

MOTHERCARE PLC Preliminary Results

Mothercare plc, the leading international mother and baby specialist, today announces Preliminary results for the 52-week period to 29 March 2014.

Highlights for FY2013/14

Financial highlights

- Worldwide network sales³ up 0.5%¹ to £1,191.5 million with total International sales up 6.4%¹ despite significant currency headwinds and total UK sales down 7.5% as further loss-making stores were closed
- International like-for-like sales³ up 2.5%¹; UK like-for-like sales³ down 1.9%, on an improving trend after a 3.6% decline last year
- Underlying profit before tax⁵ of £9.5 million compared to £5.9 million last year with underlying International profits⁵ up 7.6% to £45.3 million and underlying UK losses⁵ slightly lower at £21.5 million
- Group loss before tax and after exceptional and non-underlying items of £26.3 million, which includes a non-underlying non-cash foreign currency charge of £14.9 million
- Net debt of £46.5 million, in line with previous guidance. Further covenant headroom and facilities put in place in May 2014

Operating highlights

- International space up 13.1%¹ and sales up 9.3% in constant currency with 1,221 stores in 59 countries
- Reshaping of the UK business continues with the closure of an additional net 35 loss-making stores and refits in some key stores
- Multi-channel growth with UK Direct sales now 29% of total UK sales and a third of online orders collected in store
- In the UK, Mobile is growing rapidly and now accounts for 35% of UK online traffic
- Ten International websites in place

Group performance

| | FY 2013/14 | FY 2012/13 | % change vs. last year |
|--|--|--|---|
| | 52 weeks to 29 Mar 2014 | 52 weeks to 30 Mar 2013 | |
| | £million | £million | |
| <u>Group</u> | | | |
| Worldwide network sales ³ | 1,191.5 | 1,185.1 ¹ | +0.5 |
| Total group sales | 724.9 | 744.1 ¹ | (2.6) |
| Group underlying profit before tax ⁵ | 9.5 | 5.9 ² | +61.0 |
| Exceptional charge & non-underlying items | (35.8) | (29.8) | +20.1 |
| Group loss before tax after exceptional and non-underlying items | (26.3) | (23.9) | +10.0 |
| Underlying EPS ⁵ | 7.7p | 4.2p | +83.3 |
| Net debt | (46.5) | (32.4) | +43.5 |
| <u>International</u> | | | |
| International like-for-like sales ³ | +2.5% | +5.6% ¹ | - |
| Total International sales | 729.2 | 685.4 ¹ | +6.4 |
| Underlying International profit ⁵ | 45.3 | 42.1 | +7.6 |
| <u>UK</u> | | | |
| UK like-for-like sales ³ | (1.9%) | (3.6%) | - |
| Total UK sales | 462.3 | 499.7 | (7.5) |
| Underlying UK loss ⁵ | (21.5) | (21.6) | +0.5 |

Alan Parker, Chairman of Mothercare plc, said:

"After an encouraging set of Interim results, Q3 trading over peak was a disappointment. We saw a recovery in the Q4 trading performance and have delivered full-year results in line with market expectations set in January 2014. This momentum has been maintained into this quarter, and we look forward to sustaining this improvement in the new financial year.

"Despite the increasing effect of currency devaluation on reported numbers, we have seen good growth in International, both in retail sales and profits with all four regions contributing strongly. In conjunction with our franchise partners, we have good visibility of future plans, which continue to show double-digit space growth.

"In the UK, we have continued to close loss-making stores and operate a leaner business. The market remains competitive and our teams are working hard to deliver an improved product range that offers even better value for money for our customers and an improved multi-channel service.

"Underlying group profits⁵ are up on last year, but there is a lot more to do. The CEO search is progressing well. We are determined to achieve our goal of returning the UK to profitability, growing our International business and building shareholder value over the long-term."

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Notes:

1 – This is on a comparable basis and excludes Australia and New Zealand from FY 2012/13.

2 – Restated for IAS19. The net interest charge and consequently underlying profit before tax for FY 2012/13 have been restated to reflect the impact of the amendment to IAS19 "Employee Benefits". Full details can be found in Note 1 of the Financial Review.

3 – 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 Direct in Home and Direct in Store.

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 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 network sales are total International sales plus total UK sales. International stores refer to overseas franchise and joint venture stores.

4 – Direct in Home refers to all online sales made outside of the store network for delivery to store or to our customers' homes. Direct in Store relates to all sales made via our web-enabled tills for product to be delivered either to store or to our customers' homes.

5 – Underlying profit refers to profit before exceptional and non-underlying items. Underlying EPS is calculated on the basis of underlying profit.

6 – This announcement contains certain forward-looking statements concerning the Company. 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 Company does not undertake any obligation to announce any revisions to such statements, except as required by law or by any appropriate regulatory authority.

7 – Mothercare plc will release its Q1 Trading Update for the 15 weeks to 12 July 2014 along with its AGM on Thursday 17 July 2014.

BUSINESS REVIEW

Overview

Whilst we have not delivered the progress in profitability that we would like, the underlying performance⁵ reflects progress in the main pillars of our Transformation and Growth plan:

1. Operate a lean retail structure;
2. Return the UK to profitability;
3. Drive International growth; and
4. Build a multi-channel business.

Our International business now accounts for over 60% of worldwide space and network sales and is the driver of growth for our business. Together with our partners, we now trade from 1,441 stores across 60 markets with 4.4 million sq.ft. of selling space.

