

## Mothercare plc (“Mothercare”, “the Company” or “the Group”)

### Full Year Results 2021

#### *A trusted global brand - designed for the future*

Mothercare plc, the leading specialist global brand for parents and young children, today announces full year results for the 52 week period to 27 March 2021. Comparatives are based on the 52 week period to 28 March 2020.

#### **Strategic highlights**

- *Successful transformation to create a strong platform for growth:*
  - Transitioned the business to provide a sustainable, operationally efficient, capital-light platform for growth focused on brand management and the design, development and sourcing of product to support international franchise partners in over 700 stores across 37 countries.
- *A pure franchised global brand business:*
  - We established Boots UK Limited ("Boots") as our UK franchise partner, with the Mothercare brand becoming available in Boots stores and online from Autumn 2020.
  - Our gross profit is principally derived from royalties payable on global franchise partners' retail sales, across some two million square feet of retail space worldwide.
  - Whilst the design, quality control and choice of manufacturing partner remains under Mothercare's control, today the Group is free of the burden of a UK store estate, warehousing and the associated operational costs.
- *Multiple opportunities for growth:*
  - Strong opportunities for growth in new territories - Mothercare is still not represented in 7 of the top 10 baby markets in the world.
  - Organic growth through new and enhanced ways of working with existing franchise partners and refocused product strategy aligned to international customer demand.
  - Extension of brand reach possible as we explore the opportunities available to us in wholesale, licensing and online marketplaces.
  - Opportunity for stepchange growth through leveraging the intrinsic value of our strong core global brand recognition and extensive international footprint
  - AIM listed entity with expectations of an improving trend in operating profitability and being debt free within five years.

#### **Current trading**

- We currently estimate that over 80% of our partners' global retail locations are now open.
- Trade continues to be challenging in the key markets of Russia, India, Indonesia and Malaysia due to the continuing impact of COVID-19 on footfall and consumer confidence.

- Throughout the pandemic we witnessed substantial online sales growth, however, this in itself was not enough to offset the temporary closure of retail stores.

Based upon reducing impacts on us and our franchise partners' operations as the current year progresses and the implementation of the new operating model, greatly reduced cost structures and the elimination of significant legacy issues, we expect a significant improvement in operating profits for the current year.

In the first thirteen weeks of FY22, the Group's Franchise Partners, many of whom continue to be affected by Covid-19 lockdowns, recorded total retail sales of £94 million, generating an adjusted EBITDA of approximately £2.5 million.

### Financial highlights *(on a continuing operations basis, unless otherwise stated)*

\*Continuing operations in the current period are the same as total operations; the prior year has been restated for the impact of prior year adjustments (note 12). Continuing operations in the comparative period represent the Global operation of the business, with the UK operational segment categorised as a discontinued operation. Continuing operations reflect accounting guidelines and therefore included some expenditure which ceased following the administration process, and as such did not necessarily reflect the result achieved by the standalone international business.

- Loss from continuing operations for the 52 weeks to 27 March 2021 of £21.5 million (2020: £8.5 million loss).
- Total loss for the 52 weeks to 27 March 2021 of £21.5 million (2020: £13.1 million profit).
- Net debt<sup>3</sup> at £13.5 million (2020: £22.1 million).

### Our Group - on a continuing operations basis

	2021 52 weeks to 27 Mar 2021 £million	2020 52 weeks to 28 Mar 2020 Restated <sup>8</sup> £million	% change vs. last year
Turnover	85.8	164.7	(47.9)%
Adjusted EBITDA	2.2	6.2	(64.5)%
Adjusted operating profit/(loss)	0.2	(0.6)	66.7%
Group adjusted loss before taxation <sup>2</sup>	(8.6)	(6.4)	(34.4)%
Statutory loss	(21.5)	(8.5)	(352.9)%

### Our Franchise partners - on a continuing operations basis

	2021 52 weeks to 27 Mar 2021 £million	2020 52 weeks to 28 Mar 2020 Restated <sup>8</sup> £million	% change vs. last year
Worldwide retail sales <sup>1</sup> £m	358.6	542.1	(33.8)%
Online retail sales £m	44.4	31.3	41.9%
Total number of stores	734	841	(12.7)%
Space (k) sq. ft.	1,970	2,345	(16.0)%

**Clive Whiley, Chairman of Mothercare, commented:**

*"The past financial year has clearly been a challenging one, however, despite the backdrop of the pandemic, we have made a tremendous amount of progress in fundamentally transforming the Group.*

*We expect 2022 to be a year of further progress as we focus upon developing our strategy and future plans to optimise the Mothercare brand globally over the next five years. These are exciting times as, notwithstanding the continued impact of the pandemic in many of our franchise partners territories, without the distractions of the last three years we are seeking to accelerate the growth of the business and the Mothercare Brand. We look to the future with great optimism having established a strong and efficient platform with multiple opportunities for growth."*

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**Notes**

The Directors believe that alternative performance measures ("APMs") assist in providing additional useful information on the performance and position of the Group and across the period because it is consistent with how business performance is reported to the Board and Operating Board.

APMs are also used to enhance the comparability of information between reporting periods and geographical units (such as like-for-like sales), by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the Group's performance. Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes. The key APMs that the Group has focused on in the period are as set out in the Glossary.

1 – Worldwide retail sales are total International retail franchise partner sales to end customers (which are estimated and unaudited) in relation to continuing operations only. International stores refers to overseas franchise and joint venture stores.

2 – Adjusted loss before taxation is stated before the impact of the adjusting items set out in note 4.

3 – Net Debt is defined as total borrowings including shareholder loans, cash at bank and IFRS 16 lease liabilities. In 2020 it also included the financial asset; in 2021 this asset is no longer linked to the borrowings and has therefore not been included.

4 – This announcement contains certain forward-looking statements concerning the Group. Although the Board believes its expectations are based on reasonable assumptions, the matters to which such statements refer may be influenced by factors that could cause actual outcomes and results to be materially different. The forward-looking statements speak only as at the date of this document and the Group does not undertake any obligation to announce any revisions to such statements, except as required by law or by any appropriate regulatory authority.

5 – The information contained within this announcement is deemed by the Company to constitute inside information for the purposes of the Market Abuse Regulation (EU) No 596/2014. Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

6 – The person responsible for the release of this announcement is Lynne Medini, Group Company Secretary at Mothercare plc, Westside 1, London Road, Hemel Hempstead, HP3 9TD.

7 – Mothercare plc's Legal Entity Identifier ("LEI") number is 213800ZL6RPV9Z9GFO74

8 – The prior year has been restated for the impact of prior year adjustments (note 12).

# Chairman's Statement

## A Platform for Growth

I am pleased to report that we have completed our transition to refocus the Mothercare brand on its core competencies of international franchise and brand management coupled with design, development and distribution of product which is sold through our international partners' stores and online. Today the Group is free of the burden of a UK store estate, warehousing and the associated operational costs. Our gross profit is principally derived from royalties payable on global franchise partners' retail sales, operating through over 700 stores, representing some 2 million square feet of retail space.

The Mothercare brand is represented in 37 countries around the world including the UK through our franchise with Boots. Yet whilst this reach is impressive, the brand is still not represented in 7 of the top 10 baby markets in the world, when viewed by wealth and birth rate. Hitherto, the Brand's singular route to market today is via franchisees and post the restructuring we are now able to explore the opportunities available to us in wholesale, licensing or online marketplaces.

Accordingly, our current measure of success, as we strive to be the leading global brand for parents and young children, remains our ability to distribute the Mothercare brand and its products to many more territories around the world through franchising, wholesale & licensing as well as growing our existing territories: hence optimising the level of sustainable long-term revenues and profitability going into 2022 and beyond.

Understandably, during this past year our focus has been on our existing franchise partners and their markets, managing both the impact of the pandemic upon them and its effect on our supply chain. However we now have the management time and resource to optimise our operating platform generating revenues through an asset-light model, both in the UK and other international territories and backed by new debt facilities provided by Gordon Brothers Brands LLC ("GBB").

We look to the future with great optimism and with multiple opportunities to grow the global presence of the Mothercare brand. We are actively pursuing a three-pronged growth strategy encompassing:

### Opportunities for Organic growth

During 2020 we commissioned an in-depth customer survey across many of our major territories to gain greater insight of our customers' views on both the local Mothercare business and the relevant competitors. The analysis of the results has shown strong correlation across the sampled markets and has allowed us to refocus our product strategy both in terms of the specific categories we develop and the level and quality and design. This revised product strategy, will be more geared to meet the expectations of our customers in our international markets, rather than majoring on products that were historically designed and developed for the UK market. Our spring/summer 2022 season, which was the first to use these learnings, was presented to our franchise partners recently receiving positive initial feedback.

### Opportunities for growth beyond the existing territories

Secondly, as we noted last year, we estimate that the birth rate around the world is c130 million births per annum, within which we believe that at least 30 million babies are born each year into households where there is a sufficient income level to make this an addressable market for the Mothercare brand. Indeed, of the top ten territories by wealth and birth rate, the Mothercare brand is only available in three of them today. For example, we currently have no presence in the USA, Japan, Australia or Brazil. Closer to home, we have no stores or online presence in any of the bigger European economies, such as Germany, France, the Netherlands or Scandinavia. We believe this translates into great potential for the Mothercare brand beyond its existing global footprint. An assessment is now underway to identify the right franchise partners and channels to market for these territories.

