

## MOTHERCARE PLC Preliminary Results

### Transformation and Growth plan – good progress

Mothercare plc, the leading international mother and baby specialist, today announces preliminary results for the 52-week period to 30 March 2013.

#### Highlights for FY2012/13

##### Operating highlights

- Good progress after the first year of our three-year Transformation and Growth plan
- Improved value, choice, service and delivery for customers both in store and online
- International space up 2.8% (up 13.5% ex Australia and New Zealand) with 1,069 stores in 60 countries
- Closed 56 loss making UK stores, ending the year with 255 stores
- Direct in Home returning to growth of 4.0% for the year, helped by transition to improved online platform and award winning Mobile App with circa 140,000 downloads to date
- New executive team in place to deliver our plan with a multi-channel operating model for UK and International

##### Financial highlights

- Group underlying profit before tax improved to £8.3 million with International profits of £42.0 million up 20.3% and UK losses reduced to £21.7 million (FY2012: £24.7 million)
- Worldwide network sales<sup>3</sup> of £1.2 billion – down 0.3%<sup>2</sup> on a statutory basis and up 1.9%<sup>1</sup> on a comparable basis, with total International sales up 8.4% and UK sales down 10.8%
- International like-for-like sales up 5.6% and UK like-for-like sales down 3.6%, improving over the year and helped by positive contribution from Direct in Home
- Underlying EPS of 6.2p, up 244.4% on last year
- Net debt of £32.4 million resulting from investment in new product areas during the last quarter of the year

#### Group performance

	FY2012/13 52 weeks to 30 Mar 2013 £million	FY2011/12 53 weeks to 31 Mar 2012 £million	% change vs. last year
<b><u>Group</u></b>			
Worldwide network sales <sup>(3)</sup>	1,228.4	1,232.4	(0.3)
Total group sales	749.4	812.7	(7.8)
Group underlying profit before tax	8.3	1.6	+418.8
Exceptional charge & non-underlying items	(29.8)	(104.5)	-
Group loss before tax after exceptionals	(21.5)	(102.9)	-
Underlying EPS	6.2p	1.8p	+244.4
Net debt	(32.4)	(20.1)	-
<b><u>International</u></b>			
International like-for-like sales <sup>(3)</sup>	+5.6%	+6.1%	-
Total International sales	728.7	672.4	+8.4
Underlying International profit	42.0	34.9	+20.3
<b><u>UK</u></b>			
UK like-for-like sales <sup>(3)</sup>	(3.6%)	(6.2%)	-
Total UK sales	499.7	560.0	(10.8)
Underlying UK loss	(21.7)	(24.7)	-

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

"It has been a busy and successful year in the transformation of Mothercare plc. The Group's profitability has improved, in line with our plans, and we have delivered the first phase of our Transformation and Growth plan. This has been achieved against a backdrop of considerable change within the organisation and subdued consumer spending. Our strong franchise relationships around the globe give us solid foundations for continued growth both in terms of sales and profits internationally. I look forward to the year ahead, confident that the group is moving in the right direction."

**Simon Calver, Chief Executive of Mothercare plc, said:**

"My first year at Mothercare has been both exciting and challenging. I now have a full executive team in place and we are already making positive changes to the business. For all our customers, we are improving value, introducing new and more innovative products and investing in even better service. It is still early days and our customers are already beginning to respond positively buying more products on each trip and increasing their customer satisfaction scores. Online delivered 18.2% growth during the last quarter as the new online platform and the upgraded delivery options to both stores and home began to take effect. Our International franchise partners continue to perform very well, driving both Mothercare and Early Learning Centre forward in 60 countries worldwide and delivering robust sales and profit growth.

Our results reflect the progress we have made against our plans to reduce UK losses and deliver continued International profit growth. After the first year of our Transformation and Growth plan, the Company is on a firmer footing. I look forward to building on this in the years ahead, as the world's leading multi-channel mother and baby specialist."

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**Notes:**

**1** – This is on a comparable basis, which means 52 weeks for FY2012/13 vs. 52 weeks for FY2011/12 and excludes Australia and New Zealand from both FY2012/13 and FY2011/12.

**2** – Statutory basis means 52 weeks for FY2012/13 vs. 53 weeks for FY2011/12 and includes Australia and New Zealand from 1 April 2012 to 30 January 2013 for FY2012/13 and for the entire year for FY2011/12.

**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 retail sales of overseas franchisees and joint ventures and associates 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. 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** – 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.

**5** – Mothercare plc will release its Q1 Trading Update for the 15 weeks to 13 July 2013 on Thursday 18 July 2013.

## **CHIEF EXECUTIVE'S REVIEW**

### **Overview**

One year into our three-year Transformation and Growth plan we have made good progress, but this is only the start of what we can achieve. In our three-year plan we outlined four things we needed to do:

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

I am pleased to say we have made progress against all of these.

We have improved value, choice, service and delivery for our customers both in store and online and these are themes that we will continue to build on in the years ahead. Most importantly, I am pleased to say that we now have a full executive team that will lead Mothercare on the journey we started a year ago. The team brings together expertise in product development, merchandising, marketing and retail management both in the UK and Internationally; all of which is underpinned by a strong finance and people capability.

This executive team structure now reflects the global nature of our business. Our operating model needs to ensure we develop the right products for all our customers at the right price and in the right quantities. Every transaction with each customer in all of our markets needs to help them on their special journey of parenthood. We now operate from 4.1 million sq.ft. globally and have 1,324 stores across 61 countries. Nearly 60% of Worldwide network sales are generated outside the UK, which mirrors our footprint in terms of space.

Our business is dependent on sourcing from Asia and includes countries like China, India and Bangladesh. As a mother and baby specialist, at Mothercare we take the safety and wellbeing of all those involved in the manufacture of our products very seriously. We have an ethical sourcing policy and a team in place, which regularly inspects all factory premises and ensures that our suppliers' factories are safe and fit for purpose. Recent events in Bangladesh highlight the importance of improving standards. Whilst our suppliers are not impacted, we have signed up to the Accord on Fire and Building Safety in Bangladesh to support the improvement in the safety and conditions of all those employed in the manufacture of goods.

Our people are fantastic ambassadors for our Brands and, when we do things well, our customers respond very positively. As a true specialist, we are uniquely placed with parents and need to continue to make the most of this advantage globally. When we offer better value, unit sales increase significantly. When we introduce product innovation with new launches like Innosense, Xpedior and a new Happyland toy range, our customers switch to us. And when we improve our in store experience our customers are delighted. These results, a year into our Transformation and Growth plan, have shown progress but there remains a lot to do and significantly more opportunity ahead.