Group profits improved on last year

We had a relatively encouraging set of Interim results and generated an underlying profit before tax at the half year for the first time in three years. Trading performance in the UK over Q3 was disappointing and the gross margin was impacted by the highly promotional pre-Christmas period. Trading performance recovered in Q4 for both International and the UK and our full year results are in line with market expectations as set in January 2014.

| | FY 2013/14 52 weeks to 29-Mar-14 | FY 2012/13 52 weeks to 30-Mar-13 | % change vs. last year |
|--|---|---|---|
| Underlying International profit ⁵ | £45.3m | £42.1m | +7.6% |
| Underlying UK loss ⁵ | (£21.5m) | (£21.6m) | +0.5% |
| Corporate expenses | (£7.8m) | (£7.8m) | 0.0% |
| Underlying profit from operations⁵ | £16.0m | £12.7m | +26.0 |
| Underlying interest charge | (£6.4m) | (£5.9m) | (61.0%) |
| Share based payments | (£0.1m) | (£0.9m) | +88.9% |
| Underlying profit before tax⁵ | £9.5m | £5.9m² | +61.0% |
| Other restructuring costs | (£6.4m) | (£4.7m) | (36.2%) |
| Impairment costs of joint ventures | (£2.6m) | (£11.1m) | +76.6% |
| UK property restructuring costs | (£10.9m) | (£19.9m) | +45.2% |
| Exceptional items | (£19.9m) | (£35.7m) | +44.3% |
| Non-cash foreign currency adjustments | (£14.9m) | £6.9m | n/a |
| Amortisation of intangibles | (£1.0m) | (£1.0m) | 0.0% |
| Reported loss before tax | (£26.3m) | (£23.9m) | +10.0% |

Worldwide network sales³ were up 0.5% at £1,191.5 million (FY 2012/13: £1,185.1 million excluding Australia and New Zealand). Total International sales³ were up 6.4% at £729.2 million (FY 2012/13: £685.4 million excluding Australia and New Zealand) and total UK sales were down 7.5% at £462.3 million (FY 2012/13: £499.7 million). Group sales, which reflect total UK sales and reported revenues from our International partners, were down 2.6% at £724.9 million (FY 2012/13: £744.1 million).

Space across all 60 markets was up 5.8% year-on-year as we grew our International footprint by 13.1% and exited 3.8% of loss-making space in the UK. Our International partners now operate from 59 countries with 1,221 stores and 2.7 million sq.ft. of space. Our UK business now has 1.7 million sq.ft. across its 220 stores.

As we guided in January 2014, we ended the year with £46.5 million (FY 2012/13: £32.4 million) of net debt on our balance sheet. As anticipated, our net debt position has improved since the half year as we have continued to manage our stock position tightly.

In October 2013, we refinanced our banking facilities to £90 million with a term loan of £40 million and a revolving credit facility of £50 million maturing in May 2017. In May 2014, the bank facilities were amended to provide further headroom on the covenants and the facilities were increased to £100 million to October 2014 to provide further flexibility.

International continues to deliver solid growth despite currency devaluation

| | FY 2013/14 52 weeks to 29-Mar-14 | FY 2012/13 52 weeks to 30-Mar-13 | % change vs. last year |
|--|---|---|---|
| International like-for-like sales growth | +2.5% | +5.6% | - |
| International retail sales | £721.9m | £677.7m | +6.5% |
| International wholesale sales | £7.3m | £7.7m | (5.2%) |
| Total International sales | £729.2m | £685.4m | +6.4% |
| Underlying profit | £45.3m | £42.1m | +7.6% |

The above numbers are on a comparable basis and exclude Australia and New Zealand from FY 2012/13

International is the growth engine of our business and now accounts for over 60% of worldwide space and worldwide network sales.

Our International business has delivered another year of solid growth with all four regions contributing strongly; clear testament to the resilience and dedication of our partners across all 59 countries in which we operate. Despite being faced with increasing and unprecedented levels of currency devaluation, unseasonable weather during Q3 and some geo-political unrest; our International business grew profits by 7.6% to £45.3 million (FY 2012/13 £42.1 million) with retail profits of £45.9 million (FY2012/13 £43.5 million) and joint venture losses reduced to £0.6 million (FY 2012/13 loss of £1.4 million).

The potential of our International business is clear with the opportunity for significant new store openings across all four regions. Based on rolling three-years plans we, along with our partners, envisage double-digit International space growth. During the year our partners opened a further 152 stores and they now operate from 1,221 stores, which increased space by 13.1% to 2.7 million sq.ft..

International retail sales, helped by like-for-like sales growth of 2.5%, were up 9.3% in constant currencies. Currency devaluation of 2.8% during the year resulted in reported retail sales growth of 6.5% to £721.9 million (FY 2012/13 £677.7 million). The increasing level of currency devaluation meant that the H1 currency benefit of 1.4% reversed to a negative impact of 4.5% during H2. To help mitigate against further currency impacts, we have hedged our Russian rouble, Indian rupee and Indonesian rupiah exposure for the first half of the new financial year. We will monitor the situation and consider putting in place a rolling six-month hedging strategy for certain of our markets.

Reported International sales, which reflect receipts from our partners, were up 5.2% at £262.6 million (FY 2012/13: £249.7 million).

Europe, our largest region, delivered positive like-for-like sales growth and mid single-digit total sales growth in both constant and moving currencies. During the year Russia and Turkey in particular were impacted by an increasing level of currency devaluation. It is nevertheless encouraging to note that after a disappointing Q3 performance, constant currency sales in Russia reverted back to strong double-digit growth. The region now has 494 stores across 27 countries. Our partners opened 61 stores and increased space by 8.6% year-on-year.

The Middle East and Africa now has 327 stores in 13 countries. Our partners opened 18 stores and increased space by 8.5% year-on-year. After a relatively weak Q3 performance, it is encouraging to note that sales growth has reverted back to more normal levels. For the year as a whole, like-for-like sales growth was positive with mid to high single-digit sales growth in both constant and moving currencies.

Asia now has 352 stores in 12 countries. During the year, our partners opened 62 stores and increased space by 28.1% year-on-year. This region saw mid single-digit like-for-like sales growth and double-digit total sales growth in both constant and moving currencies, despite the significant levels of currency devaluation seen in Indonesia and India.

Latin America now has 48 stores, having opened a further 11 stores during the year and increasing space by 15.0% year-on-year. This region delivered double-digit like-for-like and total sales growth for the year.

Together with our franchise partners, we continue to see growth opportunities across all four of our regions.

UK update

| | FY2013/14 52 weeks to 29-Mar-14 | FY 2012/13 52 weeks to 30-Mar-13 | % change vs. last year |
|------------------------------------|--|---|---|
| UK like-for-like sales growth | (1.9%) | (3.6%) | - |
| UK direct sales | £134.1m | £127.7m | +5.0% |
| UK retail sales (including direct) | £432.6m | £468.2m | (7.6%) |
| UK wholesale sales | £29.7m | £31.5m | (5.7%) |
| Total UK sales | £462.3m | £499.7m | (7.5%) |
| Underlying loss | (£21.5m) | (£21.6m) | +0.5% |

Our aim in the UK remains to build a multi-channel business supported by a flexible online business and a profitable core store portfolio.

