

# MOTHERCARE PLC

## Full Year Results

Mothercare plc, the global retailer for parents and young children, today announces full-year results for the 52-week period to 28 March 2015.

### Highlights for FY2014/15

#### Financial highlights

- Underlying profit before tax up 37% at £13.0m [FY2013/14: £9.5m]
- International like-for-like sales<sup>1</sup> up 5.6%, constant currency total sales up 12.4%, total International reported sales up 2.2% and underlying International profit<sup>2</sup> up 1% at £45.9m [FY2013/14: £45.3m]
- UK like-for-like sales<sup>1</sup> up 2.0% with gross margin stabilised, total UK sales down (0.9)% as further underperforming stores were closed and underlying UK losses<sup>2</sup> lower at £(18.0)m [FY2013/14: £(21.5)m]
- Worldwide sales<sup>1</sup> up 1.0% at £1,203m, International now accounts for 64% of worldwide space and 62% of worldwide sales
- Statutory reported loss before tax of £(13.1)m [FY2013/14: £(26.3)m]
- Successfully refinanced the business, ending the year with net cash of £31.5m compared to net debt £(46.5)m in FY2013/14

#### Strategic and operating highlights

Progress made against all six strategic pillars:

1. *Become a digitally led business*
  - Online sales up 18%, accounting for 30% of total UK sales with over a third of online orders collected in store and 82% of online traffic now generated from mobile
  - A significant increase in product images, videos and customer reviews online and an accelerated growth in our customer database
2. *Supported by a modern retail estate*
  - Closed a further 31 loss-making stores and resited one in the UK
  - Gateshead and Solihull refurbished to the new format, clothing biased stores trialled and our first year of refits now identified
3. *Offering style, quality and innovation in product and great service*
  - Introduced more phased launches of product in Clothing & footwear, Home & travel and Toys
  - Introduced more brands and increased exclusivity across all of our product categories
4. *Stabilise and recapture gross margin*
  - Margins stabilised after five years of decline
  - Moving back to being a full price retailer with shorter discount periods and better planned promotions
5. *Running a lean organisation while investing for the future*
  - Costs well managed and stock cover reduced in the UK
  - Invested in management and colleagues as well as our systems to support the strategic pillars
6. *Expanding further internationally*
  - Space up 9.0% with 1,273 stores in 60 countries as 52 stores opened
  - Entered a new territory – South Korea with an initial four stores

#### **Alan Parker, Chairman of Mothercare plc, said:**

"This year has been one of major change for Mothercare. We recruited a new CEO and CFO, entered into new financing arrangements with our banks, saw off an unwelcome takeover approach and successfully completed a rights issue. I am confident that we now have the right leadership and plans to achieve our clear potential of being a world leading global retailer."

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

"This has been an extremely busy year for Mothercare. During the year we have completed a successful refinancing and we have created a new strategy with our customers in mind to modernise and reinvigorate the Mothercare and ELC brands. A new Executive Board has been recruited to turn our strategy into reality."

"Our International business has delivered growth in terms of space, sales and profit, in spite of increased economic and foreign currency headwinds. In the UK we have seen our new full price trading strategy and investment in product and service result in stabilised margins and like-for-like sales growth."

"We are making good progress against all six pillars of our strategy and we will continue to build from this platform in the year ahead. There is still much to do and trading conditions may remain challenging, but we will stay singularly focused on our vision of being the leading global retailer for parents and young children."

**Group performance**

	<b>FY2014/15</b> <b>52 weeks to</b> <b>28 Mar 2015</b> <b>£million</b>	<b>FY2013/14</b> <b>52 weeks to</b> <b>29 Mar 2014</b> <b>£million</b>	<b>% change</b> <b>vs.</b> <b>last year</b>
<b><u>International</u></b>			
International like-for-like sales <sup>1</sup>	+5.6%	+2.8%	-
Total International sales	745.4	729.2	+2.2%
Underlying International profit <sup>2</sup>	45.9	45.3	+1.3%
<b><u>UK</u></b>			
UK like-for-like sales <sup>1</sup>	+2.0%	(1.9%)	-
Total UK sales	458.1	462.3	(0.9)%
Underlying UK loss <sup>2</sup>	(18.0)	(21.5)	+16.3%
<b><u>Group</u></b>			
Worldwide sales <sup>1</sup>	1,203.5	1,191.5	+1.0%
Total group sales	713.9	724.9	(1.5)%
Group underlying profit before tax <sup>2</sup>	13.0	9.5	+36.8%
Exceptional charge & non-underlying items	(26.1)	(35.8)	-
Group profit/loss before tax after exceptional and non-underlying items	(13.1)	(26.3)	-
Underlying EPS <sup>2</sup>	8.6p	7.7p	+11.7%
Net cash/(debt)	31.5	(46.5)	-

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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 selling 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 refers to profit 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 11 July 2015 on Thursday 23 July 2015.

## **CHIEF EXECUTIVE'S REVIEW**

### **Overview**

This has been an eventful year for Mothercare, but one in which we have started to make significant progress towards putting our UK business on a firmer footing and further developing our International business for continued long-term growth. Our approach this year will help us realise our goal of being the leading global retailer for parents and young children.

I was first appointed as Chief Executive in an interim capacity in March 2014 and subsequently on a permanent basis in July 2014. Since then, the Company rejected an unwelcome bid from a US retailer in the summer, successfully completed a £100 million rights issue and put in place new banking facilities in October 2014. In March 2015, we appointed Richard Smothers to the role of Chief Financial Officer. The refinancing of our business along with the recruitment of a new Executive Board provides us with the strong foundations needed to turn our strategy into reality.

Our strategy is based on six pillars:

1. Become a digitally led business
2. Supported by a modern retail estate
3. Offering style, quality and innovation in product and great service
4. Stabilise and recapture gross margin
5. Running a lean organisation while investing for the future
6. Expanding further internationally

We have, over the last year, made good progress against each of these six pillars, putting in place solid foundations for our future.

### **Group sales and underlying profits improved and statutory loss reduced**

Worldwide sales were up 1.0% at £1,203m with total International sales up 2.2% and total UK sales down (0.9)%. Group sales, which reflect total UK sales and reported revenues from our International partners, were down (1.5)% at £714m reflecting the reduction in UK sales as a result of store closures and the impact of foreign currency.

Global retail space across all of our markets was up 3.6% year-on-year, with International up 9.0% and the UK reduced by (4.5)%. Our International partners now operate from 60 countries with 1,273 stores and in the UK we have 189 stores.

	<b>FY2014/15</b>	<b>FY2013/14</b>	
	<b>52 weeks to</b>	<b>52 weeks to</b>	<b>% change</b>
	<b>28 Mar 15</b>	<b>29 Mar 14</b>	<b>vs. last year</b>
International space	2,894k sq.ft.	2,656k sq.ft.	+9.0%
UK space	1,658k sq.ft.	1,737k sq.ft.	(4.5%)
<b>Worldwide space</b>	<b>4,552k sq.ft.</b>	<b>4,393k sq.ft.</b>	<b>+3.6%</b>
International stores	1,273	1,221	-
UK stores	189	220	-
<b>Worldwide stores</b>	<b>1,462</b>	<b>1,441</b>	<b>-</b>

Underlying Group profits were up 37% at £13.0m. International profits were up 1% at £45.9m in spite of foreign currency headwinds and UK losses were reduced by 16% at £(18.0)m. Corporate expenses were £8.6m while finance costs were reduced to £5.0m. The charge for share based payments was also increased to £1.3m.

