

Mothercare plc

Preliminary Results and 'Transformation and Growth' plan

Mothercare plc announces preliminary results for the 53 weeks ended 31 March 2012 and an update on the 'Transformation and Growth' plan. Worldwide, the group has 1,339 owned and franchised stores in 59 countries – 409 in Europe, 318 in Asia, 311 in the UK, 290 in the Middle East and Africa and 11 in Latin America.

Financial results

- Worldwide network sales⁽¹⁾ £1,232.4m, up 6.4% (2011: £1,158.1m)
- Group sales £812.7m, up 2.4% (2011: £793.6m)
- Total International sales⁽¹⁾ £672.4m, up 17.8% (2011: £570.9m); LFL⁽¹⁾ sales up 6.1%
- Total UK sales £560.0m, down 4.6% (2011: £587.2m); LFL⁽¹⁾ sales down 6.2%
- Group underlying profit⁽¹⁾ before tax £1.6m (2011: £28.5m)
- One-off exceptional charge of £104.4m of which £78.5m already reported in H1⁽²⁾
- Group loss before tax after exceptional charge and other non-underlying items £102.9m (2011: profit of £8.8m)
- Refinanced to fund 'Transformation and Growth' plan. Increased committed bank facilities to £90m; extension of term to May 2015 and covenant reset

Results on a non-statutory, but more comparable, 52-week basis are set out in the Financial Review.

'Transformation and Growth' plan highlights

Four key opportunity areas over the three years of the plan:

1. **Lean retail:** Reduce non-store costs by £20m p.a. by FY15 and improve efficiency in our UK and sourcing operations;
2. **Restore UK profitability:** Focus on our profitable portfolio of c. 200 stores, retaining national coverage and benefiting profit by a further £13m p.a. Drive sales by redefining our value proposition, launch innovative products and improving store level customer service and satisfaction;
3. **Accelerate International growth:** Increase sales growth to 20% p.a. Rapidly expand our store base in India, China, Russia and Brazil and other key markets;
4. **Multi-channel worldwide:** Launch new UK online and in-store e-commerce platform to step change conversion and drive sales growth. Introduce websites in all major International markets.

Alan Parker, Chairman said:

"This has been a tough year for Mothercare and we have completed a comprehensive review of the business. Simon Calver has now joined as Chief Executive and I have reverted to the role of Non-Executive Chairman. Simon brings the right blend of turnaround skills and multi-channel global brand experience for Mothercare's long term growth. Looking ahead to the immediate future the UK market remains challenging, however, International continues to grow. Our focus on cost reduction is a priority in achieving a performance improvement this year. Overall we now have a robust plan for transformation and growth with new, strong leadership capable of delivering the results."

Simon Calver, Chief Executive said:

"I am excited to have joined the Mothercare group as CEO and I am confident about the opportunities ahead. Worldwide network sales are up 6.4% and our brands remain as relevant to our customers today as they ever have been. I have been fully involved in the formulation of the Transformation and Growth plan and I know that it is both the right plan and one which the team and I can deliver.

“We have a long way to go, and the plan to bring the UK business back to acceptable levels of profitability will take three years. We need to invest in e-commerce, be ruthless with our non-store cost base and use our scale and growth worldwide to drive sourcing economies and pass these savings onto the customers to improve our value for money around the world. Everything we do will enhance customer value, experience and loyalty in each of our 59 countries. My team and I are up for the challenge and, whilst there is much to do in this difficult economic climate, I look forward to delivering the ‘Transformation and Growth’ plan. As a team, this will be our most important delivery yet.”

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Note 1 – Like-for-like (“LFL”) 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. VAT is excluded. International retail sales are the estimated retail sales of overseas franchisees and joint ventures and associates to their customers. Total International sales are International retail sales plus International wholesale sales. Worldwide network sales are total International sales plus total UK sales.

Note 2 – Total non-underlying items £104.5m (2011: £19.7m) comprises exceptional items of £104.4m (2011: £3.4m) and other non-underlying items of £0.1m (2011: £16.3m). It includes non-cash write down of UK goodwill and intangibles (£55.0m) and restructuring costs associated with delivering the ‘Transformation and Growth’ plan. £77.0m of total non-underlying items, including the write down of UK intangibles, was already reported at H1.

Note 3 - 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.

CHIEF EXECUTIVE'S REVIEW

Group results

Worldwide network sales grew by 6.4% to £1,232.4 million (2011: £1,158.1 million), driven by the growth of our International business but tempered by the continued decline seen in the UK. Group sales, which reflects UK revenues and the payments we receive from our International partners were up 2.4% to £812.7 million (2011: £793.6 million).

The decline in profits in the 53 week period has however been disappointing with a reduction in underlying profit before tax to £1.6 million, down from £28.5 million last year. International has continued to grow rapidly, but the UK has struggled in the face of a challenging economic backdrop and an increasingly competitive environment.

Underlying profit before tax declined to £1.6 million (2011: £28.5 million) with exceptional charges and other non-underlying items of £104.5 million (2011: £19.7 million) resulting in reported losses before tax of £102.9 million (2011: profit of £8.8 million).

The non-underlying charge of £104.5 million includes £104.4 million of exceptional items including a non-cash write down of UK goodwill and other intangibles already announced in the first half together with a provision for restructuring costs to deliver the 'Transformation and Growth' plan.

Whilst over 70% of the exceptional charges are non-cash items, the decline in UK profitability and the need to fund an additional quarterly rent payment (due to the 53rd week in this financial year) have resulted in a year-end net debt position of £20.1 million (2011: net cash position of £15.3 million). Over the next three years we will be incurring cash restructuring costs of £35 million in total. We recently refinanced our banking facilities to fund the 'Transformation and Growth' plan increasing committed facilities to £90 million, extending the term to May 2015 and resetting bank covenants (see Financial Review for more details).

