Mothercare plc
FY2017/18 Full Year Results

Mothercare plc, the leading global retailer for parents and young children, today announces full year results for the 52 week period to 24 March 2018.

Highlights

- Positive first six months but very difficult second half in UK with sales impacted by softening of store footfall and margin impacted by higher level of discounting to stimulate sales; online sales growth continues (43% of UK sales now online)
- International markets remained challenging, but some recovery in the Middle East towards the end of the year and expansion of online continues
- Managed cash tightly, with margin investment required to deliver an improved stock profile; action taken to reduce central costs by c.£10 million per annum
- Group adjusted profit before tax of £2.3 million in line with guidance given in January; net debt lower at £44.1 million
- Significant statutory loss before tax of £72.8 million due to restructuring, closure costs, store asset impairments and onerous leases
- Major restructuring of store network via Company Voluntary Arrangement (CVA) and refinancing announced today to support the continuation of the transformation programme (refer to separate announcement)

Group performance

	FY2017/18 52 weeks to 24 Mar 2018 £million	**FY2016/17 52 weeks to 25 Mar 2017 £million**	***% change vs. last year***
UK			
UK like-for-like sales[1]	(1.3)%	+1.1%	
Total UK sales	437.6	459.4	*(4.8)%*
Adjusted UK operating loss[3]	(19.8)	(4.4)	*(353.1)%*
UK loss before tax after adjusted items	(79.4)	(9.7)	*(717.1)%*
International			
International like-for-like sales[1]	(5.9)%	(4.1)%	
International retail sales in constant currency	(5.8)%	(2.4)%	
International retail sales in actual currency	(5.0)%	+10.3%	
Total International sales[2]	725.3	762.5	*(4.9)%*
Adjusted International operating profit[3]	33.6	35.2	*(4.5)%*
International profit before tax after adjusted items	28.4	25.6	*10.9%*
Group			
Worldwide sales[2]	1,162.9	1,221.9	*(4.8)%*
Total Group sales	654.5	667.4	*(1.9)%*
Group adjusted profit before tax[3]	2.3	19.7	*(88.3)%*
Adjusted costs charge & foreign currency adjustments[4]	(75.1)	(12.6)	
Group (loss)/profit before tax	(72.8)	7.1	
Net debt	(44.1)	(15.9)	

David Wood, Chief Executive of Mothercare plc, said:

"After continued momentum in the first half, the business saw a softening in the UK market from the end of September onwards with store sales down for much of the second half. International markets remained challenging during the year, with a number of key markets underperforming, although the return to moderate growth in the Middle East towards the end of the year is encouraging."

"Against this difficult backdrop, the business managed its cash tightly and delivered lower net debt than our January guidance. However, profit is significantly lower than in the previous year."

"The business has modernised significantly over recent years, but we expect the changing dynamics and challenges in the retail sector to continue, so we need to move faster with the execution of our transformation plans."

"In the last few months we have been holding discussions with our lenders and other financing partners in order to set the business on a firmer financial footing to continue this transformation. As a result of this, we are also announcing today an accelerated and major restructuring of our store estate, alongside a refinancing which will secure the funding required to ensure a sustainable and successful future for Mothercare."

"These plans have the support of all key stakeholders and we are confident we can use this platform to rebuild a specialist proposition that meets the needs of our parenting communities."

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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. Reconciliation to the statutory sales measure is included within the Financial review on page 12.

2 – Total International sales are International retail franchise partner sales to end customers plus International wholesale sales. Worldwide sales are total International sales plus total UK sales. International stores refers to overseas franchise and joint venture stores.

3 – Adjusted UK operating loss, adjusted International operating profit and Group adjusted profit before tax refer to the equivalent measures of profit before adjusted items.

4 – Adjusted costs relates to property and retail restructuring programmes, head office redundancies, store closure costs, store impairment and onerous lease charges, advisory costs relating to refinancing, impairment of intangible assets, and costs relating to the disposal of the China JV. Other adjusted items include amortisation of intangible assets, and revaluation of assets, liabilities and outstanding forward contracts held in foreign currencies.

5 – 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.

Chief Executive's review

Over the past year, and particularly the second half, the retail sector has been hit by a combination of headwinds that have had a profound impact on the sector as a whole, including subdued consumer spending as a result of rising inflation, the squeeze on household incomes and slowing wage growth.

Mothercare has not been immune from these pressures and after some sales momentum in the first half, the business saw a softening in the UK market with lower footfall and website traffic resulting in lower spend in both stores and online from the end of September onwards.

Against this difficult backdrop, the business was able to deliver a small adjusted Group profit (Group loss on a statutory basis) for the year with results in line with the revised guidance announced in January. This was a result of a disciplined approach to cash management with a particular focus on controlling stock levels, together with stringent controls over capital expenditure.

Towards the end of the year, and since, the business has been focused on restructuring our financing arrangements with lenders to ensure a robust capital structure for the Group which can support the Mothercare transformation, and this has been my absolute priority since coming on board.

It's clear that we need to move faster with the delivery of the transformation plans in order to continue adapting to evolving shopping habits across the world.

The elements of the transformation strategy where progress was made during the year included more focus on the core markets of maternity, newborn, baby and toddler up to pre-school. This involved reducing the cost base to become a leaner and simpler business.

The business has also continued the work towards a more focused UK store estate through the ongoing closure programme, closing 17 stores in the year. Reflecting the business's growing digital capabilities, Mothercare currently sees 43% of sales taken online, c.69% of which are via mobile devices.

After an increase in UK gross margin year-on-year in the first half, the business saw full price sales and margin impacted dramatically as a result of the deteriorating consumer environment, with customers buying more heavily into discounted items, particularly over the peak Christmas period.

A significant portion of the investment programme was completed in the year through consolidating warehousing and upgrading the planning and merchandising systems.

International markets remained challenging, primarily as a result of weak trading in the Middle East, however there was an encouraging return to moderate growth towards the end of the year.

The Executive and the entire Mothercare team across the globe have worked extremely hard during the year, with a continued focus on customers despite a difficult trading environment, and I am very thankful for their efforts. The support from all stakeholders is important as we look to press on with delivering the next phase of our transformation to ensure a sustainable and successful future as the leading global specialist for parents and young children.

Outlook

The initial priority for the Group is to restructure and refinance the business to provide it with a solid platform from which to continue our transformation. We have a comprehensive proposal that addresses this need and will be working over the next weeks and months to ensure it is implemented effectively.

A critical component of the refinancing is the conditionality on the approval of the CVA. Notwithstanding our confidence in a successful outcome, and therefore our preparation of the financial statements on a going concern basis, we recognise that this dependency on the CVA represents a material uncertainty that may cast doubt on the ability of the Group to continue as a going concern; as such the auditors have included an emphasis of matter in respect of going concern in their audit opinion.

We also need to focus on stabilising the UK business and putting trading on a firmer footing, in what remains a difficult and evolving retail environment. Accelerating the rationalisation of the UK store estate will provide a more profitable structure for the Group. We must also ensure the Mothercare proposition is relevant for the consumer, offering great value alongside great service.

At the heart of a successful future for Mothercare is the customer. We must work harder than ever to ensure we are fixated on our customers at all times, to be the trusted market-leading specialist for parents, with a sustainable and defensible proposition. The drive towards quality, service and specialism is correct, but we need a greater focus on value for money and to communicate this effectively to our parenting communities.

We will also need to maximise our International aspirations, and particularly the digital opportunity in our overseas territories, which lag behind the UK in many geographies.

To succeed in a consumer environment that is becoming more challenging, Mothercare needs to be an attractive, specialist destination, both in stores and online. There is much to do to fulfil the ambitions we have for the Mothercare brand, but we have a committed team in place and I look forward to seizing the opportunities ahead.