UK losses were slightly reduced by 0.5% to £21.5 million (FY 2012/13 £21.6 million). After a disappointing Q3 there was an improvement in Q4 trading and full year losses are in line with expectations as revised in January 2014. We continue to target returning the UK to profitability and we have made some operational progress over the last year.

During the year we closed a further net 35 loss-making stores (seven Mothercare and 28 Early Learning Centre) and now operate from 220 stores (189 Mothercare and 31 Early Learning Centre), compared to 255 stores at the end of FY 2012/13. This resulted in a 3.8% reduction in space, ending the year with 1.7 million sq.ft. of selling space.

The closure of loss-making stores over the last two years (91 stores and 209k sq.ft.) has, as planned, had an impact on total UK sales, which were down 7.5% at £462.3 million (FY 2012/13 £499.7 million). UK like-for-like sales declined 1.9% but are on an improving trend with a decline last year of 3.6% and a further fall of 6.2% in the year before that. Direct has benefitted from the improvement in our online platform, customer interface and improved service with Direct in Home growing 5.9% to £99.3 million (FY 2012/13 £93.8 million) and Direct in Store growing 2.7% to £34.8 million (FY 2012/13 £33.9 million). Direct, for both channels, now accounts for 29.0% of total UK sales with click-and-collect now accounting for over a third of all online sales. We will shortly be launching our first tablet app, having seen mobile grow to circa 35% of our online traffic. We expect continuing growth in our Direct business and it is important because online customers spend twice as much as our store only customers and multi-channel customers spend twice as much again.

Over the year we have refitted 11 stores, right-sized one and relocated another. As we continue our work to reshape the UK store portfolio, we are also investing in the continuing store base, which remains a critical part of supporting our multi-channel strategy in the UK. We now have two outlet stores in Rotherham and Fort Kinnaird, selling prior season stock. This is helping us clear end-of-season stock faster while also allowing our core stores to sell more full margin product. In addition we have, in the last few weeks, started to trial a Clothing focussed format with a small essential Home & Travel segment.

Overall customer perceptions are improving as a result of the improvement in product, stores and service. We continue to score highly on our 'My Customer' surveys with scores consistently above 75, which represents the proportion of customers who are highly satisfied. Whilst we score highly for staff friendliness, helpfulness and availability and time spent in queues, we have not made as much progress in product availability and this remains an area of focus for us. Over the course of H2 we launched 'My Mothercare', our improved loyalty scheme which captures life stage data and aims to improve customer service, and a new Customer Relationship Management system, which has already built a customer database of over 1 million. This will give us greater insight into our customers' shopping habits and allow us to tailor our email marketing campaigns.

We continue to manage the business to optimise cash gross margins. We have managed stock levels tightly whilst market conditions, particularly in Home & Travel, have remained very competitive. With the highly promotional pre-Christmas period, gross margins were down circa 200 basis points during H2, which combined with a similar decline in H1 has resulted in a circa 200 basis point margin decline for the year as a whole.

We have made further progress with **Clothing** product over the year. Newborn ranges have done particularly well with the new premium 'Stars and Dream' range selling well as a gifting option over the Christmas period. The lower price point and improved fashion also helped our maternity brand 'Blooming Marvellous' and the successful 'Little Bird' range, designed by Jools Oliver, was extended to more stores.

Whilst the **Home & Travel** segment remains challenging and very competitive, we have made progress with our suppliers towards increasing the level of exclusivity in our ranges. This last year saw successes with the exclusive Bugaboo Navy selling out and the Silver Cross Blue Bubbles and Pink Butterflies strollers selling ahead of plan. The Mothercare Nanu range, strollers suitable from birth, was also extended and was popular with our more value-driven customers. We are continuing the dialogue with our suppliers, working in partnership with them as the market leader in this segment to deliver more exclusives at good value for our customers. The furniture ranges, which were launched in the summer and presented in room-sets, are also continuing to perform well.

The Early Learning Centre ranges are an integral part of the Mothercare **Toy** category. We continue to invest in product with increased newness helping this segment of our business. The new 'Toy Box' range and the 'Royal Baby' set launched on the day Prince George was born have been important ranges for us this year.

Summary and outlook

This has been a challenging year for Mothercare. Whilst Q3 was a disappointment, following a relatively encouraging set of Interim results, it is pleasing to see trading performance recover in Q4 for both International and the UK.

Despite currency and political headwinds in some overseas markets, we remain confident of continued progress in our core growth markets and our partners' rolling three-year plans give us visibility of future International space growth at double digit rates.

In the UK, we continue to close loss-making stores, invest in the continuing store portfolio and improve product, value, service and our customers' shopping experience both in store and online. We are managing the business tightly and our goal remains to return the UK to profitability.

Mothercare plc Preliminary Results

FINANCIAL REVIEW

RESULTS SUMMARY

Group underlying profit before tax increased by £3.6 million to £9.5 million (2012/13: £5.9 million). Underlying profit excludes exceptional items and other non-underlying items which are analysed below. After these non-underlying items, including a non-cash negative foreign currency swing of £21.8 million compared with 2012/13, the group recorded a pre-tax loss of £26.3 million (2012/13: loss of £23.9 million). Underlying profit from operations before interest and the IFRS 2 share based payments charge increased by £3.3 million to £16.0 million.

Income statement

| £ million | 52 weeks ended 29 March 2014 | 52 weeks ended 30 March 2013 Restated* |
|---|---------------------------------|--|
| Revenue | 724.9 | 749.4 |
| Underlying profit from operations before interest and share based payments | 16.0 | 12.7 |
| Share based payments | (0.1) | (0.9) |
| Net finance costs | (6.4) | (5.9) |
| Underlying profit before tax | 9.5 | 5.9 |
| Exceptional items and unwind of discount on exceptional provisions | (19.9) | (35.7) |
| Non-cash foreign currency adjustments | (14.9) | 6.9 |
| Amortisation of intangible assets | (1.0) | (1.0) |
| Loss before tax | (26.3) | (23.9) |
| Underlying EPS – basic | 7.7p | 4.2p |
| EPS – basic | (31.0p) | (26.9p) |

*Restated for amendments to IAS 19 as explained in Note 1.