As we announced in April, the Board has decided to suspend the dividend until the 'Transformation and Growth' plan delivers a marked improvement in our results. There will therefore be no final dividend payment this year, which means the payout for the full year is 2.0p per share.

International results

Total International sales were up 17.8% to £672.4 million (2011: £570.9 million) with total reported sales up 22.4% to £252.7 million (2011: £206.4 million). International underlying operating profits were up 26.9% to £34.9 million (2011: £27.5 million). This profit comprised franchise profits of £38.1 million and joint venture and associate start-up losses of £3.2 million.

We now have three joint ventures and an associate. While our new joint venture in the Ukraine is profitable our joint ventures in India and China and our Australia associate are start-up operations and as such have made, in total, a £3.2 million loss for the period. We see our equity stakes in these markets as important investment in future growth opportunities.

We have laid the foundations with our franchise partners that will see an acceleration in revenue and profit growth. We remain the only specialist mother and baby retailer in this position in the world today.

We have great franchise partners many of which I have already had the pleasure of meeting. They have such enthusiasm and passion for our brands and are excited by their potential in each of their countries.

UK results

Total UK sales were down 4.6% at £560.0 million (2011: £587.2 million) with a like-for-like sales decline of 6.2%. Total Direct sales were up 0.8% at £130.0 million (2011: £129.0 million) with Direct in Home down 1.7% at £91.7 million and Direct in Store up 7.3% at £38.3 million. Our wholesale channel grew by 44.9% to £31.3 million.

Trading conditions in the UK deteriorated as we moved through the year. Although we have gained some market share in Home & Travel, the market was particularly weak and while we have gained some market share, sales were impacted by the reduction in the overall size of the market. We have managed stock levels very tightly over the year through additional promotions and offers and, as a result, we ended the third quarter with a clean stock position and a reduced gross margin which was, as expected, down 500bps for the full year. The UK segment of the Mothercare group recorded a loss of £24.7 million (2011: profit of £11.1 million) for the year.

Our brands

The Mothercare and the Early Learning Centre brands resonate strongly with mothers across the globe. The strength of the International business and franchise partners has allowed us to grow robustly and is a clear indication of the relevance of both brands in our overseas and UK markets. We now have 1,339 stores worldwide across 59 markets – 409 in Europe, 318 in Asia, 311 in the UK, 290 in the Middle East and Africa and 11 in Latin America following our recent launch. In the UK over 80% of expectant mothers continue to visit our stores and our challenge is to convert more of these visitors to loyal, long-term customers.

Mothercare was founded in 1961 and has since its earliest days endeavoured to offer mothers-to-be, new mothers and their babies and children up to the age of eight innovative and quality products at great value that are relevant to their lives. Our ranges include products for feeding, bathing, travel equipment, maternity wear and associated product, children's clothing, furniture, bedding and toys. Whilst we remain an important source of information and support for mothers-to-be and new mothers, I realise that we can do a lot more. These improvements will become increasingly apparent to our customers as we move through our three-year Transformation and Growth plan.

The Early Learning Centre was founded in 1971 and has its roots in a mail order business that today includes 462 stores worldwide, the internet and a small but growing wholesale business. Early Learning Centre aims to provide babies and children up to the age of eight years nurturing toys that encourage learning and development in a fun and supportive manner.

Our strategy

We have over the last few months completed a thorough review of our business, both UK and International. This review forms the basis of our 'Transformation and Growth' plan, which is essential to deliver UK profitability and accelerate International growth. The group's task is to deliver this over the next three years.

Actions already taken

In International, we opened our first stores in Latin America. We also took our first steps towards a multi-channel offer with transactional websites for the Early Learning Centre in Russia and Australia and for Mothercare in Kuwait, Ireland and Australia with Mothercare Indonesia launching next month.

In the UK, we have continued our store rationalisation plan and have ended the year with 311 stores. On 1 May 2012 we launched our new state-of-the-art website.

Our senior management team continues to be strengthened. Mike Logue, our UK Managing Director, has been with the business since August 2011 and is building a strong UK team to assist him in the task ahead. I joined on 30 April 2012 and Jerry Cull our International

Managing Director, who has been with the business for over 30 years, continues to drive International forward.

I would like to take this opportunity to thank Alan Parker our Chairman, who stepped up to an executive role, for his leadership of the business over the last few months. Our review is now complete and I have a clear strategy in the 'Transformation and Growth' plan, which we will implement over the next three years. It is in essence a simple plan – accelerate International growth while returning the UK to profitability through cost reduction and transformation. This will be our most important delivery yet. In addition, the customer will return to the centre of everything that we do. Our success will be driven by our ability to reconnect with them, converting more into shoppers both online and in store.

Our strategy is based on the four cornerstones of:

- Lean retail
- Restore UK profitability
- Accelerate International growth
- Multi-channel worldwide

'Transformation and Growth' plan

1. Lean retail

Lean retail means delivering operational efficiencies and substantial non-store cost reductions, tightly managing cash and working capital and building on the scale of our sourcing operations.

Reduce UK non-store costs by £20 million per annum

Our infrastructure is larger than we require given our new smaller UK operating base. We have identified £20 million of annualised costs that can be taken out of the business over the next three years from areas like distribution, head office costs and payroll. Work has already begun in this area and we have taken action to reduce UK head office payroll costs by 16%.

In addition, we reduced UK stock levels by 12% during FY2011/12 and plan to continue to drive down our working capital requirements.

Sourcing efficiencies

Our buying volumes continue to grow despite the recent decline seen in the UK. International growth of circa 20% provides us with a strong base from which to underpin negotiations with our supplier base to reduce costs that we can pass on to our customers in lower prices, further driving growth.

Category mix

Clothing and Home & Travel are expected to grow as a percentage of sales as Early Learning Centre stores are closed in the UK which will help to underpin our gross margins. An increased focus on innovation should also help to drive sales of own-brand product and again increase margin. These changes in category mix are expected to lower prices whilst maintaining gross margins.