David Wood
Chief Executive Officer

Group results

The Group trades from 1,268 stores in 48 countries across the world. 137 stores are in the UK and 1,131 are operated by our international partners. This provides global retail space of c.4.2 million sq. ft. which was down 5.3% from c.4.4 million sq.ft. last year. This reflects the planned store closure programme in the UK, where space was down 10.7% to c.1.3 million sq. ft. and a reduction in International space of 2.6% to c.2.9 million sq. ft.

	52 weeks to 24 March 2018 £million	**52 weeks to 25 March 2017 £million**	***% change vs. last year***
Adjusted UK operating loss[1]	(19.8)	(4.4)	*(353.1)%*
Adjusted International operating profit[1]	33.6	35.2	*(4.5)%*
Adjusted corporate expenses	(7.6)	(7.0)	*(8.6)%*
Adjusted profit from operations	**6.2**	**23.8**	*(73.9)%*
Net finance costs	(4.0)	(3.3)	*(21.2)%*
Share based payments credit/(charge)	0.1	(0.8)	-
Adjusted profit before tax[1]	**2.3**	**19.7**	*(88.3)%*
Adjusted costs	(67.1)	(15.7)	*(327.4)%*
Foreign currency adjustments	(7.1)	4.1	-
Amortisation of intangibles	(0.9)	(1.0)	*(10.0)%*
Reported (loss)/profit before tax	**(72.8)**	**7.1**	-

1 – Adjusted UK operating loss, adjusted International operating profit and Group adjusted profit before tax refer to the equivalent measures of profit before adjusted items. Adjusted costs relates to property and retail restructuring programmes, head office redundancies, store closure costs, store impairment and onerous lease charges, advisory costs relating to refinancing, impairment of intangible assets, and costs relating to the disposal of the China JV. Other adjusted items include amortisation of intangible assets, and revaluation of assets, liabilities and outstanding forward contracts held in foreign currencies.

Worldwide sales were down 4.8% at £1,162.9 million with total UK sales down 4.8% at £437.6 million and total International partner sales down 4.9% at £725.3 million reflecting the difficult trading environment both in the UK and overseas. Group sales, which reflect our UK sales and reported revenues or receipts from our International partners, were down 1.9% at £654.5 million.

Adjusted Group profit before tax was £2.3 million, down 88.3% on last year, and in line with the guidance provided to the market in January following a difficult Christmas trading period in the UK. Adjusted operating losses in the UK increased to £19.8 million with International adjusted profits down 4.5% to £33.6 million.

Adjusted costs were significantly higher at £67.1 million, including property related costs of £55.6 million, of which £49.8 million relates to store impairment and onerous lease charges and £5.8 million relates to store closures. Adjusted costs also include the head office restructure and refinancing activities (£7.6 million), the final cost of warehouse redevelopment (£0.9 million), the impairment of the Blooming Marvellous tradename (£1.1 million), and the disposal of the China joint venture and entering into a new franchise agreement (£1.9 million). Other adjusted costs include a £7.1 million loss for foreign currency adjustments and £0.9 million for amortisation of intangible assets. As a result, we ended the year with a reported loss before tax of £72.8 million compared to a profit of £7.1 million in the previous year. Net debt at the end of the year was £44.1 million (FY17: £15.9 million), as we invested £21.7 million in our store refurbishment and infrastructure programme.

UK

The trading environment in the UK deteriorated over the course of the year, and particularly from the end of September onwards, due to a significant slowing of consumer footfall to stores in light of wider pressures on customer spending and increasing competition. In this difficult environment the business responded appropriately, although promotional activity was necessary to stimulate customer demand.

The Group finished the year with total UK sales down 4.8%, partly reflecting our store closure programme, and like-for-like sales down 1.3%, although online sales remained in positive territory, up 1.2%. Adjusted UK losses increased by 353.1% to £19.8 million (2017: £4.4 million).

	52 weeks to 24 March 2018 £million	**52 weeks to 25 March 2017 £million**	***% change vs. last year***
UK like-for-like sales growth[1]	(1.3)%	1.1%	-
UK online sales	174.0	171.9	*1.2%*
UK retail sales (including online)	400.8	423.6	*(5.4)%*
UK wholesale sales	36.8	35.8	*2.8%*
Total UK sales	437.6	459.4	*(4.8)%*
Adjusted UK operating loss[2]	(19.8)	(4.4)	*(353.1)%*
UK loss before tax after adjusted items	(79.4)	(9.7)	*(717.1)%*

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. Reconciliation to the statutory sales measure is included within the Financial review on page 12.
2 – Adjusted UK operating loss refers to the equivalent measure of profit before adjusted items. Adjusted costs relates to property and retail restructuring programmes, head office redundancies, store closure costs, store impairment and onerous lease charges, and the impairment of intangible assets.

Business Review

During the year under review the business made progress against its six pillar strategy as follows:

Becoming a digitally led business

Digital continued to be a key priority for the business. Online sales were up 1.2% over the year and now account for 43% of total UK retail sales (FY17: c.41%), with sales via iPads in stores contributing 39.3% of the mix (down 0.9%), despite the impact of lower store footfall over the second half.

Mobile also continued to contribute to online and accounts for 86% of traffic (FY17: 83%), reflecting the ways in which customers are browsing and shopping for products.

Click and Collect orders now account for c.24% of online sales (FY17: 25%) giving customers the flexibility to collect in store, with the additional benefit of driving footfall.

Improvements to the website, particularly on simplifying and optimising the experience to ensure it is as navigable and intuitive as possible, led to online conversion improving to 1.86% (FY17: 1.79%).

The business also focused on providing relevant information to support first-time parents, for whom this advice and guidance is most helpful, particularly where the business has life stage data and knows the exact age of the child.

The business is mindful of the new General Data Protection Regulation (GDPR) legislation and has a full programme in place to ensure compliance with the new regulations.

Supported by a modern retail estate

The business continued to focus on right-sizing the UK store estate, continuing with the planned closure programme and finished the year with 1.3 million sq. ft. in 137 stores (134 Mothercare and 3 ELC) down from 1.5 million sq. ft. in 152 stores last year.

17 underperforming stores were closed in the year, with 1 relocation and 1 new opening. 78% of the store estate is in the modern 'club' format (98 stores), with 12 refurbished during the year (2017: 40 stores). The average lease length is now 4.5 years (2017: 5.0 years).

Mothercare's Expectant Parent Events (which had over 61,000 attendees during the year), the National Childbirth Trust (NCT) partnership, new-parent meet-ups and other networking events, utilising the store cafes, have also brought the parenting community together in an environment where they can meet other parents whilst hearing from an expert on a relevant topic.

Over the year, 30,000 customers across the UK utilised the offer of in-store baby scanning.

Offering style, quality and innovation in product

The business continued to work with suppliers to introduce new brands and unique ranges, whilst adapting to the more difficult trading conditions during the year as necessary.

In line with its plans in the previous year, the Group began to sharpen its focus on the core markets of maternity, newborn, baby and toddler up to pre-school and rationalising its ranges. There was also a focus on reducing stock holding to improve working capital.

The more difficult consumer environment impacted price architecture, as the business discounted more heavily over the second half of the year. However, it was able to reach a much cleaner stock position as a result of the successful sell through of older stock.

In **Home and Travel** the business remains market leaders in travel and nursery furniture with a 44% share in pushchairs (FY17: 43%); 30% in car seats (FY17: 30%) and 32% in nursery furniture (FY17: 31%).

345 new exclusive products were launched in the year (FY17: 265), introducing new brands including Nuk, Safety First and Diono.

In **Clothing and Footwear**, ranges such as My K by Myleene Klass, Little Bird by Jools Oliver, and Peter Rabbit, continued to resonate well with customers.

Little Bird reached the age of five this year, and the business ranged the brand's favourite products since its origination, as voted by consumers.

In **Toys,** the focus continued on running established ranges of well-loved brands such as Happyland and Sports & Activity.