### **Group results seeing improved profit before tax**

Worldwide network sales were down 0.3% at £1,228.4 million for the year (FY2012: £1,232.4 million) with total International sales up 8.4% at £728.7 million (FY2012: £672.4 million) and total UK sales down 10.8% at £499.7 million (FY2012: £560.0 million). Group sales, which reflect total UK sales and revenues from our International partners declined 7.8% at £749.4 million (FY2012: £812.7 million). On a comparable basis Worldwide network sales were up 1.9%<sup>1</sup> and group sales were down 6.0%<sup>1</sup>.

Space, across both our UK and International businesses was down 1.8% during the year with International space up 2.8% at 2.3 million sq.ft. and the UK down 7.2% at 1.8 million sq.ft.

Adjusting for Australia and New Zealand, where all 74 stores (0.2 million sq.ft.) were closed during the year, total space was up 3.4% with International space up 13.5% and UK space down 7.2%.

In January we announced that the Directors of Mothercare Australia Limited, in which Mothercare plc (through its subsidiary Mothercare Finance Limited) had a minority 23% shareholding, had taken the decision to place the business into administration. Having assessed various potential strategies, the administrators decided to close the business. As a result all 74 stores in Australia and New Zealand have now been closed.

Group underlying profit before tax was up at £8.3 million (FY2012: £1.6 million) with International profits up 20.3% at £42.0 million (FY2012: £34.9 million), UK losses reduced to £21.7 million (FY2012: £24.7 million) and corporate expenses broadly flat at £7.8 million (FY2012: £7.6 million). After exceptional items and other non-underlying charges of £29.8 million (FY2012: £104.5 million), the reported loss before tax was reduced to £21.5 million (FY2012: £102.9 million). These exceptional costs are: £15.6 million for UK property restructuring, £11.1 million for Australia, £4.3 million for onerous leases and £4.7 million for other restructuring costs.

We end the year with net debt of £32.4 million (FY2012: £20.1 million), which partly reflects the investment in stock for new product lines across Clothing and Home and Travel. This is well within our committed banking facilities of £90 million, which cover the life of our three-year plan and expire in May 2015. No dividend has been declared for FY2013.

### International profits up over 20%

	<b>FY2012/13</b> <b>52 weeks to</b> <b>30-Mar-13</b>	<b>FY2011/12</b> <b>53 weeks to</b> <b>31-Mar-12</b>	<b>% change</b> <b>vs. last year</b>
International retail sales	£721.0m	£665.5m	+8.3%
International wholesale sales	£7.7m	£6.9m	+11.6%
Total International sales	£728.7m	£672.4m	+8.4%
Underlying profit	£42.0m	£34.9m	+20.3%

Our International business continues to deliver encouraging growth in terms of space and revenues, with profits up 20.3% to £42.0 million.

International now trades from 2.3 million sq.ft., with 1,069 stores across 60 countries. During the year our International partners opened 115 stores and some, and with our help, made further progress towards establishing multi-channel businesses. Our partners now have transactional online sites in Indonesia, Ireland, Kuwait and two in Russia for both Early Learning Centre and Mothercare. In addition, our partner in China has a transactional site on TMall, the largest online trading platform in China, and will in time have its own online platform. We now have a global e-commerce platform in place, which will be rolled out to help our franchise partners develop their multi-channel strategies. The growth opportunities in our newer markets is clear, but even our longer established markets are benefitting from the trend of moving to larger units whilst also establishing multi-channel offers ahead of other retailers in the region.

Our continuing International business is impacted by an on-going weaker performance from our Eurozone markets, which has been offset by a stronger performance from our Eastern European markets, particularly Russia. All four of our regions saw positive growth in both like-for-like and retail sales. Despite the negative contribution from our Eurozone markets, International saw like-for-like sales growth of 5.6%.

Europe is still our largest market with 433 stores in 28 countries. A net 24 stores were opened and space grew by 4.4%, which indicates that this region still continues to see growth opportunities despite the continuing Eurozone challenges.

The Middle East and Africa is our oldest region and has 309 stores in 14 countries. A net 19 stores were opened and space grew by 15.9%, reflecting the ongoing transition to larger stores as the business matures. This increase in space means our franchise partners in these markets are taking

advantage of a greater proportion of our product offering to increasingly become the one-stop-shop for mums in these markets.

Asia remains a high growth market with 290 stores across 12 countries. India and China continue to deliver rapid growth and our partners in the region, excluding Australia and New Zealand, opened 46 stores and increased space by 23.7% during the year. The year also saw the closure of all 74 stores in Australia and New Zealand as Mothercare Australia Limited was put into administration by its Directors.

Latin America now has 37 stores in six countries. It is early days with some new partners here but the results so far are very encouraging. We have also identified great quality potential new partners for further rollout in the region and have confidence in the opportunity ahead.

Total International sales were up 8.4% at £728.7 million (FY2012: £672.4 million) with International Wholesale sales up 11.6% at £7.7 million (FY2012: £6.9 million) and International Retail sales up 8.3% at £721.0 million (FY2012: 665.5 million). Reported International sales of £249.7 million were down 1.2% during the year.

On a comparable basis, total International sales were up 15.0% in constant currency for the year, whilst in sterling terms revenues were up 11.8%.

International profit growth has remained robust at 20.3% to £42.0 million (FY2012: £34.9 million) with retail profits of £43.4 million (FY2012: £38.1 million) and joint venture losses reduced to £1.4 million (FY2012: loss of £3.2 million).

Our International results are testament to the hard work and knowledge offered by our International team and the strength of the relationships they have with our franchise partners. We work closely with all our partners who offer invaluable local knowledge and expertise. They help us leverage the benefits that our brands and products offer. I am pleased to say that we continue to see good growth opportunities across all our regions.

#### **UK losses reduced as planned**

	<b>FY2012/13</b>	<b>FY2011/12</b>	
	<b>52 weeks to</b>	<b>53 weeks to</b>	<b>% change</b>
	<b>30-Mar-13</b>	<b>31-Mar-12</b>	<b>vs. last year</b>
UK direct sales	£127.7m	£130.0m	(1.8%)
UK retail sales (including direct)	£468.2m	£528.7m	(11.4%)
UK wholesale sales	£31.5m	£31.3m	+0.6%
Total UK sales	£499.7m	£560.0m	(10.8%)
Underlying loss	(£21.7m)	(£24.7m)	+12.1%

Against the backdrop of continuing pressure on the UK consumer, we are making progress towards reducing losses in the UK. Over the last 12 months we have closed 56 loss making stores, refurbished our Edmonton, Nottingham and Dudley stores, improved value across Clothing and Home & Travel, introduced new and innovative product like Innosense, Xpedior and extended the range of Happyland toy characters, relaunched our online platform and invested in service. These initiatives are beginning to have a beneficial impact and we will build on these themes over the years ahead.