2. Restore UK profitability

Restoring UK profitability means delivering profitable growth through targeted and specific actions aimed at stabilising like-for-like sales and reducing significantly store occupancy costs.

National coverage

We have identified that circa 200 stores in the UK is the optimum size for Mothercare supported by online and wholesale business. This will offer the best national coverage of

mother and baby specialists in the UK. These stores will not only be a place for shopping, customer service and advice but will also offer our 'Collect In Store' service, whereby online orders can be collected from stores. The target 200 stores chain is based around our profitable Mothercare out of town stores, key Mothercare in town stores and Early Learning Centres in key strategic locations. The target 200 store portfolio is currently profitable. The stores to be closed currently lose circa £13 million per annum and these stores will be closed by 2015.

Increase value and innovation across our product ranges

We have lost ground in terms of our value perception and we need to change this. We aim to have a clear pricing architecture with 'good', 'better' and 'best' ranges all offering value to the customer in terms of quality and price. An increase in own-brand and third-party exclusivity over the term of the plan will also help to improve our value credentials.

In addition over the next few quarters we will continue to launch new and innovative products focused on solving the needs of mums and babies.

Enhance customer service and improve in-store environment

We are investing in additional training for all store staff and will have started with specialist fitters for car seats and bras in all our stores at all times. We have also begun in-store investment focusing on fitting rooms and baby feeding and changing facilities, which are important to our mums.

Customer satisfaction measurement by store has recently been introduced and will further help us to track daily store level performance. It is essential that in all of our markets we set, not follow, the standards of service that mothers expect, to retain the trust of our customers.

3. Accelerate International growth

Accelerating International growth means increasing sales in existing markets, targeting new markets and focusing on key growth regions – China, India, the Middle East and Latin America.

Mothercare is a brand with truly global reach. Our International business continues to go from strength to strength. We have great franchise partners and proven concepts for Mothercare and Early Learning Centre across the Emerging Markets, which will drive space and revenue growth of approximately 20% per annum over the term of the plan.

We are now in four regions and each is delivering strong growth for us. Europe (which includes Eastern Europe) and the Middle East and Africa, our two largest and oldest regions are expected to deliver growth of 10% per annum. Asia-Pacific is expected to grow by 20% per annum while our newest region Latin America is expected to grow by over 100% per annum, albeit from a lower base. Our business is well balanced and each region benefits from some high growth markets. In particular we believe Saudi Arabia, Russia, China, India and Latin America will drive growth over the term of the plan. Overall, we expect International retail sales to grow by 20% per annum over the next three years to March 2015.

Our joint ventures in the Ukraine, China and India and our Australia associate are all on track to be profitable by March 2014.

4. Multi-channel worldwide

Multi-channel worldwide means launching new e-commerce platforms in the UK and all major overseas markets, growing both online revenues and store sales and putting Mothercare back into the lead.

New UK platform

In line with the plan we launched our new UK e-commerce platform for both direct to home and in store ordering on 1 May 2012. The new website is a step change from the old legacy one with richer product content, improved search capabilities and better visibility for search engines. However, this is just the start but it has enabled us to have and use the tools commonplace across the industry to drive conversion and sales. Mothers are becoming much more informed and for many of our categories, significant research is done online before our customers visit our stores. Having a great website will therefore grow both online revenues and in-store sales. As the number one baby website we have a large amount of traffic to our site and can increase conversion by doing the basics well. Thereafter we will begin to build long relationships with our customers, growing with them as their family does.

We have launched a website in the UK and will build the capability to become one of the leading online players in the UK over the next three years. We will be redeveloping and reconfiguring our delivery network, our technology teams and our loyalty and retention tools but we can and will get there.

International websites

In addition, we will lead the move to multi-channel in our International markets with fully operational websites in five markets. Our existing platform has now been tested and is easily scalable across all our markets. We aim to have transactional websites across our major markets over the term of the plan, many of which will be some of the first such sites in their markets in any category.

Wholesale

Mini Club, our wholesale agreement with Boots for clothing, has been a great success. In addition to this we have a small but growing wholesale business for Early Learning Centre product both in the UK and Internationally. We have over the last few months successfully trialed with several retailers. Wholesale is a great format for growing our reach for Early Learning Centre and we would expect this element of our revenues to grow over the term of the plan.

Outlook and guidance

Looking forward to FY13 we are expecting total International sales to continue to grow strongly with circa 150 new store openings and sales growth of around 20%. In the UK we expect the consumer environment to remain difficult and we are planning accordingly, particularly in the first half given the second half weighting of the benefits from the actions we are taking. We are not anticipating any gains in gross margin in FY13, with input cost benefits fully invested into better value for our customers. Net debt at year end FY13 is expected to be circa £25 million with interest costs of £3 million.

Over the full three years of the 'Transformation and Growth' plan to March 2015 we expect total International sales to continue to grow at circa 20% per annum. In the UK we expect the actions we have set out above to return the UK to an acceptable level of profitability through the three year life of the plan. These actions include a net reduction in non-store costs of £20 million on an annualised basis by FY15 (phased £8 million in FY13, £15 million in FY14 and £20 million in FY15) plus the elimination of £13 million of losses from closed stores over the same period. This includes a total reduction in store occupancy costs of circa 25% by FY15.

Total exceptional cash costs associated with the restructuring over the next three years are expected to be £35 million (phased £20 million in FY13, £9 million in FY14 and £6 million in FY15) and these costs are fully funded by the recent financing of our bank facilities. Capital expenditure is expected to be circa £15 million per annum.

Summary

I am excited to have joined the Mothercare group as CEO and I am confident about the opportunities ahead. Worldwide network sales are up 6.4% and our brands remain as relevant to our customers today as they ever have been. I have been fully involved in the formulation of the Transformation and Growth plan and I know that it is both the right plan and one which the team and I can deliver.