### **Opportunities for step change growth**

Thirdly, we are seeking to leverage the intrinsic value liberated by our extensive efforts over the last three years, where in addition to the above:

- we are an AIM listed entity with expectations of an improving trend in operating profitability and being debt free within five years;
- Mothercare is a strong unencumbered core brand, superior in its quality, international footprint & global reach than many peers who are being afforded premium market ratings; &
- we have a transactionally astute PLC Board & senior executive team that has overseen our emergence from both the restructuring and the pandemic in better shape than we entered.

Accordingly, these are exciting times as, without the distractions of the last three years, we are seeking to accelerate the growth of the business to encompass large and attractive markets where we currently have no presence.

### **The Pandemic**

As a global brand and franchise operator the impact of Covid-19 has varied enormously by market as the countries in which our franchise partners operate have addressed the Covid-19 pandemic in many different ways including, but not limited to, restrictions on travel, movement and operating hours of retailers. These issues have been compounded by similar restrictions for our manufacturing partners, which coupled with the disruption to the global movement of freight, have caused additional challenges with availability of product for franchise partners further impacting sales for the year.

These circumstances introduced an unprecedented demand shock throughout the first quarter of 2020 which led to the year under review commencing with many of our Franchise Partners' global retail locations being closed which, alongside significant disruption within our manufacturing base, required extensive efforts to reorganise production to ensure the best possible range availability. Whilst stores have substantially reopened for customers since then this still equated to an aggregate reduction in worldwide retail sales by our Franchise Partners of 34 per cent. compared to last year, reflecting the impact of Covid-19 in the various markets in which our franchisees operate around the world. Throughout the pandemic we witnessed substantial online sales growth, however, this in itself was not enough to offset the temporary closure of retail stores.

The contingency plans activated by the Board are detailed elsewhere in this report, however these primarily focused management attention upon the well-being of our colleagues alongside protecting corporate liquidity in order to preserve the businesses of our manufacturing and Franchise Partners as a prerequisite to returning to longer-term profitability. The Group did not access any of the distress loan facilities proffered by Her Majesty's Government nor did we furlough any direct employees in the continuing business.

### **Rebuilding the Group**

Last year we finalised the fundamental restructuring of the Company's operations and the associated refinancing of the Group, commenced in the summer of 2018, which ultimately resulted in the placing into administration of the Group's UK retail business in November 2019. This unavoidable step preserved value most notably for our pension fund, our global franchise operations and lending group – who would have otherwise faced significant losses – importantly it cleared a path for the Mothercare brand to emerge as the profitable and cash generative international franchise operation it is today.

As previously stated, the key strategic aim post the restructuring was to further transform the business by creating both a financial structure which supports a sustainable, capital light franchising model with the

capacity to secure both future global growth and brand reach, alongside redeveloping the Group's UK retail presence within a Mothercare franchise.

The year under review witnessed substantial progress with all of our goals, notwithstanding the continuing challenges presented by Covid-19, as recorded in detail within the Chief Operating Officer's Review and Financial Review, achieving the Board's objective of preserving significant value for all stakeholders.

### **New ways of working with our Partners**

We continue to work towards our goal of becoming an asset light business, greatly facilitated by the implementation of our new way of stock purchasing, meaning that our franchise partners contract to pay for products directly with our manufacturing partners.

For the autumn/winter 2021 season currently in our supply chain some 55% of the products by value are invoiced directly to franchise partners by our manufacturing partners, thus removing the Group's exposure to the debt and working capital requirement for these products. Hence for these products the creditors and stock will not be recognised by the Group and whilst the associated revenue will also be excluded the continued receipt of royalty payments will ensure no material impact on the sterling margin earned. The responsibility for design, quality control and choice of manufacturing partner for these products remains with the Group. Also, for the autumn/winter 2021 season some 70% of the products by value, will be shipped directly from the country of manufacture to our franchise partners without passing through our warehouses, both reducing our cost base and speeding up the supply of product.

As detailed in the Financial Review, we have targeted extending these ways of working to the remainder of our franchise partners and anticipate 80% of our products moving direct by the end of this current financial year and we continue to work to minimise costs for both ourselves and our franchise partners by moving activities further up the supply chain.

### **Updated Financing Requirement**

At the year-end Mothercare had net borrowing of £12.1 million, being cash of £6.9 million against a substantial drawdown of £19.5 million from the new facility announced last November, reflecting both ongoing tight control of cash and the conversion of the total outstanding £19 million of shareholder loans into new ordinary shares on 17 March 2021.

This represents a significant reduction in the total financing requirement, of around £50 million, anticipated in November 2019 and bears testimony to our accelerated progress to becoming a focused, asset light global franchising business with no directly operated stores and greatly reduced direct costs.

GBB, with whom terms for a new £19.5 million secured 4 year loan facility, to refinance the Company's outstanding secured senior debt facility and for additional working capital purposes, were agreed in November 2020, is now the Group's sole lender.

These changes are detailed in the Financial Review, including the terms agreed with the Pension Scheme Trustees of our defined benefit schemes, for a revised schedule of contributions, which allows the Group to pay contributions at an affordable level whilst paying off the new loan.

### **Cost Reduction Programme**

Last year the Group made substantial progress in addressing its legacy infrastructure and associated cost base which greatly assisted in reducing the total financing requirement the Group refinanced with GBB:

- we surrendered the lease of our former head office in Watford and moved into our new head office in Apsley, Hemel Hempstead, in August 2020 reducing cash occupancy costs for our head office by £900,000 per annum;

- The National Distribution warehouse facility in Daventry, which predominantly serviced the Mothercare UK retail business, which was previously sublet to a third-party on a short-term basis, was fully assigned to a third party with a strong covenant on 1 March 2021. This removed a contingent risk of around £3 million per annum to the Group on a lease that expires in June 2026;
- We are also progressing the development of a new integrated ERP system designed to provide easier, more accurate and cost-effective access to information to benefit our own business and those of our manufacturing & franchise partners. In the year ending March 2023, the first full year to benefit from the new system, our information technology costs would be expected to reduce to close to half of those for the year to March 2021, a direct bottom line improvement of over £2 million.

This continued improvement in overhead recovery and reduced distribution costs, in tandem with the impact of the new ways of working, will support cash generation as highlighted above and is detailed further within the Chief Operating Officer's Review and Financial Review.

### **Delisting & AIM Admission**

The Company first listed on the London Stock Exchange in 1972 with its listing on the main market continuing throughout via various different corporate entities. However, with the completion of the transformation plan the Board considered, for the reasons highlighted below, that AIM is a more appropriate market for the Company at this stage, commensurate with the Company now being a Small-Cap company. AIM was launched in 1995 as the London Stock Exchange's market specifically designed for smaller companies, with a more flexible regulatory regime, and has an established reputation with investors and is an internationally recognised market:

- AIM will offer greater flexibility with regard to corporate transactions, enabling the Company to agree and execute certain transactions more quickly and cost effectively than a company on the Official List;
- Companies whose shares trade on AIM are deemed to be unlisted for the purposes of certain areas of UK taxation, including possibly being eligible for relief from inheritance tax. Furthermore stamp duty is not payable on the transfer of shares that are traded on AIM and not listed on any other market;
- In addition to existing institutional investors, given the possible tax benefits, admission to trading on AIM could make the Company's shares more attractive to both AIM specific funds and certain retail investors where, since 2013, shares traded on AIM can be held in ISAs.

Accordingly, following shareholder approval, the Company applied to cancel the listing of its Ordinary Shares on the Official List and to trading on the Main Market alongside applying to the London Stock Exchange for admission to trading on AIM which was successfully completed on 12 March 2021.

### **Management & Board changes**

We have a PLC Board that is appropriate for a company of our size, nature and circumstances with Non-Executive Directors with deeply embedded and relevant skills who have directly contributed to the change process and interface cohesively with the Operating Board.

In addition, the Company's management requirements have evolved as we have successfully transitioned the business to become a focused international brand owner and operator. Hence during the year we reinforced the executive team with the appointment of both a Chief Product Officer and Head of Commercial, whose collective expertise has already contributed to our evolving product roadmap as we strive to build closer partner relationships and better serve end customer needs in key markets.

Accordingly, having completed the short-term priorities associated with the refinancing and the transformation plan, alongside continuing to manage through the continuing restrictions imposed upon us by

Covid-19, we have recommenced the search for a new Chief Executive Officer: where we are seeking proven global brand & E-commerce experience.

A further announcement will be made when appropriate and, in the interim, the day-to-day management of the Group is being run by the Chief Operating Officer and Chief Financial Officer with oversight from me as Non-Executive Chairman and my fellow Non-Executive Directors.

### **Dividend Policy**

The Company has not paid a dividend since 3 February 2012. The Directors understand the importance of optimising value for shareholders and it is the Directors' intention to return to paying a dividend as soon as this is possible under the Company's agreements with GBB and the pension trustees and as soon as the Directors believe it is financially prudent for the Group to do so.

### **Outlook**

First and foremost I would like to thank all of our colleagues across the organisation for their continued diligence in combating the challenges created by the pandemic. Their combined efforts in the face of adversity have been truly inspiring.

Whilst the global outlook remains uncertain and we are not immune to the continued impact of Covid-19 being felt around the world, over 80 per cent. of our Franchise Partners' global retail locations are now open, which points towards recovery in their sales and consequently our revenues.

Accordingly, based upon reducing impacts on us and our franchise partners' operations as the current year progresses and the implementation of the new operating model, greatly reduced cost structures and the elimination of significant legacy issues, we expect a significant improvement in operating profits for the current year.

Furthermore, we still anticipate that the steady state operation of our existing retail franchise operations, in more normal circumstances, should exceed annual operating profits of £15 million in future years, underwritten by the planned further reduction in overheads. For the first 13 weeks of the financial year to March 2022 our total retail sales were £94 million, generating an adjusted EBITDA of approximately £2.5 million.

