.3% (2015/16: 16.4%). The effective tax rate is lower than the standard tax rate of 20% mainly due to the recognition of the deferred tax asset on the brought forward tax losses and further losses becoming available due to adoption of FRS 101 for statutory reporting. An underlying tax charge of £3.2 million (2015/16: £3.2 million) has been included for the period within a total tax credit of £1.1 million (2015/16: charge of £3.3 million). The cash tax payments were £1.1 million.

Non-underlying items

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

Exceptional items (see Note 3):

- Costs relating to previously announced activity on property and retail restructuring programmes;
- Costs relating to the planned development of warehouses in the UK;
- Cost associated with head office redundancies and IT restructuring;
- Store impairment and onerous lease charges;
- Costs relating to the International stock obsolescence charge; and
- Costs relating to the China joint venture trade receivable provision.

Exceptional items in 2015/16 included 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 the store property provision in relation to the UK business of £0.8 million, International bad debt costs of £1.9 million and impairment of joint venture by £3.3 million.

Other non-underlying items:

- The revaluation of monetary assets and liabilities held in foreign currencies and the revaluation of outstanding forward contracts which have not yet been matched to the purchase of stock. These revaluation adjustments are reported as non-underlying items so as the Group reports its underlying performance consistently with its cash flows, reflecting the hedging which is in place; and
- Amortisation of intangible assets (excluding software).

Earnings per share and dividend

Basic earnings per share were 4.8 pence compared to 3.8 pence in 2015/16. Basic underlying earnings per share were 9.7 pence compared to 9.6 pence last year.

	52 weeks ended 25 March 2017 Million	52 weeks ended 26 March 2016 Million
Weighted average number of shares in issue	**170.5**	[illegible]
Dilution- option schemes (for underlying results only)	**7.9**	[illegible]
Diluted weighted average number of shares in issue	**178.4**	[illegible]
Number of shares at period end	**170.9**	[illegible]

	£ Million	£ Million
Profit for basic and diluted earnings per share	**8.2**	[illegible]
Exceptional items and other non-underlying items (Note 3)	**12.6**	[illegible]
Tax effect of above items	**(4.3)**	[illegible]
Underlying earnings	**16.5**	[illegible]

Basic earnings per share	**4.8**	[illegible]
Basic underlying earnings per share	**9.7**	[illegible]
Diluted earnings per share	**4.6**	[illegible]
Diluted underlying earnings per share	**9.3**	[illegible]

The Board has concluded that given the cash investment required to deliver the strategy the Company will not pay a final dividend for 2016/17. The total dividend for the year is nil pence per share (2015/16: 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 24 March 2018 *	52 weeks ending 25 March 2017	52 weeks ending 26 March 2016
Income statement			
Running costs	(3.2)	(3.0)	(2.7)
Net interest on liabilities/return on assets	(2.9)	(2.6)	(2.7)
Net charge	(6.1)	(5.6)	(5.4)
Cash funding			
Regular contributions	(2.6)	(2.4)	(2.2)
Deficit contributions	(9.1)	(7.2)	(8.9)
Total cash funding	(11.7)	(9.6)	(11.1)
Balance sheet			
Fair value of schemes' assets	n/a	329.6	287.5
Present value of defined benefit obligations	n/a	(409.7)	(361.9)
Net liability	n/a	(80.1)	(74.4)

* 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:

	2016/17	2015/16	2016/17 Sensitivity	2016/17 Sensitivity £ million
Discount rate	2.7%	3.6%	+/- 0.1%	-7.8/+7.8
Inflation – RPI	3.2%	3.1%	+/- 0.1%	+7.5/-7.5
Inflation - CPI	2.1%	2.0%	+/- 0.1%	+2.7/-2.7

Cash flow

Underlying free cash flow was an outflow of £14.4 million with cash generated from operations of £27.0 million being used for capital expenditure and taxation.

Capital expenditure of £39.3 million reflected the investment in the year in store refurbishment and IT infrastructure.

Working capital was an outflow of £3.7 million, reflecting the timing profile of payments for stock, and the mid-season sale moving into the new financial year.