We have a long way to go, and the plan to bring the UK business back to acceptable levels of profitability will take three years. We need to invest in e-commerce, be ruthless with our non-store cost base and use our scale and growth worldwide to drive sourcing economies and pass these savings onto the customers to improve our value for money around the world. Everything we do will enhance customer value, experience and loyalty in each of our 59 countries. My team and I are up for the challenge and, whilst there is much to do in this difficult economic climate, I look forward to delivering the 'Transformation and Growth' plan. As a team, this will be our most important delivery yet.

FINANCIAL REVIEW

RESULTS SUMMARY

Group underlying profit before tax was £1.6 million (2010/11: £28.5 million). Underlying profit excludes exceptional items and other non-underlying items of £104.5 million, of which £77.0 million was already reported in the first half. This includes the non-cash write down of UK goodwill and intangibles (£55.0 million) in the first half, together with the restructuring costs of delivering the new 'Transformation and Growth' plan. After these non-underlying items, the group recorded a pre-tax loss of £102.9 million (2010/11: profit of £8.8 million).

Income Statement

£ million	2011/12	2010/11
Revenue	812.7	793.6
Underlying profit from operations before share based payments	2.6	31.1
Share based payments	(0.6)	(2.2)
Net finance costs	(0.4)	(0.4)
Underlying profit before tax	1.6	28.5
Exceptional items and unwind of discount on exceptional provisions	(104.5)	(3.6)
Non-cash foreign currency adjustments	2.0	(13.8)
Amortisation of intangible assets	(2.0)	(2.3)
(Loss)/profit before tax	(102.9)	8.8
Underlying EPS – basic	1.8p	24.7p
EPS – basic	(105.2)p	7.6p

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).

53rd week in 2012

The financial year ended 31 March 2012 contained 53 weeks compared to 52 weeks last year. 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 up 0.8% to £799.6 million (2011: £793.6 million)
- UK sales were down 6.3% to £550.3 million (2011: £587.2 million)
- International reported sales were up 20.8% to £249.3 million (2011: £206.4 million)
- Group underlying profit before tax £1.5 million (2011: £28.5 million)

Non-underlying Items

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

Exceptional items:

- Restructuring costs in UK head office and distribution of £9.1 million
- Onerous lease provision for the UK business of £11.5 million
- Store impairment provision in relation to the UK business of £3.8 million
- Share based payments credit in relation to leavers of £0.8 million (resulting from the UK restructure)
- Net losses on disposal or termination of property interests of £22.6 million
- Goodwill and intangible assets impairment in relation to UK share of goodwill and other intangibles arising on the acquisition of ELC of £55.0 million
- Impairment of investment in Australia associate business of £2.8 million
- Share of restructuring costs in the Australia associate business of £0.4 million (relating to business re-organisation and integration)

Other non-underlying items:

- 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)
- Unwind of discount on exceptional property provisions £0.1 million

Exceptional items in 2010/11 included £3.6 million restructuring costs of the UK business, £0.2 million net profits on disposal or termination of property interests and £0.2 million unwind of discount on exceptional property provisions.

Results by Segment

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

£ million - Revenue	2011/12	2010/11
UK	560.0	587.2
International	252.7	206.4
Total	812.7	793.6

£ million – Underlying Profit	2011/12	2010/11
UK	(24.7)	11.1
International	34.9	27.5
Corporate	(7.6)	(7.5)
Underlying profit from operations before share based payments	2.6	31.1
Share based payments	(0.6)	(2.2)
Net finance costs	(0.4)	(0.4)
Underlying profit before tax	1.6	28.5

UK retail sales have declined year-on-year due to store closures and declining like-for-like sales across both the store estate and Direct channels. However, profit has benefited from the property strategy, with lower occupancy costs and tight cost control.

International has benefited from the 22.4% growth in total International reported sales driving growth in royalty income and shipments, with central costs growing at a slower rate. International profit has been reduced by losses in joint ventures and associates during the year, mostly driven by the impact of restructuring in Australia.

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 £0.6 million (2010/11: £2.2 million) in relation to the company's long-term incentive schemes. There are four main types of long-term share based incentive scheme being 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 underlying IFRS 2 charge has reduced in 2011/12 reflecting the reduction in the group's performance and a number of leavers from the executive schemes.

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*	
	2011/12	2010/11	2011/12	2010/11
UK retail sales	528.7	565.6	528.7	565.6
UK wholesale sales	31.3	21.6	31.3	21.6
Total UK sales	560.0	587.2	560.0	587.2
International retail sales	245.8	197.0	665.5	561.5
International wholesale sales	6.9	9.4	6.9	9.4
Total International sales	252.7	206.4	672.4	570.9
Group sales/Group network sales	812.7	793.6	1,232.4	1,158.1

* Estimate

Financing and Taxation

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

The underlying tax charge is comprised of current and deferred tax and the effective tax rate is nil per cent (2010/11: 25.6 per cent). The tax charge in some areas of the business has been offset by allowable tax losses. There is no underlying tax charge in 2011/12 (2010/11: £7.3 million). The total tax credit was £11.1 million (2010/11: charge of £2.3 million). In 2012/13 the effective tax rate is expected to increase towards the standard rate of tax.

Pensions

We continue to operate defined benefit pension schemes for our staff, although the schemes are now closed to new members. Details of the income statement net charge, total cash funding and net assets and liabilities are as follows:

£ million	2012/13 *	2011/12	2010/11
Income statement			
Service cost	(2.5)	(2.3)	(2.9)
Return on assets/interest on liabilities	(1.0)	0.2	(0.6)
Gains on curtailment	-	0.2	-
Net charge	(3.5)	(1.9)	(3.5)
Cash funding			
Regular contributions	(2.0)	(1.9)	(2.2)
Deficit contributions	(3.2)	(6.1)	(2.3)
Total cash funding	(5.2)	(8.0)	(4.5)
Balance sheet			
Fair value of schemes' assets		217.3	208.4
Present value of defined benefit obligations		(270.0)	(246.0)
Net liability	N/A	(52.7)	(37.6)

* Estimate

Deficit contributions in 2011/12 include two annual payments due to the 53rd week. This impact does not unwind until 2013/14, when no deficit contribution will be due within the financial year. The gains on curtailment in 2011/12 are due to the UK restructuring headcount reduction.