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).

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 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.
- Costs relating to re-financing completed in October 2013 of £0.8 million.

Exceptional items in 2012/13 included £11.1 million of write off costs for the Australian associate, £18.1 million of property related costs, £1.8 million store impairment provision in relation to the UK business, £4.2 million restructuring costs of the UK and head office organisation and £0.5 million of other exceptional costs.

Other non-underlying items:

- Non-cash adjustments principally relating to marking to market of commercial foreign currency hedges at the period end (£14.9 million charge compared with a £6.9 million credit in 2012/13). As hedges are taken out to match future stock purchase commitments, these are theoretical adjustments which we are required to make under IAS 39 and IAS 21. These standards require us to revalue stock and our commercial foreign currency hedges to spot. 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).

Results by segment

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

| | 52 weeks to 29 March 2014 | 52 weeks to 30 March 2013 |
|----------------------------|------------------------------|------------------------------|
| £ million - Revenue | | |
| UK | 462.3 | 499.7 |
| International | 262.6 | 249.7 |
| Total | 724.9 | 749.4 |

| | 52 weeks to 29 March 2014 | 52 weeks to 30 March 2013 Restated* |
|---|------------------------------|---|
| £ million - Underlying Profit/(loss) | | |
| UK | (21.5) | (21.6) |
| International | 45.3 | 42.1 |
| Corporate | (7.8) | (7.8) |
| Profit from operations before share based payments | 16.0 | 12.7 |
| Share based payments | (0.1) | (0.9) |
| Net finance costs | (6.4) | (5.9) |
| Underlying profit before tax | 9.5 | 5.9 |

*Restated for amendments to IAS 19 as explained in Note 1.

UK retail sales have declined year on year due to store closures and declining like-for-like sales across the store estate and were partially offset by increases in our Direct in Home business. The impact of declining sales and margins has been offset by the benefit from the property strategy, with the continued exit from loss-making stores and tight cost control, leaving losses in line with prior year.

International has benefited from increased royalties driven from higher network sales offset by the impact of adverse foreign exchange movements. International profit also includes losses in joint ventures which have reduced during the 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 £0.1 million (2012/13: £0.9 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 Incentive Plan, the Performance Share Plan, the Deferred Shares Plan and the Save As You Earn schemes. Full details can be found in the Annual Report.

The charges as calculated under IFRS 2 are theoretical 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 network sales

'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 and associates 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 network sales are total International sales plus total UK sales. Group network sales and reported sales are analysed as follows:

| £ million | Reported sales | | Network sales* | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 52 weeks ended 29 March 2014 | 52 weeks ended 30 March 2013 | 52 weeks ended 29 March 2014 | 52 weeks ended 30 March 2013 |
| UK retail sales | 432.6 | 468.2 | 432.6 | 468.2 |
| UK wholesale sales | 29.7 | 31.5 | 29.7 | 31.5 |
| Total UK sales | 462.3 | 499.7 | 462.3 | 499.7 |
| International retail sales | 255.3 | 242.0 | 721.9 | 721.0 |
| International wholesale sales | 7.3 | 7.7 | 7.3 | 7.7 |
| Total International sales | 262.6 | 249.7 | 729.2 | 728.7 |
| Group sales/Group network sales | 724.9 | 749.4 | 1,191.5 | 1,228.4 |

* Estimated

Financing and taxation

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 (see Note 4).

The underlying tax charge is comprised of current overseas taxes and is offset by UK deferred tax. The effective tax rate is 28.4% (2012/13: 37.3%). The effective tax rate is higher than the standard tax rate of 23% mainly due to higher overseas tax rates. An underlying tax charge of £2.7m (2012/13: £2.2 million) has been included for the period and in total the tax charge was £1.2m (2012/13: credit of £0.1m).

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 28 March 2015 ** | 52 weeks ended 29 March 2014 | 52 weeks to 30 March 2013 Restated* |
|---|-------------------------------------|---------------------------------|---|
| Income statement | | | |
| Service cost | - | - | (2.4) |
| Running costs | (1.1) | (1.1) | (0.8) |
| Net interest on liabilities/ return on assets | (2.1) | (2.7) | (2.6) |
| Exceptional gains on curtailment | - | - | 3.3 |
| Net charge | (3.2) | (3.8) | (2.5) |
| Cash funding | | | |
| Regular contributions | (0.6) | (0.6) | (2.0) |
| Deficit contributions | (5.8) | (5.6) | (5.2) |
| Total cash funding | (6.4) | (6.2) | (7.2) |
| Balance sheet | | | |
| Fair value of schemes' assets | n/a | 253.3 | 234.8 |
| Present value of defined benefit obligations | n/a | (303.0) | (296.4) |
| Net liability | | (49.7) | (61.6) |

*Restated for amendments to IAS 19 as explained in Note 1.

** Estimate

The gains on curtailment in 2012/13 were due to the closure of the Mothercare Staff and the Mothercare Executive Pension schemes.

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:

| | 2013/14 | 2012/13 | 2013/14 Sensitivity | 2013/14 Sensitivity £ million |
|-----------------|---------|---------|------------------------|-------------------------------------|
| Discount rate | 4.5% | 4.6% | +/- 0.1% | +6.5/-6.5 |
| Inflation – RPI | 3.4% | 3.4% | +/- 0.1% | +5.5/-6.3 |
| Inflation – CPI | 2.4% | 2.4% | +/- 0.1% | +5.5/-6.3 |

Balance sheet and cash flow

The balance sheet includes identifiable intangible assets arising on the acquisition of the Early Learning Centre of £6.8 million and goodwill of £26.8 million. These assets are allocated to the International business.

The group continues to generate operating cash, with cash generated from operations of £5.7 million. Income taxes of £1.7 million were paid in the year resulting in net cash flow from operating activities of £4.0 million.

We have made further investment in our joint ventures during the year to drive the growth in International, including £2.9 million in China.

After investing £10.9 million of capital expenditure (£10.2 million net of lease incentives received), the net debt position at the year end is £46.5 million (2012/13: Net debt of £32.4 million).

Going concern

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.