Hence we expect 2022 to be a year of further progress as we focus upon developing our strategy and future plans to optimise the Mothercare brand globally over the next five years. That is an exciting prospect for all of our staff and stakeholders as we finally exit this most uncertain of times.

Clive Whiley  
Chairman

## **Mothercare plc** **Preliminary Results**

### **FINANCIAL AND OPERATIONAL REVIEW**

In addition to the significant progress we have made around our product and brand strategy the last year has also seen a radical change in the way the business is now financed and in our new operating model. The result has been the emergence of a profitable and cash generative international business, with reduced risk, lower overheads and an asset-light model.

After a period of significant change and restructuring of the Group in 2020, the year ended 27 March 2021 was a relative return to stability for Mothercare – albeit with international uncertainties over COVID-19 continuing to impact trading levels.

International retail sales by our franchise partners of £358.6 million (2020: £542.1 million) showed a 34% decrease year on year. This trend reflects the impact of the COVID-19 pandemic, which has affected each market across the world in many different ways. During the current year, the percentage of retail stores open globally varied between 23% and 95% of the total portfolio. The most significant impact was felt in the first quarter; for the rest of the year the percentage of retail stores open globally varied between 81% and 95%. At 27 March 2021, the Group's franchise partners had 92% of stores open (2020: 58%).

The loss from operations in the year was £2.4 million (2020: loss of £8.8 million) reflecting the significant impact of COVID-19 on our business. The Group uses a non-statutory reporting measure of adjusted profit, to show results before any one-off significant non-trading items, adding back the adjusted items which relate to the restructuring and reorganisation costs and are non-recurring of £2.6 million together with depreciation and amortisation of £2.0 million gives an adjusted EBITDA profit for the year of £2.2 million (2020: £6.2 million).

The Group recorded a loss from continuing operations for the 52 weeks to 27 March 2021 of £21.5 million (2020: £8.5 million loss). The adjusted loss for the year from continuing operations was £8.6 million (2020: £6.4 million loss). Continuing operations represent the Global operation of the business; all operations for the 2021 financial year were continuing, however, the UK operational segment ceased during the comparative year and was previously categorised as a discontinued operation. Continuing operations reported reflected accounting guidelines and therefore included some expenditure which ceased following the administration process, and as such, the comparative period does not necessarily reflect the result achieved by the standalone international business.

Total loss for the year of £21.5 million (2020: £13.1 million profit) was the same as the loss from continuing operations. However, the prior year also included a gain on the loss of control of the Group's main trading subsidiary Mothercare UK Limited (in administration), and a shared service entity, Mothercare Business Services Limited (in administration) of £46.2 million.

Retail space at the end of the year was 2.0 million sq. ft. from 734 stores (2020: 2.3 million sq. ft. from 841 stores – continuing operations).

There was also COVID-19 induced disruption in the supply chain, impacting both the current and previous financial years. This temporarily decelerated, or in some instances constrained, the movement of product within the supply chain, which resulted in a lack of availability for franchise partners.

The Group has two distribution centres, one in the UK and one in Shenzhen, China; and whilst routes directly from suppliers to partners were able to continue, there were barriers to stock being shipped in and out of

the facility in China. There were also COVID-19 related logistical challenges in securing space and haulage, with shipments being delayed once vessel capacities were reached.

Each of the Group's key markets – including the Middle East, Russia, China, India, Indonesia and Singapore saw a decline in trading year on year – driven by the aforementioned stock availability limitations and store closures.

The year ended 28 March 2020 saw two subsidiaries of the Group, Mothercare UK Limited (MUK) and Mothercare Business Services Limited (MBS), enter administration. Mothercare Global Brand Limited (MGB), also a subsidiary of Mothercare PLC (PLC), purchased the brand, customer relationships, and certain assets and liabilities of the international business from the administrators.

Responsibility for the UK operating segment ceased to belong to PLC from the point of administration; included within this were the UK retail store estate, through which the Group sold to end consumers, as well as the Group's UK trading website. Subsequently, the administrators wound down the UK operations, generating cash to repay the creditors, with the bank debt to which MUK was a guarantor, being the sole secured creditor, and the Group liable for any shortfall.

The International and UK operating segments were previously both trading segments of the same legal entity, MUK. The corporate costs were therefore managed as one business. In categorising these operations between continued and discontinued operations, the accounting standards do not allow for such costs to be pro-rated. Any expenditure which was incurred under a contract used by the international continuing business as well as the UK discontinued operation was disclosed under continuing operations – regardless of whether the expenditure did not continue after the administration, and regardless of whether the contract was primarily for the benefit of the UK segment. For this reason, the continuing administrative expenses disclosed in the comparative period do not necessarily reflect the ongoing corporate cost base of the business. There were no discontinued operations in the current period.

#### COMPLETION OF REFINANCING

As initially announced last November, there were three main achievements connected with the refinancing –

- A new £19.5 million four year term loan to refinance the Company's previous debt that was repayable on demand due to covenant breaches.
- The holders of the £19.0 million of Convertible Unsecured Loan Notes that were potentially due for repayment on 30 June 2021, have converted their entire holdings into equity, increasing the number of ordinary shares in issue from 374.2 million to 563.8 million.
- Revised contribution schedules have been agreed for the next five years with the Mothercare pension schemes' trustees that will enable us to generate sufficient cash over that period to repay the term loan in full whilst still meeting the reduced deficit reduction contributions. The value of the deficit under the full actuarial valuation at 31 March 2020 was £123.4 million; the Group's deficit payments are calculated using this as the basis. The agreed annual contributions to the pension schemes, for the years ending in March, are as follows: 2022 – £4.1 million; 2023 – £9.0million; 2024 – £10.5 million; 2025 – £12.0 million; 2026 to 2029 – £15 million; 2030 – £5.7 million.

Whilst COVID-19 is still having a negative short term impact on the Group's profitability and cash generation our forecasts show that we are able to comply with our commitments to our lender and the pension schemes for the foreseeable future. As at the balance sheet date the Group had net borrowings of £12.1m, being cash of £6.9 million against a substantial drawdown of £19.5 million from the new facility, reflecting an ongoing tight control of cash.

In March 2021 the Group transitioned stock exchanges by simultaneously being admitted to AIM and cancelling its listing on the Main Market.

#### OPERATING MODEL

The Group continues to work towards its goal of becoming an asset light business. At the beginning of the COVID-19 pandemic with supply chains being stretched, it was clear that our existing operating model would put excessive demands on our limited working capital. At that time product was often shipped to our warehouse to be picked and repacked and shipped back to franchise partners, resulting in our manufacturing partners frequently being paid well before our franchise paid us, due to the time the stock was inside our supply chain. We launched the new tripartite agreement ('TPA') at the beginning of COVID-19, whereby the franchise partners commit to paying the manufacturing partners for the product when due. And as a result the manufacturing partners were generally willing to re-extend credit terms that had sometimes been lost because of the UK retail administration, thereby limiting the impact on our franchise partners' working capital. The TPA process has resulted in a substantial reduction in our working capital requirement and has been an instrumental element of our successful navigation through the impact of COVID-19.

We have subsequently further improved the TPA model whereby the franchise partner is invoiced directly by the manufacturing partner. This allows the manufacturing partners the opportunity to obtain credit insurance in relation to the franchise partners debt, which due to MGB's limited trading history was sometimes difficult to obtain for invoices raised to MGB. Additionally, this model removes the Group's exposure to the debt and working capital requirement for these products. Where this is the case, under IFRS 15 the Group is the agent in the transaction – previously the Group was the principal. Hence for these products the creditors and stock will not be recognised by the Group and whilst the associated revenue and cost of sales will also be excluded there will be no material impact on the absolute margin earned. The responsibility for design, quality control and choice of manufacturing partner for these products, as outlined in the Chief Operating Officer's report, are unchanged and remains with the Group.

For the autumn/winter 2021 season, recently in our supply chain some 55% of the products by value are invoiced directly to franchise partners by our manufacturing partners. The direct invoicing to franchise partners by manufacturing partners for products is a condition in recent franchise agreements highlighted below, which will mean that within the next year this figure should increase to around 70%.

The second major change to the operating model was within our supply chain. As mentioned above we previously contracted warehouse space and associated labour to accept and unpack products from manufacturing partners then pick and repack to send to our franchise partners. Clearly it is more cost effective to do things once so from our spring/ summer 2022 season due to ship later this year, where volumes allow, our manufacturing partners will individually pack orders for each franchise partner and then they will be shipped direct to our franchise partners, eliminating the need for us to use our warehouses. For the spring/ summer 2022 season we anticipate 80% of our products will be moving direct and we continue to work to minimise costs for both ourselves and our franchise partners by moving activities further up the supply chain.

These new ways of working are being accepted by both our franchise and manufacturing partners as they are beneficial for all. Our franchise partners have the potential of reduced distribution recharges, shorter delivery times and improved surety and availability of product. In turn, manufacturing partners have greater security of payment through credit insurance or simply dealing directly with some of our well capitalised franchise partners.

Another change that is currently underway is the development of a new integrated ERP system, expected to go live early in 2022. In the year ending March 2023, the first full year to benefit from the new system, our information technology costs would be expected to be reduced to close to half of those for the year to

March 2021, which would result in a direct bottom line improvement of over £2 million. This system will allow us to automate much of our ordering process with both our franchise partners and manufacturing partners accessing the system through portals. It will also provide easier, more accurate and cost-effective access to information, including our ability to analyse our franchise partners' sales data to ensure we are optimising our product designs.