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 is shown below.

	2011/12	2010/11	2011/12 Sensitivity	Impact on scheme liabilities £ million
Discount rate	4.9%	5.5%	+/- 0.1%	-/+ 6.0
Inflation – RPI	3.3%	3.5%	+/- 0.1%	+/- 5.3
Inflation - CPI	2.3%	2.8%	+/- 0.1%	+/- 5.3

Balance Sheet and Cash Flow

The balance sheet includes identifiable intangible assets arising on the acquisition of the Early Learning Centre of £6.9 million and goodwill of £26.8 million. This relates to the International business. In 2011/12 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 the UK business does not generate sufficient cash flows to support the full value of the goodwill and intangible assets and consequently an impairment loss of £55.0 million has been charged.

The group continues to generate operating cash, with cash generated from operations of £5.6 million. The inclusion in the year of a 53rd week adversely impacted the timing of cashflows with additional rental (£13.2 million) and pension deficit payments (£3.3 million) being incurred. Close management of working capital, in particular stock levels, generated an underlying inflow in working capital of approximately £9.0 million, excluding the 53rd week rent payment.

We have made significant investments in our joint ventures and associates during the year to drive growth in International, including £2.0 million in the Ukraine, £1.5 million in Australia, £1.3 million in China and £0.9 million in India.

After investing £24.9 million of capital expenditure (£21.4 million net of lease incentives received), receiving property sale proceeds of £2.3 million and £4.1 million in tax receipts and paying £11.9 million of dividends, the net debt position at the year end is £20.1 million (2010/11: net cash of £15.3 million).

At the year end the group had committed secured bank facilities of £80 million (with an average interest rate of 1.4% above LIBOR) which were due to expire in May 2014. It also had an uncommitted unsecured bank overdraft facility of £10 million. On 11 April 2012 the group refinanced the banking facilities with the support of its two existing banks, HSBC and Barclays, increasing the level of committed facilities from £80 million to £90 million (at an interest rate range of 3.5% to 4.0% above LIBOR) and extending the term to 31 May 2015. These facilities provide additional liquidity and covenant headroom to accommodate the new three year strategy. The covenants in the new facilities are tested quarterly and are based around gearing, fixed charge cover and guarantor cover.

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. Trading in the period has been impacted by the economic downturn in the UK with a reduction in the underlying result of the UK business leading to an underlying loss for the period of £24.7 million (2011: profit of £11.1 million). The International business continues to expand generating an underlying profit for the period of £34.9 million (2011: £27.5 million).

As noted in the Chief Executive's review we have performed a structural and operational review of the size and scope of our business. In the UK, the 'Transformation and Growth' plan aims to stabilise like-for-like sales and margin, reduce central costs, close additional stores to focus on a core portfolio of 200 stores and launch a combined online and in-store customer options with a new website, and in International, accelerate expansion with more store openings in both new and existing countries and launch 30 new overseas websites. The resulting strategy will deliver a transformation of the UK business, together with increased International growth in the next three years.

The committed bank facility was drawn down by a maximum of £40 million during the period and at the year end the group had a net debt balance of £20.1 million funded by a draw down against the facility of £10 million, £10 million of committed overdraft and £1.9 million, of uncommitted overdraft, net of £1.8 million of cash.

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 strategy 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 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 execution of the new strategy, 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 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 Expenditure

Total capital expenditure in the year was £24.9 million (2010/11: £21.8 million), of which £3.2 million was for software intangibles and £21.7 million was invested in UK stores and web development. Landlord contributions of £3.5 million (2010/11: £9.6 million) were received, partially offsetting the outflow. Net capital expenditure after landlord contributions was £21.4 million (2010/11: £12.2 million). Net capital expenditure for 2012/13, after landlord contributions, is expected to be circa £15.0 million.

Earnings per Share and Dividend

Basic underlying earnings per share were 1.8 pence compared to 24.7 pence last year. The Board has decided that given the reduction in profits in the 53 week period and the cash investment required to deliver the 'Transformation and Growth' plan the company will not pay a final dividend for 2011/12. The total dividend for the year is therefore 2.0 pence per share (2010/11: 18.3 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 published sales represent approximately 31 per cent of group sales. Total International sales represent approximately 55 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

At 31 March 2012, the group had drawn down £20 million on its borrowing facility. At this date and throughout 2011/12 no interest rate hedging was considered necessary. Following the refinancing on 11 April 2012 it is anticipated that the group will hedge the floating interest rate on a proportion of the new borrowings.

Shareholders' funds

Shareholders' funds amount to £72.7 million, a decrease of £120.1 million in the year driven largely by the goodwill and other intangible impairments and exceptional provisions required for the UK property transformation and restructuring. This represents £0.83 per share compared to £2.18 per share at the previous year end. The retained earnings reserve in the consolidated balance sheet shows a deficit of £26.5 million. However, the company has taken steps during the period to increase the retained earnings reserve in the company balance sheet to £72.3 million and therefore has the ability to pay dividends and make other similar payments when the Transformation and Growth plan is delivering benefits.