After a charge for exceptional items of £(32.0)m and a credit of £5.9m for other non-underlying items the reported loss for the full year was reduced by 50% at £(13.1)m.

The balance sheet has been strengthened following the successful rights issue. We ended the year with net cash of £31.5m compared to net debt of £(46.5)m last year.

	<b>FY2014/15</b> <b>52 weeks to</b> <b>28 Mar 15</b> <b>£million</b>	<b>FY2013/14</b> <b>52 weeks to</b> <b>29 Mar 14</b> <b>£million</b>	<b>% change</b> <b>vs. last year</b>
Underlying International profit <sup>2</sup>	45.9	45.3	+1.3%
Underlying UK loss <sup>2</sup>	(18.0)	(21.5)	+16.3%
Corporate expenses	(8.6)	(7.8)	(10.3%)
<b>Underlying profit from operations<sup>2</sup></b>	<b>19.3</b>	<b>16.0</b>	<b>+20.6%</b>
Underlying interest charge	(5.0)	(6.4)	+21.9%
Share based payments	(1.3)	(0.1)	<i>n.a.</i>
<b>Underlying profit before tax<sup>2</sup></b>	<b>13.0</b>	<b>9.5</b>	<b>+36.8%</b>
Exceptional items	(32.0)	(19.9)	-
Non-cash foreign currency adjustments	6.9	(14.9)	-
Amortisation of intangibles	(1.0)	(1.0)	-
<b>Reported profit / (loss) before tax</b>	<b>(13.1)</b>	<b>(26.3)</b>	<b>+50.2%</b>

### **International growth despite ongoing economic and currency headwinds**

International has once again demonstrated its resilience in the face of the growing challenges of economic and currency headwinds. Together with our partners we were able to drive like-for-like sales growth while also growing space, which contributed to sales growth both in constant and actual currency. This performance is testament to the quality and strength of our franchise partners and their knowledge of the countries in which they operate, all of which bodes well for our future growth.

	<b>FY2014/15</b> <b>52 weeks to</b> <b>28 Mar 15</b>	<b>FY2013/14</b> <b>52 weeks to</b> <b>28 Mar 14</b>	<b>% change</b> <b>vs. last year</b>
International like-for-like sales growth	+5.6%	+2.5%	-
International retail sales: constant currency	+12.4%	+9.3%	-
International retail sales: actual currency	+2.1%	+6.5%	-
International retail sales	£737.3m	£721.9m	+2.1%
International wholesale sales	£8.1m	£7.3m	+11.0%
Total International sales	£745.4m	£729.2m	+2.2%
Underlying profit	£45.9m	£45.3m	+1.3%

### **Expanding further internationally**

Overall, our franchise partners grew space by 9.0% year-on-year and added 52 stores and 239k sq.ft. of retail space to the store estate. We are continually looking for ways to maximise the potential and quality of our International business, which includes entering new markets, opening new stores, extending existing stores and closing underperforming stores where appropriate. In particular, this year we opened four stores in a new territory - South Korea. We also agreed to close our ELC stores in South Africa, which were small inserts in department stores. In Russia our franchise partner for ELC is working towards opening larger stores and so closed a few smaller stores in preparation for this change. Since the year-end, we sold our stake in the Indian joint venture - the country now operates on a pure franchise basis.

International like-for-like sales grew by 5.6% with all four regions - Europe including Russia, Middle East & Africa, Asia and Latin America - making a positive contribution. International retail sales were up 12.4% in constant currency, with all four regions delivering double-digit growth. However currency moves have had an adverse impact, particularly in Europe including Russia. As a result retail sales in actual currency were up just 2.1% year-on-year at £737m. Wholesale sales were up 11.0% at £8m, which resulted in total International sales growth of 2.2% at £745m.

Supported by this ongoing level of growth, International now accounts for 64% of worldwide space and 62% of worldwide sales.

Reported International sales, which reflect receipts from our partners, were down (2.6)% at £256m. Underlying profit for our International business was up 1% at £45.9m in spite of a negative currency impact of c£(3.0)m.

**Europe including Russia**, remains our largest region with 492 stores in 28 countries. Despite the economic and currency headwinds in this region, our franchise partners are continuing to develop their businesses. In particular our franchise partners in Russia have continued with their strategy of moving to larger stores. Overall space was up c7% year-on-year which, along with positive like-for-like sales growth, supported low-double-digit constant currency growth for the year. However, this region has seen the greatest impact from currency moves. Despite our policy of hedging our foreign currency exposure, which gives us certainty of sterling receipts, actual retail sales were down mid-single-digit for the year. We now have transactional websites in Russia [Mothercare and ELC], Ukraine, Ireland, Turkey, Spain and Estonia.

**The Middle East & Africa** is our oldest region and now has 324 stores in 12 countries. During the year, we took the decision to exit South Africa by closing our ELC inserts in department stores, which had been underperforming for some time. This market was making additional demands on time and yet having a minimal impact on profits. Space was up c4% year-on-year, which combined with high-single-digit like-for-like sales growth delivered strong sales growth in both constant and actual currencies. We are currently redeveloping our website in Kuwait.

**Asia** continues to offer exciting high growth opportunities and now has 397 stores in 13 countries. We opened our first four stores in South Korea, in the last quarter of the year. This market offers significant opportunity with a wealthy middle class, good quality retail space and a mature online market. Since the end of the year, we have exited our joint venture in India, which no longer needed our support to develop the business. India now operates on a pure franchise basis. Space was up c17% year-on-year with mid-single-digit like-for-like sales growth. Strong constant currency sales growth was diluted by ongoing currency devaluation which resulted in high single-digit sales growth in actual currency. Asia now has transactional websites in China, India and Indonesia.

**Latin America** is our smallest region with 60 stores in seven countries. Space was up c20%, which combined with single-digit like-for-like sales growth resulted in strong constant currency growth. With currency continuing to have an adverse impact, actual sales were up mid-single-digits. We currently do not have operational websites in this region.

Despite the economic and currency headwinds highlighted over the past year, our franchise partners have continued to develop their businesses and remain confident in the future. The foundations remain strong and the work we are doing with product and the supply chain is beginning to benefit our International business as well.

### **UK losses reduced**

We have made further progress towards our goal of returning the UK to profitability. Over the year, we have closed underperforming stores while also investing in product and service both online and in store. Additionally, we have trialled several new store formats. The result is that like-for-like sales have returned to growth, margins have stabilised and UK losses were reduced.

	<b>FY2014/15</b> <b>52 weeks to</b> <b>28 Mar 15</b>	<b>FY2013/14</b> <b>52 weeks to</b> <b>29 Mar 14</b>	<b>% change</b> <b>vs. last year</b>
UK like-for-like sales growth	+2.0%	(1.9)%	-
UK online sales	£138.4m	£116.9m	+18.4%
UK retail sales (including online)	£425.7m	£432.6m	(1.6)%
UK wholesale sales	£32.4m	£29.7m	+9.1%
Total UK sales	£458.1m	£462.3m	(0.9)%
Underlying loss	£(18.0)m	£(21.5)m	+16.3%

### **Stabilise and recapture margin**

In the UK, we have made significant progress towards our target of returning to being a full price retailer. A year into our new trading approach, which has required a determined move away from

ongoing discount and promotional activity, margins have stabilised and like-for-like sales have grown. Our customers are now getting a clearer message in that we are not a discounter but sell quality product at full price. Improvements in product and service both, online and in store, are further underpinning our overall strategy for the UK. We are making progress towards re-establishing ourselves as the clear first choice for expectant and new parents and their young children.

