

MOTHELCARE AUSTRALIA LIMITED & CONTROLLED ENTITIES

Appendix 4E
For the year ended 30 June 2012

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Jun 12 \$ 000	% Change	Jun 11 \$ 000
Revenues from continuing operations	79,371	Up 21%	65,657
Loss from continuing operations before tax	(12,707)	Loss reduced by 42%	(21,897)
Net loss after tax for the period attributable to members	(12,312)	Loss reduced by 39%	(20,292)
Basic earnings per share (cents) attributable to members	(5.8)		(11.1)
Earnings per share from continuing operations (cents) attributable to members	(5.8)		(11.1)
Weighted no. of shares ('000)	212,920		183,046
Net tangible asset backing per ordinary share (cents) attributable to members	0.7		2.9

DIVIDENDS

Dividends (distributions)	Amount per Security	Franked amount per security
Interim dividend	Nil	Nil
Previous corresponding period	Nil	Nil

Dividend reinvestment plans - N/A

Control gained over entities- N/A

Loss of control over entities- N/A

Details of associates and joint ventures entities -N/A

Foreign entities

Skansen UK & Early Learning Centre NZ have been consolidated using AFRS.

Audit Update

These preliminary statements are currently in the process of being audited.

Attachments

The Preliminary Financial Statements of Mothercare Australia for the year ended 30 June 2012 are attached.

Signed



Brent Dennison
Director

31 August 2012
Sydney

MOTHERCARE AUSTRALIA LIMITED & CONTROLLED ENTITIES

Mothercare Australia Limited

ACN 060 199 082



PRELIMINARY FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

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Mothercare Australia Limited and Controlled Entities

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 30 JUNE 2012

Mothercare Australia Limited ("the Company") announces its results for the year ended 30 June 2012.

The results of the Company showed an improvement in performance with a significant reduction in the loss compared to the previous year. Like-for-Like ("LFL") sales growth was 0.7% for the 2012 financial year (FY12). Growth in both the large format Mothercare stores and online were the main contributors to the business achieving this positive comparison. While the Company was able to report positive LFL growth, its overall performance was below the target set for the year. Sales and operating margins remain under constant pressure in this challenging retail environment and highly competitive category.

During the year ended 30 June 2012, the Company opened five Mothercare stores and now operates 29 Mothercare branded parenting and baby stores, and 19 Early Learning Centre and Kids Central stores across five states and New Zealand (see attachment on page 3).

Full Year Results Overview

	<u>This Year</u>	<u>Last Year</u>	<u>Change</u>
Total Revenue	\$79.4m	\$65.6m	+21%
Gross Profit	\$32.0m	\$25.2M	+27%
EBITDA	(\$8.4m)	(\$19.5m)	Loss reduced by 57%
Net Cash available as at 30 June 2012	\$1.1m	\$3.3m	-67%

Operational Highlights

Whilst the Company has entered a period of consolidation in a difficult economic environment, it is making real progress towards achieving its objective of becoming a leading player in the parenting and baby retail market in Australia.

Revenue

The Company's total sales grew 21%. The main comparatives were:

- 9.3% LFL sales increase in large format Mothercare stores
- 8.0% LFL sales decline in the Toys and Gift category
- 38% sales increase in the Mothercare and Early Learning Centres online business (+35% in the first half, and +42% in the second half)

Gross Margin

The Company's Gross Margin improvement was 1.9%, driven by:

- lower levels of clearance activity
- better sales mix
- some improvement in trading terms

Costs

Operating costs at every level of the business are under continuous scrutiny. Supply chain, head office administration and store operating costs all delivered efficiency gains against the backdrop of an overall 21% increase in sales in FY12.

The Company continues to work with landlords in an effort to achieve lower occupancy costs.

Working Capital

Working capital management has improved, in particular in the area of inventory control.

Bridging loans of \$2.5m (\$1.54m prior to 30 June 2012 and \$0.96m in July 2012) were provided by Mothercare UK and the Myer Family Company to support ongoing working capital requirements. It has been agreed that these loans will be repaid as part of a future equity issue.

Mothercare Australia Limited and Controlled Entities
CHAIRMAN'S REPORT
FOR THE YEAR ENDED 30 JUNE 2012

Convertible Notes Issue

The Company announced at its Annual General Meeting last November that The Myer Family Company had agreed to subscribe for an additional \$1.5m in convertible notes on the same terms as those issued in October 2011. This subscription was finalised in March 2012.