The group continues to implement the conclusions of the structural and operational review of the size and scope of its business that was carried out in early 2012 and announced as the three-year Transformation and Growth plan. The focus remains to stabilise like-for-like sales and margin, reduce UK central costs, close additional UK stores to focus on 200 profitable stores, accelerate International expansion (with more store openings in both new and existing countries), and launch combined online and in store customer options with a new website in the UK and 30 new overseas websites. The resulting strategy will deliver a transformation of the UK business, together with increased International growth over the same period.

On 18 October 2013, the group refinanced with the support of its two existing banks, HSBC and Barclays, amending its committed facilities of £90 million to a term loan of £40 million and a revolving credit facility of £50 million (at an interest rate range of 2.5 per cent to 3.5 per cent above LIBOR) maturing in May 2017. On 20 May 2014 the group amended the banking facilities with the continued support of its two existing banks providing further headroom on the gearing and fixed charge cover covenants. The covenants in the facilities are tested quarterly and are based around gearing, fixed charge cover and guarantor cover.

At the year end the group had a net debt balance of £46.5 million funded by drawdowns against the Term Loan facility of £40 million and Revolving Credit facility of £25.0 million offset by cash of £17.3 million and a £1.2m facility fee. The current challenging economic conditions, particularly the difficult consumer and retail environment, create uncertainty around the level of demand for the group's products. However, with the new banking facilities in place, the long-term contracts with its franchisees around the world, long standing relationships with many of its suppliers and other mitigating actions available, the directors believe the group is well placed to manage its business risks successfully despite the uncertain economic outlook.

The group's latest forecasts and projections, which incorporate the strategic initiatives outlined above, have been sensitivity-tested for reasonably possible adverse variations in trading

performance and foreign currency fluctuations. 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 prepared on the going concern basis.

Capital additions

Total capital additions in the year were £12.2 million (2012/13: £12.5 million), including £3.3 million for software intangibles and £5.8 million invested in UK stores. Landlord contributions of £0.7 million (2012/13: £3.5 million) were received, partially offsetting the outflow. Net capital additions after landlord contributions was £11.5 million (2012/13: £9.0 million).

Earnings per share and dividend

Basic underlying earnings per share were 7.7 pence compared to 4.2 pence last year. The Board has concluded that given the cash investment required to deliver the Transformation and Growth strategy the Company will not pay a final dividend for 2013/14. The total dividend for the year is nil pence per share (2012/13: nil pence per share).

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 per cent of group sales. Total International sales represent approximately 61 per cent of group network sales. The group has some currency exposure on these sales, as local sales are translated into sterling amounts on which royalties are calculated. Given the devaluation of a number of currencies during the year including the Russian rouble we have seen International retail sales grow at 9.3% at constant exchange rates but only 6.5% at moving exchange rates (excluding Australia and New Zealand from 2012/13). Historically these royalty receipts have not been hedged. To help mitigate against further currency impacts, we have hedged our Russian rouble, Indian rupee and Indonesian rupiah exposure for the first half of the new financial year. We will monitor the situation and consider putting in place a rolling six-month hedging strategy for certain of our markets. The group continues to hedge all material exposures resulting from purchases by using forward currency contracts.

Interest rate risk

The group has drawn down £40.0 million on its term borrowing facility and £25.0 million on the revolving credit facility offset by cash of £17.3 million and the amortised facility fee of £1.2 million. The group hedges all of the floating interest rate on this term facility using interest rate swaps. These financial instruments are accounted for as a cash flow hedge with changes in the fair value of the financial instrument that are designated as effective recognised in comprehensive income and any ineffective portion recognised immediately in the income statement.

Shareholders' funds

Shareholders' funds amount to £15.2 million, a decrease of £23.6 million in the year driven largely by the loss before tax. This represents £0.17 per share compared to £0.44 per share at the previous year end.

Consolidated income statement

For the 52 weeks ended 29 March 2014

| | Note | 52 weeks ended 29 March 2014 | | | 52 weeks ended 30 March 2013 | | |
|---|------|------------------------------|-----------------------------|---------------|------------------------------|-----------------------------|---------------|
| | | Underlying ¹ | Non-underlying ² | Total | Underlying ¹ | Non-underlying ² | Total |
| | | £ million | £ million | £ million | £ million | £ million | £ million |
| Revenue | 2 | 724.9 | - | 724.9 | 749.4 | - | 749.4 |
| Cost of sales | 3 | (680.2) | (14.7) | (694.9) | (702.0) | 5.7 | (696.3) |
| Gross profit | | 44.7 | (14.7) | 30.0 | 47.4 | 5.7 | 53.1 |
| Administrative expenses | | (28.2) | (9.5) | (37.7) | (34.2) | (5.9) | (40.1) |
| (Loss)/profit from retail operations | | 16.5 | (24.2) | (7.7) | 13.2 | (0.2) | 13.0 |
| Other exceptional items | 3 | - | (10.8) | (10.8) | - | (29.2) | (29.2) |
| Share of results of joint ventures and associates | | (0.6) | - | (0.6) | (1.4) | - | (1.4) |
| Loss from operations | 2 | 15.9 | (35.0) | (19.1) | 11.8 | (29.4) | (17.6) |
| Net finance costs | 3, 4 | (6.4) | (0.8) | (7.2) | (5.9) | (0.4) | (6.3) |
| Loss before taxation | | 9.5 | (35.8) | (26.3) | 5.9 | (29.8) | (23.9) |
| Taxation | 5 | (2.7) | 1.5 | (1.2) | (2.2) | 2.3 | 0.1 |
| Loss for the period attributable to equity holders of the parent | | 6.8 | (34.3) | (27.5) | 3.7 | (27.5) | (23.8) |
| (Loss)/Earnings per share | | | | | | | |
| Basic | 7 | 7.7p | | (31.0p) | 4.2p | | (26.9p) |
| Diluted | 7 | 7.6p | | (31.0p) | 4.1p | | (26.9p) |

All results relate to continuing operations.

* Restated for amendments to IAS 19 as explained in Note 1

¹ Before items described in footnote 2 below.