Our trading strategy of moving to shorter discount periods with clear promotions, has allowed us to drive full price sales over the whole year whilst also clearing our surplus product more effectively. At the same time, our sector has been undergoing significant change with a number of competitors either closing retail space or refocusing on core activity. This has resulted in a greater level of volatility throughout the year with competitors discounting aggressively. We are now through this period and the market appears to be more stable. Despite this backdrop, it is encouraging to note that like-for-like sales were up 2.0% year-on-year and that margins were broadly flat on the previous year, after five years of decline in both.

### ***Become a digitally led business***

Our online business has continued to grow strongly over the year and online sales were up c18% to £138m, which now accounts for c30% [FY2013/14: c25%] of total UK sales. Mobile and click-and-collect continue to grow and now represent 82% of online sessions and 36% of online orders respectively.

As part of our strategy of becoming a digital business, we introduced iPads into all our stores during the second quarter of the year. The benefits were two fold. Firstly we were able to place orders for customers while serving them - showing them reviews/product videos and generally using the functionality of the web to improve service. Secondly we were able to introduce a consumer finance package, applications for which can be completed on the iPad in as little as five minutes. These finance packages allow our customers to spread their payments when purchasing more expensive products. The result of these changes is a significantly improved online service for customers whilst in our stores, resulting in online orders from stores growing c48% during the year. This strong online performance has helped underpin our UK like-for-like sales growth.

### ***Supported by a modern retail estate***

As part of our plans to modernise and realign our UK store portfolio, we completed full refurbishments for our Solihull and Gateshead stores and converted our stores in Peckham, Woolwich, Surrey Quays, Cheltenham and Livingston to a new clothing biased format. These trial formats are encouragingly showing early signs of improved cash margin and store profitability. In addition, we closed 31 underperforming stores [14 Mothercare and 17 Early Learning Centre] resulting in a £2.3m benefit for the year. We ended the year with 189 stores [175 Mothercare and 14 Early Learning Centre] or 1.7m sq.ft. of retail space. Our store portfolio is continuing to migrate to larger stores with 96 out-of-town Mothercare stores and 79 Mothercare in town and 14 ELC in town stores. These closures meant space was down (4.5)% year-on-year, which coupled with positive like-for-like sales resulted in a (0.9)% reduction in total UK sales to £458m. We have now put in place plans to refurbish 35-40 stores in the year ahead.

### ***Running a lean organisation***

Over the year, we have continued to manage our cost base tightly whilst also putting in place modern retailing practices and have taken the opportunity to invest in the team. We restructured working patterns in our stores to put more of our team on the shop floor at peak times and made further progress towards reducing stock in the business. This continued focus on running a lean organisation along with stabilised margins and like-for-like growth has helped reduce losses for the year to £(18.0)m.

### ***Offering style, quality and innovation in product and great service***

In addition to the improvements implemented online and in store, we have invested into each of our product areas.

In **Clothing and footwear**, our priority has been to improve our product and pricing architecture. In addition to extending the reach of our own-bought 'Best' ranges - Little Bird and Baby K - into more stores, we have introduced ranges from Converse Baby and Kids, Envie de Fraises, French Connection, Joules, Mamas & Papas, Name it, Mamalicious and Original Penguin. These new ranges are available online and in selected stores. This new approach to product has helped deliver more full-price sales both online and in our stores. We have also introduced more newness over the course of the year through more frequent phases of product and by trialling production closer to the UK to allow us to react more quickly to trends.

**Home and travel** has responded particularly well to the changes we have made to the quality of ranges online and in store. Our product and price architecture is clearer, which has been further strengthened by the introduction of additional new brands, exclusive ranges and more newness. Online and in store product displays have also been improved, supported by our brands. These changes have encouraged brands like Cybex, iCandy, Mamas & Papas and EasyWalker, amongst others, to retail their ranges online and through our stores.

Whilst attracting new brands, we are also investing in our Mothercare own-brand and designed product ranges. These complement the branded ranges that sit mainly at the 'Better' and 'Best' end of the product and price architecture.

In **ELC Toys** we are also working towards increasing newness and the level of educational toys across the ranges. Our International markets have a higher proportion of branded product in their product mix, which creates a clearer price architecture and we have learnt from this experience. As a result, we are introducing more branded product into our ranges in the UK and are launching LeapFrog, Fisher Price, VTech and Lego; all of which will be aimed at the younger child.

### **Summary and outlook**

We have delivered an improvement in the Group's underlying profits for the year with International profits marginally ahead in spite of adverse currency impacts and UK losses reduced.

Our International partners have delivered growth in space, sales and profit in spite of economic and currency headwinds. We believe the underlying International businesses remain robust and will emerge from the current uncertainty stronger and more stable.

In the UK, we have stabilised margins and returned to like-for-like sales growth for the first time in five years. We continue to work hard to improve the style, quality, design and innovation across all our product areas whilst also improving service and presentation online and in store. Our approach is helping us to attract new brands into the business and is encouraging them to deliver exclusive product to us, which is improving our customer proposition.

Trading conditions may remain challenging in the year ahead as many of our International markets are still having to navigate economic volatility and foreign currency headwinds. However, we are building on an already strong base and are exploring new growth opportunities in existing and new markets whilst also opening more territories online. During the first half of the year, the UK will anniversary our new trading strategy.

We shall continue to develop our business to become digitally led by investing in our online platform. At the same time, in line with the plans we communicated last year, we will modernise and refurbish 35-40 stores whilst closing 25-30 underperforming stores.

There is much work to be done across our Group as we implement our strategy. We recognise that there will be volatility in the year ahead but we are nevertheless excited by the opportunity we have around the world.

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 £3.5 million to £13.0 million (2013/14: £9.5 million). Underlying profit excludes exceptional items and other non-underlying items which are analysed below. After these non-underlying items, including property costs in relation to the store closure programme of £25.9m and a non-cash positive foreign currency movement of £21.8 million compared with 2013/14, the group recorded a pre-tax loss of £(13.1) million (2013/14: loss of £(26.3) million). Underlying profit from operations before interest and the IFRS 2 share based payments charge increased by £3.3 million to £19.3million.

#### **Income statement**

£ million	52 weeks ended 28 March 2015	52 weeks ended 29 March 2014
Revenue	713.9	724.9
<b>Underlying profit from operations before interest and share based payments</b>	<b>19.3</b>	<b>16.0</b>
Share based payments	(1.3)	(0.1)
Net finance costs	(5.0)	(6.4)
<b>Underlying profit before tax</b>	<b>13.0</b>	<b>9.5</b>
Exceptional items	(32.0)	(19.9)
Non-cash foreign currency adjustments	6.9	(14.9)
Amortisation of intangible assets	(1.0)	(1.0)
<b>Loss before tax</b>	<b>(13.1)</b>	<b>(26.3)</b>
Underlying EPS – basic (pence)	8.6	7.7
EPS – basic (pence)	(12.6)	(31.0)

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.