Outlook

While trading in the first two months of the new financial year has been in line with the Company's budget, anticipated ongoing pressure on both sales and margin persists. We have seen an improvement in the LFL performance of the Toy and Gift category which is encouraging as we begin the run in to the critical Christmas trading period. We are also expecting an improvement in the sales performance of the business from better stock availability in our own-brand product and from the investment in a substantially upgraded online platform.

The Company's focus remains on raising the trading performance of its existing footprint, gaining further efficiencies in operating costs, and sustaining significant growth in online sales. The Board is evaluating strategic opportunities including potential transactions that would accelerate the Company's path to positive cash flows and profitability.



Robert Gavshon
Chairman

Mothercare Australia Limited and Controlled Entities
CHAIRMAN'S REPORT
FOR THE YEAR ENDED 30 JUNE 2012

Mothercare Australia - Store Portfolio

Parenting & Baby Stores	State
Mothercare Artarmon	NSW
Mothercare Belrose	NSW
Mothercare Birkenhead	NSW
Mothercare Bondi Junction	NSW
Mothercare Canberra	ACT
Mothercare Cannington	WA
Mothercare Castlehill	NSW
Mothercare Chadstone	VIC
Mothercare Chatswood	NSW
Mothercare Chermside	QLD
Mothercare Cockburn	WA
Mothercare Doncaster	VIC
Mothercare Erina	NSW
Mothercare Highpoint	VIC
Mothercare Joondalup	WA
Mothercare Knox	VIC
Mothercare Kotara	NSW
Mothercare Loganholme	QLD
Mothercare Mt Gravatt	QLD
Mothercare Myaree	WA
Mothercare Penrith	NSW
Mothercare Rhodes	NSW
Mothercare Rockhampton	QLD
Mothercare Sylvia Park	NZ
Mothercare Taren Point	NSW
Mothercare Top Ryde	NSW
Mothercare Townsville	QLD
Baby on a Budget Port Kennedy	WA
Baby on a Budget Osborne Park	WA
ELC Stores	State
ELC Bondi	NSW
ELC Booragoon	WA
ELC Erina	NSW
ELC Indooroopilly	QLD
ELC Miranda	NSW
ELC Mt Gravatt	QLD
ELC Newmarket	NZ
ELC Wellington	NZ
KC Claremont	WA
KC Doncaster	VIC
KC Geelong	VIC
KC Hornsby	NSW
KC Kotara	NSW
KC Marion	SA
KC Pacific Fair	QLD
KC Southland	VIC
KC The E.Q.	NSW
KC The Glen	VIC
KC Victoria Gardens	VIC

Mothercare Australia Limited and Controlled Entities
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	CONSOLIDATED	
		Jun2012 \$'000	Jun2011 \$'000
Continuing operations			
Revenue		79,371	65,657
Total revenue		79,371	65,657
Cost of sales		(47,361)	(40,475)
Gross profit		32,010	25,182
Other income		698	-
Interest income		24	336
Administration expenses		(24,486)	(30,293)
Other expenses (marketing and occupancy)		(16,652)	(14,697)
Depreciation and amortisation expense		(2,931)	(2,426)
Finance costs		(1,370)	(595)
Total Operating expenses		(45,439)	(48,011)
Loss for the year from continuing operations before income tax and gain on acquisition		(12,707)	(22,493)
Gain on acquisition		-	596
Loss for the year from continuing operations before income tax		(12,707)	(21,897)
Income tax benefit		395	594
Loss for the year from continuing operations after income tax		(12,312)	(21,303)
Profit from discontinued operations		-	35
Loss for the year		(12,312)	(21,268)
Other comprehensive income, net of tax			
Exchange differences on translation of foreign operations		3	25
Total comprehensive income for the year (net of tax)		(12,309)	(21,243)