We have, over the last year, reduced our UK footprint by 7.2% and now operate from 1.8 million sq.ft. with 255 stores (196 Mothercare and 59 Early Learning Centre). We closed 56 stores (13 Mothercare and 43 Early Learning Centre), ahead of our target of circa 50, as we were able to negotiate deals with our landlords while also closing stores as their leases came up for renewal.

As expected these store closures have impacted UK sales, which were down 10.8% at £499.7 million (FY2012: £560.0 million). On a comparable basis total UK sales were down 9.2%. This decline in store-based sales was mitigated by the improvement in Direct in Home sales of £93.8 million, up 2.3% on a statutory basis and up 4.0% on a comparable basis. The migration to a new

online platform together with the improvement in navigation, content and delivery options has delivered good results, but there is more to do.

In May 2013, we made 'click and collect' available through all our Mothercare stores. This service is free and allows customers to order from home and collect from any Mothercare store the very next day and makes up circa 20% of Direct in Home sales. Our iPhone Mobile App, which we launched at the end of November 2012, has been downloaded circa 140,000 times and was voted Best Mobile App 2013 by Mobile Retail Awards. We will also be launching an Android App to further help our customers access our products in the most convenient way to them. We are becoming more competitive online and offering the services that many other businesses have been doing for some time. Whilst our Direct in Home sales have responded well to the improvements we have made during the last year, Direct in Store sales have been disappointing and at £33.9 million were down 11.5%. This is an area that we will be focusing on during the year ahead. Together, total Direct sales were down 1.8% at £127.7 million.

UK Wholesale sales of £31.5 million were up 0.6%. Miniclub, our partnership with Boots, continues to perform in line with expectations and we are beginning to make progress towards extending the Early Learning Centre range as a Wholesale offer where appropriate.

We have refurbished some of our larger stores and have gained real insight into what works for our customers and we will use these insights as we continue to reshape our store portfolio. Building on our experiences from last year, we have just completed refurbishing Leeds and plan at least a further two stores in the year ahead. A year since the investment in our Edmonton store, customers are reacting well as it is still performing ahead of the rest of the store portfolio.

We have made good progress with Clothing, reducing overall pricing by low double-digits for two successive seasons now. We launched the Value range, for AW12 (Autumn/Winter 2012), which sold out soon after it was launched and prompted reordering of product for the first time in several years. We increased both the range and volume for SS13 (Spring/Summer 2013) such that our Value range now makes up circa 20% of the Clothing ranges. We relaunched Blooming Marvellous for AW12 offering our customers better maternity quality, fashion and value and have seen reduced levels of markdown. At the premium end of our Clothing range, we launched Little Bird by Jools Oliver, which complements Baby K by Myleene Klass.

Home and Travel is the more challenging of our product categories. Third party branded product makes up approximately 50% of the range and so is more exposed to competitive pricing pressure. Our work with key brands and price matching has improved our price perception on these products, but we aim to move the sales mix towards our own brand ranges. We have started the process by introducing new and innovative own brand products that are relevant to our customers. This will also help us re-establish our credentials as the leading mother and baby specialist in the UK. In January we launched Innosense, a complete feeding range with 47 SKUs, 21 of which were newly designed. Key items include a breast pump with three adjustable positions, a wide neck bottle with an off-centre teat and clever stacking design of the lozenge shaped steriliser. In March 2013 we launched the Xpedior our own brand pram and pushchair travel system, which at £250 is very competitively priced. It complements the Orb, which was launched in November last year. This is just the beginning and we aim to continue the good work started over the last 12 months.

Our Early Learning Centre range has also been improved. Early Learning Centre is synonymous with learning and our AW12 ranges saw a complete refresh with many new products focusing on 3D playing aimed at encouraging fine motor skills and hand-eye coordination. Innovation and newness, particularly in own brand, have been a key area of focus. New product accounted for over 30% of our own brand ranges for AW12 and SS13. In addition, the relaunch of our Happyland toy characters making them collectable items for children at affordable prices has also delivered good results.

Our customers want more than great product at great prices. They want better service and they also want us to engage more frequently with them. We have extended our customer survey to Direct and so are able to build a complete picture of how our customers view us both in store and

online. Earlier this year we were an official partner of the highly successful Channel 4 series 'One Born Every Minute' with an average of 3.4 million viewers per episode, many of whom were either looking forward to a birth or had welcomed a baby into their families in the previous 12 months. Our weekly Twitter parties during the show offered customers the opportunity to get advice from our expert midwife and proved very popular. We are also engaging more readily with opinion forming groups and last month, in April 2013, I held my first direct Q&A session with Mumsnet.

Whilst we still have a long way to go, I am encouraged by the progress we have made in the UK over the last year. We are taking positive action by closing loss making stores, driving efficiency across the organisation, creating more excitement in store and making step changes in our product ranges and architecture. We are laying the foundation for a stronger, more relevant and more responsive business for our customers.

## **Summary and outlook**

My first year as Chief Executive of Mothercare has been both exciting and challenging. I have overseen the first steps towards returning Mothercare to its rightful position as the leading multi-channel mother and baby specialist both in the UK and across all our 60 International markets. Importantly, with a full executive team now in place, I can look forward to building on the progress made over the last 12 months. I am also pleased to announce my new arrival, Nieve Elizabeth, who came into the world in December and is already a great tester for all our new innovations.

However, trading conditions and consumer confidence remain weak in the UK and Eurozone. In the UK, we will continue with our strategy to manage the business to cash margins while closing loss making stores and taking out non-store costs. Our efforts to engage more effectively with our customers while also investing in value, choice, service and delivery will help us mitigate some of the impact of continued weak consumer confidence. Our International markets, with the exception of the Eurozone, continue to offer good growth opportunities and we will continue to drive this part of the business forward aggressively, in line with the last year.

Against this backdrop, I believe that we have made solid progress implementing our three-year Transformation and Growth plan. We have great people in the business and I thank them for all their efforts. I believe the work done over the last year has put Mothercare on a firmer footing, which I and all the great teams in the business look forward to building on in the years ahead.