£ million - Revenue	52 weeks to 28 March 2015	52 weeks to 29 March 2014
UK	<b>458.1</b>	462.3
International	<b>255.8</b>	262.6
<b>Total</b>	<b>713.9</b>	724.9

£ million – Underlying Profit/(loss)	52 weeks to 28 March 2015	52 weeks to 29 March 2014
UK	(18.0)	(21.5)
International	45.9	45.3
Corporate	(8.6)	(7.8)
<b>Profit from operations before share based payments</b>	<b>19.3</b>	<b>16.0</b>
Share based payments	(1.3)	(0.1)
Net finance costs	(5.0)	(6.4)
<b>Underlying profit before tax</b>	<b>13.0</b>	<b>9.5</b>

UK sales have declined as a result of the planned closure of loss making stores offset by a positive LFL of 2.0%. Profitability has however benefited from the removal of a net 31 loss-making stores during the year and delivering planned efficiencies.

International retail sales have increased 12.4% on a constant currency basis with all four regions delivering positive growth. As a result of the anticipated impact of currency movements, reported sales are down by 2.6%, with profit slightly up 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.

## Share based payments

Underlying profit before tax also includes a share based payments charge of £1.3 million (2013/14: £0.1 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 Executive Share Option Scheme, the Performance Share Plan, the Save As You Earn schemes and the Company Share Option Plan. Full details can be found in the Annual Report.

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 the General 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 28 March 2015	52 weeks ended 29 March 2014	52 weeks ended 28 March 2015	52 weeks ended 29 March 2014
UK retail sales	425.7	432.6	425.7	432.6
UK wholesale sales	32.4	29.7	32.4	29.7
Total UK sales	458.1	462.3	458.1	462.3
International retail sales	247.7	255.3	737.3	721.9
International wholesale sales	8.1	7.3	8.1	7.3
Total International sales	255.8	262.6	745.4	729.2
<b>Group sales/Group worldwide sales</b>	<b>713.9</b>	<b>724.9</b>	<b>1,203.5</b>	<b>1,191.5</b>

\* Estimated

## Analysis of worldwide sales movement

£ million – Worldwide sales	
Sales for 52 weeks ended 29 March 2014	1,191.5
Currency impact	(66.0)
Proforma sales for 52 weeks ended 29 March 2014	1,125.5
Increase in International LFL	34.1
Increase in International space	47.3
Increase in UK LFL	8.2
Decrease in UK space	(15.1)
Increase in wholesale	3.5
<b>Sales for 52 weeks ended 28 March 2015</b>	<b>1,203.5</b>

On a proforma basis (i.e. excluding the currency impact) sales have grown by c. 7%. This is driven by a 5.6% increase in International like-for-like sales, a 9% increase in International space and UK like-for-like sales of 2%. This has been partly offset by UK store closures.

## Analysis of profit movement

<b>£ million – underlying profit before tax</b>	
Underlying profit for 52 weeks ended 29 March 2014	9.5
Currency impact	(3.0)
Proforma underlying profit for 52 weeks ended 29 March 2014	6.5
Increase in International volumes	3.8
UK closures of loss making stores	2.3
UK sales and margin improvement	4.9
Increase in costs	(4.5)
<b>Underlying profit before tax for 52 weeks ended 28 March 2015</b>	<b>13.0</b>

On a proforma basis (i.e. excluding the currency impact) underlying profit has doubled. This is driven by the increase in International volumes, UK sales and margin improvement and the closure of UK loss making stores. This is partly offset by an increase in costs reflecting the investment in new resource to deliver the turnaround plan and an increase in share based payments.

## Foreign exchange

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

	<b>52 weeks ended 28 March 2015</b>	52 weeks ended 29 March 2014
<b>Average:</b>		
Russian rouble	<b>70.57</b>	52.31
Ukrainian hryvnia	<b>22.50</b>	13.16
Indonesian rupiah	<b>19,484</b>	17,264
Saudi riyal	<b>6.03</b>	5.95
<b>Closing:</b>		
Russian rouble	<b>88.67</b>	59.76
Ukrainian hryvnia	<b>34.77</b>	17.41
Indonesian rupiah	<b>19,499</b>	18,836
Saudi riyal	<b>5.61</b>	6.18

The principal currencies that impact our results are the Russian rouble, Ukrainian hryvnia, Indonesian rupiah and Saudi riyal. All these currencies weakened against sterling in the year. The net effect of currency translation caused worldwide sales and underlying operating profit from ongoing operations to decrease by £66m and £3m respectively compared with 2014 as shown below: The profit impacts are somewhat mitigated by our hedging strategy on royalty receipts.

	Worldwide Sales £ million	Underlying Operating profit £ million
Russian rouble	(33.7)	(1.3)
Ukrainian hryvnia	(6.1)	(0.3)
Indonesian rupiah	(3.0)	(0.3)
Saudi riyal	(1.2)	(0.3)
Other Middle East countries	(3.3)	(0.3)
Other currencies	(18.7)	(0.5)
	<b>(66.0)</b>	<b>(3.0)</b>

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, interest payable on borrowings, the amortisation of costs relating to bank facility fees and the net interest charge on the liabilities/assets of the pension scheme.

	<b>52 weeks ended 28 March 2015</b>	52 weeks ended 29 March 2014
	<b>£ million</b>	£ million
Net interest on liabilities/ return on assets on pension	<b>2.1</b>	2.7
Other net interest	<b>4.4</b>	4.5
<b>Net finance costs</b>	<b>6.5</b>	7.2

## 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 19.2% (2013/14: 28.4%) The effective tax rate is lower than the standard tax rate of 21% mainly due to the utilisation of brought forward tax losses. An underlying tax charge of £2.5m (2013/14: £2.7 million) has been included for the period and in total the tax charge was £2.3m (2013/14: £1.2m). 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):

- Restructuring costs of the UK store and head office organisation, including strategic and refinancing costs relating to the rights issue completed in October 2014, totalling £9.1 million.
- Costs relating to refinancing completed in October 2014 of £1.5 million.
- A credit for the release of store impairment provision in relation to the UK business of £4.8 million.
- Property related exceptional costs of £25.9 million.

Exceptional items in 2013/14 included restructuring costs of the UK and head office organisation totalling £6.8 million, a credit of £1.2 million against previously charged costs incurred in the rationalisation of the group's online warehousing, impairment of investment in Ukraine joint venture of £2.6 million, store impairment provision in relation to the UK business of £2.7 million, property related exceptional costs of £8.2 million and costs relating to re-financing completed in October 2013 of £0.8 million.

Other non-underlying items:

- Prior to January 2014 the group did not adopt hedge accounting under IAS 39 "Financial Instruments: Recognition and Measurement." Therefore non-cash adjustments principally relate to mark to market adjustments of commercial foreign currency hedges taken out prior to January 2014 at the period end. This volatile adjustment does not affect the cash flows or ongoing profitability of the group and reverses at the start of the next accounting period.
- Amortisation of intangible assets (excluding software).