MOTHERCARE AUSTRALIA LIMITED & CONTROLLED ENTITIES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	CONSOLIDATED	
	Jun2012	Jun2011
	\$'000	\$'000
Loss for the year is attributable to:		
Members of Mothercare Australia Limited	(12,312)	(20,292)
Non-controlling interest	-	(976)
	(12,312)	(21,268)
Total comprehensive income for the year is attributable to:		
Members of Mothercare Australia Limited	(12,309)	(20,267)
Non-controlling interest	-	(976)
	(12,309)	(21,243)
Loss per share from continuing operations attributable to members of Mothercare Australia Limited		
Basic earnings/(loss) per share (cents per share)	(5.8)	(11.1)
Diluted earnings/(loss) per share (cents per share)	(5.8)	(11.1)
Loss per share attributable to members of Mothercare Australia Limited		
Basic earnings/(loss) per share (cents per share)	(5.8)	(11.1)
Diluted earnings/(loss) per share (cents per share)	(5.8)	(11.1)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Mothercare Australia Limited and Controlled Entities
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Notes	CONSOLIDATED	
		30Jun2012 \$'000	30 June 2011 \$'000
CURRENT ASSETS			
Cash and cash equivalents		1,125	3,313
Trade and other receivables		358	34
Inventories		16,053	21,297
Other assets		247	429
TOTAL CURRENT ASSETS		17,783	25,073
NON-CURRENT ASSETS			
Property, plant and equipment		12,690	11,596
Intangible assets		8,623	8,737
Deferred tax assets		1,612	1,217
TOTAL NON-CURRENT ASSETS		22,925	21,550
TOTAL ASSETS		40,708	46,623
CURRENT LIABILITIES			
Trade and other payables		14,500	15,715
Trade finance		5,010	6,963
Provisions		3,039	2,884
Borrowings	7	1,690	4,513
Derivative financial instruments		-	184
TOTAL CURRENT LIABILITIES		24,239	30,259
NON-CURRENT LIABILITIES			
Trade and other payables		2,170	-
Provisions		1,858	1,159
Borrowings	7	725	-
TOTAL NON-CURRENT LIABILITIES		4,753	1,159
TOTAL LIABILITIES		28,992	31,418
NET ASSETS		11,716	15,205
EQUITY			
Issued capital	5	66,645	57,825
Reserves		(2,300)	(2,303)
Accumulated losses		(52,629)	(40,317)
TOTAL EQUITY		11,716	15,205

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Mothercare Australia Limited and Controlled Entities
STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2012

	Note	Issued capital \$'000	Convertible note option reserve \$'000	Foreign currency reserve \$' 000	Equity reserve \$'000	Accum. losses \$'000	Total \$'000	Non-control Interest \$'000	Total equity \$'000
Consolidated									
As at 1 July 2010									
		31,001	104	(109)	123	(20,025)	11,094	780	11,874
Loss for the year		-	-	-	-	(20,292)	(20,292)	(976)	(21,268)
Other comprehensive income for the year, net of tax		-	-	25	-	-	25	-	25
Total comprehensive income for the year		-	-	25	-	(20,292)	(20,267)	(976)	(21,243)
Transactions with owners in their capacity as owners									
Elimination of non-controlling interest		-	-	-	(2,342)	-	(2,342)	196	(2,146)
Shares issued, net of equity raising costs		26,824	-	-	-	-	26,824	-	26,824
Convertible note movement net of deferred tax		-	(104)	-	-	-	(104)	-	(104)
As at 30 June 2011		57,825	-	(84)	(2,219)	(40,317)	15,205	-	15,205
Consolidated									
As at 1 July 2011									
		57,825	-	(84)	(2,219)	(40,317)	15,205	-	15,205
Loss for theyear		-	-	-	-	(12,312)	(12,312)	-	(12,312)
Other comprehensive income for the year, net of tax		-	-	3	-	-	3	-	3
Total comprehensive income for the year		-	-	3	-	(12,312)	(12,309)	-	(12,309)
Transactions with owners in their capacity as owners									
Convertible notes issued, net of equity raising costs	6	8,820	-	-	-	-	8,820	-	8,820
As at 30 June 2012		66,645	-	(81)	(2,219)	(52,629)	11,716	-	11,716

The above Statement of Change in Equity should be read in conjunction with the accompanying notes.