#### **PARTNERSHIP AGREEMENTS**

In addition to the TPAs above we have also been rolling out a new more balanced version of our franchise partner agreement. In the past there was sometimes limited consistency between the agreements which makes them more difficult to manage and increases our legal costs. In August 2020 we completed new 10 year franchise agreements with an option to extend for another 10 years, with both Alshaya Group, our largest franchise partner, and Boots UK Limited for the UK and Republic of Ireland. Subsequently we have now finalised new agreements with our franchise partners in Indonesia, Malaysia, Singapore and Hong Kong. These new agreements are all based on the same standard version and contain the commitments to the TPA, direct shipping and direct invoicing. We intend to extend these new standard agreements to other franchise partners when appropriate in relation to their existing agreements.

We have also launched a new manufacturing partner agreement, which is common to all our manufacturing partners and again is more balanced and replaces relationships in the past that were often more informal and lacked the clarity that we now have. All our manufacturing partners receiving future orders, commencing with the spring/ summer 2022 season now being placed, will be required to sign up to this agreement.

#### **LEGACY ISSUES FROM THE ADMINISTRATION OF THE UK RETAIL BUSINESS**

The National Distribution Centre ('NDC') warehouse facility in Daventry, which predominantly serviced the Mothercare UK retail business and was previously sublet to a third-party on a short-term basis, has now been fully assigned to a third party. This has removed a potential risk of around £3 million per annum to the Group on a lease that expires in June 2026.

In addition to the NDC lease above after issuing our results for the year ended March 2020, we were approached by the landlord of a previous UK retail store, where a cross guarantee existed that we were not aware of. The resultant provision, which needed to be made as a prior year adjustment, as detailed in note 12, was £1.3m.

#### **BALANCE SHEET**

Total equity at 27 March 2021 was a deficit of £43.0 million, a worsening on the deficit position of £4.0 million at 27 March 2020. This was driven by the temporary defined pension scheme moving from a surplus of £29.8 million to a deficit of £25.6 million. There was also the conversion of the shareholder loans from borrowings to equity during the year – these were carried at a borrowings amount of £12.8 million and embedded derivatives of £0.3 million at the comparative period end.

The Group has moved to a net current asset position of £1.6 million. In the comparative period, the net current liability position is driven by the level of provision held against Group receivables and includes the unwind of certain non-cash provisions. The Group's working capital position is closely monitored and forecasts demonstrate the Group is able to meet its debts as they fall due.

	27 March 2021	28 March 2020
	£ million	Restated £ million
Intangible assets	1.1	0.6
Property, plant and equipment	1.7	8.6
Retirement benefit obligations asset/(liability) (net of deferred tax)	(25.6)	19.4
Net debt	(13.5)	(43.1)
Derivative financial instruments	0.8	20.6
Other net liabilities	(7.5)	(18.5)
<b>Net liabilities</b>	<b>(43.0)</b>	<b>(4.0)</b>
Share capital and premium	198.1	179.1
Reserves	(241.1)	(183.1)
<b>Total equity</b>	<b>(43.0)</b>	<b>(4.0)</b>

## Pensions

The Mothercare defined benefit pension schemes were closed with effect from 30 March 2013.

The pension deficit at 27 March 2021 was £25.6 million, whereas at 28 March 2020, the Group was in the unusual and temporary position of recognising an accounting surplus under IAS 19 of £29.8 million for these schemes. This accounting surplus – arising as a result of a decrease in long term inflation expectations and the use of a lower pre-retirement discount rate – was a function of the volatile markets around that time, driven by the extreme situation of countries all over the world being about to enter a period of 'lockdowns' and high levels of uncertainty. During the current year, therefore, the scheme has returned to a deficit of a level similar to the value it was held at in 2019.

The Group's deficit payments are calculated using the full triennial actuarial valuation as the basis rather than the accounting deficit / surplus. The value of the deficit under the full actuarial valuation at 31 March 2020 was £123.4 million.

Details of the income statement net charge, total cash funding and net assets and liabilities in respect of the defined benefit pension schemes are as follows:

£ million	52 weeks ending 26 March 2022*	52 weeks ending 27 March 2021	52 weeks ending 28 March 2020
<b>Income statement</b>			
Running costs	(2.5)	(3.4)	(2.9)
Net interest on liabilities / return on assets	(0.5)	0.2	(0.6)
<b>Net charge</b>	<b>(3.0)</b>	<b>(3.2)</b>	<b>(3.5)</b>
<b>Cash funding</b>			
Regular contributions	(1.0)	(1.3)	(1.9)
Additional contributions	–	–	(1.9)

Deficit contributions	(4.1)	(3.2)	(7.8)
Total cash funding	(5.1)	(4.5)	(11.6)
<b>Balance sheet**</b>			
Fair value of schemes' assets	n/a	403.4	401.2
Present value of defined benefit obligations	n/a	(429.0)	(371.4)
Net liability	n/a	(25.6)	29.8

\*Forecast

\*\*The forecast fair value of schemes' assets and present value of defined benefit obligations is dependent upon the movement in external market factors, which have not been forecast by the Group for 2022 and therefore have not been disclosed.

In consultation with the independent actuaries to the schemes, the key market rate assumptions used in the valuation and their sensitivity to a 0.1% movement in the rate are shown below:

	2021	2020	2020 Sensitivity	2020 Sensitivity £ million
Discount rate	2.0%	2.3%	+/- 0.1%	-7.3 /+7.5
Inflation – RPI	3.1%	2.5%	+/- 0.1%	+4.5 /-5.7
Inflation – CPI	2.4%	1.7%	+/- 0.1%	+1.8 /-1.8

The Group has a deferred tax liability of £nil (2020: £10.4 million). In 2021, no deferred tax asset was recognised as there was not considered to be enough certainty over the recoverability. In the comparative period, the deferred tax liability arose as a temporary difference due to the surplus on the pension scheme.

#### Net debt

Net debt of £13.5 million, which includes net borrowings, related financial assets and IFRS 16 lease liabilities represents an improvement on the 2020 position of £22.1 million.

The Group's IFRS 16 lease liabilities significantly reduced to £1.4 million (2020: £8.4 million) as a result of the assignment of the warehouse facility lease, which had been vacated since the administration of the UK business.

In March 2021, the Group's shareholder loans were converted to equity. At the 2021 year end, the net debt amount in relation to these was therefore £nil. At the 2020 year end, £12.8 million in relation to these was included within net debt; £6.2 million of interest accrued up to the point of conversion.

During the year, the Group agreed a £19.5 million secured four year term loan, which was drawn down in November 2020; the carrying value of this at 27 March 2021 is £19.0 million (£19.5 million gross of unamortised facility fee).

At the point of the administration of Mothercare UK Ltd and Mothercare Business Services Ltd, the Group's secured Revolving Credit Facility (RCF) crystallised at £28.0 million, and this £28.0 million was shown as a current liability at 28 March 2020. Linked to this debt was a financial asset. Under the sales purchase agreement with the administrators, the proceeds of the wind up of the UK business were first be used to repay the secured creditor i.e. the RCF. Monies of £21.0 million were expected to be generated towards this, and therefore in addition to the debt of £28.0 million, a financial asset of £21.0 million was recognised gross of the debt to reflect this. During the current year, the outstanding balance on the RCF was settled through distributions received from the administrators, with the remaining balance settled at the point of drawdown of the Group's new term loan. The Group still holds a financial asset of £2.6 million, reflecting expected future distributions from the administrators, however as at the current year end this financial asset is no longer linked to the Group's borrowings.

Also included within net debt is £6.9 million (2020: £6.1 million) of cash funds, the increase being driven by cash received under the term loan facility during the year.

## Leases

Right-of-Use assets of £1.2 million (2020: £7.9 million) and lease liabilities of £1.4 million (2020: £8.4 million) represented the Group's head office leases. The comparative period included an investment property asset relating to the NDC warehouse facility in Daventry which the Group ceased to use for supply of goods from the point at which Mothercare UK Ltd went into administration; this lease was assigned in March 2021 and therefore the carrying value was disposed of in the period.

## Working capital

The Group only purchases stock directly needed to fulfil franchise partner orders. Of the £5.9 million (2020: £9.7 million) year-end inventories balance, £2.6 million (2020: £4.5 million) of this related to stock in transit, i.e. was on a boat on its way to one of the Group's two distribution centres, at the year end date.

Trade receivables have remained consistent year on year, being £11.6 million at 27 March 2021 (2020: £11.2 million). Similarly, trade payables have also remained fairly constant, being £11.8 million at 27 March 2021 (2020: £12.0 million).

## INCOME STATEMENT – on a continuing operations basis

	52 weeks to 27 March 2021	52 weeks to 28 March 2020 Restated
	£million	£million
<b>Revenue</b>	85.8	164.7
<b>Adjusted EBITDA (EBITDA before exceptionals)</b>	2.2	6.2
Depreciation and amortisation	(2.0)	(6.8)
<b>Adjusted result before interest and taxation</b>	0.2	(0.6)
Adjusted net finance costs	(8.7)	(4.9)
<b>Adjusted result before taxation</b>	(8.5)	(5.5)
Adjusted costs	(12.9)	(2.2)
<b>Loss before taxation<sup>1</sup></b>	<b>(21.4)</b>	<b>(7.7)</b>
Taxation	(0.1)	(0.8)
Profit/(loss) from discontinued operations (note 7)	–	21.6
<b>Total profit/( loss)</b>	<b>(21.5)</b>	<b>13.1</b>
EPS – basic (continuing operations)	(5.7)p	(2.4)p
Adjusted EPS – basic (continuing operations)	(2.3)p	(1.8)p

1. Adjusted results are consistent with how the business performance is measured internally. Refer to adjusted items table in note 4 for further details. See accounting policies for definitions.