## Earnings per share and dividend

Basic underlying earnings per share were 8.6 pence compared to 7.7 pence last year. The total number of shares has increased by 76.3 million as at 2014/15 compared to 2013/14 due to the rights issue in October 2014.

	<b>52 weeks ended 28 March 2015 Million</b>	52 weeks ended 29 March 2014 million
<b>Weighted average number of shares in issue</b>	<b>122.2</b>	88.7
Dilution- option schemes (for underlying results only)	<b>3.6</b>	1.3
<b>Diluted weighted average number of shares in issue</b>	<b>125.8</b>	90.0
<b>Number of shares at period end</b>	<b>170.5</b>	88.8

  

	<b>£ Million</b>	£ million
<b>Loss for basic and diluted earnings per share</b>	<b>(15.4)</b>	(27.5)
Exceptional items and other non-underlying items (Note 3)	<b>26.1</b>	35.8
Tax effect of above items	<b>(0.2)</b>	(1.5)
<b>Underlying earnings</b>	<b>10.5</b>	6.8

  

		Pence
<b>Basic loss per share</b>	<b>(12.6)</b>	(31.0)
<b>Basic underlying earnings per share</b>	<b>8.6</b>	7.7
<b>Diluted loss per share</b>	<b>(12.6)</b>	(31.0)
<b>Diluted underlying earnings per share</b>	<b>8.3</b>	7.6

The Board has concluded that given the cash investment required to deliver the new strategy the Company will not pay a final dividend for 2014/15. The total dividend for the year is nil pence per share (2013/14: 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 26 March 2016 *	52 weeks ended 28 March 2015	52 weeks ended 29 March 2014
<b>Income statement</b>			
Running costs	(3.0)	(1.4)	(1.1)
Net interest on liabilities/ return on assets	(2.7)	(2.1)	(2.7)
Net charge	(5.7)	(3.5)	(3.8)
<b>Cash funding</b>			
Regular contributions	(2.1)	(0.6)	(0.6)
Deficit contributions	(7.7)	(5.8)	(5.6)
Total cash funding	(9.8)	(6.4)	(6.2)
<b>Balance sheet</b>			
Fair value of schemes' assets	n/a	283.4	253.3
Present value of defined benefit obligations	n/a	(364.6)	(303.0)
Net liability	n/a	(81.2)	(49.7)

\* 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:

	2014/15	2013/14	2014/15 Sensitivity	2014/15 Sensitivity £ million
Discount rate	3.5%	4.5%	+/- 0.1%	+6.6/-6.6
Inflation – RPI	3.1%	3.4%	+/- 0.1%	+6.1/-6.1
Inflation – CPI	2.0%	2.4%	+/- 0.1%	+6.1/-6.1

## Cash flow

Underlying free cash flow was £(0.9)m with cash generated from operations of £18.0m being broadly utilised by capital expenditure and financing / tax charges.

Capital expenditure of £12.7m reflected the investment in the year in store refurbishment and IT infrastructure.

Working capital outflow of £9.8m is higher than 2014 reflecting receivables on increased international sales partly offset by lower stock.

We received net proceeds of £93.7m following the rights issue in October 2014 and £1.6m relating to other share issues. This allowed the repayment of the bank loans of £65.0m

	<b>52 weeks ended 28 March 2015 £ million</b>	52 weeks ended 29 March 2014 £ million
<b>Underlying profit from operations before interest and share based payments</b>	<b>19.3</b>	16.0
Depreciation and amortisation	<b>16.7</b>	19.3
Retirement benefit schemes	<b>(5.0)</b>	(5.1)
Change in working capital	<b>(9.8)</b>	(4.6)
Other movements	<b>(3.2)</b>	(3.5)
<b>Cash generated from operations</b>	<b>18.0</b>	22.1
Capital expenditure	<b>(12.7)</b>	(13.8)
Interest and tax paid	<b>(6.2)</b>	(5.8)
<b>Underlying Free cashflow</b>	<b>(0.9)</b>	2.5
Exceptional	<b>(16.7)</b>	(16.4)
<b>Free cashflow</b>	<b>(17.6)</b>	(13.9)
Net bank loans (repaid)/raised	<b>(65.0)</b>	15.0
Issue of ordinary share capital	<b>95.3</b>	0.2
Exchange differences	<b>1.5</b>	(1.6)
Cash and cash equivalents at beginning of period	<b>17.3</b>	17.6
<b>Net cash and cash equivalents at end of period</b>	<b>31.5</b>	17.3

## Balance sheet

The balance sheet includes identifiable intangible assets arising on the acquisition of the Early Learning Centre of £6.2 million and goodwill of £26.8 million. These assets are allocated to the International business.

	<b>28 March 2015 £ million</b>	29 March 2014 £ million
Goodwill and other intangibles	<b>45.9</b>	44.2
Property, plant and equipment	<b>56.4</b>	59.6
Retirement benefit obligations (net of tax)	<b>(64.9)</b>	(39.8)
Net cash / (borrowings)	<b>31.5</b>	(46.5)
Derivative financial instruments	<b>9.3</b>	(6.6)
Other net liabilities	<b>(0.5)</b>	4.3
<b>Net assets</b>	<b>77.7</b>	15.2
Share capital and premium	<b>146.0</b>	50.7
Reserves	<b>(68.3)</b>	(35.5)
<b>Total equity</b>	<b>77.7</b>	15.2

Shareholders' funds amount to £77.7 million, an increase of £62.5 million in the year driven largely by the £95.3 million share issue, offset by an increase in the defined benefit obligation of £31.5 million. This represents £0.46 per share compared to £0.17 per share at the previous year end.

## **Going concern**

The directors have reviewed the going concern principle in the light of the guidance provided by the FRC. The group's objective with respect to managing capital is to maintain a balance sheet structure that is both efficient in terms of providing long term returns to shareholders and safeguards the group's ability to continue as a going concern. As appropriate, the group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, returns of capital to shareholders, issuing new shares or the level of capital expenditure.

During the year, the Group received £93.7 million of funds (net of expenses) from the rights issue and re-paid the term loan and Revolving Credit Facility in full. Under the multi-currency term and revolving facilities agreement referred to above, which was amended during the year, Barclays Bank PLC and HSBC Bank PLC provide the group with a credit facility to be used for general business purposes. During the year the agreement was amended and restated on two occasions: on 20 May 2014 with the credit facility being increased from £90,000,000 to £100,000,000 (and including a provision to provide further headroom on the financial covenants) available to be utilised until 10 October 2014; and again on 23 September 2014, such that following completion of the rights issue and the receipt of proceeds (which occurred on 30 October 2014), the term loan would be repaid in full and the credit facility would remain at £50 million. Further, the term of the amended agreement was extended to May 2018. The Group has therefore significantly improved its overall shareholder funds and its net cash position. This will enable the group to deliver its new strategic plan which will return the UK business to profitability and provide a platform to accelerate international growth. At the end of the year the group had a cash balance of £31.5m and was debt free. The covenants in the facilities are reviewed monthly and tested as part of the forecast process and are based around gearing, fixed charge cover and guarantor cover.

The group's latest forecasts and projections, which incorporate the strategic initiatives outlined above, 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.

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

## **Rights issue**

On 24 October 2014, the group received £93.7 million of funds (net of expenses) from the rights issue and subsequently re-paid the term loan and revolving credit facility in full.