# Mothercare plc Preliminary Results

## FINANCIAL REVIEW

### RESULTS SUMMARY

Group underlying profit before tax increased by £6.7 million to £8.3 million (2011/12: £1.6 million). Underlying profit excludes exceptional items and other non-underlying items which are analysed below. After these non-underlying items, the group recorded a pre-tax loss of £21.5 million (2011/12: Loss of £102.9 million). Underlying profit from operations before interest and the IFRS 2 share based payments charge increased by £9.9 million to £12.5 million.

### Income Statement

£ million	52 weeks ended 30 March 2013	53 weeks ended 31 March 2012
Revenue	749.4	812.7
<b>Underlying profit from operations before interest and share based payments</b>	<b>12.5</b>	<b>2.6</b>
Share based payments	(0.9)	(0.6)
Net finance costs	(3.3)	(0.4)
<b>Underlying profit before tax</b>	<b>8.3</b>	<b>1.6</b>
Exceptional items and unwind of discount on exceptional provisions	(35.7)	(104.5)
Non-cash foreign currency adjustments	6.9	2.0
Amortisation of intangible assets	(1.0)	(2.0)
<b>Loss before tax</b>	<b>(21.5)</b>	<b>(102.9)</b>
Underlying EPS – basic	6.2p	1.8p
EPS – basic	(24.9)p	(105.2)p

53<sup>rd</sup> week in 2012

The year ended 30 March 2013 contains 52 weeks compared to 53 weeks for the year ended 31 March 2012. The financial statements and this review have therefore been prepared on this basis.

For information, on a more comparable, 52 week basis;

- Group sales were down 6.3 % to £749.4 million (2012: £799.6 million).
- UK sales were down 9.2 % to £499.7 million (2012: £550.3 million).
- International revenue was up 0.2% to £249.7 million (2012: £249.3 million).
- Group profit before exceptional items and taxation was up £6.8 million to £8.3 million (2012: £1.5 million).

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):

- Non-cash adjustments principally relating to marking to market of commercial foreign currency hedges at the period end. 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).

Exceptional items (see note 3):

- Australian associate write off costs of £11.1 million
- Net losses on disposal or termination of property interests of £13.8 million
- Onerous lease provision for the UK business of £4.3 million
- Store impairment provision in relation to the UK business of £1.8 million
- Restructuring costs of the UK and head office organisation of £4.2 million

Exceptional items in 2011/12 included £9.1 million restructuring costs of the UK business, £22.6 million net losses on disposal or termination of property interests, £11.5 million onerous lease provision for the UK business, £3.8m store impairment provision in relation to the UK business, £55.0 million goodwill and intangible assets impairment in relation to UK share of goodwill and other intangibles arising on the acquisition of ELC, £2.8m impairment of investment in Australian associate, £0.4m share of restructuring costs in the Australian associate business and £0.8m share based payments credit (resulting from the UK restructure).

## Results by Segment

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

	52 weeks to 30 March 2013	53 weeks to 31 March 2012
<b>£ million - Revenue</b>		
UK	499.7	560.0
International	249.7	252.7
<b>Total</b>	<b>749.4</b>	<b>812.7</b>

	52 weeks to 30 March 2013	53 weeks to 31 March 2012
<b>£ million – Underlying Profit/(loss)</b>		
UK	(21.7)	(24.7)
International	42.0	34.9
Corporate	(7.8)	(7.6)
<b>Profit from operations before share based payments</b>	<b>12.5</b>	<b>2.6</b>
Share based payments	(0.9)	(0.6)
Net finance costs	(3.3)	(0.4)
<b>Underlying profit before tax</b>	<b>8.3</b>	<b>1.6</b>

UK retail sales have declined year on year due to store closures and declining like-for-like sales across the store estate partially offset by increases in our Direct in Home business. Profit has benefited from the property strategy, with the continued exit from loss making stores and tight cost control.

International has benefited from increased royalties driven from higher network sales and overhead cost savings. International profit also includes losses in joint ventures and associates 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 £0.9 million (2011/12: £0.6 million) in relation to the Company's long-term incentive schemes. There are five main types of long-term share based incentive scheme being the Long Term Incentive Plan, 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 30 March 2013	53 weeks ended 31 March 2012	52 weeks ended 30 March 2013	53 weeks ended 31 March 2012
UK retail sales	468.2	528.7	468.2	528.7
UK wholesale sales	31.5	31.3	31.5	31.3
Total UK sales	499.7	560.0	499.7	560.0
International retail sales	242.0	245.8	721.0	665.5
International wholesale sales	7.7	6.9	7.7	6.9
Total International sales	249.7	252.7	728.7	672.4
<b>Group sales/Group network sales</b>	<b>749.4</b>	<b>812.7</b>	<b>1,228.4</b>	<b>1,232.4</b>

\* Estimated

## Financing and Taxation

Financing represents interest payable on borrowings and costs relating to bank facility fees and the unwinding of discounts on provisions.

The underlying tax charge comprises current and deferred tax. The effective tax rate is 33.7% (2011/12: nil per cent). The effective tax rate is higher than the standard tax rate of 24% mainly due to the write-off of a deferred tax asset. The tax charge in some areas of business has been offset by allowable tax losses. An underlying tax charge of £2.8m (2011/12: £Nil) has been included for the period and in total the tax charge was £0.5m (2011/12: credit of £11.1m).

## Pensions

During the year the company's defined benefit pension schemes have been closed to future accrual.

Details of the income statement net charge, total cash funding and net assets and liabilities are as follows:

£ million	As per amendments to IAS 19		As reported	
	2013/14*	2012/13	2012/13	2011/12
	New IAS	New IAS		
<b>Income statement</b>				
Service cost	(0.1)	(2.4)	(2.4)	(2.3)
Running costs	(1.0)	(0.8)		
Return on assets/(interest) on liabilities	(2.8)	(2.6)	(1.0)	0.2
Gains on curtailment	-	3.3	3.3	0.2
Net charge	(3.9)	(2.5)	(0.1)	(1.9)
<b>Cash funding</b>				
Regular contributions	-	(2.0)	(2.0)	(1.9)
Deficit contributions	(6.2)	(5.2)	(5.2)	(6.1)
Total cash funding	(6.2)	(7.2)	(7.2)	(8.0)
<b>Balance sheet</b>				
Fair value of schemes' assets		234.8	234.8	217.3
Present value of defined benefit obligations		(296.4)	(296.4)	(270.0)
Net liability	N/A	(61.6)	(61.6)	(52.7)

\* Estimate

The estimated net charge for the year 2013/14 presented above has been prepared applying the amended version of IAS 19, which will be applied for the first time in 2013/14. The key changes are:

- The expected return on assets is replaced by interest on the assets calculated using the discount rate (impact of c£2.4m).
- Running costs currently accounted for as a deduction to the expected return on assets will be reported as a separate cost.
- These changes will result in the 2012/13 result being restated with the net charge associated with the defined benefit pension scheme increasing from £0.1m to £2.5m.