	52 weeks ended 25 March 2017	52 weeks ended 26 March 2016
	£ million	£ million
Underlying profit from operations before interest and share based payments	**23.8**	25.8
Depreciation and amortisation	**18.2**	17.5
Retirement benefit schemes	**(6.6)**	(8.4)
Change in working capital	**(3.7)**	-
Other movements	**(4.7)**	(4.4)
Cash generated from operations	**27.0**	30.5
Capital expenditure	**(39.3)**	(33.9)
Interest and tax paid	**(2.1)**	(2.2)
Underlying Free cashflow	**(14.4)**	(5.6)
Exceptional	**(12.5)**	(12.9)
Free cashflow	**(26.9)**	(18.5)
Issue of ordinary share capital	**-**	0.4
Drawdown on facility	**15.0**	-
Purchase of own shares	**(1.2)**	-

Exchange differences	**(1.3)**	0.1
Cash and cash equivalents at beginning of period	**13.5**	31.5
(Overdraft)/cash and cash equivalents at end of period	**(0.9)**	13.5
Borrowings	**(15.0)**	-
Statutory net (debt)/cash at end of period	**(15.9)**	13.5

Balance sheet

The balance sheet includes identifiable intangible assets arising on the acquisition of the Early Learning Centre of £4.9 million and goodwill of £26.8 million. These assets are allocated to the International business.

	25 March 2017	26 March 2016
	£ million	£ million
Goodwill and other intangibles	**63.4**	53.9
Property, plant and equipment	**80.4**	69.4
Retirement benefit obligations (net of tax)	**(66.4)**	(58.1)
Net (borrowings)/cash	**(15.9)**	13.5
Derivative financial instruments	**8.0**	11.2
Other net assets/(liabilities)	**11.9**	(0.8)
Net assets	**81.4**	89.1
Share capital and premium	**146.4**	146.4
Reserves	**(65.0)**	(57.3)
Total equity	**81.4**	89.1

Shareholders' funds amount to £81.4 million, a decrease of £7.7 million in the year driven mainly by a fall in the defined benefit obligation (net of tax) of £8.3 million. This represents £0.48 per share compared to £0.52 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 principal 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 was in a net debt position of £15.9 million and had headroom on both cash and covenants on its existing facility.

On 5 May 2017 the Group refinanced with the support of its two existing banks, HSBC and Barclays, amending its committed facilities of £50.0 million to a £62.5 million revolving credit facility and a £5.0 million uncommitted overdraft (at an interest rate range of 2.0% to 3.0% above LIBOR). The amended revolving credit facility is made up of two tranches, a £50.0 million maturing in May 2020 (with an option to extend for an additional one year on two occasions subject to lenders' approval) and an additional £12.5 million maturing in November 2018 (with an option to extend for an additional six months on two occasions subject to lenders' approval). In addition, an accordion facility with a variable limit that allows the Group to draw down up to £75.0 million has been made available, subject to lenders' approval.

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 FY20. 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 and liquidity of the business would be significantly impacted. 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 31% of group sales. Total International worldwide sales in the 52 week period represent approximately 62% 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 principal interest rate risk of the Group arises in respect of the drawdown of the revolving credit facility. This facility is at a fixed rate plus LIBOR, it exposes the Group to cashflow interest rate risk. The interest exposure is monitored by management but due to low interest rate levels during the period the risk is believed to be minimal and no interest rate hedging has been undertaken.

Credit risk

The Group's exposure to credit risk inherent in its trade receivables. The Group has no significant concentration of credit risk, except with the China joint venture. The Group operates effective credit control procedures in order to minimise exposure to overdue debts and where possible also carries insurance against the cost of bad debts. The insurance counterparties involved in transactions are limited to high quality financial institutions. Before accepting any new credit customer, the Group obtains a credit check from an external agency to assess the credit quality of the potential customer and then sets credit limits on a customer by customer basis.

Events after the balance sheet date

On 5 May 2017 the Group refinanced with the support of its two existing banks, HSBC and Barclays, amending its committed facilities of £50.0 million to a £62.5 million revolving credit facility and a £5.0 million uncommitted overdraft (at an interest rate range of 2.0% to 3.0% above LIBOR). The amended revolving credit facility is made up of two tranches, a £50.0 million maturing in May 2020 (with an option to extend for an additional one year on two occasions subject to lenders' approval) and an additional £12.5 million maturing in November 2018 (with an option to extend for an additional six months on two occasions subject to lenders' approval). In addition, an accordion facility with a variable limit that allows the Group to draw down up to £75.0 million has been made available, subject to lenders' approval.