## Foreign exchange

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

	52 weeks ended 27 March 2021	53 weeks ended 28 March 2020
<b>Average:</b>		
Euro	1.1	1.1
Russian rouble	96.9	82.4
Chinese Renminbi	8.8	8.9
Kuwaiti dinar	0.4	0.4

Saudi riyal	4.9	4.8
Emirati dirham	4.8	4.7
Indonesian rupiah	18,954	17,968
Indian rupee	96.9	90.1
<b>Closing:</b>		
Euro	1.1	1.1
Russian rouble	102.9	93.9
Chinese Renminbi	9.0	8.3
Kuwaiti dinar	0.4	0.4
Saudi riyal	5.2	4.4
Emirati dirham	5.1	4.3
Indonesian rupiah	19,965	19,576
Indian rupee	100.5	88.5

The principal currencies that impact the translation of International sales are shown below. The net effect of currency translation caused worldwide retail sales and adjusted loss to decrease by £26.1 million (2020: increase by £14.4 million) and £1.4 million (2020: increase by £0.9 million) respectively as shown below:

	Worldwide retail sales £ million	Adjusted Profit/(loss) £ million
Euro	(0.6)	–
Russian rouble	4.8	0.3
Chinese Renminbi	(0.1)	–
Kuwaiti dinar	1.0	0.1
Saudi riyal	2.5	0.1
Emirati dirham	1.6	0.1
Indonesian rupiah	1.3	0.1
Indian rupee	0.4	–
Other currencies	3.6	0.2
	14.4	0.9

See glossary for definitions

## Net finance cost

Financing costs include interest receivable on bank deposits, less interest payable on borrowing facilities, the amortisation of costs relating to bank facility fees and the net interest charge on the liabilities/assets of the pension scheme.

Year-on-year finance costs have increased due to the compounding interest on the convertible shareholder loans. Whilst interest of £2.6 million accrued in the prior period, the current year saw an interest accrual of £6.2 million – the increase partly as a result of the effect of compounding, but also due to an acceleration of interest on early conversion to include interest up to what would have been the conversion date (three months later).

There was also a swing in interest income/costs on the pension scheme, with a £0.2 million income in the current year compared to a £0.6 million cost in 2020.

£10.3 million of finance costs (2020: £6.0 million of finance income) are included in adjusted items. £9.1 million of costs arose on the fair value movements of the shareholder loan embedded derivatives (2020: income of £6.0 million). This £9.1 million was driven by fluctuations in the Group's share price – in March 2020 there was a high level of uncertainty in the UK market – driven by COVID-19, which caused the fair value of these instruments to plummet; during 2021 the value returned to pre-March 2020 levels. The shareholder loans converted in March 2021 and were fair valued immediately prior to their transfer to share capital and share premium. Also included in adjusted finance costs is the recognition of 15.0 million of warrants issued in

March 2021, as well as the fair value movements on these to the year end date, totalling £1.2 million (2020: £nil).

### **Discontinued operations**

There were no discontinued operations presented for the current financial 52 week period ended 27 March 2021.

On 5 November 2019, administrators were appointed for MUK and MBS, two subsidiaries of Mothercare PLC. The trade, and certain assets and liabilities pertaining to the international business were transferred to a new Group subsidiary, MGB. Consequently, in the comparative period, the UK operating segment was presented as a discontinued operation, and a profit on the loss of control of £46.2 million subsequently recognised. This profit reflected the greater value of liabilities disposed of compared to assets, the largest of these being the IFRS 16 lease liabilities for the UK store estate – this was significantly greater than the corresponding right-of-use assets because the onerous lease provision and lease incentives liability had been transferred against the asset at inception.

The profit from discontinued operations for the period is £nil (2020: £21.6 million).

The total statutory loss after tax for the Group is £21.5 million (2020: £13.1 million profit).

### **Taxation**

The tax charge comprises corporation taxes incurred and a deferred tax charge. The total tax charge from continuing operations was £0.1 million (2020: £0.8 million) – (see note 6).

The total tax credit from discontinued operations was £nil million (2020: £0.1 million).

### **Earnings per share**

Basic adjusted losses per share from continuing operations were 2.3 pence (2020: 1.8 pence). Continuing statutory losses per share were 5.7 pence (2020: 2.4 pence).

Total basic adjusted losses per share were 2.3 pence (2020: 4.2 pence). Total statutory losses per share were 5.7 pence (2020: 3.7 pence earnings).

Some of the comparative disclosures for earnings per share have been restated – see note 9.

### **CASHFLOW**

Statutory net cash outflow from continuing operating activities was an outflow of £2.6 million, compared with an outflow of £2.9 million in the prior year; this was driven by trading in the year and refinancing/ restructuring costs.

Cash outflow from investing activities of £0.4 million (2020: £1.5 million – from continuing operations), reflects a reduction in capital expenditure.

Cash inflows from financing activities netted to £3.8 million (2020: £2.9 million outflow – from continuing operations). The income was driven by the cash receipt of £7.3 million on the Group's new four year term loan. The outflow in the comparative period was as a result of repayments of the Group's RCF.

## Going concern

As stated in the strategic report, the Group's business activities and the factors likely to affect its future development are set out in the principal risks and uncertainties section of the Group financial statements. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the financial review.

The consolidated financial information has been prepared on a going concern basis. Despite the current global retail sector challenges, we have attempted to capture the impact on both our supply chain and key franchise partners based on what is currently known and localised trading activity since the start of the crisis. When considering the going concern assumption, the Directors of the Group have reviewed a number of factors, including the Group's trading results and its continued access to sufficient borrowing facilities against the Group's latest forecasts and projections, comprising:

1) A Base Case forecast, which is built up at franchise partner level and incorporates key assumptions specific to each partner and the impact of Covid-19 in each jurisdiction. This base case forecasts that the sales for the financial year to March 2022 increase to levels similar to those achieved immediately before the impact of COVID-19 and the sales for the year to March 2023 show a more modest increase.

2) A Sensitised forecast, which applies sensitivities against the Base Case for reasonably possible adverse variations in performance, reflecting the ongoing volatility in our key markets. This assumes the following additional key assumptions:

A delayed recovery that assumes that retail sales remain subdued throughout the majority of the forecast period as a result of continued restrictions on both our franchise and manufacturing partners as a result of COVID-19.

The potential for subsequent reintroduction or imposition of new measures to control COVID-19 in areas that will restrict both our franchise and manufacturing partners and consequentially impact our retail sales.

The sensitised forecast shows a decrease in sales of 7% as compared to the Base Case in the financial years to March 2022 and 2023, with the net working capital and the overhead costs assumed to remain constant. Despite showing a decrease against the Base Case, the assumptions still assume an increase in revenue from the financial years 2021 to 2022. The four debt covenants are also not forecast to be breached under this scenario; and

3) A Reverse Stress Test which assumes an overall increase in net sales in the financial year to March 2022 of around half that used in the Base Case.

Based on the sales to date in the current financial year to March 2022, the Group is significantly behind the Base Case forecast due to the adverse impact of Covid-19 in certain jurisdictions. This post year end performance could extend throughout the going concern assessment period as a result of the ongoing Covid-19 restrictions and had therefore already demonstrated that the base case scenario is challenging.

The Board's confidence that the Group will operate within the terms of the borrowing facilities, and the Group's proven cash management capability supports our preparation of the financial statements on a going concern basis. We have modelled a substantial reduction in global retail sales in our sensitised case and

reverse stress test as a result of possible future store closures and subdued consumer confidence or as a result of reduced availability due to restrictions in our manufacturing partners to maintain production and supply chain constraints throughout the remainder of FY22 with recovery in FY23.

The impact of the pandemic on the future prospects of the Group is not fully quantifiable at the reporting date, as the complexity and scale of restrictions in place at a global level is outside of what any business could accurately reflect in a financial forecast. However, if trading conditions were to deteriorate beyond the level of risks applied in the sensitised forecast, or the Group was unable to mitigate the material uncertainties assumed in the Base Case Forecast and the Group were not able to execute further cost or cash management programmes, the Group would at certain points of the working capital cycle have insufficient cash. If this scenario were to crystallise the Group would need to renegotiate with its lender in order to secure waivers to potential covenant breaches and consequential cash remedies or secure additional funding. Therefore, we have concluded that, in this situation, there is a material uncertainty that casts significant doubt that the Group will be able to operate as a going concern.

### **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, however the main strategy is to effect natural hedges wherever possible.

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. The Group therefore has some currency exposure on these sales, but they are used to offset or hedge in part the Group's US dollar denominated product purchases. Under the tripartite agreements, there has been an increased level of currency matching between purchases and sales, improving the Group's ability to hedge naturally.

### **Interest rate risk**

The principal interest rate risk of the Group arises in respect of the drawdown of the £19.5 million term loan. These borrowings are at a fixed rate of 12% plus LIBOR, and exposes the Group to cash flow interest rate risk. The interest exposure is monitored by management but due to low interest rate levels during the period the risk is believed to be minimal and no interest rate hedging has been undertaken.

In the comparative period, the Group was exposed to interest rate risk from the Revolving Credit Facility ('RCF') and shareholder loans.

The convertible shareholder loans attracted a monthly compound interest rate of 0.83%. These loan agreements contained an option to convert to equity which is treated as an embedded derivative and fair valued. This fair value was calculated using the Black Scholes model and is therefore sensitive to the relevant inputs, particularly share price. These loans were converted to equity in March 2021.

The RCF facility was at a fixed rate of 5.5% plus LIBOR. The interest exposure was monitored by management but, similarly to in the current year, low interest rate levels during the period meant the risk was considered to be minimal. At 28 March 2020, the debt due under the RCF was £28.0 million.