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

Consolidated statement of comprehensive income/(expense)

For the 52 weeks ended 29 March 2014

| | 52 weeks ended 29 March 2014 | 52 weeks ended 30 March 2013 Restated* |
|---|---------------------------------|--|
| | £ million | £ million |
| Loss for the period | (27.5) | (23.8) |
| 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 | 9.5 | (13.6) |
| Income tax relating to items not reclassified | (4.5) | 2.4 |
| | 5.0 | (11.2) |
| Items that may be reclassified subsequently to the income statement: | | |
| Exchange differences on translation of foreign operations | (1.3) | 0.6 |
| Cash flow hedges: losses arising in the period | (0.1) | (0.3) |
| | (1.4) | 0.3 |
| Other comprehensive income/(expense) for the period | 3.6 | (10.9) |
| Total comprehensive expense for the period wholly attributable to equity holders of the parent | (23.9) | (34.7) |

* Restated for amendments to IAS 19 as explained in Note 1.

Consolidated balance sheet

As at 29 March 2014

| | 29 March 2014 £ million | 30 March 2013 £ million |
|--|----------------------------|----------------------------|
| Non-current assets | | |
| Goodwill | 26.8 | 26.8 |
| Intangible assets | 17.4 | 19.7 |
| Property, plant and equipment | 59.6 | 69.6 |
| Investments in joint ventures | 7.7 | 8.0 |
| Investment in associate | - | - |
| Deferred tax asset | 18.5 | 21.7 |
| | 130.0 | 145.8 |
| Current assets | | |
| Inventories | 93.1 | 110.6 |
| Trade and other receivables | 59.8 | 58.1 |
| Current tax assets | - | 1.0 |
| Derivative financial instruments | - | 7.3 |
| Cash and cash equivalents | 17.3 | 17.6 |
| | 170.2 | 194.6 |
| Total assets | 300.2 | 340.4 |
| Current liabilities | | |
| Trade and other payables | (106.0) | (123.3) |
| Borrowings | (27.6) | (3.5) |
| Current tax liabilities | (0.4) | (0.5) |
| Derivative financial instruments | (6.6) | (0.3) |
| Short-term provisions | (17.4) | (21.4) |
| | (158.0) | (149.0) |
| Non-current liabilities | | |
| Trade and other payables | (24.1) | (28.1) |
| Borrowings | (36.2) | (46.5) |
| Retirement benefit obligations | (49.7) | (61.6) |
| Long-term provisions | (17.0) | (16.4) |
| | (127.0) | (152.6) |
| Total liabilities | (285.0) | (301.6) |
| Net assets | 15.2 | 38.8 |
| Equity attributable to equity holders of the parent | | |
| Share capital | 44.4 | 44.3 |
| Share premium account | 6.3 | 6.2 |
| Other reserve | - | 6.2 |
| Own shares | (0.4) | (0.6) |
| Translation and hedging reserves | (1.1) | 0.3 |
| Retained deficit | (34.0) | (17.6) |
| Total equity | 15.2 | 38.8 |

Consolidated statement of changes in equity

For the 52 weeks ended 29 March 2014

| | Equity attributable to equity holders of the parent | | | | | | Total equity |
|--|---|-----------------------|----------------------------|--------------|---------------------------------|-------------------|--------------|
| | Share capital | Share premium account | Other reserve ¹ | Own shares | Translation and hedging reserve | Retained earnings | |
| | £ million | £ million | £ million | £ million | £ million | £ million | £ million |
| Balance at 31 March 2013 | 44.3 | 6.2 | 6.2 | (0.6) | 0.3 | (17.6) | 38.8 |
| Other comprehensive expense for the period | - | - | - | - | (1.4) | 5.0 | 3.6 |
| Loss for the period | - | - | - | - | - | (27.5) | (27.5) |
| Total comprehensive income/(expense) for the period | - | - | - | - | (1.4) | (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) | - |
| Balance at 29 March 2014 | 44.4 | 6.3 | - | (0.4) | (1.1) | (34.0) | 15.2 |

For the 52 weeks ended 30 March 2013

| | Equity attributable to equity holders of the parent | | | | | | Total equity |
|--|---|-----------------------|---------------|--------------|---------------------------------|-------------------|--------------|
| | Share capital | Share premium account | Other reserve | Own shares | Translation and hedging reserve | Retained earnings | |
| | £ million | £ million | £ million | £ million | £ million | £ million | £ million |
| Balance at 1 April 2012 | 44.3 | 6.2 | 50.8 | (2.1) | - | (26.5) | 72.7 |
| Other comprehensive expense for the period (restated *) | - | - | - | - | 0.3 | (11.2) | (10.9) |
| Loss for the period (restated *) | - | - | - | - | - | (23.8) | (23.8) |
| Total comprehensive income/ (expense) for the period | - | - | - | - | 0.3 | (35.0) | (34.7) |
| Transfer between reserves | - | - | (44.6) | - | - | 44.6 | - |
| Credit to equity for equity-settled share-based payments | - | - | - | - | - | 0.8 | 0.8 |
| Shares transferred to employees on vesting | - | - | - | 1.5 | - | (1.5) | - |
| Balance at 30 March 2013 | 44.3 | 6.2 | 6.2 | (0.6) | 0.3 | (17.6) | 38.8 |

*Restated for amendments to IAS 19 as explained in Note 1.

¹ 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 29 March 2014

| | 52 weeks ended 29 March 2014 £ million | 52 weeks ended 30 March 2013 £ million |
|---|---|---|
| Net cash flow from operating activities | 4.0 | 6.8 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (7.9) | (13.2) |
| Purchase of intangibles – software | (3.0) | (3.0) |
| Proceeds from sale of property, plant and equipment | - | 2.2 |
| Investments in joint ventures and associates | (2.9) | (1.8) |
| Net cash used in investing activities | (13.8) | (15.8) |
| Cash flows from financing activities | | |
| Interest paid | (2.7) | (2.8) |
| Facility fees paid | (1.4) | (1.4) |
| Bank loans raised | 15.0 | 30.0 |
| Issue of ordinary share capital | 0.2 | - |
| Net cash raised in financing activities | 11.1 | 25.8 |
| Net increase in cash and cash equivalents | 1.3 | 16.8 |
| Cash and cash equivalents at beginning of period | 17.6 | (0.1) |
| Effect of foreign exchange rate changes | (1.6) | 0.9 |
| Net cash and cash equivalents at end of period | 17.3 | 17.6 |