Consolidated income statement

For the 52 weeks ended 25 March 2017

	Note	**52 weeks ended 25 March 2017**			52 weeks ended 26 March 2016		
		Underlying[1]	**Non-underlying [2]**	**Total**	Underlying[1]	Non-underlying[2]	Total
		£ million	**£ million**	**£ million**	£ million	£ million	£ million
Revenue	2	**667.4**	**-**	**667.4**	682.3	-	682.3
Cost of sales		**(606.2)**	**(2.4)**	**(608.6)**	(622.1)	-	(622.1)
Gross profit		**61.2**	**(2.4)**	**58.8**	60.2	-	60.2
Administrative expenses		**(38.2)**	**(9.7)**	**(47.9)**	(36.3)	(6.5)	(42.8)
Profit/(loss) from retail operations		**23.0**	**(12.1)**	**10.9**	23.9	(6.5)	17.4
Other exceptional items	3	-	**(0.5)**	**(0.5)**	-	(3.4)	(3.4)
Share of results of joint ventures		**-**	-	-	(1.1)	-	(1.1)
Profit/(loss) from operations	2	**23.0**	**(12.6)**	**10.4**	22.8	(9.9)	12.9
Net finance costs	4	**(3.3)**	**-**	**(3.3)**	(3.2)	-	(3.2)
Profit/(loss) before taxation		**19.7**	**(12.6)**	**7.1**	19.6	(9.9)	9.7
Taxation	5	**(3.2)**	**4.3**	**1.1**	(3.2)	(0.1)	(3.3)
Profit/(loss) for the period attributable to equity holders of the parent		**16.5**	**(8.3)**	**8.2**	16.4	(10.0)	6.4
Earnings per share							
Basic	7	**9.7p**		**4.8p**	9.6p		3.8p
Diluted	7	**9.3p**		**4.6p**	9.3p		3.6p

All results relate to continuing operations.

[1] Before items described in footnote 2 below.
[2] Includes exceptional items (property costs, restructuring costs, provision for receivables 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

For the 52 weeks ended 25 March 2017

	52 weeks ended 25 March 2017	52 weeks ended 26 March 2016
	£ million	£ million
Profit for the period	**8.2**	6.4
Items that will not be reclassified subsequently to the income statement:		
Remeasurement of net defined benefit liability – actuarial (loss)/gain on defined benefit pension schemes	**(9.7)**	1.1
Deferred tax relating to items not reclassified	**0.5**	(1.5)
	(9.2)	(0.4)
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**(1.8)**	(0.4)
Cash flow hedges: gains arising in the period	**20.2**	4.2
Deferred tax relating to items reclassified	**1.1**	(0.3)
	19.5	3.5
Other comprehensive income for the period	**10.3**	3.1
Total comprehensive income for the period wholly attributable to equity holders of the parent	**18.5**	9.5

Consolidated balance sheet
As at 25 March 2017

	25 March 2017	26 March 2016
	£ million	£ million
Non-current assets		
Goodwill	**26.8**	26.8
Intangible assets	**36.6**	27.1
Property, plant and equipment	**80.4**	69.4
Investments in joint ventures	**-**	-
Long term receivable	**0.8**	-
Deferred tax asset	**24.8**	20.3
Derivative financial instruments	**0.2**	0.2
	169.6	143.8
Current assets		
Inventories	**102.0**	101.8
Trade and other receivables	**67.6**	75.9
Current tax asset	**-**	0.3
Derivative financial instruments	**8.6**	12.1
Cash and cash equivalents	**-**	13.5
	178.2	203.6
Total assets	**347.8**	347.4
Current liabilities		
Trade and other payables	**(125.5)**	(130.1)

Bank overdraft	**(0.9)**	-
Current tax liabilities	**(0.2)**	-
Derivative financial instruments	**(0.8)**	(1.1)
Short-term provisions	**(8.8)**	(14.6)
	(136.2)	(145.8)
Non-current liabilities		
Trade and other payables	**(21.5)**	(22.1)
Borrowings	**(15.0)**	-
Retirement benefit obligations	**(80.1)**	(74.4)
Long-term provisions	**(13.6)**	(16.0)
	(130.2)	(112.5)
Total liabilities	**(266.4)**	(258.3)
Net assets	**81.4**	89.1
Equity attributable to equity holders of the parent		
Share capital	**85.4**	85.4
Share premium account	**61.0**	61.0
Own shares	**(1.5)**	(0.3)
Translation reserve	**(1.3)**	0.5
Hedging reserve	**5.2**	9.7
Retained deficit	**(67.4)**	(67.2)
Total equity	**81.4**	89.1