## **Credit risk**

The Group has exposure to credit risk inherent in its trade receivables.

The Group has no significant concentrations of credit risk.

The Group operates effective credit control procedures in order to minimise exposure to overdue debts. Before accepting any new trade customer, the Group obtains a credit check from an external agency to assess the credit quality of the potential customer and then sets credit limits on a customer by customer basis. IFRS 9 'Financial Instruments' has been applied such that receivables balances are held net of a provision calculated using a risk matrix, taking micro and macro-economic factors into consideration.

## **Shareholders' funds**

Shareholders' funds amount to a deficit of £43.0 million, a worsening from the deficit of £4.0 million achieved in the comparative period. This was driven by actuarial losses of £56.7 million on the Group's defined benefit pension scheme, with £10.2 million of deferred tax liability being released as result of the scheme returning to a deficit position – overall giving £46.5 million of movement driven solely by the pension scheme. Another significant movement in the year related to the conversion of the Group's shareholder loans to equity, resulting in a £28.5 million increase in share capital, share premium and distributable reserves.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

The 2021 Annual Report and Accounts which will be issued in July 2021, contains a responsibility statement which sets out that as at the date of approval of the Annual Report on 28 July 2021, the directors confirm to the best of their knowledge:

- the Group and unconsolidated Company financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, 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 Strategic Report and Directors' Report include a fair review 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.

# Consolidated income statement

For the 52 weeks ended 27 March 2021

	Note	52 weeks ended 27 March 2021			52 weeks ended 28 March 2020 Restated*		
		Before adjusted items	Adjusted items <sup>1</sup>	Total	Before adjusted items	Adjusted items <sup>1</sup>	Total
		£ million	£ million	£ million	£ million	£ million	£ million
Revenue	3	85.8	–	85.8	164.7	–	164.7
Cost of sales		(63.3)	–	(63.3)	(128.5)	–	(128.5)
Gross profit		22.5	–	22.5	36.2	–	36.2
Administrative expenses		(23.3)	(2.6)	(25.9)	(34.6)	(8.2)	(42.8)
Other income		2.0	–	2.0	–	–	–
Impairment losses on receivables		(1.0)	–	(1.0)	(2.2)	–	(2.2)
<b>Profit/(loss) from operations</b>	3	<b>0.2</b>	<b>(2.6)</b>	<b>(2.4)</b>	<b>(0.6)</b>	<b>(8.2)</b>	<b>(8.8)</b>
Finance costs	5	(8.9)	(10.3)	(19.2)	(5.2)	–	(5.2)
Finance income	5	0.2	–	0.2	0.3	6.0	6.3
Loss before taxation		(8.5)	(12.9)	(21.4)	(5.5)	(2.2)	(7.7)
Taxation		(0.1)	–	(0.1)	(0.9)	0.1	(0.8)
<b>Loss for the period from continuing operations</b>		<b>(8.6)</b>	<b>(12.9)</b>	<b>(21.5)</b>	<b>(6.4)</b>	<b>(2.1)</b>	<b>(8.5)</b>
<b>Discontinued operations</b>							
(Loss)/profit for the period from discontinued operations	7	–	–	–	(8.4)	30.0	21.6
<b>(Loss)/profit for the period attributable to equity holders of the parent</b>		<b>(8.6)</b>	<b>(12.9)</b>	<b>(21.5)</b>	<b>(14.8)</b>	<b>27.9</b>	<b>13.1</b>
<b>(Loss)/profit per share</b>							
<b>From continuing operations</b>							
Basic	9			(5.7)p			(2.4)p
Diluted	9			(5.7)p			(2.4)p
<b>From continuing and discontinued operations</b>							
Basic	9			(5.7)p			3.7p
Diluted	9			(5.7)p			3.7p

1. Includes adjusted costs (property costs, restructuring costs and impairment charges), the fair value movement on embedded derivatives and the profit/loss on disposal of the UK operating segment as set out in note 6 to the consolidated financial statements. Adjusted items are considered to be one-off or significant in nature and /or value. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across the periods because it is consistent with how the business performance is reviewed by the Board.

\* Results for the prior year have been restated for the impact of prior year adjustments (note 12). Earnings/(loss) per share have also been restated as a result of the prior year adjustment and the correction of the dilution calculation (note 9).

## Consolidated statement of comprehensive income

For the 52 weeks ended 27 March 2021

	52 weeks ended 27 March 2021	53 weeks ended 28 March 2020 Restated
	£ million	£ million
<b>(Loss)/profit for the period</b>	<b>(21.5)</b>	13.1
<b>Items that will not be reclassified subsequently to the income statement:</b>		
Actuarial (loss)/gain on defined benefit pension schemes	<b>(56.7)</b>	46.6
Income tax relating to items not reclassified	<b>10.2</b>	(10.4)
	<b>(46.5)</b>	36.2
<b>Items that may be reclassified subsequently to the income statement:</b>		
Exchange differences on translation of foreign operations	–	(1.9)
Deferred tax relating to items reclassified	–	–
	–	(1.9)
<b>Other comprehensive (expense)/income for the period</b>	<b>(46.5)</b>	34.3
<b>Total comprehensive (expense)/income for the period wholly attributable to equity holders of the parent</b>	<b>(68.0)</b>	47.4

# Consolidated balance sheet

As at 27 March 2021

	27 March 2021	28 March 2020 restated
	£ million	£ million
<b>Non-current assets</b>		
Intangible assets	1.1	0.6
Property, plant and equipment	0.5	0.7
Right-of-use leasehold assets	1.2	7.9
Retirement benefit obligations	–	29.8
	<b>2.8</b>	<b>39.0</b>
<b>Current assets</b>		
Inventories	5.9	9.7
Trade and other receivables	17.4	15.6
Derivative financial instruments	2.6	21.0
Cash and cash equivalents	6.9	6.1
	<b>32.8</b>	<b>52.4</b>
<b>Total assets</b>	<b>35.6</b>	<b>91.4</b>
<b>Current liabilities</b>		
Trade and other payables	(24.9)	(29.5)
Borrowings	–	(28.0)
Current tax liabilities	–	(0.3)
Derivative financial instruments	(1.8)	(0.1)
Lease liabilities	(0.3)	(1.0)
Provisions	(4.2)	(2.8)
	<b>(31.2)</b>	<b>(61.7)</b>
<b>Non-current liabilities</b>		
Borrowings	(19.0)	(12.8)
Lease liabilities	(1.1)	(7.4)
Derivative financial instruments	–	(0.3)
Retirement benefit obligations	(25.6)	–
Provisions	(1.7)	(2.8)
Deferred tax liability	–	(10.4)
	<b>(47.4)</b>	<b>(33.7)</b>
<b>Total liabilities</b>	<b>(78.6)</b>	<b>(95.4)</b>
<b>Net liabilities</b>	<b>(43.0)</b>	<b>(4.0)</b>
<b>Equity attributable to equity holders of the parent</b>		
Share capital	89.3	87.4
Share premium account	108.8	91.7
Own shares	(1.0)	(1.0)
Translation reserve	(3.7)	(3.7)
Hedging reserve	–	–
Retained deficit	(236.4)	(178.4)
<b>Total equity</b>	<b>(43.0)</b>	<b>(4.0)</b>

## Consolidated statement of changes in equity

For the 52 weeks ended 27 March 2021

	Equity attributable to equity holders of the parent							Total equity
	Share capital	Share premium account	Own shares	Translation reserve	Hedging reserve	Retained earnings		
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	
Balance at 28 March 2020 as previously reported	87.4	91.7	(1.0)	(3.7)	–	(172.1)	2.3	
Prior year adjustment – income statement	–	–	–	–	–	(1.3)	(1.3)	
Prior year adjustment – other comprehensive income	–	–	–	–	–	(5.0)	(5.0)	
<b>Balance at 28 March 2020</b>	<b>87.4</b>	<b>91.7</b>	<b>(1.0)</b>	<b>(3.7)</b>	<b>–</b>	<b>(178.4)</b>	<b>(4.0)</b>	
Other comprehensive expense	–	–	–	–	–	(46.5)	(46.5)	
Loss for the period	–	–	–	–	–	(21.5)	(21.5)	
<b>Total comprehensive expense for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(68.0)</b>	<b>(68.0)</b>	
Conversion of shareholder loans	1.9	17.1	–	–	–	9.5	28.5	
Adjustment to equity for equity-settled share-based payments	–	–	–	–	–	0.5	0.5	
<b>Balance at 27 March 2021</b>	<b>89.3</b>	<b>108.8</b>	<b>(1.0)</b>	<b>(3.7)</b>	<b>–</b>	<b>(236.4)</b>	<b>(43.0)</b>	

For the 52 weeks ended 28 March 2020

	Equity attributable to equity holders of the parent							Total equity
	Share capital	Share premium account	Own shares	Translation reserve	Hedging reserve	Retained earnings		
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	
<b>Balance at 30 March 2019</b>	<b>87.1</b>	<b>88.9</b>	<b>(1.1)</b>	<b>(1.8)</b>	<b>1.3</b>	<b>(228.6)</b>	<b>(54.2)</b>	
Other comprehensive (expense)/income - restated	–	–	–	(1.9)	–	36.2	34.3	
Profit for the period - restated	–	–	–	–	–	13.1	13.1	
<b>Total comprehensive (expense)/income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1.9)</b>	<b>–</b>	<b>49.3</b>	<b>47.4</b>	
Transfer from equity to inventories during the period	–	–	–	–	(1.3)	–	(1.3)	
Adjustment to equity for equity-settled share-based payments	–	–	–	–	–	0.9	0.9	
Issue of new shares	0.3	2.9	0.1	–	–	–	3.3	
Expenses of issue of equity shares	–	(0.1)	–	–	–	–	(0.1)	
<b>Balance at 28 March 2020</b>	<b>87.4</b>	<b>91.7</b>	<b>(1.0)</b>	<b>(3.7)</b>	<b>–</b>	<b>(178.4)</b>	<b>(4.0)</b>	