Accounting Policies and Standards

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

Consolidated income statement

For the 53 weeks ended 31 March 2012

	Note	53 weeks ended 31 March 2012			52 weeks ended 26 March 2011		
		Underlying ¹	Non-underlying ²	Total	Underlying ¹	Non-underlying ²	Total
		£ million	£ million	£ million	£ million	£ million	£ million
Revenue	2	812.7	-	812.7	793.6	-	793.6
Cost of sales	3	(768.4)	(2.0)	(770.4)	(721.6)	(16.1)	(737.7)
Gross profit		44.3	(2.0)	42.3	72.0	(16.1)	55.9
Administrative expenses before share-based payments		(38.5)	(10.9)	(49.4)	(39.1)	(3.6)	(42.7)
Share-based payments		(0.6)	0.8	0.2	(2.2)	-	(2.2)
Administrative expenses		(39.1)	(10.1)	(49.2)	(41.3)	(3.6)	(44.9)
(Loss)/profit from retail operations before share-based payments		5.8	(12.9)	(7.1)	32.9	(19.7)	13.2
(Loss)/profit from retail operations		5.2	(12.1)	(6.9)	30.7	(19.7)	11.0
(Loss)/profit on disposal/termination of property interests	3	-	(22.6)	(22.6)	-	0.2	0.2
Exceptional and non-underlying items	3	-	(69.3)	(69.3)	-	-	-
Share of results of joint ventures and associates		(3.2)	(0.4)	(3.6)	(1.8)	-	(1.8)
(Loss)/profit from operations before share-based payments	2	2.6	(105.2)	(102.6)	31.1	(19.5)	11.6
(Loss)/profit from operations		2.0	(104.4)	(102.4)	28.9	(19.5)	9.4
Net finance costs	3, 4	(0.4)	(0.1)	(0.5)	(0.4)	(0.2)	(0.6)
(Loss)/profit before taxation		1.6	(104.5)	(102.9)	28.5	(19.7)	8.8
Taxation	5	-	11.1	11.1	(7.3)	5.0	(2.3)
(Loss)/profit for the period attributable to equity holders of the parent		1.6	(93.4)	(91.8)	21.2	(14.7)	6.5
(Loss)/earnings per share							
Basic	7	1.8p		(105.2)	24.7p		7.6p
Diluted	7	1.8p		(105.2)	24.2p		7.4p

¹ Before items described in note 2 below.

² Includes exceptional items (profit/loss on disposal/termination of property interests, restructuring costs, impairment charges, 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 to the consolidated financial statements.

All results relate to continuing operations.

Consolidated statement of comprehensive income

For the 53 weeks ended 31 March 2012

	53 weeks ended 31 March 2012 £ million	52 weeks ended 26 March 2011 £ million
Other comprehensive (expense)/income – actuarial (loss)/gain on defined benefit pension schemes	(21.2)	16.5
Tax relating to components of other comprehensive income (see note 5)	4.1	(4.3)
Exchange differences on translation of foreign operations	(0.1)	(1.2)
Net (loss)/gain recognised in other comprehensive income	(17.2)	11.0
(Loss)/profit for the period	(91.8)	6.5
Total comprehensive (expense)/income for the period attributable to equity holders of the parent	(109.0)	17.5

Consolidated balance sheet

As at 31 March 2012

	31 March 2012 £ million	26 March 2011 £ million
Non-current assets		
Goodwill	26.8	68.6
Intangible assets	22.1	38.5
Property, plant and equipment	86.3	91.1
Investments in joint ventures	6.8	3.2
Investment in associate	3.2	7.2
Deferred tax asset	17.6	6.9
	162.8	215.5
Current assets		
Inventories	99.1	116.0
Trade and other receivables	74.7	62.5
Cash and cash equivalents	1.8	15.3
	175.6	193.8
Total assets	338.4	409.3
Current liabilities		
Trade and other payables	(123.8)	(130.1)
Borrowings	(1.9)	-
Current tax liabilities	(0.1)	(1.0)
Currency derivative liabilities	(1.3)	(2.7)
Short-term provisions	(24.5)	(5.6)
	(151.6)	(139.4)
Non-current liabilities		
Trade and other payables	(29.0)	(32.3)
Borrowings	(20.0)	-
Retirement benefit obligations	(52.7)	(37.6)
Long-term provisions	(12.4)	(7.2)
	(114.1)	(77.1)
Total liabilities	(265.7)	(216.5)
Net assets	72.7	192.8
Equity attributable to equity holders of the parent		
Share capital	44.3	44.3
Share premium account	6.2	5.9
Other reserve	50.8	50.8
Own shares	(2.1)	(9.0)
Translation reserves	-	0.1
Retained (loss)/earnings	(26.5)	100.7
Total equity	72.7	192.8

Consolidated statement of changes in equity

For the 53 weeks ended 31 March 2012

	Equity attributable to equity holders of the parent						
	Share capital	Share premium account	Other reserve ¹	Own shares	Translation reserve	Retained earnings	Total equity
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Balance at 27 March 2011	44.3	5.9	50.8	(9.0)	0.1	100.7	192.8
Total comprehensive income 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)
Balance at 31 March 2012	44.3	6.2	50.8	(2.1)	-	(26.5)	72.7

For the 52 weeks ended 26 March 2011

	Equity attributable to equity holders of the parent						Total equity
	Share capital	Share premium account	Other reserve ¹	Own shares	Translation reserve	Retained earnings	
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Balance at 28 March 2010	44.1	4.9	50.8	(8.9)	1.3	96.2	188.4
Total comprehensive income for the period	-	-	-	-	(1.2)	18.7	17.5
Issue of equity shares	0.2	1.0	-	-	-	-	1.2
Credit to equity for equity-settled share-based payments	-	-	-	-	-	2.6	2.6
Purchase of own shares	-	-	-	(1.4)	-	-	(1.4)
Shares transferred to employees on vesting	-	-	-	1.3	-	(1.3)	-
Dividends paid	-	-	-	-	-	(15.5)	(15.5)
Balance at 26 March 2011	44.3	5.9	50.8	(9.0)	0.1	100.7	192.8

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 53 weeks ended 31 March 2012