Consolidated statement of changes in equity
For the 52 weeks ended 25 March 2017

	Equity attributable to equity holders of the parent						
	Share capital	Share premium account	Own shares	Translation reserve	Hedging Reserve	Retained earnings	**Total equity**
	£ million	£ million	£ million	£ million	£ million	£ million	**£ million**
Balance at 26 March 2016	**85.4**	**61.0**	**(0.3)**	**0.5**	**9.7**	**(67.2)**	**89.1**
Other comprehensive expense for the period	-	-	-	(1.8)	21.3	(9.2)	10.3
Profit for the period	-	-	-	-	-	8.2	8.2
Total comprehensive income/(expense) for the period	-	-	-	(1.8)	21.3	(1.0)	18.5
Removal from equity to inventories during the period	-	-	-	-	(25.8)	-	(25.8)
Purchase of own shares	-	-	(1.2)	-	-	-	(1.2)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.8	0.8
Balance at 25 March 2017	**85.4**	**61.0**	**(1.5)**	**(1.3)**	**5.2**	**(67.4)**	**81.4**

For the 52 weeks ended 26 March 2016

	Equity attributable to equity holders of the parent						
	Share capital	Share premium account	Own shares	Translation reserve	Hedging reserve	Retained earnings	**Total equity**
	£ million	£ million	£ million	£ million	£ million	£ million	£ 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**

Consolidated cash flow statement

For the 52 weeks ended 25 March 2017

	52 weeks ended 25 March 2017 £ million	52 weeks ended 26 March 2016 £ million
Net cash flow from operating activities	**15.3**	21.9
Cash flows from investing activities		
Interest received	**0.1**	0.2
Purchase of property, plant and equipment	**(28.2)**	(27.8)
Purchase of intangibles – software	**(14.4)**	(11.4)
Proceeds from sale of property, plant and equipment	**1.3**	-
Net cash used in investing activities	**(41.2)**	(39.0)
Cash flows from financing activities		
Interest paid	**(1.0)**	(1.4)
Drawdown on facility	**15.0**	-
Purchase of own shares	**(1.2)**	-
Issue of ordinary share capital	**-**	0.4
Net cash used in financing activities	**12.8**	(1.0)
Net decrease in cash and cash equivalents	**(13.1)**	(18.1)
Cash and cash equivalents at beginning of period	**13.5**	31.5
Effect of foreign exchange rate changes	**(1.3)**	0.1
(Overdraft)/cash and cash equivalents at end of period	**(0.9)**	13.5

Notes

1. General information

a) The accounting policies followed are the same as those published by the Group within the 2016 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 25 March 2017 or the 52 week period ended 26 March 2016, but it is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 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 2016 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 25 March 2017			
	UK	International	Unallocated corporate expenses	Consolidated
	£ million	£ million	£ million	£ million
Revenue				
External sales	**459.4**	**208.0**	**-**	**667.4**
Result				
Segment result (underlying)	**(4.4)**	**35.2**	**(7.0)**	**23.8**
Share-based payments				**(0.8)**
Non-cash foreign currency adjustments (non-underlying)				**4.1**
Amortisation of intangible assets (non-underlying)				**(1.0)**
Exceptional items (Note 3)				**(15.7)**
Profit from operations				**10.4**

Net finance costs (underlying)	**(3.3)**
Profit before taxation	**7.1**
Taxation	**1.1**
Profit for the period	**8.2**

	52 weeks ended 26 March 2016			
	UK	International	Unallocated corporate expenses	Consolidated
	£ million	£ million	£ million	£ 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

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 25 March 2017 £ million	52 weeks ended 26 March 2016 £ million
Exceptional items:		
Restructuring costs in cost of sales	**(5.5)**	(0.3)
Restructuring and property impairment included in administrative expenses	**(5.7)**	(6.5)
Joint venture trade receivable provision included in administrative expenses	**(4.0)**	-
Property related costs in other exceptional items	**(0.5)**	(0.1)
Impairment of investment in joint venture in other exceptional items	**-**	(3.3)
Total exceptional items:	**(15.7)**	(10.2)
Other non-underlying items:		
Non-cash foreign currency adjustments under IAS 39 and IAS 21[1]	**4.1**	1.2
Amortisation of intangibles[1]	**(1.0)**	(0.9)
Exceptional and other non-underlying items	**(12.6)**	(9.9)

[1]Included in non-underlying cost of sales is a credit of £3.1 million (2016: credit of £0.3 million).