## Consolidated cash flow statement

For the 52 weeks ended 27 March 2021

	Note	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 Restated £ million
<b>Net cash flow from operating activities – continuing operations</b>	11	<b>(2.6)</b>	(2.9)
<b>Net cash flow from operating activities – discontinued operations</b>		–	3.4
<b>Cash flows from investing activities</b>			
Interest received		–	0.3
Purchase of property, plant and equipment		<b>(0.2)</b>	(0.4)
Purchase of intangibles – software		<b>(0.2)</b>	(1.4)
<b>Net cash used in investing activities – continuing operations</b>		<b>(0.4)</b>	(1.5)
<b>Net cash used in investing activities – discontinued operations</b>		–	7.0
<b>Cash flows from financing activities</b>			
Issue of share capital		–	3.2
Expenses of share issue		–	(0.1)
Shareholder loans		–	5.5
Interest paid		<b>(1.4)</b>	(1.8)
Lease interest paid		<b>(0.6)</b>	(0.7)
Repayments of leases		<b>(1.5)</b>	(1.8)
Repayment of facility		–	(13.0)
Drawdown of facility		<b>7.3</b>	6.0
Payment of facility fee		–	(0.2)
<b>Net cash raised in/(used in) financing activities – continuing operations</b>		<b>3.8</b>	(2.9)
<b>Net cash used in financing activities – discontinued operations</b>		–	(12.9)
<b>Net increase in cash and cash equivalents</b>		<b>0.8</b>	(9.8)
Cash and cash equivalents at beginning of period		<b>6.1</b>	16.3
Effect of foreign exchange rate changes		–	(0.4)
<b>Cash and cash equivalents at end of period</b>		<b>6.9</b>	6.1

## Notes

### 1. General information

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Chairman's statement, the Chief Executive's review and the Financial review and include a summary of the Group's financial position, its cash flows and borrowing facilities and a discussion of why the Directors consider that the going concern basis is appropriate.

Whilst the financial information included in this preliminary announcement has been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, this announcement does not itself contain sufficient information to comply with all the disclosure requirements of IFRS.

The financial information set out in this announcement does not constitute the Group's statutory accounts for the 52 week period ended 27 March 2021 or the 52 week period ended 28 March 2020, but it is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies and those for 2021 will be delivered in July 2021. The auditor has reported on the 2021 accounts: their report includes an emphasis matter over going concern. The 2020 financial statements are available on the Group's website ([www.mothercareplc.com](http://www.mothercareplc.com)).

### 2. Accounting Policies and Standards

#### *Going concern*

The Directors have reviewed the Group's latest forecasts and projections, which have been sensitivity-tested. When considering the going concern assumption, the Directors of the Group have reviewed a number of factors, including the Group's trading results and its continued access to sufficient borrowing facilities.

The Board's confidence in the Group's Base Case forecast, which indicates the Group will operate within the terms of the borrowing facilities it expects to be able to secure, and the Group's proven cash management capability supports our preparation of the financial statements on a going concern basis.

However, if trading conditions were to deteriorate beyond the level of risks applied in the sensitised forecast, or the Group was unable to mitigate the material uncertainties assumed in the Base Case Forecast and the Group were not able to execute further cost or cash management programmes, the Group would at certain points of the working capital cycle have insufficient cash. If this scenario were to crystallise the Group would need to renegotiate with its lender in order to secure waivers to potential covenant breaches and consequential cash remedies or secure additional funding. Therefore, we have concluded that, in this situation, there is a material uncertainty that casts significant doubt that the Group will be able to operate as a going concern without such waivers or new financing facilities.

### ***Adoption of new IFRSs***

The same accounting policies, presentation and methods of computation are followed in this yearly report as applied in the Group's last audited financial statements for the 52 weeks ended 28 March 2020.

### ***Standards issued but not yet effective***

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue and endorsed by the UKEB, but not yet effective:

- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 Interest rate benchmark reform – phase 2
- Extension of the temporary exemption from applying IFRS 9
- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions

The Directors anticipate that adoption of these standards and interpretations in future periods will have no material impact on the Group's financial statements.

### ***Discontinued operations***

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the net results of discontinued operations are presented separately in the Group income statement (and the comparatives restated).

### ***Retirement benefits***

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside of the income statement and presented in other comprehensive income.

Past service cost is recognised immediately to the extent that the benefits are already vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation less the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds.

The Group has an unconditional right to a refund of surplus under the rules.

In consultation with the independent actuaries to the schemes, the valuation of the pension obligation has been updated to reflect: current market discount rates; current market values of investments and actual investment returns; and also for any other events that would significantly affect the pension liabilities. The impact of these changes in assumptions and events has been estimated in arriving at the valuation of the pension obligation.

### ***Administration of Mothercare UK Limited and transfer of its international franchise business to the Group***

On 5 November 2019, during the comparative financial period, the Company's subsidiary and owner of the Group's UK retail operations, MUK, entered administration. An agreement was reached with the administrators of MUK to assign the "Mothercare" brand and novate the majority of the Group's international

franchise agreements to a new legal entity and subsidiary of the Company, MGB, alongside certain assets and liabilities, including all liabilities in respect of the Group's defined benefit pension schemes.

The transfer of the international franchise business of MUK to MGB described above has been accounted for as a common control transaction. This is because the combining entities (MGB and the international franchise business of MUK) were ultimately controlled by the same entity (Mothercare plc) both before and after the transaction and there was, from a financial accounting perspective, no loss of control.

While the decision to place MUK into administration did result in a legal loss of control of the international franchise business for less than a day, that loss of control was, in effect, administrative in nature. From the group's perspective, the commercial effect of the transaction was a divestment of the UK retail business, an outcome consistent with the group's previously announced strategy. As a result, the assets and liabilities that related to the ongoing continuing business were transferred at the previous book values of MUK, reflecting the fact that no 'acquisition' occurred from the perspective of the Group.

### ***Alternative performance measures (APMs)***

In the reporting of financial information, the Directors have adopted various APMs of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS). A full definition is shown in the glossary at the end of this document.

These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry.

APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

### ***Purpose***

The Directors believe that these APMs assist in providing additional useful information on the performance and position of the Group because they are consistent with how business performance is reported to the Board and Operating Board.

APMs are also used to enhance the comparability of information between reporting periods and geographical units (such as like-for-like sales), by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the Group's performance.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes and have remained consistent with prior year except where expressly stated.

The key APMs that the Group has focused on during the period are as follows:

#### **Group worldwide retail sales**

Group worldwide sales are total International sales, which are the estimated retail sales of overseas franchise and joint venture partners to their customers. Total Group revenue is a statutory number and is made up of total UK sales and receipts from International franchise partners, which includes royalty payments and the cost of goods dispatched to international franchise partners.

#### **Like-for-like sales**

This is a widely used indicator of a retailer's current trading performance. This is defined as sales from stores that have been trading continuously from the same selling space for at least a year and include website sales

and sales taken on iPads in store. International retail sales are the estimated retail sales of overseas franchise and joint venture partners to their customers. International like-for-like sales are the estimated franchisee retail sales from stores that have been trading continuously from the same selling space for at least a year. The Group reports some financial measures on both a reported and constant currency basis. Sales in constant currency exclude the impact of movements in foreign exchange translation. The constant currency basis retranslates the previous year revenues at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the year on year reported results.

### **Profit/(loss) before adjusted items**

The Group's policy is to exclude items that are considered to be one-off and significant in both nature and/or value and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group. On this basis, the following items were included within adjusted items for the 52-week period ended 27 March 2021:

Continuing operations:

- costs associated with restructuring, redundancies and refinancing;
- finance costs, including the fair value movement on embedded derivatives in the shareholder loans;
- 2020: loss on disposal of the UK business;
- Discontinued operations:
- 2020: store impairment and onerous lease charges;
- 2020: amortisation of intangible assets.

### **3. 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 executive decision makers (comprising the executive directors and operating board) in order to allocate resources to the segments and assess their performance. Under IFRS 8, the Group has not identified that its continuing operations represent more than one operating segment.

Previously, the Group reported on two segments: UK and International; control of the UK segment was lost on 5 November 2019, and as a result only the International business remains as a continuing operation.

Management have identified that the Mini Club operation could constitute a separate operating segment as it has its own operational manager, however it is considered to meet all the aggregation criteria under IFRS 8, including: the nature of products; the nature of the production processes; the type or class of customer; the methods used to distribute products; and the nature of the regulatory environment. As the Mini Club operation ceased in October 2020, by year end it was no longer an aggregated operating segment.

The results of franchise partners are not reported separately, nor are resources allocated on a franchise partner by franchise partner basis, and therefore have not been identified to constitute separate operating segments.

Revenues are attributed to countries on the basis of the customer's location. The largest International customer represents approximately 23% (2020: 38.9%) of group sales.