Mothercare Australia Limited and Controlled Entities
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	CONSOLIDATED	
		30Jun2012	30Jun2011
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		88,709	73,761
Payments to suppliers and employees		(90,663)	(89,618)
Interest received		24	153
Other income received		73	-
Interest and other finance costs paid		(525)	(335)
Income tax paid		-	(178)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(2,382)	(16,217)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash outflow on business combinations		-	(4,740)
Net payments for property, plant and equipment		(4,575)	(6,138)
Net cash proceeds from sale of business		-	2,000
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(4,575)	(8,878)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from convertible note issue	6	5,320	-
Proceeds from borrowings		-	3,879
Proceeds from borrowings – related parties		1,540	3,500
Repayment of borrowings& trade finance		(2,091)	(2,500)
Proceeds from issue of shares		-	18,724
NET CASH FLOWS PROVIDED BYFINANCING ACTIVITIES		4,769	23,603
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,188)	(1,492)
Cash and cash equivalents at the beginning of the year		3,313	4,805
CASH AND CASH EQUIVALENTS AT THE END OF THEYEAR		1,125	3,313

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Mothercare Australia Limited and Controlled Entities
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. Basis of Preparation

The preliminary financial report has been prepared in accordance with Australian Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board and the Corporations Act 2001 as appropriate for profit oriented entities.

The preliminary financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public pronouncements made by the company during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001. Unless otherwise detailed in this note, accounting policies have been consistently applied by the entities in the group, and are consistent with those applied in the 30 June 2011 annual report.

2. SEGMENT INFORMATION

Description of Segments

Management has determined the operating segment based on reports reviewed by the executive management committee for making strategic decisions. The executive management committee comprises of the CEO, Chief Financial Officer and divisional managers. The committee monitors the business based on retail contribution. The retail segment consists primarily of early childhood products and services delivered across several retail brands.

Operating segments

Year ended 30 June 2012

	Retail \$'000
REVENUE	
Sales to external customers	79,371
Other income	698
	<u>80,069</u>
Interest revenue	24
Total segment revenue	<u><u>80,093</u></u>
RESULT	
Segment contribution/(loss)	(249)
Expenses below contribution	<u>(6,349)</u>
Trading loss	(6,598)
Finance costs	(1,370)
Depreciation & amortisation	(2,931)
<i>Significant non-recurring other costs:</i>	
FX Loss	(300)
Non continuing administration costs	(1,106)
Disposal of BG store assets due to closure	<u>(402)</u>
Net loss from continuing operations before tax	(12,707)
Income tax benefit	<u>395</u>
Net loss for the year after income tax	<u><u>(12,312)</u></u>
SEGMENT ASSETS	<u>40,708</u>
SEGMENT LIABILITIES	<u>28,992</u>

Mothercare Australia Limited and Controlled Entities
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2. SEGMENT INFORMATION (Continued)

Operating Segments

Year ended 30 June 2011	Retail \$'000	Giftware (Discontinued) \$000	Total \$000
REVENUE			
Sales to external customers	65,657	1,339	66,996
Other income	-	-	-
	<hr/>	<hr/>	<hr/>
	65,657	1,339	66,996
Interest revenue			336
Total segment revenue			<hr/> <hr/>
			67,332
RESULT			
Segment contribution/(loss)	(5,926)	62	(5,864)
Gain on acquisition			596
Expenses below contribution			<hr/>
			(7,168)
Trading loss			(12,436)
Finance costs			(595)
Depreciation & amortisation			(2,426)
Significant non-recurring other costs			
FX Loss			(1,995)
Disposal of BG store assets due to closure			(1,700)
Write-off Kids Central intangible due to conversion of branded stores to Mothercare format			(693)
Non continuing administration costs			<hr/>
			(2,017)
Loss from operations before tax			(21,862)
Income tax benefit			594
Net loss for the year			<hr/> <hr/>
			(21,268)
 SEGMENT ASSETS			<hr/>
			46,623
 SEGMENT LIABILITIES			<hr/>
			31,418

* The Giftware business (Beanie Kids) was disposed of during the financial year 2011 and has been included for comparative reasons.

The executive management committee monitors segment performance based on retail contribution. This measure excludes depreciation and amortisation and non-recurring expenditure such as restructuring costs. The basis of measuring segment profit or loss has changed from the last annual financial statements, the previous basis measured performance by two segments. The current measurement is now only one retail, specifically in relation to mother and child early childhood products and services.

3. Dividends paid

	2012 \$'000	2011 \$'000
Dividends paid or declared during or since the end of the financial year	<hr/> <hr/>	<hr/> <hr/>
	-	-

4. Seasonality and irregular trends

Mothercare Australia Limited is affected by seasonality through the sale of toys, with unit sales increasing sharply in the lead up to the Christmas period. Sales of toys accounted for 33% of total revenue for the year ended June 2012 (2011: 29%).