In consultation with the independent actuaries to the schemes, the key market rate assumptions used in the valuation are as follows:

	2012/13	2011/12	2012/13 Sensitivity	2012/13 Sensitivity £ million
Discount rate	4.6%	4.9%	+/- 0.1%	-/+7.0
			+/- 0.05%	-/+3.5
Inflation – RPI	3.4%	3.3%	+/- 0.1%	+/-6.2
Inflation - CPI	2.4%	2.3%	+/- 0.1%	+/-6.2

The sensitivity of the IAS 19 valuation to a 0.1% and 0.05% movement in the discount rate is set out in the table above.

## Balance Sheet and Cash Flow

The balance sheet includes identifiable intangible assets arising on the acquisition of The Early Learning Centre of £7.4 million and goodwill of £26.8m million. This relates to the International business.

The group continues to generate operating cash, with cash generated from operations of £9.3 million. Income taxes of £2.5 million were paid in the year resulting in net cash flow from operating activities of £6.8 million.

We have made further investment in our joint ventures during the year to drive the growth in International, including £1.1 million in China and £0.7 million in India.

After investing £16.2 million of capital expenditure (£12.7 million net of lease incentives received), receiving property proceeds of £2.2 million, the net debt position at the year end is £32.4 million (2011/12: Net debt of £20.1 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.

A review of the business performance is set out in the Chief Executive's review. UK retail sales have declined year on year due to store closures and declining like-for-like sales across the store estate partially offset by increases in our Direct in Home business. Profit has benefited from the property strategy, with the continued exit from loss making stores and tight cost control. The International business continues to expand generating an underlying profit for the period of £42.0m (2012: £34.9m).

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 the 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.

At the year end the group had committed secured bank facilities with HSBC and Barclays of £90 million (at an interest rate range of 3.5% to 4.0% above LIBOR) until 31 May 2015. These facilities provide sufficient liquidity and covenant headroom to accommodate the three year strategy. The covenants in the facilities are tested quarterly and are based around gearing, fixed charge cover and guarantor cover.

The maximum net debt balance during the period was £55.2 million and at the year end the group had a net debt balance of £32.4 million funded by a draw down against the loan facility of £50 million, net of £17.6 million of cash.

The continued challenging economic conditions, particularly the difficult consumer and retail environment, create uncertainty around the level of demand for the group's products. However, after one year of the Transformation and Growth Plan which is supported by 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 that 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 continued execution of the Transformation and Growth plan, assume a stabilisation of gross margin and like for like revenues within UK stores, continued retail sales growth within the International business and an improvement in working capital, have been sensitivity-tested for reasonably possible adverse variations in trading performance. This indicates the group will operate within the terms of its borrowing facilities and covenants for the foreseeable future. To the extent that future trading is worse than a reasonably possible downside, which the directors do not consider a likely scenario, then there are mitigating actions available which would enable the group to continue to operate within the terms of the borrowing facilities and covenants for the foreseeable future.

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

## Capital Additions

Total capital additions in the year were £12.5 million (2011/12: £26.0 million), including £3.0 million for software intangibles and £7.8 million invested in UK stores. Landlord contributions of £3.5 million (2011/12: £3.5 million) were received, partially offsetting the outflow. Net capital expenditure after landlord contributions was £9.0 million (2011/12: £22.5 million).

## **Earnings per Share and Dividend**

Basic underlying earnings per share were 6.2 pence compared to 1.8 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 2012/13. The total dividend for the year is nil pence per share (2011/12: 2.0 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 33 per cent of group sales. Total International sales represent approximately 59 per cent of group network sales. The group therefore has some currency exposure on these sales, but it is used to offset or hedge in part the group's US dollar and Euro denominated product purchases. The group policy is that all material exposures are hedged by using forward currency contracts.

## **Interest rate risk**

The group has drawn down £50 million on its term borrowing facility. Following the group refinancing on 11 April 2012 the group now 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 £38.8 million, a decrease of £33.9 million in the year driven largely by the exceptional provisions required for the UK property transformation and restructuring and the impairment of the investment in the Australian associate. This represents £0.44 per share compared to £0.82 per share at the previous year end.

## **Accounting Policies and Standards**

There are no new standards affecting the reported results and financial position.

# Consolidated income statement

For the 52 weeks ended 30 March 2013

	Note	52 weeks ended 30 March 2013			53 weeks ended 31 March 2012		
		Underlying <sup>1</sup> £ million	Non- underlying <sup>2</sup> £ million	Total £ million	Underlying <sup>1</sup> £ million	Non- underlying <sup>2</sup> £ million	Total £ million
Revenue	2	749.4	-	749.4	812.7	-	812.7
Cost of sales	3	(702.0)	5.7	(696.3)	(768.4)	(2.0)	(770.4)
Gross profit		47.4	5.7	53.1	44.3	(2.0)	42.3
Administrative expenses		(34.4)	(5.9)	(40.3)	(39.1)	(10.1)	(49.2)
<b>Profit/(loss) from retail operations</b>		<b>13.0</b>	<b>(0.2)</b>	<b>12.8</b>	<b>5.2</b>	<b>(12.1)</b>	<b>(6.9)</b>
Loss on disposal/termination of property interests	3	-	(13.8)	(13.8)	-	(22.6)	(22.6)
Other exceptional items	3	-	(15.4)	(15.4)	-	(69.3)	(69.3)
Share of results of joint ventures and associates		(1.4)	-	(1.4)	(3.2)	(0.4)	(3.6)
<b>Loss from operations</b>	2	<b>11.6</b>	<b>(29.4)</b>	<b>(17.8)</b>	<b>2.0</b>	<b>(104.4)</b>	<b>(102.4)</b>
Net finance costs	3,4	(3.3)	(0.4)	(3.7)	(0.4)	(0.1)	(0.5)
Loss before taxation		8.3	(29.8)	(21.5)	1.6	(104.5)	(102.9)
Taxation	5	(2.8)	2.3	(0.5)	-	11.1	11.1
<b>Loss for the period attributable to equity holders of the parent</b>		<b>5.5</b>	<b>(27.5)</b>	<b>(22.0)</b>	<b>1.6</b>	<b>(93.4)</b>	<b>(91.8)</b>
<b>(Loss)/Earnings per share</b>							
Basic	7	6.2p		(24.9p)	1.8p		(105.2p)
Diluted	7	6.1p		(24.9p)	1.8p		(105.2p)

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

<sup>2</sup> Includes exceptional items (loss on disposal/termination of property interests, restructuring costs, impairment charges and provision for onerous leases) 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.