Restructuring costs in cost of sales

During the 52 weeks ended 25 March 2017 a charge of £5.5 million was recognised. £3.4 million was related to the international restructure, £1.1 million to warehouse development costs and £1.0 million warehouse closure costs.

£3.4 million was related to costs associated to the international restructure. Towards the end of 2016, the Group recognised that significant challenges exist within the current International business model requiring a wide range restructure. £3.2 million of the restructure costs relate to a one-off increase in the stock provision to reflect the alignment of our international trading strategy with the UK, i.e. more full price sales, less discounting and tighter management of stocks.

£1.1 million was related to the planned development of warehouses in the UK and consists of incremental labour and warehouse storage costs.

£1.0 million was related to the planned closure of the online warehouse. The costs consist of unavoidable costs associated to the closure. The online warehouse operation in the following year will operate from our main distribution centre.

During the 52 weeks ended 26 March 2016 a charge of £0.3 million was recognised in relation to the store restructuring programme.

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

Restructuring and property related costs included in administrative expenses

During the 52 weeks ended 25 March 2017 a charge of £5.7 million was recognised. £3.6 million related to head office restructure costs, £0.2m related to the write off of amounts owed by a franchisee and £1.9 million store impairment.

The Group, recognised £3.6 million associated to head office restructure. £2.1 million related to head office redundancies and IT restructure, £1.5 million related to the Group strategy review. The strategy review continues to evolve the strategic six pillars, drive profitability and deliver effective and significant changes. Such costs will continue into 2018.

£1.9 million charge was recognised where the carrying value of property, plant and equipment is higher than net realisable value (2016: £1.8 million credit). This is mainly driven by an overall decline in store net present value.

During the 52 weeks ended 26 March 2016 a charge of £6.5 million was recognised mainly related to fixed assets written off in relation to the store restructuring and refurbishment programme.

Joint venture trade receivable provision in administration expenses

Due to the challenging economic conditions and performance over the past 12 months in China, the Group took a prudent approach and provided for all outstanding debt at 26 March 2016, £4.0 million (charged to exceptional items) plus a provision of £1.5 million for overdue debt in the current year (charged to underlying profit).

Included in gross trade receivables is £10.4 million (2016: £4.0 million) for amounts owed from the joint venture in China, in addition the Group has made a loan of £0.8 million during the year. A provision of £5.5 million (2016: £nil) exists for debt where there is uncertainty over the recoverability.

Property related costs

Provisions of £0.5 million (2016: £0.1 million) have been made for onerous leases and losses on disposal/termination of property interests.

Impairment of joint venture investment

During the 52 weeks ended 26 March 2016, 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 £3.3 million.

Notes (continued)

4. Net finance costs

	52 weeks ended 25 March 2017 £ million	52 weeks ended 26 March 2016 £ million
Interest and bank fees on bank loans and overdrafts	**0.7**	0.5
Net interest on liabilities/return on assets on pension	**2.6**	2.7
Net finance costs	**3.3**	3.2

Financing represents interest receivable on bank deposits, less amounts capitalised for borrowing costs associated with the build of qualifying assets, 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.

5. Taxation

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

	52 weeks ended 25 March 2017 £ million	52 weeks ended 26 March 2016 £ million
Current tax:		
Current year	**1.6**	1.8
Adjustment in respect of prior periods	**0.2**	-
	1.8	1.8

Deferred tax:		
Current year	**0.5**	0.6
Change in tax rate in respect of prior periods	**0.3**	0.2
Adjustment in respect of prior periods	**(3.7)**	0.7
	(2.9)	1.5
(Credit)/charge for taxation on profit for the period	**(1.1)**	3.3

UK corporation tax is calculated at 20% (2016: 20%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Due to the adoption of FRS 101 for statutory accounting purposes subsequent to the preparation of the consolidated group financial statements for the 52 weeks ended 26 March 2016, further tax losses have become available within the Group and a prior year adjustment of £1.1 million to recognise a deferred tax asset in respect of these losses has been recognised in the financial statements in the current period. The corresponding credit to the income statement has been recognised as a non-underlying credit given the one-off nature of this transaction.