Stabilise and recapture margin

After an increase in gross margin year-on-year in the first half of +34bps, the business saw sales of full price products fall over the second half as a result of the deteriorating consumer environment. In a competitive climate, promotional activity was necessary to stimulate demand and customers bought more heavily into discounted items, particularly over the peak Christmas period.

The increase in cost of goods from the devaluation of sterling against the US dollar was partly negotiated away, but resulted in price increases for customers of 3-5%. These increases only began to flow through towards the end of the first half.

The business finished the year with gross margin reduction of 216bps and the percentage of full price product sales was 58% (FY17: 60%).

Running a lean organisation while investing for the future

Over the year, the business took decisive action to reduce the central cost base to become a leaner business. There remains a tight control over costs and further cost reduction initiatives have been identified in order to accelerate business simplification and to drive further central overhead savings and efficiencies.

The business also continued to invest in key areas such as warehousing, where the consolidation is now complete, and it can now fulfil products for both stores and online from one single site. This single warehouse has led to a reduction in transportation costs.

The business has also upgraded planning and merchandising systems to enable better management of stock and markdown.

International

International markets remained challenging this year, but the Group saw an improved performance in the second half and a moderate return to growth in the Middle East, which was encouraging. International sales were down 5.8% overall in constant currency, and 5.0% in actual currency, reflecting difficult trading environments and lower market footfall in Russia.

In the year, 122 stores were opened and 141 closed as part of our rationalisation plan in certain territories. The 33 partners operate 1,131 stores in 48 countries, across 2.9 million sq. ft. of retail space, which equates to 69% of the total space of the global business.

During the year the business also transitioned from a Joint Venture in China to a franchise operation in order to maximise retailing opportunities in that particular market. The Group also entered the Vietnam market through a franchised store and a further two are in development.

Through our franchise business, Mothercare is now trading online in 23 countries with 32 online channels (FY17: 21 countries and 26 online channels). While still at low penetration levels, online is growing steadily and market penetration has increased from 3% to 4% this year, with online year-on-year sales growth of 27.2% in constant currency. In more established markets, such as Russia and China, online penetration is in excess of 10%. The business has also introduced tablet devices for in-store ordering in Ireland and China.

	52 weeks to 24 March 2018 £ million	52 weeks to 25 March 2017 £million	*% change vs. last year*
International like-for-like sales growth[1]	(5.9)%	(4.1)%	-
International retail sales growth: constant currency[2]	(5.8)%	(2.4)%	-
International retail sales growth: actual currency	(5.0)%	+10.3%	-
International retail sales[1]	715.5	753.2	*(5.0)%*
International wholesale sales	9.8	9.3	*5.4%*
Total International sales[3]	725.3	762.5	*(4.9)%*
Total reported International sales[4]	216.9	208.0	*4.3%*
Adjusted International operating profit[5]	33.6	35.2	*(4.5)%*
International profit before tax after adjusted items	28.4	25.6	*11.1%*

1 – 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. Reconciliation to the statutory sales measure is included within the Financial review on page 12.
2 – International retail sales in constant currency exclude the impact of movements in foreign exchange on translation.
3 – Total International sales are International retail franchise partner sales to end customers plus International wholesale sales.
4 – Reported International sales reflect international royalty and shipment income.
5 – Adjusted International operating profit refers to the equivalent measure of profit before adjusted items. Adjusted costs relates to head office redundancies, the impairment of intangible assets, and costs relating to the disposal of the China JV.

FINANCIAL REVIEW

RESULTS SUMMARY

Group adjusted profit before tax fell by £17.4 million to £2.3 million from £19.7 million in the previous year. Adjusted profit before tax excludes adjusted costs and other adjusted items. Adjusted items include specific costs or income that are significant or one-off in nature and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group. Included within adjusted items are costs relating to property impairments, store closures, onerous leases, restructuring and foreign currency adjustments. Adjusting for these items is consistent with how business performance is measured internally by the Board and Executive Committee. After adjusted items, the Group recorded a loss before tax of £72.8 million (FY17: profit £7.1 million).

Income statement

£ million	**52 weeks ended 24 March 2018**	52 weeks ended 25 March 2017
Revenue	654.5	667.4
Adjusted profit from operations before interest and share-based payments	**6.2**	**23.8**
Share-based payments	0.1	(0.8)
Net finance costs	(4.0)	(3.3)
Adjusted profit before tax	**2.3**	**19.7**
Adjusted items	(67.1)	(15.7)
Foreign currency adjustments	(7.1)	4.1
Amortisation of intangible assets	(0.9)	(1.0)
(Loss)/profit before tax	**(72.8)**	**7.1**
Basic adjusted (losses)/earnings per share	(0.8)p	9.7p
Basic (losses)/earnings per share	(44.8)p	4.8p

Results by segment

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

	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
£ million – Revenue		
UK	437.6	459.4
International	216.9	208.0
Total	**654.5**	**667.4**

	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
£ million – Adjusted profit		
UK	(19.8)	(4.4)
International	33.6	35.2
Corporate	(7.6)	(7.0)
Adjusted profit from operations before interest and share-based payments	**6.2**	**23.8**
Share-based payments	0.1	(0.8)
Net finance costs	(4.0)	(3.3)
Adjusted profit before tax	**2.3**	**19.7**
Statutory (loss)/profit before tax	**(72.8)**	**7.1**

UK like-for-like sales declined by 1.3% due to a reduction in store footfall; online sales were up 1.2% year-on-year. Total UK sales were down 4.8% year-on-year, with a downward trend in underlying trading and the impact of 17 store closures and 2 new store openings.

International retail sales decreased by 5.8% on a constant currency basis and were down 5.0% in actual currency, reflecting difficult trading environments and lower market footfall in Russia.

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

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

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 both website sales and sales taken on iPads in store.

International reported sales sales reflect international royalty and shipment income.

International retail sales are the estimated total retail sales of overseas franchise and joint venture partners 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 24 March 2018	**52 weeks ended 25 March 2017**	**52 weeks ended 24 March 2018**	**52 weeks ended 25 March 2017**
UK retail sales	400.8	423.6	400.8	423.6
UK wholesale sales	36.8	35.8	36.8	35.8
Total UK sales	437.6	459.4	437.6	459.4
International retail sales	207.1	198.7	715.5	753.2
International wholesale sales	9.8	9.3	9.8	9.3
Total International sales	216.9	208.0	725.3	762.5
Group sales/Group worldwide sales	**654.5**	**667.4**	**1,162.9**	**1,221.9**

* International retail sales are estimated and reflect the international franchise partner sales.

Analysis of worldwide sales movement

£ million – Worldwide sales*	
Sales for 52 weeks ended 25 March 2017	1,221.9
Currency impact	6.4
Sales in constant currency for 52 weeks ended 25 March 2017	1,228.3
Decrease in International like-for-like sales	(41.1)
Decrease in International space	(2.4)
Decrease in UK like-for-like sales	(4.4)
Decrease in UK space	(17.5)
Sales for 52 weeks ended 24 March 2018	**1,162.9**
International franchise partner sales	(508.4)
Group reported sales for 52 weeks ended 24 March 2018	**654.5**

* Worldwide sales include total UK sales and total International sales. Sales in constant currency exclude the impact of movements in foreign exchange on translation. See below for breakdown of the £6.4 million by currency.

Worldwide sales in the year ended 24 March 2018 were lower by £59.0 million primarily as a result of decreased International like-for-like sales and decreased UK space.

International retail sales have decreased by £37.7 million driven by a decline in footfall resulting in lower like-for-like sales.

UK retail sales have fallen by £22.8 million, mainly due a decrease in UK space as a result of planned store closures and a decline in footfall in a challenging retail environment.