All results relate to continuing operations.

## Consolidated statement of comprehensive income/(expense)

	52 weeks ended 30 March 2013	53 weeks ended 31 March 2012
	£ million	£ million
Other comprehensive expense – actuarial loss on defined benefit pension schemes	(16.0)	(21.2)
Cash flow hedges: losses arising in the period	(0.3)	-
Tax relating to components of other comprehensive income	3.0	4.1
Exchange differences on translation of foreign operations	0.6	(0.1)
Net loss recognised in other comprehensive income/(expense)	(12.7)	(17.2)
Loss for the period	(22.0)	(91.8)
<b>Total comprehensive expense for the period attributable to equity holders of the parent</b>	<b>(34.7)</b>	<b>(109.0)</b>

# Consolidated balance sheet

As at 30 March 2013

	30 March 2013 £ million	31 March 2012 £ million
<b>Non-current assets</b>		
Goodwill	26.8	26.8
Intangible assets	19.7	22.1
Property, plant and equipment	69.6	86.3
Investments in joint ventures	8.0	6.8
Investment in associate	-	3.2
Deferred tax asset	21.7	17.6
	<b>145.8</b>	<b>162.8</b>
<b>Current assets</b>		
Inventories	110.6	99.1
Trade and other receivables	58.1	74.7
Current tax assets	1.0	-
Derivative financial instruments	7.3	-
Cash and cash equivalents	17.6	1.8
	<b>194.6</b>	<b>175.6</b>
<b>Total assets</b>	<b>340.4</b>	<b>338.4</b>
<b>Current liabilities</b>		
Trade and other payables	(123.3)	(123.8)
Borrowings	(3.5)	(1.9)
Current tax liabilities	(0.5)	(0.1)
Derivative financial instruments	(0.3)	(1.3)
Short-term provisions	(21.4)	(24.5)
	<b>(149.0)</b>	<b>(151.6)</b>
<b>Non-current liabilities</b>		
Trade and other payables	(28.1)	(29.0)
Borrowings	(46.5)	(20.0)
Retirement benefit obligations	(61.6)	(52.7)
Long-term provisions	(16.4)	(12.4)
	<b>(152.6)</b>	<b>(114.1)</b>
<b>Total liabilities</b>	<b>(301.6)</b>	<b>(265.7)</b>
<b>Net assets</b>	<b>38.8</b>	<b>72.7</b>
<b>Equity attributable to equity holders of the parent</b>		
Share capital	44.3	44.3
Share premium account	6.2	6.2
Other reserve	6.2	50.8
Own shares	(0.6)	(2.1)
Translation and hedging reserves	0.3	-
Retained earnings	(17.6)	(26.5)
<b>Total equity</b>	<b>38.8</b>	<b>72.7</b>

# Consolidated statement of changes in equity

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 <sup>1</sup>	Own shares	Translation and hedging reserve	Retained earnings	
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
<b>Balance at 1 April 2012</b>	44.3	6.2	50.8	(2.1)	-	(26.5)	72.7
Other comprehensive expense for the period					0.3	(13.0)	(12.7)
Loss for the period					-	(22.0)	(22.0)
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)	-
<b>Balance at 30 March 2013</b>	<b>44.3</b>	<b>6.2</b>	<b>6.2</b>	<b>(0.6)</b>	<b>0.3</b>	<b>(17.6)</b>	<b>38.8</b>

For the 53 weeks ended 31 March 2012

	Equity attributable to equity holders of the parent						Total equity
	Share capital	Share premium account	Other reserve <sup>1</sup>	Own shares	Translation and hedging reserve	Retained earnings	
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
<b>Balance at 27 March 2011</b>	44.3	5.9	50.8	(9.0)	0.1	100.7	192.8
Other comprehensive expense for the period	-	-	-	-	(0.1)	(17.1)	(17.2)
Loss for the period	-	-	-	-	-	(91.8)	(91.8)
Total comprehensive expense for the period	-	-	-	-	(0.1)	(108.9)	(109.0)
Issue of equity shares	-	0.3	-	-	-	-	0.3
Credit to equity for equity-settled share-based payments	-	-	-	-	-	0.5	0.5
Shares transferred to employees on vesting	-	-	-	6.9	-	(6.9)	-
Dividends paid	-	-	-	-	-	(11.9)	(11.9)
<b>Balance at 31 March 2012</b>	<b>44.3</b>	<b>6.2</b>	<b>50.8</b>	<b>(2.1)</b>	<b>-</b>	<b>(26.5)</b>	<b>72.7</b>

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

# Consolidated cash flow statement

For the 52 weeks ended 30 March 2013

	52 weeks ended 30 March 2013	53 weeks ended 31 March 2012 Restated*
	£ million	£ million
<b>Net cash flow from operating activities</b>	<b>6.8</b>	5.6
<b>Cash flows from investing activities</b>		
Interest received	-	0.9
Purchase of property, plant and equipment	(13.2)	(21.7)
Purchase of intangibles – software	(3.0)	(3.2)
Proceeds from sale of property, plant and equipment	2.2	2.3
Investments in joint ventures and associates	(1.8)	(5.7)
<b>Net cash used in investing activities</b>	<b>(15.8)</b>	(27.4)
<b>Cash flows from financing activities</b>		
Interest paid	(2.8)	(1.3)
Facility fees paid	(1.4)	-
Bank loans raised	30.0	20.0
Equity dividends paid	-	(11.9)
Issue of ordinary share capital	-	0.3
<b>Net cash raised in financing activities</b>	<b>25.8</b>	7.1
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>16.8</b>	(14.7)
Cash and cash equivalents at beginning of period	(0.1)	15.3
Effect of foreign exchange rate changes	0.9	(0.7)
<b>Net cash and cash equivalents/(debt) at end of period</b>	<b>17.6</b>	(0.1)

\* The cash flow statement for the period ended 31 March 2012 has been restated to give a better understanding of the movement in provisions and their impact on exceptional items.