	53 weeks ended 31 March 2012 £ million	52 weeks ended 26 March 2011 £ million
Net cash flow from operating activities (see note 8)	5.6	27.1
Cash flows from investing activities		
Interest received	0.9	0.1
Purchase of property, plant and equipment	(21.7)	(16.6)
Purchase of intangibles - software	(3.2)	(5.2)
Purchase of intangibles - other	-	(3.1)
Proceeds from sale of property, plant and equipment	2.3	3.3
Investments in joint ventures and associates	(5.7)	(10.5)
Net cash used in investing activities	(27.4)	(32.0)
Cash flows from financing activities		
Interest paid	(1.3)	(0.6)
New bank loans raised	20.0	-
Equity dividends paid	(11.9)	(15.5)
Issue of ordinary share capital	0.3	1.2
Purchase of own shares	-	(1.4)
Net cash raised/(used) in financing activities	7.1	(16.3)
Net decrease in cash and cash equivalents	(14.7)	(21.2)
Cash and cash equivalents at beginning of period	15.3	38.5
Effect of foreign exchange rate changes	(0.7)	(2.0)
Net (debt)/cash and cash equivalents at end of period	(0.1)	15.3

Notes

1. General information

- a) The accounting policies followed are the same as those published by the group within the 2011 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 53 week period ended 31 March 2012 or the 52 week period ended 26 March 2011, but it is derived from those accounts. Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 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

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.

	53 weeks ended 31 March 2012			
	UK £ million	International £ million	Unallocated corporate expenses £ million	Consolidated £ million
Revenue				
External sales	560.0	252.7	-	812.7
Result				
Segment result (underlying)	(24.7)	34.9	(7.6)	2.6
Share-based payments (underlying)				(0.6)
Non-cash foreign currency adjustments				2.0
Amortisation of intangible assets				(2.0)
Exceptional items				(104.4)
Loss from operations				(102.4)
Net finance costs				(0.5)
Loss before taxation				(102.9)
Taxation				11.1
Loss for the period				(91.8)

Notes continued

	52 weeks ended 26 March 2011			
	UK £ million	International £ million	Unallocated Corporate Expenses £ million	Consolidated £ million
Revenue				
External sales	587.2	206.4	-	793.6
Result				
Segment result (underlying)	11.1	27.5	(7.5)	31.1
Share based payments				(2.2)
Non-cash foreign currency adjustments				(13.8)
Amortisation of intangible assets				(2.3)
Exceptional items				(3.4)
Profit from operations				9.4
Net finance costs				(0.6)
Profit before taxation				8.8
Taxation				(2.3)
Profit for the period				6.5

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:

	53 weeks ended 31 March 2012 £ million	52 weeks ended 26 March 2011 £ million
Exceptional items:		
Restructuring costs in cost of sales	(2.0)	-
Restructuring costs included in administrative expenses	(7.1)	(3.6)
Store property, plant and equipment impairment included in administrative expenses	(3.8)	-
Share-based payment credit included in administrative expenses	0.8	-
Onerous lease provision	(11.5)	-
(Loss)/profit on disposal/termination of property interests	(22.6)	0.2
Goodwill and intangible assets impairment	(55.0)	-
Impairment of investment in associate	(2.8)	-
Share of restructuring cost in associate	(0.4)	-
Total exceptional items:	(104.4)	(3.4)
Other non-underlying items:		
Non-cash foreign currency adjustments under IAS 39 and IAS 21 ¹	2.0	(13.8)
Amortisation of intangibles ¹	(2.0)	(2.3)
Unwinding of discount on exceptional property provisions included in finance costs	(0.1)	(0.2)
Exceptional and other non-underlying items	(104.5)	(19.7)

¹Included in non-underlying cost of sales is a charge of £nil (2011: charge of £16.1 million).

Restructuring costs in cost of sales

During the 53 weeks ended 31 March 2012 the warehouse previously supplying the Early Learning Centre online business was closed and the business transferred into the warehouse supporting the Mothercare online business. This rationalisation of warehouses led to a one-off integration cost of £2.0 million (2011: £nil).

Restructuring costs in administration expenses

During the 53 weeks ended 31 March 2012 a charge of £7.1 million (2011: £3.6 million) was recognised relating to a substantial head office restructuring and group reorganisation. Included within this expense are redundancy payments including some senior executives, curtailment gain on defined benefit pension scheme and professional and advisory fees in connection with the new strategic plan.

Store property, plant and equipment impairment included in administration expenses

During the 53 weeks ended 31 March 2012 the group has made provision of £3.8 million (2011: £nil) for store impairment where the carrying value of property plant and equipment is higher than the net realisable value and value in use.

Notes continued

Share-based payment credit included in administrative expenses

During the 53 weeks ended 31 March 2012 a credit of £0.8 million was recognised in respect of leavers from the executive incentive share schemes.

Onerous lease provision

A provision of £11.5 million has been made for onerous leases relating to vacant, sublet and trading properties having taken into consideration the Christmas trading activity and the continued pressure on the UK store portfolio. 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 2.3% has been used in calculating the provision, being the risk-free rate.

(Loss)/profit on disposal/termination of property interests

During the 53 weeks ended 31 March 2012 a net charge of £22.6 million (52 weeks ended 2011: a net credit of £0.2 million) has been recognised in (loss)/profit from operations relating to losses on disposal/termination of property interests relating to the store reduction programme announced in May 2011. In April 2012 the group announced further store closures and the related cost will be provided for in the next financial year.

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 the UK business does not generate sufficient cash flows to support the full value of the goodwill and intangible assets allocated to the UK and consequently an impairment loss of £55.0 million has been charged.

Impairment of investment in associate

The group has carried out a review of its investment in associate and written the investment down to recoverable amount at 31 March 2012 (£2.8 million charge).

Share of restructuring cost in associate

During the year the Australian associate undertook a significant integration and rebranding of three separate mother and baby chains into a single cohesive Mothercare brand. Mothercare's share of these costs of £0.4 million (2011: £nil) has been treated as exceptional.

4. Net Finance costs

	53 weeks ended 31 March 2012 £ million	52 weeks ended 26 March 2011 £ million
Interest receivable	(0.9)	(0.1)
Interest and bank fees on bank loans and overdrafts	1.3	0.5
Unwinding of discounts on provisions ¹	0.1	0.2
Net finance costs	0.5	0.6

¹Non-underlying charge of £0.1 million (2011: £0.2 million) of unwinding of discount on exceptional provisions (see note 3).