Analysis of profit movement

£ million – adjusted profit before tax	
Adjusted profit for 52 weeks ended 25 March 2017	19.7
Currency impact	0.1
Constant currency adjusted profit for 52 weeks ended 25 March 2017	19.8
Increase in International volumes	2.2
UK closures of loss making stores	0.6
UK sales and gross margin decline	(13.2)
Increase in costs	(2.6)
Depreciation/Amortisation	(4.5)
Adjusted profit before tax for 52 weeks ended 24 March 2018	**2.3**
Adjusted costs charge & foreign currency adjustments	(75.1)
Statutory loss before tax for 52 weeks ended 24 March 2018	**(72.8)**

Excluding the currency impact, adjusted profit has fallen from £19.7 million to £2.3 million. This is driven by a decrease in UK sales and margin along with an increase in costs and depreciation/amortisation, offset by an increase in International volumes.

Foreign exchange

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

	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
Average:		
Euro	**1.13**	1.19
Chinese renminbi	**8.77**	8.78
Kuwaiti dinar	**0.40**	0.40
Saudi riyal	**4.93**	4.95
Emirati dirham	**4.85**	4.81
Russian ruble	**76.34**	82.40
Indonesian rupiah	**17,731**	17,326
Closing:		
Euro	**1.13**	1.15
Chinese renminbi	**8.83**	8.56
Kuwaiti dinar	**0.42**	0.38
Saudi riyal	**5.23**	4.65
Emirati dirham	**5.12**	4.55
Russian ruble	**80.33**	70.90
Indonesian rupiah	**19,179**	16,544

The principal currencies that impact our results are Euro, Chinese renminbi, Kuwaiti dinar, Saudi riyal, Emirati dirham, Russian ruble , and Indonesian rupiah. The net effect of currency translation caused year-on-year worldwide sales and adjusted operating profit to increase by £6.4 million and £0.1 million respectively as shown below:

	Worldwide sales £ million	**Adjusted operating profit £ million**
Chinese renminbi	-	-
Kuwaiti dinar	(0.1)	0.1
Saudi riyal	0.5	0.2
Emirati dirham	(0.4)	0.1
Russian ruble	9.9	0.1
Indonesian rupiah	(0.8)	-
Other currencies	(2.7)	(0.4)
	6.4	**0.1**

Net finance cost

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

	52 weeks ended 24 March 2018 £ million	52 weeks ended 25 March 2017 £ million
Interest received on bank deposits	**(0.2)**	(0.1)
Net interest on liabilities/return on assets of pension	**2.0**	2.6
Other net interest	**2.2**	0.8
Net finance costs	**4.0**	3.3

Taxation

The adjusted tax charge is comprised of current overseas taxes and a prior year adjustment for overseas taxes, offset by UK deferred tax. The effective tax rate is 156.5% (FY17: 16.3%). The effective tax rate is higher than the standard tax rate of 19% mainly due to the impact of overseas taxes. An adjusted tax charge of £3.6 million (FY17: £3.2 million) has been included for the period within a total tax charge of £3.3 million (FY17: credit of £1.1 million). The cash tax payments were £2.0 million.

Mothercare has taken a prudent approach given the uncertainty around future profitability and has released the deferred tax asset on retirement benefit obligations and the deferred tax liability on cash flow hedges, resulting in a charge of £21.4 million and a release of £1.4 million respectively to other comprehensive income.

HMRC are in the process of reviewing Mothercare's compliance with the National Minimum Wage legislation. The investigation is ongoing at year end and no provision for any potential liability has been made.

Adjusted items

Adjusted items include specific costs or income that are significant or one-off in nature and, where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group. Adjusting for these items is consistent with how business performance is measured internally by the Board and Executive Committee. Adjusted profit before tax excludes the following adjusted items (see Note 3):

Adjusted costs:

- Costs relating to the planned warehouse redevelopment in the UK, £0.9 million;
- Costs associated with head office redundancies, refinancing and restructuring, £7.6 million;
- Store impairment, £16.0 mllion, and onerous lease charges, £33.8 million;
- Costs relating to previously announced activity on property closure programmes, £5.8 million;
- Costs relating to the disposal of the China joint venture £1.9 million; and
- Costs relating to the impairment of intangible assets, £1.1 million

Other adjusted items:

- Foreign currency adjustments include:
    a. the retranslation of foreign currency denominated cash, debtor, and creditor balances (predominantly US dollar) to closing spot rate; and
    b. stock purchases where payment is outstanding to the historic rate at the date of purchase.

The volatility in the spot rate at year end and the associated gains and losses on unsettled transactions do not present the users of the accounts with a true picture of underlying performance during the reporting period. Including these items within adjusted items is in line with how business performance is measured internally by the Board and Executive Committee.

- Amortisation of intangible assets (excluding software).

Earnings per share and dividend

Basic losses per share were 44.8 pence this year compared to a 4.8 pence earning in FY17. Basic adjusted losses per share were 0.8 pence compared to 9.7 pence earnings last year.

	52 weeks ended 24 March 2018 million	52 weeks ended 25 March 2017 million
Weighted average number of shares in issue	**169.8**	170.5
Dilution - option schemes (for adjusted results only)	**5.8**	7.9
Diluted weighted average number of shares in issue	**175.6**	178.4
Number of shares at period end	**170.9**	170.9

	£ million	£ million
(Loss)/profit for basic and diluted earnings per share	**(76.1)**	8.2
Adjusted items (Note 3)	**75.1**	12.6
Tax effect of above items	**(0.3)**	(4.3)
Adjusted (losses)/earnings	**(1.3)**	16.5

	pence	pence
Basic (losses)/earnings per share	**(44.8)**	4.8
Diluted (losses)/earnings per share	**(44.8)**	4.6
Basic adjusted (losses)/earnings per share	**(0.8)**	9.7
Diluted adjusted (losses)/earnings per share	**(0.8)**	9.3

The Board has concluded that given the refinancing of the business, the Company will not pay a final dividend for the period. The total dividend for the year is nil pence per share (FY17: 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	**53 weeks ending 30 March 2019 ***	**52 weeks ended 24 March 2018**	**52 weeks ended 25 March 2017**
Income statement			
Running costs	(2.7)	(3.4)	(3.0)
Net interest on liabilities/return on assets	(0.9)	(2.0)	(2.6)
Net charge	(3.6)	(5.4)	(5.6)
Cash funding			
Regular contributions	(1.8)	(2.6)	(2.4)
Deficit contributions	(9.8)	(9.2)	(7.2)
Total cash funding	(11.6)	(11.8)	(9.6)
Balance sheet			
Fair value of schemes' assets	n/a	351.5	329.6
Present value of defined benefit obligations	n/a	(389.2)	(409.7)
Net liability	n/a	(37.7)	(80.1)

* Income statement for FY19 estimate based on assumed expenses as per 2017/18 and latest PPF levy. Funding estimate based on current funding commitments from the 2017 scheme funding valuation.

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:

	2017/18	2016/17	2017/18 Sensitivity	2017/18 Sensitivity £ million
Discount rate	2.7%	2.7%	+/- 0.1%	-7.3/+7.5
Inflation – RPI	3.1%	3.2%	+/- 0.1%	+4.7/-6.8
Inflation – CPI	2.0%	2.1%	+/- 0.1%	+2.6/-3.0

Cash flow

Adjusted free cash flow was an outflow of £9.2 million with cash generated from operations of £16.4 million (FY17: £27.0 million) being used for capital expenditure, interest and taxation.

Capital expenditure of £21.7 million (FY17: £39.3 million) reflected the investment in the year in store refurbishment and IT infrastructure.

Working capital was an inflow of £0.1 million (FY17: outflow of £3.7 million), reflecting the timing profile of payments for stock, and the timing of the mid-season sale in the UK in the previous year.