The rights issue will enable the group to deliver on its new strategic plan designed to turnaround the group's UK business and to transform the group into a digitally-led business, supported by a modern store estate, well-invested IT systems and an efficient operational infrastructure.

New banking facilities with the Group's existing banks were signed on 22nd October 2014 for £50 million Revolving Credit Facility expiring in May 2018.

## **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 36% of group sales. Total International 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**

During the year the group drew down on its term borrowing facility on the revolving credit facility. The group hedged all of the floating interest rate on this term facility using interest rate swaps. At the year end the group had no debt and therefore was not exposed to interest rate risk as it had been previously.

## **Events after the balance sheet date**

On 7 May 2015 the group disposed of its joint ventures in India, Rhea Retail Private Limited and Juno Retail Private Limited, for consideration of £2.9 million. There is not expected to be any profit or loss on disposal.

# Consolidated income statement

For the 52 weeks ended 28 March 2015

52 weeks ended 28 March 2015					52 weeks ended 29 March 2014		
		Underlying <sup>1</sup>	Non-underlying <sup>2</sup>	Total	Underlying <sup>1</sup>	Non-underlying <sup>2</sup>	Total
	Note	£ million	£ million	£ million	£ million	£ million	£ million
Revenue	2	713.9	-	713.9	724.9	-	724.9
Cost of sales		(658.8)	2.5	(656.3)	(680.2)	(14.7)	(694.9)
Gross profit		55.1	2.5	57.6	44.7	(14.7)	30.0
Administrative expenses		(36.9)	(0.9)	(37.8)	(28.2)	(9.5)	(37.7)
Profit/ (loss) from retail operations		18.2	1.6	19.8	16.5	(24.2)	(7.7)
Other exceptional items	3	-	(26.2)	(26.2)	-	(10.8)	(10.8)
Share of results of joint ventures		(0.2)	-	(0.2)	(0.6)	-	(0.6)
Profit/ (loss) from operations	2	18.0	(24.6)	(6.6)	15.9	(35.0)	(19.1)
Net finance costs	3, 4	(5.0)	(1.5)	(6.5)	(6.4)	(0.8)	(7.2)
Profit/(loss) before taxation		13.0	(26.1)	(13.1)	9.5	(35.8)	(26.3)
Taxation	5	(2.5)	0.2	(2.3)	(2.7)	1.5	(1.2)
Profit/ (loss) for the period attributable to equity holders of the parent		10.5	(25.9)	(15.4)	6.8	(34.3)	(27.5)
Earnings/ (Loss) per share							
Basic	7	8.6p		(12.6p)	7.7p		(31.0p)
Diluted	7	8.3p		(12.6p)	7.6p		(31.0p)

All results relate to continuing operations.

<sup>1</sup> Before items described in footnote 2 below.

<sup>2</sup> 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)

	52 weeks ended 28 March 2015	52 weeks ended 29 March 2014
	£ million	£ million
For the 52 weeks ended 28 March 2015		
(Loss) for the period	(15.4)	(27.5)
<b>Items that will not be reclassified subsequently to the income statement:</b>		
Remeasurement of net defined benefit liability – actuarial (loss) / gain on defined benefit pension schemes	(34.4)	9.5
Income tax relating to items not reclassified	7.0	(4.5)
	(27.4)	5.0
<b>Items that may be reclassified subsequently to the income statement:</b>		
Exchange differences on translation of foreign operations	1.6	(1.3)
Cash flow hedges: gains / (losses) arising in the period	13.3	(0.1)
Deferred tax on cash flow hedges	(1.7)	-
	13.2	(1.4)
<b>Other comprehensive (expense)/ income for the period</b>	(14.2)	3.6
<b>Total comprehensive expense for the period wholly attributable to equity holders of the parent</b>	(29.6)	(23.9)

# Consolidated balance sheet

As at 28 March 2015

	28 March 2015 £ million	29 March 2014 £ million
<b>Non-current assets</b>		
Goodwill	26.8	26.8
Intangible assets	19.1	17.4
Property, plant and equipment	56.4	59.6
Investments in joint ventures	7.3	7.7
Deferred tax asset	23.6	18.5
	<b>133.2</b>	130.0
<b>Current assets</b>		
Inventories	87.7	93.1
Trade and other receivables	69.4	59.8
Derivative financial instruments	9.3	-
Cash and cash equivalents	31.5	17.3
	<b>197.9</b>	170.2
<b>Total assets</b>	<b>331.1</b>	300.2
<b>Current liabilities</b>		
Trade and other payables	(107.0)	(106.0)
Borrowings	-	(27.6)
Current tax liabilities	(0.3)	(0.4)
Derivative financial instruments	-	(6.6)
Short-term provisions	(26.5)	(17.4)
	<b>(133.8)</b>	(158.0)
<b>Non-current liabilities</b>		
Trade and other payables	(20.4)	(24.1)
Borrowings	-	(36.2)
Retirement benefit obligations	(81.2)	(49.7)
Long-term provisions	(18.0)	(17.0)
	<b>(119.6)</b>	(127.0)
<b>Total liabilities</b>	<b>(253.4)</b>	(285.0)
<b>Net assets</b>	<b>77.7</b>	15.2
<b>Equity attributable to equity holders of the parent</b>		
Share capital	85.2	44.4
Share premium account	60.8	6.3
Own shares	(0.4)	(0.4)
Translation reserves	0.9	(0.7)
Hedging reserves	6.8	(0.4)
Retained deficit	(75.6)	(34.0)
<b>Total equity</b>	<b>77.7</b>	15.2

# Consolidated statement of changes in equity

For the 52 weeks ended 28 March 2015

	Equity attributable to equity holders of the parent							Total equity £ million
	Share capital	Share premium account	Other reserve <sup>1</sup>	Own shares	Translation reserve	Hedging reserve	Retained earnings	
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	
<b>Balance at 30 March 2014</b>	44.4	6.3	-	(0.4)	(0.7)	(0.4)	(34.0)	15.2
Other comprehensive expense 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)
Transfer between reserves	-	-	-	-	-	-	-	-
Issue of equity shares	40.8	54.5	-	-	-	-	-	95.3
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	1.2	1.2
<b>Balance at 28 March 2015</b>	<b>85.2</b>	<b>60.8</b>	<b>-</b>	<b>(0.4)</b>	<b>0.9</b>	<b>6.8</b>	<b>(75.6)</b>	<b>77.7</b>

For the 52 weeks ended 29 March 2014

	Equity attributable to equity holders of the parent							Total equity £ million
	Share capital	Share premium account	Other reserve	Own shares	Translation reserve	Hedging reserve	Retained earnings	
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	
<b>Balance at 31 March 2013</b>	44.3	6.2	6.2	(0.6)	0.6	(0.3)	(17.6)	38.8
Other comprehensive income for the period	-	-	-	-	(1.3)	(0.1)	5.0	3.6
Loss for the period	-	-	-	-	-	-	(27.5)	(27.5)
Total comprehensive income/(expense) for the period	-	-	-	-	(1.3)	(0.1)	(22.5)	(23.9)
Transfer between reserves	-	-	(6.2)	-	-	-	6.2	-
Issue of equity shares	0.1	0.1	-	-	-	-	-	0.2
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	0.1	0.1
Shares transferred to employees on vesting	-	-	-	0.2	-	-	(0.2)	-
<b>Balance at 29 March 2014</b>	<b>44.4</b>	<b>6.3</b>	<b>-</b>	<b>(0.4)</b>	<b>(0.7)</b>	<b>(0.4)</b>	<b>(34.0)</b>	<b>15.2</b>

<sup>1</sup> The other reserve relates to shares issued as consideration for the acquisition of Early Learning Centre on 19 June 2007.