Notes

1. General information

- a) The accounting policies followed are the same as those published by the group within the 2013 annual report, except for the adoption of IAS19 (revised 2011) as described below.
- 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 29 March 2014 or the 52 week period ended 30 March 2013, but it is derived from those accounts. Statutory accounts for 2013 have been delivered to the Registrar of Companies and those for 2014 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 2013 financial statements are available on the Company's website (www.mothercareplc.com).
- e) IAS 19 (revised 2011) "Employee Benefits" and the related consequential amendments have impacted the accounting for the group's defined benefit scheme, by replacing the interest cost and expected return on assets with a net interest charge on the net defined benefit pension liability. For the current period, underlying PBT of £9.5 million is £2.7 million lower and other comprehensive income is £2.7 higher than it would have been prior to the adoption of IAS 19 (revised 2011). For the comparative period, the underlying profit before tax of £5.9 million is £2.4 million lower and other comprehensive income £2.4 million higher than previously reported. As the group has always recognised actuarial gains and losses immediately there has been no effect on the prior year defined benefit obligation. At the same time the group has taken the decision to separately identify the interest on the assets and liabilities of the pension scheme and classify these within net finance costs. These were previously reported within administrative expenses. The comparative financial information has been restated.

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 29 March 2014 | | | |
|--|------------------------------|----------------------------|--|---------------------------|
| | UK £ million | International £ million | Unallocated Corporate expenses £ million | Consolidated £ million |
| Revenue | | | | |
| External sales | 462.3 | 262.6 | - | 724.9 |
| Result | | | | |
| 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) |
| Loss from operations | | | | (19.1) |
| Finance costs (including £0.8m non-underlying) | | | | (7.2) |
| Loss before taxation | | | | (26.3) |
| Taxation | | | | (1.2) |
| Loss for the period | | | | (27.5) |

| | 52 weeks ended 30 March 2013 | | | |
|--|------------------------------|----------------------------|--|-----------------------------|
| | UK £ million | International £ million | Unallocated Corporate Expenses £ million | Consolidated * £ million |
| Revenue | | | | |
| External sales | 499.7 | 249.7 | - | 749.4 |
| Result | | | | |
| Segment result (underlying) | (21.6) | 42.1 | (7.8) | 12.7 |
| Share based payments | | | | (0.9) |
| Non-cash foreign currency adjustments (non-underlying) | | | | 6.9 |
| Amortisation of intangible assets (non-underlying) | | | | (1.0) |
| Exceptional items (Note 3) | | | | (35.3) |
| Loss from operations | | | | (17.6) |
| Finance costs (including £0.4m non-underlying) | | | | (6.3) |
| Loss before taxation | | | | (23.9) |
| Taxation | | | | 0.1 |
| Loss for the period | | | | (23.8) |

*Restated for amendments to IAS 19 as explained in Note 1.

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 29 March 2014 £ million | 52 weeks ended 30 March 2013 £ million |
|---|--|--|
| Exceptional items: | | |
| Restructuring costs included in cost of sales | 1.2 | (0.2) |
| Restructuring costs included in administrative expenses | (6.8) | (4.0) |
| Store property, plant and equipment impairment included in administrative expenses | (2.7) | (1.8) |
| Share-based payment charge included in administrative expenses | - | (0.1) |
| Property related costs in other exceptional items | (8.2) | (18.1) |
| Impairment of investment in and receivables due from joint venture/associate in other exceptional items | (2.6) | (11.1) |
| Restructuring costs included in finance costs | (0.8) | (0.4) |
| Total exceptional items: | (19.9) | (35.7) |
| Other non-underlying items: | | |
| Non-cash foreign currency adjustments ¹ | (14.9) | 6.9 |
| Amortisation of intangibles ¹ | (1.0) | (1.0) |
| Exceptional and other non-underlying items | (35.8) | (29.8) |

¹Included in non-underlying cost of sales is a charge of £15.9 million (2013: credit of £5.9 million).

Restructuring costs in cost of sales

During the 52 weeks ended 29 March 2014 a credit of £1.2 million has been recognised in respect of a refund on previous costs incurred for the rationalisation of the group's online warehousing operations (2013: £0.2 million costs were incurred in relation to the same rationalisation).

Restructuring costs in administrative expenses

During the 52 weeks ended 29 March 2014 a charge of £6.8 million (2013: £4.0 million) was recognised relating to head office restructuring and group reorganisation. The objective for the reorganisation was to streamline the business and improve efficiency to support the Transformation and Growth plan. This has resulted in the removal of c. 250 head office roles. 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 29 March 2014 the group has made a provision of £2.7 million (2013: £1.8 million) for store impairment where the carrying value of property plant and equipment is higher than the net realisable value and value in use.

Property related costs

Provisions of £8.2 million (2013: £18.1 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 2.7% has been used in calculating the provision, being the risk free rate. The losses on disposals relate to the store reduction programme announced in April 2012.

Impairment of joint venture investment

The group owns a 30% share in Wadicare Limited which is a joint venture that trades in Ukraine. Due to the political unrest in that country and the uncertainty of the joint ventures future cashflows the group has made a full provision of £2.6m against its investment.

Notes (continued)

3 Exceptional and other non-underlying items (continued)

Restructuring costs included in net finance costs

These costs are fees associated with entering into the banking facility agreement signed in April 2012. A renegotiation of new bank facility was signed on 18 October 2013 and a charge of £0.8m for the write-off of the April 2012 unamortised facility charge was recognised in the 52 weeks ended 29 March 2014.

4. Net Finance costs

| | 52 weeks ended 29 March 2014 | 52 weeks ended 30 March 2013 Restated* |
|---|---------------------------------|--|
| | £ million | £ million |
| Net interest on liabilities/ return on assets | 2.7 | 2.6 |
| Other net interest | 4.5 | 3.7 |
| Net finance costs | 7.2 | 6.3 |

*Restated for amendments to IAS 19 as explained in Note 1.