	52 weeks ended 24 March 2018 £ million	52 weeks ended 25 March 2017 £ million
Adjusted profit from operations before interest and share-based payments	**6.2**	23.8
Depreciation and amortisation	22.7	18.2
Retirement benefit schemes	(8.6)	(6.6)
Change in working capital	0.1	(3.7)
Other movements	(4.0)	(4.7)
Adjusted cash generated from operations	**16.4**	27.0
Capital expenditure	(21.7)	(39.3)
Interest and tax paid	(3.9)	(2.1)
Adjusted free cashflow	**(9.2)**	(14.4)
Adjusted items[1]	(15.5)	(12.5)
Free cashflow	**(24.7)**	(26.9)
Drawdown on facility	27.5	15.0
Facility fee paid	(0.6)	-
Purchase of own shares	-	(1.2)
Exchange differences	(2.9)	(1.3)
(Overdraft)/cash and cash equivalents at beginning of period	**(0.9)**	13.5
Overdraft at end of period	**(1.6)**	(0.9)
Borrowings	**(42.5)**	(15.0)
Statutory net debt at end of period	**(44.1)**	(15.9)

1- Adjusted items include cash flows relating to strategic initiatives such as the head office restructure, warehouse redevelopment, and store closure costs

Balance sheet

The balance sheet includes identifiable intangible assets arising on the acquisition of the Early Learning Centre of £4.3 million and goodwill of £26.8 million. These assets are allocated to the International business.

	24 March 2018	25 March 2017
	£ million	£ million
Goodwill and other intangibles	**66.4**	63.4
Property, plant and equipment	**55.0**	80.4
Retirement benefit obligations (net of tax)	**(37.7)**	(66.4)
Net borrowings	**(44.1)**	(15.9)
Derivative financial instruments	**(9.9)**	8.0
Other net (liabilities)/assets	**(25.1)**	11.9
Net assets	**4.6**	81.4
Share capital and premium	**146.4**	146.4
Reserves	**(141.8)**	(65.0)
Total equity	**4.6**	81.4

Shareholders' funds amount to £4.6 million, a decrease of £76.8 million in the year driven by the loss in the year of £72.8 million and a £21.2 million reduction in the deferred tax asset, partly offset by a fall in the defined benefit obligation (net of tax) of £28.7 million.

Going concern

The Group's existing financing support is from its two banks, HSBC and Barclays, and consists of a £62.5 million revolving credit facility and a £5.0 million uncommitted overdraft. The facility is made up of two tranches, £50.0 million maturing in May 2020 and an additional £12.5 million maturing in November 2018. At the year end, the Group had net debt of £44.1 million and significant headroom to this facility.

Given the downturn in the Group's performance and the continuing challenges the retail industry faces, the Group initiated financing discussions with its lenders in January 2018 and, as part of this, they agreed to defer the testing of our financial covenants due on 24 March 2018.

Mothercare's Refinancing will provide funding of up to £113.5m, comprising:

- A proposed equity capital raising of £28m expected to be launched in July 2018 by way of a firm placing, placing and open offer (the "New Equity Issue"). The proceeds of the New Equity issue will be used for general corporate purposes. The New Equity Issue has the benefit of immediate standby underwriting from Numis Securities Limited ("Numis").
- Revised committed debt facilities of £67.5m with a final maturity extended to December 2020 and certain interim step downs to be provided by the Company's existing lenders (the "Revised Debt Facilities")
- A new £8m shareholder loan from certain of the Company's largest shareholders (the "Shareholder Loan"). The Shareholder Loan will be convertible into new ordinary shares in the Company at the option of the Shareholder Loan holder, conditional upon, among other things,

the approval by the Company's Shareholders of the conversion of the Shareholder Loan as a related party transaction
- A new debtor backed facility of up to £10m from one of the Company's trade partners (the "Trade Partner Loan")

The Shareholder Loan and the Trade Partner Loan will provide immediate access to up to £18m of additional liquidity which will:

- Fully meet the Company’s short term liquidity requirements
- Represent a strong signal of commitment and support from certain of the Company's largest shareholders and trade partners, alongside the Company’s existing lenders, to support Mothercare through this process

The Refinancing arrangements are conditional on certain events. In particular:

- The New Equity Issue is conditional (amongst other things) upon a clean working capital statement, the completion of the CVA Proposals in respect of certain of the UK subsidiaries and upon approval by the Company's shareholders.
- The conversion of the Shareholder Loan into new ordinary shares is conditional (amongst other things) upon approval of the arrangement by the Company's shareholders.
- Funds are available immediately under the Revised Debt Facilities, although such funds would cease to be available in the event that either the New Equity Issue or the CVA Proposals in respect of certain of the UK subsidiaries do not complete.

Restructuring of the UK store portfolio

The UK Restructuring will involve an accelerated reduction of the UK store estate to reduce losses and rent liabilities and will be effected through the CVA Proposals. The CVA Proposals are only in respect of three of Mothercare’s UK subsidiaries and only relate to certain of Mothercare’s UK leasehold property estate and certain Mothercare intra-group creditors. A company voluntary arrangement (CVA) is a formal statutory procedure which enables a company to agree with its unsecured creditors a composition in satisfaction of its debts or an arrangement of its affairs which can determine how its debts should be paid and in what proportions.

We are acutely aware of the impact of the UK Restructuring on certain stakeholders and we have taken the opportunity, where legally appropriate, to consult with:

- the British Property Federation, as the trade body representing many of our Landlords as well as directly with individual landlords wherever possible;
- the Pension Protection Fund, The Pensions Regulator and the trustees of the Company's pension scheme, as a result of which the PPF has indicated its intention to vote in favour of the CVA Proposals; and
- staff representatives, in order to communicate effectively with all employees affected by the proposals.

The CVA Proposals will trigger a Pension Protection Fund ("PPF") assessment period, during which the PPF assumes the rights of the trustees of the Company’s pension funds, including voting rights. The Company has entered into a deficit recovery contributions deed to ensure that pension scheme contributions are protected.

The launch of the CVA Proposals is not expected to affect the ordinary course of operations of Mothercare and in particular:

- Save for the landlords compromised by the CVA Proposals and certain Mothercare intra-group creditors, no other creditors' claims will be affected
- The process to implement the CVA Proposals is expected to complete in July 2018 with the CVA creditor meetings expected to be held on 1 June 2018

The CVA Proposals and supporting management actions, once completed, are expected to result in:

- A resized store estate with 50 stores to be exited, and material rent reductions on a further 21 stores
- A stabilised financial performance through cost savings and/or eliminated losses
- At least £10m cash inflow from store closures and working capital initiatives
- Further cost savings of at least £5m as the business is right sized
- Total store portfolio of 78 stores by FY20 (73 in FY22) from 137 stores today

Transformation and growth plan

Recent financial performance, impacted in particular by a large number of legacy loss making stores within the UK estate, has resulted in a perilous financial condition for the Group. Given the financial position, the board instigated a full financial review. The financial review concluded that delivering the Refinancing and the UK Restructuring represent the most viable option to establish a sustainable future for Mothercare. The board believes the Refinancing and UK Restructuring will deliver:

- Stabilised and renewed financial footing for Mothercare
- Acceleration of Mothercare's transformation and growth plan
- Disciplined focus upon cost control and cash generation throughout the business

The Directors have reviewed the Group's latest forecasts and projections, which have been sensitivity-tested for reasonably possible adverse variations in performance. These are outlined in detail in the Viability Statement. A critical component of the refinancing is the conditionality on the approval of the CVA. Notwithstanding our confidence in a successful outcome, and therefore our preparation of the financial statements on a going concern basis, we recognise that this dependency on the CVA represents a material uncertainty that may cast doubt on the ability of the Group to continue as a going concern; as such the auditors have included an emphasis of matter in respect of going concern in their audit opinion.

Viability Statement

In accordance with provision C.2.2 of the 2016 revision of the UK Corporate Governance 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 two years is a suitable time period for their review for the following reasons;

- This period aligns with the financing cycle; and
- Performance is significantly impacted by both UK and International economic conditions which are increasingly 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 sustained pressure on the business over the two year period to March 2020. The review included detailed financial projections covering profit and cash flows.