# Consolidated cash flow statement

For the 52 weeks ended 28 March 2015

	<b>52 weeks ended 28 March 2015 £ million</b>	52 weeks ended 29 March 2014 £ million
<b>Net cash flow from operating activities</b>	<b>(1.1)</b>	4.0
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6.5)	(7.9)
Purchase of intangibles – software	(6.2)	(3.0)
Investments in joint ventures	-	(2.9)
<b>Net cash used in investing activities</b>	<b>(12.7)</b>	(13.8)
<b>Cash flows from financing activities</b>		
Interest paid	(2.7)	(2.7)
Facility fees paid	(1.1)	(1.4)
Bank loans (paid)/ raised	(65.0)	15.0
Issue of ordinary share capital	95.3	0.2
<b>Net cash raised in financing activities</b>	<b>26.5</b>	11.1
<b>Net increase in cash and cash equivalents</b>	<b>12.7</b>	1.3
Cash and cash equivalents at beginning of period	17.3	17.6
Effect of foreign exchange rate changes	1.5	(1.6)
<b>Net cash and cash equivalents at end of period</b>	<b>31.5</b>	17.3

# Notes

## 1. General information

- a) The accounting policies followed are the same as those published by the group within the 2014 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 28 March 2015 or the 52 week period ended 29 March 2014, but it is derived from those accounts. Statutory accounts for 2014 have been delivered to the Registrar of Companies and those for 2015 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 2014 financial statements are available on the Company's website ([www.mothercareplc.com](http://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 28 March 2015

	UK £ million	International £ million	Unallocated Corporate expenses £ million	Consolidated £ million
<b>Revenue</b>				
External sales	<b>458.1</b>	<b>255.8</b>	-	<b>713.9</b>
<b>Result</b>				
Segment result (underlying)	<b>(18.0)</b>	<b>45.9</b>	<b>(8.6)</b>	<b>19.3</b>
Share-based payments				<b>(1.3)</b>
Non-cash foreign currency adjustments (non-underlying)				<b>6.9</b>
Amortisation of intangible assets (non-underlying)				<b>(1.0)</b>
Exceptional items (Note 3)				<b>(30.5)</b>
<b>(Loss) from operations</b>				<b>(6.6)</b>
Finance costs (including £1.5m non-underlying)				<b>(6.5)</b>
Loss before taxation				<b>(13.1)</b>
Taxation				<b>(2.3)</b>
<b>(Loss) for the period</b>				<b>(15.4)</b>

52 weeks ended 29 March 2014

	UK £ million	International £ million	Unallocated Corporate Expenses £ million	Consolidated £ million
<b>Revenue</b>				
External sales	462.3	262.6	-	724.9
<b>Result</b>				
Segment result (underlying)	(21.5)	45.3	(7.8)	16.0
Share based payments				(0.1)
Non-cash foreign currency adjustments (non-underlying)				(14.9)
Amortisation of intangible assets (non-underlying)				(1.0)
Exceptional items (Note 3)				(19.1)
<b>(Loss) from operations</b>				(19.1)
Finance costs (including £0.8m non-underlying)				(7.2)
Loss before taxation				(26.3)
Taxation				(1.2)
<b>(Loss) for the period</b>				(27.5)

## 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 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
<b>Exceptional items:</b>		
Restructuring costs included in cost of sales	(3.4)	1.2
Restructuring costs included in administrative expenses	(5.7)	(6.8)
Store property, plant and equipment impairment included in administrative expenses	4.8	(2.7)
Property related costs in other exceptional items	(25.9)	(8.2)
Impairment of investment in joint ventures in other exceptional items	(0.3)	(2.6)
Restructuring costs included in finance costs	(1.5)	(0.8)
<b>Total exceptional items:</b>	<b>(32.0)</b>	<b>(19.9)</b>
<b>Other non-underlying items:</b>		
Non-cash foreign currency adjustments <sup>1</sup>	6.9	(14.9)
Amortisation of intangibles <sup>1</sup>	(1.0)	(1.0)
<b>Exceptional and other non-underlying items</b>	<b>(26.1)</b>	<b>(35.8)</b>

<sup>1</sup>Included in non-underlying cost of sales is a credit of £5.9 million (2014: charge of £15.9 million).

#### Restructuring costs in cost of sales

During the 52 weeks ended 28 March 2015 a charge of £3.4 million was recognised relating to store restructuring and disruption costs relating to a major supplier of distribution going into administration. In 52 weeks ended 29 March 2014 the credit of £1.2 million was for a refund relating to the rationalisation of the group's online warehousing operations.

#### Restructuring costs in administrative expenses

During the 52 weeks ended 28 March 2015 a charge of £5.7 million (2014: £6.8 million) was recognised relating to head office restructuring, implementation costs, indirect professional fees associated with the rights issue, recruitment and relocation costs. In 2015 this related to the strategic review following the rights issue. Other exceptional costs have been incurred in relation to legal and other costs related to the new banking agreement.

#### Store property, plant and equipment impairment included in administrative expenses

During the 52 weeks ended 28 March 2015 the provision for store impairment where the carrying value of property plant and equipment is higher than the net realisable value and value in use has been reduced by £4.8 million (2014: £2.7 million increase). This is mainly driven by better trading of stores due for refurbishment and earlier closure of stores as announced in the rights issue.

#### Property related costs

Provisions of £25.9 million (2014: £8.2 million) have been made for onerous leases and losses on disposal/termination of property interests. The onerous lease relates to vacant, sublet and trading properties having taken into consideration the results for the year and future years' projections, provisions have been recognised where there is an expected shortfall in the store contribution to cover the fixed rental obligations. A discount rate of 1.50% has been used in calculating the provision, being the risk free rate. The losses on disposals relate to the store reduction programmes announced as part of the rights issue in October 2014.

#### Impairment of joint venture investment

The group owns a 30% share in Rhea Retail Private Limited and Juno Retail Private Limited which are joint ventures that trade in India. The group has made a provision of £0.3 million against these investments to reflect the expected sale proceeds and to cover legal costs to sell.

## Notes (continued)

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

#### Restructuring costs included in net finance costs

A renegotiation of new banking facilities was signed on 22<sup>nd</sup> October 2014 and a charge of £1.5 million for the write off of the previous unamortised facility charge was recognised in the 52 weeks ended 28 March 2015.