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

Notes (continued)

5. Taxation (continued)

	52 weeks ended 25 March 2017 £ million	52 weeks ended 26 March 2016 £ million
Profit for the period before taxation	**7.1**	9.7
Profit for the period before taxation multiplied by the standard rate of corporation tax in the UK of 20% (2016: 20 %)	**1.4**	1.9
Effects of:		
(Income)/expenses not deductible for tax purposes	**(0.3)**	1.6
Rate change on deferred tax	**0.3**	0.2
Impact of difference in current and deferred tax rates	**(0.1)**	-
Impact of overseas tax rates	**1.1**	1.5
Relief for losses brought forward	**-**	(1.9)
Impact of double tax relief	**-**	(0.7)
Adjustment in respect of prior periods – current tax	**0.2**	-
Adjustment in respect of prior periods – deferred tax	**(3.7)**	0.7
(Credit)/charge for taxation on profit for the period	**(1.1)**	3.3

In addition to the amount credited to the income statement, a deferred tax credit relating to retirement benefit obligations amounting to £0.5 million (2016: £1.5 million charge) has been taken directly to other comprehensive income.

6. Dividends

The directors are not recommending the payment of a final dividend for the year (2016: £nil). No interim dividend was paid during the year (2016: £nil).

7. Earnings per share

	52 weeks ended 25 March 2017 Million	52 weeks ended 26 March 2016 million
Weighted average number of shares in issue	**170.5**	170.6
Dilution – option schemes (for underlying results only)	**7.9**	6.0

Diluted weighted average number of shares in issue	**178.4**	176.6

Number of shares at period end	**170.9**	170.9

	£ million	£ million
Profit for basic and diluted earnings per share	**8.2**	6.4
Exceptional and other non-underlying items (Note 3)	**12.6**	9.9
Tax effect of above items	**(4.3)**	0.1
Underlying earnings	**16.5**	16.4

	pence	pence
Basic earnings per share	**4.8**	3.8
Basic underlying earnings per share	**9.7**	9.6
Diluted earnings per share	**4.6**	3.6
Diluted underlying earnings per share	**9.3**	9.3

Notes (continued)

8. Reconciliation of cash flow from operating activities

	52 weeks ended 25 March 2017 £ million	52 weeks ended 26 March 2016 £ million
Profit from retail operations	**10.9**	17.4
Adjustments for:		
Depreciation of property, plant and equipment	**14.2**	13.3
Amortisation of intangible assets	**5.0**	5.1
Impairment of property, plant and equipment and intangible assets	**1.9**	1.5
Losses on disposal of property, plant and equipment and intangible assets	**-**	4.2

Profit on non-underlying non-cash foreign currency adjustments	**(4.1)**	(1.2)
Equity-settled share-based payments	**0.8**	3.0
Movement in provisions	**(7.5)**	(13.9)
Cash payments for other exceptional items	**(0.2)**	2.8
Amortisation of lease incentives	**(5.0)**	(4.1)
Lease incentives received	**2.0**	5.3
Payments to retirement benefit schemes	**(9.6)**	(11.1)
Charge to profit from operations in respect of retirement benefit schemes	**3.0**	2.7
Operating cash flow before movement in working capital	**11.4**	25.0
(Increase)/decrease in inventories	**(0.5)**	(12.9)
Decrease/(increase) in receivables	**7.5**	(1.1)
(Decrease)/increase in payables	**(2.0)**	13.3
Cash generated from operations	**16.4**	24.3
Income taxes paid	**(1.1)**	(2.4)
Net cash flow from operating activities	**15.3**	21.9

9. Events after the balance sheet date

On 5 May 2017 the Group refinanced with the support of its two existing banks, HSBC and Barclays, amending its committed facilities of £50.0 million to a £62.5 million revolving credit facility and a £5.0 million uncommitted overdraft (at an interest rate range of 2.0% to 3.0% above LIBOR). The amended revolving credit facility is made up of two tranches, a £50.0 million maturing in May 2020 (with an option to extend for an additional one year on two occasions subject to lenders' approval) and an additional £12.5 million maturing in November 2018 (with an option to extend for an additional six months on two occasions subject to lenders' approval). In addition, an accordion facility with a variable limit that allows the Group to draw down up to £75.0 million has been made available, subject to lenders' approval.