These projections were then reviewed in the context of the refinancing, conditional on the external approval of the CVA and shareholder vote approving the equity raise, as outlined in the Going Concern statement.

The scenario assumed the following key assumptions:

- UK sales decline significantly in year one, following a marked downturn in consumer confidence, equivalent to the worst UK performance over a five year historic performance, with a further decline in year two. The estimated annual cash impact of +/-1% change in sales growth is £1.1 million.
- Underlying UK margin rate decline in year one (after rebasing for one-off stock clearance activity in 2017/18), reflecting further margin investment to stimulate demand with no recovery in UK margin in year two. The estimated annual cash impact of +/-100bps change in margin rate is £1.4 million.
- International to experience a continuation of external macro-economic and currency pressures across key markets culminating in moderate decline in like-for-like retail sales in both years of the review period. The estimated annual cash impact of +/-1% change in International like-for-like retail sales is £0.2 million.

In the above scenario, 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 two years.

Treasury policy and financial risk management

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

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

Foreign currency risk

All International sales to franchisees are invoiced in Pounds sterling or US dollars. International reported sales represent approximately 33% of Group sales (FY17: 31%). Total International worldwide sales in the 52 week period represent approximately 62% of Group worldwide sales (FY17: 62%). 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 cash flow 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 has exposure to credit risk inherent in its trade receivables. The Group has no significant concentration of credit risk. The Group operates effective credit control procedures in order to minimise exposure to overdue debts. 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.

Consolidated income statement

For the 52 weeks ended 24 March 2018

	Note	**52 weeks ended 24 March 2018**			52 weeks ended 25 March 2017		
		Before adjusted items[1] £ million	**Adjusted items [2] £ million**	**Total £ million**	Before adjusted items[1] £ million	Adjusted items[2] £ million	Total £ million
Revenue	2	**654.5**	**-**	**654.5**	667.4	-	667.4
Cost of sales		**(610.5)**	**(10.0)**	**(620.5)**	(606.2)	(2.4)	(608.6)
Gross profit		**44.0**	**(10.0)**	**34.0**	61.2	(2.4)	58.8
Administrative expenses		**(37.7)**	**(65.1)**	**(102.8)**	(38.2)	(10.2)	(48.4)
(Loss)/profit from operations	2	**6.3**	**(75.1)**	**(68.8)**	23.0	(12.6)	10.4
Net finance costs	4	**(4.0)**	**-**	**(4.0)**	(3.3)	-	(3.3)
Profit/(loss) before taxation		**2.3**	**(75.1)**	**(72.8)**	19.7	(12.6)	7.1
Taxation	5	**(3.6)**	**0.3**	**(3.3)**	(3.2)	4.3	1.1
(Loss)/profit for the period attributable to equity holders of the parent		**(1.3)**	**(74.8)**	**(76.1)**	16.5	(8.3)	8.2
(Losses)/earnings per share							
Basic	7	**(0.8)p**		**(44.8)p**	9.7p		4.8p
Diluted	7	**(0.8)p**		**(44.8)p**	9.3p		4.6p

All results relate to continuing operations.

1. Before items described in footnote 2 below.
2. Includes adjusted costs (property costs, restructuring costs, refinancing advisor costs and impairment charges) and other adjusted items of amortisation of intangible assets (excluding software) and the impact of foreign currency adjustments under IAS 39 and IAS 21 as set out in Note 3. Adjusted items are considered to be one-off or significant in nature and/or value. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across periods because it is consistent with how the business performance is reviewed by the Board and Executive Committee.

Consolidated statement of comprehensive income

For the 52 weeks ended 24 March 2018

	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£ million	£ million
(Loss)/profit for the period	**(76.1)**	8.2
Items that will not be reclassified subsequently to the income statement:		
Remeasurement of net defined benefit liability – actuarial gain/(loss) on defined benefit pension schemes	**36.0**	(9.7)
Deferred tax relating to items not reclassified[1]	**(21.4)**	0.5
	14.6	(9.2)
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**(0.6)**	(1.8)
Cash flow hedges: (loss)/gain arising in the period	**(18.8)**	20.2
Deferred tax relating to items reclassified[1]	**1.4**	1.1
	(18.0)	19.5
Other comprehensive (expense)/income for the period	**(3.4)**	10.3
Total comprehensive (expense)/income for the period wholly attributable to equity holders of the parent	**(79.5)**	18.5

1 - The Group has taken a prudent approach given the uncertainty around future profitability of the relevant statutory entity and has released the deferred tax asset on retirement benefit obligations and deferred tax liability on cash flow hedges resulting in a debit of £21.4m and credit of £1.4m respectively to the consolidated statement of comprehensive income.

Consolidated balance sheet

As at 24 March 2018

	24 March 2018	25 March 2017
	£ million	£ million
Non-current assets		
Goodwill	**26.8**	26.8
Intangible assets	**39.6**	36.6
Property, plant and equipment	**55.0**	80.4
Long term receivable	**0.1**	0.8
Deferred tax asset	**3.6**	24.8
Derivative financial instruments	**-**	0.2
	125.1	169.6
Current assets		
Inventories	**87.0**	102.0
Trade and other receivables	**64.5**	67.6
Derivative financial instruments	**0.1**	8.6
Cash and cash equivalents	**-**	-
	151.6	178.2
Total assets	**276.7**	347.8
Current liabilities		
Trade and other payables	**(106.3)**	(125.5)
Borrowings and overdraft	**(1.6)**	(0.9)
Current tax liabilities	**(0.3)**	(0.2)
Derivative financial instruments	**(9.4)**	(0.8)
Provisions	**(16.8)**	(8.8)
	(134.4)	(136.2)
Non-current liabilities		
Trade and other payables	**(20.1)**	(21.5)
Borrowings	**(42.5)**	(15.0)
Retirement benefit obligations	**(37.7)**	(80.1)
Derivative financial instruments	**(0.6)**	-
Provisions	**(36.8)**	(13.6)
	(137.7)	(130.2)
Total liabilities	**(272.1)**	(266.4)
Net assets	**4.6**	81.4
Equity attributable to equity holders of the parent		
Share capital	**85.4**	85.4
Share premium account	**61.0**	61.0
Own shares	**(1.1)**	(1.5)
Translation reserve	**(1.9)**	(1.3)
Hedging reserve	**(9.4)**	5.2
Retained loss	**(129.4)**	(67.4)
Total equity	**4.6**	81.4

Consolidated statement of changes in equity

For the 52 weeks ended 24 March 2018

	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 2017	**85.4**	**61.0**	**(1.5)**	**(1.3)**	**5.2**	**(67.4)**	**81.4**
Loss for the period	-	-	-	-	-	(76.1)	(76.1)
Other comprehensive (expense)/income							
Exchange differences on translation of foreign operations	-	-	-	(0.6)	-	-	(0.6)
Remeasurements of net defined benefit liability	-	-	-	-	-	36.0	36.0
Cash flow hedges: losses arising in the period	-	-	-	-	(18.8)	-	(18.8)
Deferred tax related to components of other comprehensive income	-	-	-	-	1.4	(21.4)	(20.0)
Total other comprehensive (expense)/income	**-**	**-**	**-**	**(0.6)**	**(17.4)**	**14.6**	**(3.4)**
Total comprehensive expense	**-**	**-**	**-**	**(0.6)**	**(17.4)**	**(61.5)**	**(79.5)**
Addition to equity from inventories during the period	-	-	-	-	2.8	-	2.8
Shares transferred to employees	-	-	0.4	-	-	(0.4)	-
Charge to equity for equity-settled share-based payments	-	-		-	-	(0.1)	(0.1)
Balance at 24 March 2018	**85.4**	**61.0**	**(1.1)**	**(1.9)**	**(9.4)**	**(129.4)**	**4.6**