5. Taxation

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

| | 52 weeks ended 29 March 2014 £ million | 52 weeks ended 30 March 2013 £ million |
|--|--|--|
| Current tax: | | |
| Current year | 2.1 | 1.4 |
| Adjustment in respect of prior periods | - | 0.3 |
| | 2.1 | 1.7 |
| Deferred tax: | | |
| Current year | (4.2) | (1.7) |
| Change in tax rate in respect of prior periods | (0.2) | - |
| Adjustment in respect of prior periods | 3.5 | (0.1) |
| | (0.9) | (1.8) |
| Charge/(credit) for taxation on loss for the period | 1.2 | (0.1) |

UK corporation tax is calculated at 23 per cent (2013: 24 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 29 March 2014 £ million | 52 weeks ended 30 March 2013 £ million |
|---|--|--|
| Loss for the period before taxation | (26.3) | (23.9) |
| Loss for the period before taxation multiplied by the standard rate of corporation tax in the UK of 23% (2013: 24%) | (6.0) | (5.8) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 2.4 | 5.1 |
| Change in tax rate | (0.2) | 0.1 |
| Impact of overseas tax rates | 2.0 | (0.5) |
| Impact of double tax relief | (0.5) | - |
| Adjustment in respect of prior periods | - | 0.2 |
| Impact of write-off of prior year deferred tax asset | 3.5 | 0.8 |
| Charge/(credit) for taxation on loss for the period | 1.2 | (0.1) |

In addition to the amount charged to the income statement, deferred tax relating to retirement benefit obligations amounting to £4.5 million has been charged directly to other comprehensive income (2013: credit of £2.4 million).

Notes (continued)

6. Dividends

The directors are not recommending the payment of a final dividend for the year (2013: £nil). No interim dividend was paid during the year (2013: £nil).

7. Earnings per share

| | 52 weeks ended 29 March 2014 million | 52 weeks ended 30 March 2013 million |
|---|--|--|
| Weighted average number of shares in issue | 88.7 | 88.5 |
| Dilution- option schemes (for underlying results only) | 1.3 | 1.1 |
| Diluted weighted average number of shares in issue | 90.0 | 89.6 |

| | £ million | Restated* £ million |
|---|---------------|------------------------|
| Loss for basic and diluted earnings per share | (27.5) | (23.8) |
| Exceptional items and other non-underlying items (Note 3) | 35.8 | 29.8 |
| Tax effect of above items | (1.5) | (2.3) |
| Underlying earnings | 6.8 | 3.7 |

| | Pence | Pence |
|--|---------------|--------|
| Basic loss per share | (31.0) | (26.9) |
| Basic underlying earnings per share | 7.7 | 4.2 |
| Diluted loss per share | (31.0) | (26.9) |
| Diluted underlying earnings per share | 7.6 | 4.1 |

*Restated for amendments to IAS 19 as explained in Note 1.

8. Reconciliation of cash flow from operating activities

| | 52 weeks ended 29 March 2014 £ million | 52 weeks ended 30 March 2013 Restated* £ million |
|--|---|--|
| (Loss)/profit from retail operations | (7.7) | 13.0 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 14.7 | 15.8 |
| Amortisation of intangible assets | 5.6 | 5.6 |
| Impairment of property, plant and equipment and intangible assets | 2.7 | 1.9 |
| Losses on disposal of property, plant and equipment and intangible assets | 0.4 | 4.2 |
| Loss/(gain) on non-underlying non-cash foreign currency adjustments | 14.9 | (6.9) |
| Equity-settled share-based payments | 0.1 | 0.8 |
| Movement in provisions | (10.8) | (15.4) |
| Cash payments for other exceptional items | (0.2) | - |
| Amortisation of lease incentives | (5.2) | (4.9) |
| Lease incentives received | 0.7 | 3.5 |
| Payments to retirement benefit schemes | (6.2) | (7.2) |
| Charge/(gain) to profit from operations in respect of retirement benefit schemes | 1.1 | (0.1) |
| Operating cash flow before movement in working capital | 10.1 | 10.3 |
| Decrease/(increase) in inventories | 14.4 | (11.7) |
| (Increase)/decrease in receivables | (3.3) | 8.5 |
| (Decrease)/increase in payables | (15.5) | 2.2 |
| Cash generated from operations | 5.7 | 9.3 |
| Income taxes paid | (1.7) | (2.5) |
| Net cash flow from operating activities | 4.0 | 6.8 |

*Restated for amendments to IAS 19 as explained in Note 1.

Notes (continued)

8. Reconciliation of cash flow from operating activities (continued)

Analysis of Net Debt

| | 30 March 2013 £ million | Cashflow £ million | Foreign Exchange £ million | Other non- cash movements £ million | 29 March 2014 £ million |
|----------------------------------|-------------------------------|-----------------------|----------------------------------|--|-------------------------------|
| Cash and cash equivalents/(debt) | 17.6 | 1.3 | (1.6) | - | 17.3 |
| Borrowings | (50.0) | (15.0) | - | - | (65.0) |
| Facility Fee | - | 1.4 | - | (0.2) | 1.2 |
| Net Debt | (32.4) | (12.3) | (1.6) | (0.2) | (46.5) |

9. Events after the balance sheet date

On 20 May 2014 the group amended the banking facilities with the continued support of its two existing banks, increasing the committed facilities to £100 million which then reduces to £90 million from 10 October 2014 and providing further headroom on the gearing and fixed charge cover covenants.

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 remain those detailed on pages 30 to 32 of the Company's 2013 Annual Report and Accounts and which are summarised below:

- The group fails to meet the financial targets set out in the Transformation and Growth plan
- Shortfall in LFL sales, particularly in the UK
- Macro-economic conditions, especially in the Euro-zone
- Additional cash funding to support International joint ventures
- UK store rationalisation programme becomes difficult to achieve in current market conditions
- Foreign exchange rates risk
- Logistics, distribution or IT systems failure
- Organisational change and headcount reduction
- International expansion leading to over exposure in certain territories
- Changes in consumer demand
- Risk of loss of reputation relating to quality, safety and integrity
- Failure to invest in product innovation
- Failure to ensure supplier base operates to appropriate standards of safety

A copy of the Company's 2013 Annual Report and Accounts is available on the Company's website www.mothercareplc.com.

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.

Notes (continued)

Responsibility statement

The responsibility statement below has been prepared in connection with the company's full annual report for the 52 weeks ending 29 March 2014. 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.
- 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 21 May 2014 and signed on its behalf by:

Matt Smith
Chief Financial Officer