## Notes

### 1. General information

- a) The accounting policies followed are the same as those published by the group within the 2012 annual report.
- b) Whilst the financial information included in this preliminary announcement has been prepared in accordance with IFRS as endorsed by the European Union, this announcement does not itself contain sufficient information to comply with all the disclosure requirements of IFRS.
- c) The Company believes that underlying profit before tax and underlying earnings provides additional useful information for shareholders. The term underlying earnings is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for IFRS measures of profit. As the Company has chosen to present an alternative earnings per share measure, a reconciliation of this alternative measure to the statutory measure required by IFRS is given in note 7.
- d) The financial information set out in this announcement does not constitute the Company's statutory accounts for the 52 week period ended 30 March 2013 or the 53 week period ended 31 March 2012, but it is derived from those accounts. Statutory accounts for 2012 have been delivered to the Registrar of Companies and those for 2013 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) Companies Act 2006.

### 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 30 March 2013			
	UK £ million	International £ million	Unallocated corporate expenses £ million	Consolidated £ million
<b>Revenue</b>				
External sales	499.7	249.7	-	749.4
<b>Result</b>				
Segment result (underlying)	(21.7)	42.0	(7.8)	12.5
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)
<b>Loss from operations</b>				(17.8)
Finance costs (including £0.4m non-underlying)				(3.7)
Loss before taxation				(21.5)
Taxation				(0.5)
<b>Loss for the period</b>				(22.0)

	53 weeks ended 31 March 2012			
	UK £ million	International £ million	Unallocated Corporate Expenses £ million	Consolidated £ million
<b>Revenue</b>				
External sales	560.0	252.7	-	812.7
<b>Result</b>				
Segment result (underlying)	(24.7)	34.9	(7.6)	2.6
Share based payments				(0.6)
Non-cash foreign currency adjustments (non-underlying)				2.0
Amortisation of intangible assets (non-underlying)				(2.0)
Exceptional items (note 3)				(104.4)
<b>Loss from operations</b>				(102.4)
Finance costs (including £0.1m non-underlying)				(0.5)
Loss before taxation				(102.9)
Taxation				11.1
<b>Loss for the period</b>				(91.8)

### 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 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
<b>Exceptional items:</b>		
Restructuring costs in cost of sales	(0.2)	(2.0)
Restructuring costs included in administrative expenses	(4.0)	(7.1)
Store property, plant and equipment impairment included in administrative expenses	(1.8)	(3.8)
Share-based payment (charge)/credit included in administrative expenses	(0.1)	0.8
Onerous lease provision	(4.3)	(11.5)
Loss on disposal/termination of property interests	(13.8)	(22.6)
Goodwill and intangible assets impairment	-	(55.0)
Impairment of investment in and receivables due from associate	(11.1)	(2.8)
Restructuring cost in associate	-	(0.4)
Restructuring costs in finance cost	(0.4)	-
<b>Total exceptional items:</b>	<b>(35.7)</b>	<b>(104.4)</b>
<b>Other non-underlying items:</b>		
Non-cash foreign currency adjustments under IAS 39 and IAS 21 <sup>1</sup>	6.9	2.0
Amortisation of intangibles <sup>1</sup>	(1.0)	(2.0)
Unwinding of discount on exceptional property provisions included in finance costs	-	(0.1)
<b>Exceptional and other non-underlying items</b>	<b>(29.8)</b>	<b>(104.5)</b>

<sup>1</sup>Included in non-underlying cost of sales is a credit of £5.9 million (2012: charge of £nil million).

#### Restructuring costs in cost of sales

During the 52 weeks ended 30 March 2013 further costs of £0.2 million have been incurred in respect of the rationalisation in the prior year of the group's on-line warehousing operations (2012: £2.0 million was incurred in relation to the same rationalisation).

#### Restructuring costs in administration expenses

During the 52 weeks ended 30 March 2013 a charge of £4.0 million (2012: £7.1million) was recognised relating to further head office restructuring and the impact of the write-off of redundant IT systems assets, partly offset by a curtailment gain arising on the closure of the group's defined benefit pension scheme.

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

During the 52 weeks ended 30 March 2013 the group has made provision of £1.8 million (2012: £3.8 million) for store impairment where the carrying value of property plant and equipment is higher than the net realisable value and value in use.

#### Share-based payment charge included in administrative expenses

During the 52 weeks ended 30 March 2013 a charge of £ 0.1 million (2012: credit of £0.8 million) was recognised in respect of leavers from the executive incentive share schemes.

#### Onerous lease provision

A provision of £4.3 million has been made for onerous leases relating to vacant, sublet and trading properties having taken into consideration the results for the year, and the continued pressure on the UK store portfolio (2012: £11.5 million). Onerous lease provisions have been recognised where there is an expected shortfall in the store contribution to cover the fixed rental obligations. A discount rate of 1.8% has been used in calculating the provision, being the risk free rate.

#### Loss on disposal/termination of property interests

During the 52 weeks ended 30 March 2013 a net charge of £13.8 million (2012: £22.6 million) has been recognised in loss from operations relating to losses on disposal/termination of property interests relating to the store reduction programmes announced in April 2012.

#### Goodwill and intangible assets impairment

The group has carried out a review to determine whether there is any indication that the goodwill and intangible assets have suffered any impairment loss. It has been determined that no further impairment is required (2012: £55.0 million).

#### Impairment of investment in and other receivables in Australian associate

Mothercare owned approximately 23% in Mothercare Australia Limited, a listed company in Australia which was treated as an associate in the consolidated accounts of Mothercare plc. Following a significant and sustained deterioration of local trading conditions in Australia, the group made a provision of £10.6 million at the time of the interim statement, covering the remaining value of its investment in and other receivables due from Mothercare Australia Limited. Following unsuccessful negotiations with potential buyers the Directors of Mothercare Australia Limited placed the business into voluntary administration in January 2013. Since then further costs of £0.5 million have been incurred in respect of storage, additional freight and additional legal costs.