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 27 March 2016	**85.4**	**61.0**	**(0.3)**	**0.5**	**9.7**	**(67.2)**	**89.1**
Profit for the period	-	-	-	-	-	8.2	8.2
Other comprehensive (expense)/income							
Exchange differences on translation of foreign operations	-	-	-	(1.8)	-	-	(1.8)
Remeasurements of net defined benefit liability	-	-	-	-	-	(9.7)	(9.7)
Cash flow hedges: gains arising in the period	-	-	-	-	20.2	-	20.2
Deferred tax related to components of other comprehensive income	-	-	-	-	1.1	0.5	1.6
Total other comprehensive (expense)/income	**-**	**-**	**-**	**(1.8)**	**21.3**	**(9.2)**	**10.3**
Total comprehensive (expense)/income	**-**	**-**	**-**	**(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**

Consolidated cash flow statement

For the 52 weeks ended 24 March 2018

	Note	**52 weeks ended 24 March 2018 £ million**	52 weeks ended 25 March 2017 £ million
Net cash flow from operating activities	8	**1.3**	15.3
Cash flows from investing activities			
Interest received		**-**	0.1
Purchase of property, plant and equipment		**(15.6)**	(28.2)
Purchase of intangibles – software		**(8.5)**	(14.4)
Proceeds from sale of property, plant and equipment		**-**	1.3
Net cash used in investing activities		**(24.1)**	(41.2)
Cash flows from financing activities			
Interest paid		**(1.9)**	(1.0)
Drawdown on facility		**27.5**	15.0
Facility fee paid		**(0.6)**	-
Purchase of own shares		**-**	(1.2)
Net cash used in financing activities		**25.0**	12.8
Net increase/(decrease) in cash and cash equivalents		**2.2**	(13.1)
(Overdraft)/cash and cash equivalents at beginning of period		**(0.9)**	13.5
Effect of foreign exchange rate changes		**(2.9)**	(1.3)
Overdraft at end of period		**(1.6)**	(0.9)

Notes

1. General information

a) The accounting policies followed are the same as those published by the Group within the 2017 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 Group believes that adjusted profit before tax and adjusted earnings provides additional useful information for shareholders. The term adjusted 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 Group 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 3.

d) The financial information set out in this announcement does not constitute the Group's statutory accounts for the 52 week period ended 24 March 2018 or the 52 week period ended 25 March 2017, but it is derived from those accounts. Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Group's annual general meeting. The auditor has reported on the 2018 accounts; their report is unqualified, but the audit opinion refers to an emphasis of matter regarding the material uncertainty concerning the Group's ability to continue as a Going Concern without qualifying their report and did not contain statements under s498 (2) or (3) of the Companies Act 2006. The 2017 financial statements are available on the Group'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 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 24 March 2018	
	UK **£ million**	**International** **£ million**	**Unallocated corporate expenses** **£ million**	**Consolidated** **£ million**
Revenue				
External sales	**437.6**	**216.9**	**-**	**654.5**
Result				
Segment result (adjusted)	**(19.8)**	**33.6**	**(7.6)**	**6.2**
Share-based payments			**0.1**	**0.1**
Foreign currency adjustments (adjusted item)			**(7.1)**	**(7.1)**
Amortisation of intangible assets (adjusted item)			**(0.9)**	**(0.9)**
Adjusted costs (Note 3)	**(59.6)**	**(5.2)**	**(2.3)**	**(67.1)**
Loss from operations	**(79.4)**	**28.4**	**(17.8)**	**(68.8)**
Net finance costs				**(4.0)**
Loss before taxation				**(72.8)**
Taxation				**(3.3)**
Loss for the period				**(76.1)**

			52 weeks ended 25 March 2017	
	UK £ million	International £ million	Unallocated corporate expenses £ million	Consolidated £ million
Revenue				
External sales	459.4	208.0	-	667.4
Result				
Segment result (adjusted)	(4.4)	35.2	(7.0)	23.8
Share-based payments			(0.8)	(0.8)
Foreign currency adjustments (adjusted item)			4.1	4.1
Amortisation of intangible assets (adjusted item)			(1.0)	(1.0)
Adjusted costs (Note 3)	(5.3)	(9.6)	(0.8)	(15.7)
Profit from operations	(9.7)	25.6	(5.5)	10.4
Net finance costs				(3.3)
Profit before taxation				7.1
Taxation				1.1
Profit for the period				8.2

Notes (continued)

3. Adjusted items

The total adjusted items reported for the 52-week period ended 24 March 2018 is a net charge of £75.1 million. The adjustments made to reported (loss)/ profit before tax to arrive at adjusted profit are:

	52 weeks ended 24 March 2018 £ million	52 weeks ended 25 March 2017 £ million
Adjusted costs:		
Restructuring costs in cost of sales	**(2.0)**	(5.5)
Property related costs included in administrative expenses	**(55.6)**	(0.5)
Non-property related restructuring costs included in administrative expenses	**(7.6)**	(5.7)
Joint venture restructuring costs included in administrative expenses	**(1.9)**	(4.0)
Total adjusted costs:	**(67.1)**	(15.7)
Other adjusted items:		
Foreign currency adjustments under IAS 39 and IAS 21	**(7.1)**	4.1
Amortisation of intangible assets	**(0.9)**	(1.0)
Total adjusted items before tax	**(75.1)**	(12.6)

Restructuring costs in cost of sales - £2.0 million

Restructuring costs include £0.9 million relating to the warehouse development project and a £1.1 million charge relating to the impairment of the Blooming Marvellous tradename.

The Group completed significant changes to warehouse and order management systems and the consolidation of warehouse facilities. The current year charge of £0.9 million is the final cost incurred following the exit of an old warehouse.

These costs are considered to be an adjusted item as they are significant in value and one-off in nature. As a result, they are not considered to be normal operating costs of the business.

The impairment of the Blooming Marvellous tradename has been classified as an adjusted item on the basis that it is one-off in nature and significant in value.

Property related costs included in administrative expenses - £55.6 million

The charge of £55.6 million includes £5.8 million store closure provision for expected closure costs, £16.0 million UK store impairment, and £33.8 million onerous lease provision.

£0.5 million previously classified in 2017 as other adjusted items relating to onerous lease provision has been reclassified to property related costs included in administrative expenses.

Notes (continued)

3. Adjusted items (continued)

Store closure provision - £5.8 million

During the period the Group announced a new transformation strategy, including closing stores to take the core estate down to 80-100 destination stores. A net charge of £5.8 million was recognised with respect to store closures, including property dilapidations, redundancy and lease exit costs.

Whilst costs associated with the closure of the UK store estate will recur across financial periods, the Group considers that they should be treated as an adjusted item given they are part of a strategic programme and are significant in value to the results of the Group.

The UK store impairment (£16.0 million) and onerous lease provision (£33.8 million)

The UK store impairment testing during the period has identified a number of stores where the current and anticipated future performance does not support the carrying value of the stores. As a result a charge of £16.0 million has been incurred with respect to impairment of the assets associated with these stores. A charge of £33.8 million has been incurred in respect of onerous lease provisions.

The charges associated with the impairment of stores and onerous leases have been classified as an adjusted item on the basis of the significant value of the charge in the period to the results of the Group.

Non-property related restructuring costs included in administrative expenses - £7.6 million

During the period the Group undertook a review of central costs and its head office structure. This resulted in a reduction of c.192 head office roles (14 deferred to the period ending 30 March 2019) achieved through redundancy and natural attrition. The reorganisation cost of £6.3 million comprised redundancy payments, legal, advisor fees and other one-off costs.

In January 2018 the Group entered into refinancing discussions and a review of additional funding sources. Costs of £1.3 million have been incurred relating to consultancy and other advisor costs.

The restructure and refinancing activities are part of the 2018 transformation strategy and are considered significant in value. As a result, they are not considered to be normal operating costs of the business.