5. Taxation

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

	53 weeks ended 31 March 2012 £ million	52 weeks ended 26 March 2011 £ million
Current tax:		
Current year	(2.1)	8.1
Adjustment in respect of prior periods	(2.4)	(0.8)
	(4.5)	7.3
Deferred tax:		
Current year	(6.5)	(5.0)
Change in tax rate in respect of prior periods	(0.5)	0.6
Adjustment in respect of prior periods	0.4	(0.6)
	(6.6)	(5.0)
(Credit)/charge for taxation on (loss)/profit for the period	(11.1)	2.3

Notes continued

UK corporation tax is calculated at 26 per cent (2011: 28 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 (credit)/charge for the period can be reconciled to the (loss)/profit for the period before taxation per the consolidated income statement as follows:

	53 weeks ended 31 March 2012 £ million	52 weeks ended 26 March 2011 £ million
(Loss)/profit for the period before taxation	(102.9)	8.8
(Loss)/profit for the period before taxation multiplied by the standard rate of corporation tax in the UK of 26% (2011: 28%)	(26.7)	2.5
Effects of:		
Expenses not deductible for tax purposes	15.4	1.0
Change in tax rate	0.2	1.0
Impact of overseas tax rates	(0.2)	(0.7)
Utilisation of tax losses not previously recognised against capital gains	0.3	(0.1)
Adjustment in respect of prior periods	(2.0)	(1.4)
Impact of write off of prior year deferred tax asset	1.9	-
(Credit)/charge for taxation on (loss)/profit for the period	(11.1)	2.3

In addition to the amount credited to the income statement, deferred tax relating to retirement benefit obligations amounting to £4.1 million has been credited directly to other comprehensive income (2011: charge of £4.3 million).

6. Dividends

	53 weeks ended 31 March 2012 pence per share	£ million	52 weeks ended 26 March 2011 pence per share	£ million
Amounts recognised as distributions to equity holders in the period				
Final dividend for the prior period	11.9p	10.1	11.3p	9.9
Interim dividend for the current period	2.0p	1.8	6.4p	5.6
		11.9		15.5

In line with the announcement made with the trading statement on 12 April 2012, the Company will not pay any dividend until the 'Transformation and Growth' plan is delivering benefits and accordingly no final dividend has been declared for the 53 weeks ended 31 March 2012.

7. Earnings per share

	53 weeks ended 31 March 2012 million	52 weeks ended 26 March 2011 million
Weighted average number of shares in issue	87.2	85.8
Dilution – option schemes (for underlying result only)	1.7	1.8
Diluted weighted average number of shares in issue	88.9	87.6
	£ million	£ million
Earnings for basic and diluted earnings per share	(91.8)	6.5
Exceptional and other non-underlying items (note 3)	104.5	19.7
Tax effect of above items	(11.1)	(5.0)
Underlying earnings	1.6	21.2
	pence	pence
Basic earnings per share	(105.2)	7.6
Basic underlying earnings per share	1.8	24.7
Diluted earnings per share	(105.2)	7.4
Diluted underlying earnings per share	1.8	24.2

Notes continued

8. Reconciliation of cash flow from operating activities

	53 weeks ended 31 March 2012 £ million	52 weeks ended 26 March 2011 £ million
(Loss)/profit from retail operations	(6.9)	11.0
Adjustments for:		
Depreciation of property, plant and equipment	16.2	16.6
Amortisation of intangible assets – software	4.6	4.1
Amortisation of intangible assets – other	2.0	2.3
Impairment of property, plant and equipment	9.4	-
(Loss)/profit on disposal of property, plant and equipment	(23.0)	0.9
(Profit)/loss on non-underlying non-cash foreign currency adjustments	(2.0)	13.8
Equity-settled share-based payments	0.5	2.6
Movement in property provisions	12.7	(5.7)
Movement in other provisions	-	(0.1)
Amortisation of lease incentives	(5.2)	(5.9)
Lease incentives received	3.5	9.6
Payments to retirement benefit schemes	(8.0)	(4.6)
Charge to profit from operations in respect of retirement benefit schemes	1.9	3.5
Operating cash flow before movement in working capital	5.7	48.1
Decrease/(increase) in inventories	18.5	(23.9)
(Increase) in receivables	(9.8)	(4.8)
(Decrease)/increase in payables	(12.9)	13.7
Cash generated from operations	1.5	33.1
Income taxes received/(paid)	4.1	(6.0)
Net cash flow from operating activities	5.6	27.1

	27 March 2011 £ million	Cashflow £ million	Foreign exchange £ million	31 March 2012 £ million
Cash and cash equivalents	15.3	(12.8)	(0.7)	1.8
Net overdraft	-	(1.9)	-	(1.9)
(Debt)/net cash and cash equivalents	15.3	(14.7)	(0.7)	(0.1)

Risks and uncertainties

The principal risks and uncertainties which could impact the company's long-term performance remain those detailed on pages 31 and 32 of the company's 2011 Annual Report and Accounts and which are summarised below:

- Failure to deliver '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 falls behind schedule
- Changes in customer demand
- Failure to react to competition
- Risk of loss of reputation
- Logistics, distribution or IT systems failure
- Organisational change and headcount reduction

In addition, the company's investment in joint ventures and overseas companies exposes it to greater risk to certain overseas markets and to the operating performance of those businesses. This risk will be identified in the company's 2012 Annual Report and Accounts.

A copy of the company's 2011 Annual Report and Accounts is available on the company's website www.mothercareplc.com.

Cautionary statement

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 following statement will be contained in the Annual Report and Accounts.

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 directors' 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.

By order of the board on 23 May 2012 and signed on its behalf by:

Alan Parker
Chairman

Neil Harrington
Finance Director