Mothercare Australia Limited and Controlled Entities
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

5. Issued Capital

	Consolidated		Consolidated	
	30 June 2012		30 June 2011	
	No	\$'000	No	\$'000
Balance at the beginning of period	212,920,556	57,825	119,690,390	31,001
Shares issued in relation to part consideration of Babies Galore acquisition	-	-	16,666,666	5,000
Shares issued to Mothercare Finance Ltd (UK)	-	-	43,620,000	12,200
Shares issued in relation to acquisition of remaining 27% of Skansen KCG Pty Limited	-	-	7,500,000	2,100
Shares issued on exercise of option to Mothercare Finance Ltd (UK)	-	-	5,443,500	1,524
Shares issued in relation to acquisition of Baby on a Budget	-	-	3,333,334	1,000
Convertible Notes issued & converted to Myer Family Company Holdings Ltd	-	-	16,666,666	5,000
Convertible Notes issued during the year (Note 6) net of share issue costs	-	8,820	-	-
	<u>212,920,556</u>	<u>66,645</u>	<u>212,920,556</u>	<u>57,825</u>

6. Convertible Notes

During the year ended 30 June 2012 Mothercare Australia issued pro rata non-renounceable rights issue to shareholders of 1 new Mandatory Converting Note for every 5 Shares held on the record date at \$0.18 per security converting into 1 share for every Mandatorily Converting Note subscribed for. The pro rata non-renounceable rights issue was completed on 26 September 2011.

Eligible shareholders subscribed for approximately 25,336,554 Mandatorily Converting Notes (\$4.56m) under the offer (representing approximately 60% of new mandatorily converting notes available under the offer).

Under subscriptions for the offer 17,229,767 new Mandatorily Converting Notes were partially taken up by the underwriters to the extent of \$3.1m, in accordance with the underwriting agreements, details of which are set out in the prospectus dated 1 September 2011.

The total working capital raised from the rights issue was \$7.66m offset by legal and professional fees of \$0.28m. Part of the working capital raised includes the conversion of the \$3.5m of shareholder loans per the financial report 30 June 2011 to convertible notes. There is no contractual obligation on the company to deliver cash or repay any principal on the notes. A fixed number of shares will be issued upon the conversion of the notes, which mature 3 years from the date of issue or by election by convertible note holders as set out in the prospectus dated 1 September 2011.

A further 8,333,333 Mandatorily Converting Notes were issued to Myer Family Company under the same terms and conditions as the September 2011 issue. The total working capital raised from this issue was \$1.5m offset by professional fees of \$0.06m.

In accordance with AASB 132 "Financial Instruments Presentation", the accounting treatment of the issued Mandatorily Converting Notes is such that there was a total increase in equity of \$9.16m reduced by the related legal and professional fees of \$0.34m, leaving a net Equity increase of \$8.82m.

7. Borrowings

	30 June 2012	30 June 2011
	\$'000	\$'000
Current :		
ANZ Bank Loan	150	1,013
Shareholders Loans	1,540	3,500
	<u>1,690</u>	<u>4,513</u>
Non -current :		
ANZ Bank Loan	<u>725</u>	-

Bridging loans of \$1.54M were provided by Mothercare UK and the Myer Family Company to support ongoing working capital requirements. It has been agreed that these loans will be repaid as part of a future equity issue.

Mothercare Australia Limited and Controlled Entities
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

8. Related party transactions

For the year ended 30 June 2012 related party purchases with Mothercare UK PLC totalled \$11.25m (30 June 2011 \$15.6m).

9. Events Subsequent to reporting date

In July 2012, Mothercare plc extended its bridging loan agreement by \$0.96m to \$1.73m.

No other matters or circumstances have arisen since the end of the half year to significantly affect the operations of the company, the results of those operations or the state of affairs of the consolidated company.

10. Rounding of amounts

The company satisfies the requirements of Class Order 98/100 issued by the Australian Securities and Investments Commission relating to "rounding off" of amounts in the directors' report and the financial statements to the nearest thousand dollars. Amounts have been rounded off in the directors' report and financial statements in accordance with the Class Order.

11. Contingencies

The company has given bank guarantees as at 30 June 2012 of \$2.5m in relation to property lease guarantees (30 June 2011 \$1.8m).