Notes (continued)

3. Adjusted items (continued)

Joint venture restructuring costs in administrative expenses - £1.9 million

In December 2017 the Group fully disposed of the joint venture in China and entered into a new franchise agreement. A charge of £1.9 million has been recognised; £0.9 million for a loan, £0.4 million for gross trade receivables write-off and £0.5 million for legal fees.

The restructure of the joint venture is considered significant in value and one-off in nature. As a result, it is not considered to be normal operating costs of the business.

Foreign currency adjustments under IAS 39 and IAS 21 included in cost of sales - £7.1 million

Foreign currency adjusted items include retranslation of the foreign cash, debtors, and creditor balances at closing spot rate, and stock purchases where payment is outstanding at the historic spot rate at purchase.

In the 52 week period ended 25 March 2017 the US dollar spot rate declined and at period end was below the average contract rates ($1.24 vs $1.46). A gain of £4.1 million was recognised in adjusted items. In the 52 week period ended 24 March 2018 the spot rate increased and at period end has moved above the average contract rates ($1.38 vs $1.25). A loss of £7.1 million has been recognised in adjusted items.

The volatility in the spot rate at period end and the associated gains and losses on unsettled transactions in our view do not present the users of the accounts with a true picture of underlying performance during the reporting period. Including these items within adjusted profits is in line with how business performance is measured internally by the Board and Executive Committee.

Amortisation of intangibles included in cost of sales – £0.9 million

The intangible assets which arose on the acquisition of the Early Learning Centre and Blooming Marvellous trade name are amortised on a straight-line basis over their expected economic lives. Amortisation costs are classified in adjusted items as they are significant and this is consistent year-on-year.

Notes (continued)

4. Net finance costs

	52 weeks ended 24 March 2018 £ million	52 weeks ended 25 March 2017 £ million
Interest and bank fees on bank loans and overdrafts	**2.0**	0.7
Net interest on liabilities/return on assets on pension	**2.0**	2.6
Net finance costs	**4.0**	3.3

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

	52 weeks ended 24 March 2018 £ million	52 weeks ended 25 March 2017 £ million
Current tax:		
Current year	**2.1**	1.6
Adjustment in respect of prior periods	**-**	0.2
	2.1	1.8
Deferred tax:		
Current year	**1.8**	0.5
Change in tax rate in respect of prior periods	**-**	0.3
Adjustment in respect of prior periods	**(0.6)**	(3.7)
	1.2	(2.9)
Charge/(credit) for taxation on profit for the period	**3.3**	(1.1)

UK corporation tax is calculated at 19% (2017: 20%) of the estimated assessable (loss)/profit for the period. The UK corporation tax rate will decrease further to 17% from 1 April 2020.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Notes (continued)

5. Taxation (continued)

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

	52 weeks ended 24 March 2018 £ million	52 weeks ended 25 March 2017 £ million
(Loss)/profit for the period before taxation	**(72.8)**	7.1
(Loss)/profit for the period before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%)	**(13.8)**	1.4
Effects of:		
Expenses/(income) not deductible for tax purposes	**1.7**	(0.3)
Rate change on deferred tax	**-**	0.3
Impact of difference in current and deferred tax rates	**(0.2)**	(0.1)
Impact of overseas tax rates	**1.7**	1.1
Impact of overseas taxes expensed	**(0.2)**	-
Deferred tax not recognised	**14.7**	-
Adjustment in respect of prior periods – current tax	**-**	0.2
Adjustment in respect of prior periods – deferred tax	**(0.6)**	(3.7)
Charge/(credit) for taxation on (loss)/profit for the period	**3.3**	(1.1)

In addition to the amount credited to the income statement, a deferred tax charge relating to retirement benefit obligations, cash flow hedges and share-based payments amounting to £20.0 million (2017: £1.6 million credit) has been taken directly to the consolidated statement of comprehensive income.

6. Dividends

The Directors are not recommending the payment of a final dividend for the year (2017: £nil). No interim dividend was paid during the year (2017: £nil).

7. (Losses)/earnings per share

	52 weeks ended 24 March 2018 million	52 weeks ended 25 March 2017 Million
Weighted average number of shares in issue	**169.8**	170.5
Dilution – option schemes (for adjusted results only)	**5.8**	7.9
Diluted weighted average number of shares in issue	**175.6**	178.4
Number of shares at period end	**170.9**	170.9
	£ million	£ million
(Loss)/profit for basic and diluted earnings per share	**(76.1)**	8.2
Adjusted items (Note 3)	**75.1**	12.6
Tax effect of above items	**(0.3)**	(4.3)
Adjusted (loss)/earnings	**(1.3)**	16.5

Notes (continued)

7. (Losses)/earnings per share (continued)

	pence	pence
Basic (losses)/ earnings per share	**(44.8)**	4.8
Basic adjusted (losses)/ earnings per share	**(0.8)**	9.7
Diluted (losses)/ earnings per share	**(44.8)**	4.6
Diluted adjusted (losses)/ earnings per share	**(0.8)**	9.3

8. Reconciliation of cash flow from operating activities

	52 weeks ended 24 March 2018 £ million	52 weeks ended 25 March 2017 £ million
(Loss)/profit from operations	**(68.8)**	10.4
Adjustments for:		
Depreciation of property, plant and equipment	**14.7**	14.2
Amortisation of intangible assets	**8.9**	5.0
Impairment of property, plant and equipment and intangible assets	**17.1**	1.9
(Loss)/ gain on non-underlying foreign currency adjustments	**7.1**	(4.1)
Equity-settled share-based payments	**-**	0.8
Movement in provisions	**31.2**	(7.0)
Cash payments for other adjusted costs	**-**	(0.2)
Amortisation of lease incentives	**(4.3)**	(5.0)
Lease incentives received	**2.4**	2.0
Payments to retirement benefit schemes	**(11.8)**	(9.6)
Charge to profit from operations in respect of retirement benefit schemes	**3.2**	3.0
Operating cash flow before movement in working capital	**(0.3)**	11.4
Decrease/(increase) in inventories	**11.2**	(0.5)
(Increase)/decrease in receivables	**(1.7)**	7.5
Decrease in payables	**(5.9)**	(2.0)
Cash generated from operations	**3.3**	16.4
Income taxes paid	**(2.0)**	(1.1)
Net cash flow from operating activities	**1.3**	15.3

9. Events after the balance sheet date

Directorate changes

Mark Newton-Jones stepped down as Chief Executive Officer on 4 April 2018. David Wood was appointed as Chief Executive Officer on the same date. Alan Parker retired from the position of Non-Executive Chairman on 19 April 2018 and was replaced by Clive Whiley as Interim Executive Chairman on the same date.

On 17 May 2018 the Company announced its intent to reappoint Mark Newton-Jones as Chief Executive Officer subject to execution of contract.

Notes (continued)

9. Events after the balance sheet date (continued)

Refinancing and funding review

In May 2018 the Group's two existing banks, HSBC and Barclays, agreed to provide a revolving credit facility of £67.5 million comprising two tranches. Tranche A is £50.0 million, stepping down to £30.0 million in September 2020 with final maturity in December 2020. Tranche B is £17.5 million, maturing in November 2018, at which point an overdraft of £5.0 million becomes uncommitted outside of the revolving credit facility. This is conditional on the approval of a CVA, which the Group launches on 17 May 2018, and a successful equity raise.

The Group has also obtained the support of its shareholders and intends to undertake a placement of shares of £36.0 million in July 2018. This will be conditional on approval of the CVA and has been fully underwritten by Numis Securities Limited. Within this raise, a shareholder loan of £8.0 million has been agreed, receivable immediately, which will be convertible to equity.

The Group has also secured the support of its franchise partners that will allow the Group to drawdown a loan against the outstanding trade receivable, to a maximum of £10.0 million.