#### 4. Net Finance costs

	52 weeks ended 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
Interest receivable	(0.2)	(0.9)
Interest and bank fees on bank loans and overdrafts	3.9	1.3
Unwinding of discounts on provisions	-	0.1
<b>Net finance costs</b>	<b>3.7</b>	<b>0.5</b>

#### 5. Taxation

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

	52 weeks ended 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
Current tax:		
UK Current year	1.4	(2.1)
Adjustment in respect of prior periods	0.3	(2.4)
	1.7	(4.5)
Deferred tax:		
Current year	(1.1)	(6.5)
Change in tax rate in respect of prior periods	-	(0.5)
Adjustment in respect of prior periods	(0.1)	0.4
	(1.2)	(6.6)
<b>Charge/(credit) for taxation on loss for the period</b>	<b>0.5</b>	<b>(11.1)</b>

UK corporation tax is calculated at 24 per cent (2012: 26 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 30 March 2013 £ million	53 weeks ended 31 March 2012 £ million
Loss for the period before taxation	(21.5)	(102.9)
Loss for the period before taxation multiplied by the standard rate of corporation tax in the UK of 24 % (2012: 26 %)	(5.2)	(26.7)
Effects of:		
Expenses not deductible for tax purposes	5.1	15.4
Change in tax rate	0.1	0.2
Impact of overseas tax rates	(0.5)	(0.2)
Utilisation of tax losses not previously recognised against capital gains	-	0.3
Adjustment in respect of prior periods	0.2	(2.0)
Impact of write-off of prior year deferred tax asset	0.8	1.9
<b>Charge/(credit) for taxation on loss for the period</b>	<b>0.5</b>	<b>(11.1)</b>

In addition to the amount charged to the income statement, deferred tax relating to retirement benefit obligations amounting to £3.0 million has been credited directly to other comprehensive income (2012: £4.1 million).

## 6. Dividends

	52 weeks ended 30 March 2013		53 weeks ended 31 March 2012	
	pence per share	£ million	pence per share	£ million
<b>Amounts recognised as distributions to equity holders in the period</b>				
Final dividend for the prior period	<b>Nil</b>	-	11.9p	10.1
Interim dividend for the current period	<b>Nil</b>	-	2.0p	1.8
		-		11.9

The directors are not recommending the payment of a final dividend for the year (2012: £nil). No interim dividend was paid during the year (2012: 2.0 pence per share)

## 7. Earnings per share

	52 weeks ended 30 March 2013 million	53 weeks ended 31 March 2012 million
<b>Weighted average number of shares in issue</b>	<b>88.5</b>	87.2
Effect of dilutive potential ordinary shares (for underlying results only)	<b>1.1</b>	1.7
<b>Diluted weighted average number of shares in issue</b>	<b>89.6</b>	88.9

  

	£ million	£ million
<b>(Loss)/earnings for basic and diluted earnings per share</b>	<b>(22.0)</b>	(91.8)
Exceptional items and other non-underlying items (note 3)	<b>29.8</b>	104.5
Tax effect of above items	<b>(2.3)</b>	(11.1)
<b>Underlying earnings</b>	<b>5.5</b>	1.6

  

	Pence	Pence
<b>Basic loss per share</b>	<b>(24.9)</b>	(105.2)
<b>Basic underlying earnings per share</b>	<b>6.2</b>	1.8
<b>Diluted loss per share</b>	<b>(24.9)</b>	(105.2)
<b>Diluted underlying earnings per share</b>	<b>6.1</b>	1.8

## 8. Reconciliation of cash flow from operating activities

	52 weeks ended 30 March 2013 £ million	53 weeks ended 31 March 2012 Restated* £ million
<b>Profit/(loss) from retail operations</b>	<b>12.8</b>	(6.9)
Adjustments for:		
Depreciation of property, plant and equipment	15.8	16.2
Amortisation of intangible assets	5.6	6.6
Impairment of property, plant and equipment and intangible assets	1.9	3.8
Losses on disposal of property, plant and equipment and intangible assets	4.2	0.7
Profit on non-underlying non-cash foreign currency adjustments	(6.9)	(2.0)
Equity-settled share-based payments	0.8	0.5
Movement in provisions	(15.4)	(8.0)
Cash payments for non-underlying property disposals and other exceptional items	-	(0.7)
Amortisation of lease incentives	(4.9)	(5.2)
Lease incentives received	3.5	3.5
Payments to retirement benefit schemes	(7.2)	(8.0)
Charge to profit from operations in respect of retirement benefit schemes	0.1	1.9
<b>Operating cash flow before movement in working capital</b>	<b>10.3</b>	2.4
(Increase)/decrease in inventories	(11.7)	18.5
Decrease/(increase) in receivables	8.5	(9.8)
Increase/(decrease) in payables	2.2	(9.6)
<b>Cash generated from operations</b>	<b>9.3</b>	1.5
<b>Income taxes (paid)/received</b>	<b>(2.5)</b>	4.1
<b>Net cash flow from operating activities</b>	<b>6.8</b>	5.6

\* The cash flow statement for the 53 weeks ended 31 March 2012 has been restated to give a better understanding of the movement in provisions and their impact on exceptional items.

## Analysis of cash and cash equivalents

	1 April 2012 £ million	Cashflow £ million	Foreign Exchange £ million	30 March 2013 £ million
Cash and cash equivalents	1.8	14.9	0.9	17.6
Net overdrafts	(1.9)	1.9	-	-
<b>Cash and cash equivalents/(debt)</b>	<b>(0.1)</b>	<b>16.8</b>	<b>0.9</b>	<b>17.6</b>

## 9. Events after the balance sheet date

As part of the Transformation and Growth plan an in depth organisational review was conducted to streamline the group's structure and processes. As a result of the potential restructuring a number of employees in the head office in the UK and the overseas sourcing offices are in consultation. There are likely to be additional exceptional costs of c£5 million in respect of the implementation of this review and these will be charged in the next financial year.

## Risks and uncertainties

The principal risks and uncertainties which could impact the Company's long-term performance remain those detailed on pages 24 and 25 of the Company's 2012 Annual Report and Accounts.

In addition, risks relating to supply chain or logistics disruption resulting from geo-political events and risks relating to the importance of ensuring the supply base operates to the appropriate standards of safety have been identified. These risks will be identified in the Company's 2013 Annual Report and Accounts.

A copy of the Company's 2012 Annual Report and Accounts is available on the Company's website [www.mothercareplc.com](http://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.

## Responsibility statement

The responsibility statement below has been prepared in connection with the company's full annual report for the 52 weeks ending 30 March 2013. 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 Chairman's Statement, Chief Executive's Statement, Business Review, Financial Review and the directors' report, include a fair view of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and gives shareholders the information needed to assess the Group's performance, business model and strategy.

By order of the board on 22 May 2013 and signed on its behalf by:

Simon Calver  
Chief Executive Officer

Matt Smith  
Chief Financial Officer