### 4. Net finance costs

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Net interest on liabilities/ return on assets	2.1	2.7
Other net interest	4.4	4.5
<b>Net finance costs</b>	<b>6.5</b>	<b>7.2</b>

### 5. Taxation

The charge for taxation on loss for the period comprises:

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
Current tax:		
Current year	2.0	2.1
Adjustment in respect of prior periods	0.2	-
	<b>2.2</b>	<b>2.1</b>
Deferred tax:		
Current year	-	(4.2)
Change in tax rate in respect of prior periods	-	(0.2)
Adjustment in respect of prior periods	0.1	3.5
	<b>0.1</b>	<b>(0.9)</b>
<b>Charge for taxation on loss for the period</b>	<b>2.3</b>	<b>1.2</b>

UK corporation tax is calculated at 21 per cent (2014: 23 per cent) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
(Loss) for the period before taxation	<b>(13.1)</b>	<b>(26.3)</b>
(Loss) for the period before taxation multiplied by the standard rate of corporation tax in the UK of 21% (2014: 23%)	<b>(2.8)</b>	<b>(6.0)</b>
Effects of:		
Expenses not deductible for tax purposes	5.7	2.4
Change in tax rate	-	(0.2)
Impact of overseas tax rates	1.2	2.0
Impact of double tax relief	(1.1)	(0.5)
Relief for losses brought forward	(0.7)	-
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	0.1	3.5
<b>Charge for taxation on loss for the period</b>	<b>2.3</b>	<b>1.2</b>

In addition to the amount charged to the income statement, deferred tax relating to retirement benefit obligations amounting to £7.0 million has been credited directly to other comprehensive income (2014: charge of £4.5 million).

## Notes (continued)

### 6. Dividends

The directors are not recommending the payment of a final dividend for the year (2014: £nil). No interim dividend was paid during the year (2014: £nil).

### 7. Earnings per share

	<b>52 weeks ended 28 March 2015 million</b>	52 weeks ended 29 March 2014 million
<b>Weighted average number of shares in issue</b>	<b>122.2</b>	88.7
Dilution- option schemes (for underlying results only)	<b>3.6</b>	1.3
<b>Diluted weighted average number of shares in issue</b>	<b>125.8</b>	90.0
<b>Number of shares at period end</b>	<b>170.5</b>	88.8

  

	<b>£ Million</b>	£ million
<b>(Loss) for basic and diluted earnings per share</b>	<b>(15.4)</b>	(27.5)
Exceptional items and other non-underlying items (Note 3)	<b>26.1</b>	35.8
Tax effect of above items	<b>(0.2)</b>	(1.5)
<b>Underlying earnings</b>	<b>10.5</b>	6.8

  

		Pence
<b>Basic loss per share</b>	<b>(12.6)</b>	(31.0)
<b>Basic underlying earnings per share</b>	<b>8.6</b>	7.7
<b>Diluted loss per share</b>	<b>(12.6)</b>	(31.0)
<b>Diluted underlying earnings per share</b>	<b>8.3</b>	7.6

## Notes (continued)

### 8. Reconciliation of cash flow from operating activities

	52 weeks ended 28 March 2015 £ million	52 weeks ended 29 March 2014 £ million
<b>Profit /(Loss) from retail operations</b>	<b>19.8</b>	(7.7)
Adjustments for:		
Depreciation of property, plant and equipment	13.1	14.7
Amortisation of intangible assets	4.6	5.6
Impairment of property, plant and equipment and intangible assets	(4.8)	2.7
Losses on disposal of property, plant and equipment and intangible assets	0.2	0.4
(Gain)/loss on non-underlying non-cash foreign currency adjustments	(6.9)	14.9
Equity-settled share-based payments	1.3	0.1
Movement in provisions	(10.6)	(10.8)
Cash payments for other exceptional items	0.1	(0.2)
Amortisation of lease incentives	(4.8)	(5.2)
Lease incentives received	1.6	0.7
Payments to retirement benefit schemes	(6.4)	(6.2)
Charge to profit from operations in respect of retirement benefit schemes	1.4	1.1
<b>Operating cash flow before movement in working capital</b>	<b>8.6</b>	10.1
Decrease in inventories	7.7	14.4
Increase in receivables	(9.6)	(3.3)
Decrease in payables	(5.4)	(15.5)
<b>Cash generated from operations</b>	<b>1.3</b>	5.7
<b>Income taxes paid</b>	<b>(2.4)</b>	(1.7)
<b>Net cash flow from operating activities</b>	<b>(1.1)</b>	4.0

### Analysis of net debt

	29 March 2014 £ million	Cashflow £ million	Foreign Exchange £ million	Other non- cash movements £ million	28 March 2015 £ million
Cash and cash equivalents/(debt)	17.3	12.7	1.5	-	31.5
Borrowings	(65.0)	65.0	-	-	-
Facility Fee	1.2	1.1	-	(2.3)	-
<b>(Net debt)/cash</b>	<b>(46.5)</b>	<b>78.8</b>	<b>1.5</b>	<b>(2.3)</b>	<b>31.5</b>

### 9. Events after the balance sheet date

On 7 May 2015 the group disposed on its joint ventures in India, Rhea Retail Private Limited and Juno Retail Private Limited, for consideration of £2.9 million. There is not expected to be any profit or loss on disposal.

## Risks and uncertainties

The Board continually assesses and monitors the key risks of the business. The principal risks and uncertainties which could impact the Company's long-term performance are summarised below:

- The retail markets in which the Group and its Franchise Partners operate are highly competitive, with few barriers to entry.
- The anticipated turnaround of the Group's UK business may not be achievable if it fails to implement effectively key aspects of its new strategic plan.
- The Group's revenue is dependent on footfall; the shift in consumer purchasing habits towards online and mobile channels may affect sales from the Group's UK store portfolio and the profitability of each store.
- The Group may be affected by challenging economic conditions and political developments affecting the UK and international markets in which it operates.
- The Group's brands and reputation are key to its success both in the UK and internationally; any damage to the Group's brands or concerns relating to its products (including their quality or safety) could have a material adverse effect on the business.
- The Group is materially dependent on a small number of franchise partners that make up a significant proportion of its international income.
- The Group relies on forecasts of like-for-like sales in both of its UK and international businesses; any shortfall in like-for-like sales, particularly in the UK, could impact the Group's results materially.
- The Group's results of operations may be affected by both transactional and translational foreign exchange risk.
- The Group may not be successful in reshaping the UK store footprint and building and further developing its existing online retail platform in the UK.
- The Group's future success depends on the performance of its key senior management and the ability to attract and retain high quality and highly skilled personnel.
- The Group's business is materially dependent on its ability to source products successfully from its suppliers, most of which are based outside the UK. The Group relies on its manufacturers, suppliers and distributors to comply with employment, environmental and other laws.
- The Group's trademarks are central to the value of the Mothercare and ELC brands. The Group may not be able to protect these trademarks in its international markets meaning that these rights may be challenged or invalidated in the future.
- Any unauthorised access or disclosure of confidential information stored or obtained by the Group could have a material adverse effect on its business.
- The Group's franchise partners operate across 60 countries and whilst receipts are in Sterling, US Dollars or Euros, there is a degree of currency risk as franchise partners' revenues are converted to Sterling.

Certain statements in this report are forward looking. Although the Group believes that the expectations reflected in these forward looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by forward looking statements. We undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

## Responsibility statement

The responsibility statement below has been prepared in connection with the company's full annual report for the 52 weeks ending 28 March 2015. Certain parts are therefore not included within this announcement.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the strategic report, includes a fair view of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the financial statements, taken as a whole, are fair, balanced and understandable, and provide the information for shareholders to assess the group's and Company's performance, business model and strategy.

By order of the board on 20 May 2015 and signed on its behalf by:

Richard Smothers  
Chief Financial Officer