Turnover by destination	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
Continuing operations:		
Europe	46.2	66.2
Middle East	20.1	63.4
Asia	19.5	34.1
Rest of world	–	1.0
<b>Total revenue</b>	<b>85.8</b>	<b>164.7</b>

#### 4. Adjusted items

The total adjusted items reported for the 52-week period ended 27 March 2021 is a net charge of £12.9 million (2020: £2.2 million from continuing operations). The adjustments made to reported loss before tax to arrive at adjusted loss from continuing operations are:

	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 Restated £ million
<b>Adjusted costs from continuing operations:</b>		
Property related costs included in administrative expenses	0.5	2.6
Restructuring costs included in administrative expenses	2.1	5.6
Restructuring costs included in finance costs	10.3	(6.0)
<b>Total adjusted items before tax</b>	<b>12.9</b>	<b>2.2</b>

#### **Property related costs included in administrative expenses – £0.5 million (2020: £2.6 million)**

The current year charge includes:

- £0.3 million in relation to the Group's warehouse facility, which became vacant as a result of the cessation of the UK operations, which comprises £0.2 million of dilapidations cost and £0.1 million of loss on disposal, as the warehouse was assigned to a new tenant in March 2021 and the IFRS 16 asset and liability were disposed of.
- £0.2 million in relation to settlement of a lease which reverted to Mothercare when the tenant went into administration.

The prior year charge included £1.3 million, which constituted impairment to the IFRS 16 asset, reflecting management's best estimate of the period the warehouse facility, which became vacant as a result of the cessation of the UK operations, was expected to continue to be vacant, as well as the accelerated dilapidations provision due to said warehouse becoming vacant. Additionally, there are £1.3 million of costs pertaining to the prior year lease guarantee adjustment as detailed in note 12; these related to a UK store which was traded from by Mothercare UK Limited, however as this had been guaranteed by Mothercare PLC, the cost of rent, service charge and insurance are owed by the Group (despite the administration of Mothercare UK Limited).

#### **Restructuring costs included in administrative expenses – £2.1 million (2020: £5.6 million)**

The current year charge includes:

- £1.3 million of legal and professional costs for the Group and also the pension funds in relation to the refinancing which took place during the year and resulted in the raise of a loan for £19.5 million and the settlement of the revolving capital facility previously held by the Group.

- £1.3 million of restructuring costs, comprising of legal and professional fees incurred in the transition of the Group from the FTSE to AIM stock exchange, and severance pay for roles no longer required as a result of the reduction in size of the Group.
- £(1.4) million of credits arising in relation to the profit on disposal of Mothercare UK Limited business, which went into administration in the previous year. Of this, £(0.8) million relates to the true-up of the financial asset arising on the revolving capital facility, which was valued at the previous year end based on the information available at the time, whilst assuming the worst-case outcome; and the remaining £(0.6) million are amounts arising on tax adjustments.
- £0.7 million of costs incurred on the relocation of the Group's head office.
- £0.2 million of costs incurred to date on the implementation of a new ERP system for the Group; these are the amounts which were determined not to meet the conditions for capitalisation as they were part of the research stage of the project.

Prior year costs of £5.6 million reflect the legal and professional fees incurred for the cessation of the UK business, corresponding continuation of the global franchise operations, and the exploration of financing options for the continuing element of the business.

**Restructuring costs/(income) included in finance costs – £10.3 million expense (2020: £(6.0) million gain)**

In May 2018 the Group entered a refinancing and funding review, resulting in an equity raise, four Shareholder loans, two CVAs (Mothercare and ELC), and the amendment to the Group's banking facilities. In November 2019 following the cessation of the UK operating segment, there was a further equity raise and the agreement for four additional Shareholder loans to raise finance for the continuing operations of the business. The terms of the Shareholder loans allow for these loans to be converted into new ordinary shares of the Company at specific dates. The lenders' option to convert represents an embedded derivative that is fair valued using a Black Scholes model at each balance sheet date.

The increase in the embedded derivatives of £9.1 million (2020: reduction of £6.0 million) is recognised as a finance cost (2020: finance income). This £9.1 million was driven by the high level of uncertainty in the UK market, which caused the fair value of these instruments to plummet in March 2020; during 2021 the value returned to pre-March 2020 levels. The shareholder loans converted in March 2021 and were fair valued immediately prior to their transfer to share capital and share premium.

The £6.0 million reduction in the comparative year consisted of: a reduction in liabilities of £4.6 million in relation to the shareholder loans issued in May 2018; and £1.4 million from the inception valuation in November 2019 to the reporting date of 27 March 2021 for the newly issued loans in the current period. The reduction in the value of these embedded derivatives has been driven by the share price movement; and the share price at the reporting date was impacted by uncertainties in the UK stock market due to COVID-19.

There were also 15.0 million 12 pence warrants issued during the year. These have been treated as a liability and fair valued both at inception and at the balance sheet date of 27 March 2021. The cost in the income statement in relation to these is £1.2 million.

## 5. Net finance costs

	52 weeks ended 28 March 2020	53 weeks ended 30 March 2019 Restated
	£ million	£ million
Interest and bank fees on bank loans and overdrafts	1.8	1.2
Other interest payable	6.2	2.6
Net interest expense on liabilities/return on assets on pension	–	0.6
Interest on lease liabilities	0.9	0.8
Fair value movement on embedded derivatives	9.1	–
Fair value movement on warrants	1.2	–
<b>Interest payable</b>	<b>19.2</b>	5.2
Fair value movement on embedded derivatives	–	(6.0)
Net interest income on liabilities/return on assets on pension	(0.2)	–
Interest received on bank deposits	–	(0.3)
<b>Net finance (income)/costs</b>	<b>19.0</b>	(1.1)

## 6. Taxation

The charge for taxation on loss from continuing operations for the period comprises:

	52 weeks ended 27 March 2021	52 weeks ended 28 March 2020 Restated*
	£ million	£ million
Current tax – overseas tax and UK corporation tax	0.3	0.8
Deferred tax – UK tax charge for temporary differences	(0.2)	–
<b>Charge/(credit) for taxation on loss for the period</b>	<b>0.1</b>	0.8

UK corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the period. Legislation has been substantively enacted after the current financial year balance sheet date to increase the rate of corporation tax to 25% in 2023, which is a non-adjusting post balance sheet event. At the comparative period end, there was legislation in force -The Finance Act 2016 – to reduce the main rate of UK corporation tax from 19% to 17% from 1 April 2020. These rate reductions were substantively enacted by the comparative balance sheet date and therefore included in these financial statements, and in the prior year, temporary differences were measured using this enacted tax rates. Legislation was substantively enacted during the current year, but after the prior financial year balance sheet date, to repeal the reduction of the main corporation tax rate thereby maintaining the current rate of corporation tax at 19%.

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

The charge for the period can be reconciled to the loss for the period before taxation per the consolidated income statement as follows:

	52 weeks ended 27 March 2021	53 weeks ended 28 March 2020 Restated
	£ million	£ million
Loss for the period from continuing operations	(21.4)	(6.4)
Loss for the period before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	(4.1)	(1.2)
Effects of:		
Expenses not deductible for tax purposes	0.1	–
Profits/losses surrendered to discontinued operations	–	–
Impact of difference in current and deferred tax rates	–	(0.1)
Impact of overseas tax rates	0.9	0.3
Impact of overseas taxes expensed	(0.7)	(0.1)
Adjustments in respect of prior periods – current tax	(0.6)	0.1
Adjustments in respect of prior periods – deferred tax	(0.2)	–
Deferred tax not recognised	4.7	1.7
Relief for losses brought forward	–	0.1
<b>Charge for taxation on loss for the period</b>	<b>0.1</b>	<b>0.8</b>

In addition to the amount charged to the income statement, deferred tax relating to retirement benefit obligations and cash flow hedges amounting to £10.2 million has been credited directly to other comprehensive income (2020: £10.4 million charge).

## 7. Discontinued operations

On 5 November 2019, the Board's application to place MUK and MBS into administration was accepted. The UK operating segment, comprising the UK online and retail store estate, and directly related income and expenses, has therefore been treated as a discontinued operations. The prior year comparatives have been restated accordingly.

The results of the discontinued operations, which have been included in the consolidated income statement were as follows:

	52 weeks ended 27 March 2021			52 weeks ended 28 March 2020		
	Before adjusted items*	Adjusted items	Total	Before adjusted items*	Adjusted items	Total
	£ million	£ million	£ million	£ million	£ million	£ million
Revenue:	–	–	–	149.5	–	149.5
Expenses	–	–	–	(137.1)	–	(137.1)
Gross profit	–	–	–	12.4	–	12.4
Administrative expenses	–	–	–	(15.7)	30.0	14.3
(Loss)/profit from operations	–	–	–	(3.3)	30.0	26.7
Net finance costs	–	–	–	(5.2)	–	(5.2)
(Loss)/profit before taxation	–	–	–	(8.5)	30.0	21.5
Taxation	–	–	–	0.1	–	0.1
Net (loss)/profit attributable to discontinued operations	–	–	–	(8.4)	30.0	21.6

\* Adjusted loss after tax on discontinued operations of £nil (2020: £(8.4) million) includes only those costs that are clearly identifiable as costs of the component that is being disposed of and that will not be recognised on an ongoing basis.

The assets acquired by MGB were limited to certain items of property, plant and equipment, and trade debtors. All inventories held at the reporting date, as well as all UK store leases, were not included in the transfer to Mothercare Global Brand Limited, with control of these assets being lost through the administration.

## 8. Dividends

There was no final dividend for the period (2020: £nil) and no interim dividend was paid during the period (2020: £nil).

## 9. Earnings per share

	52 weeks ended 28 March 2021	52 weeks ended 28 March 2020 Restated Million
	Million	
<b>Weighted average number of shares in issue for the purposes of basic earnings per share</b>	<b>379.0</b>	352.5
Dilution – option schemes (restated)	–	–
<b>Weighted average number of shares in issue for the purpose of diluted earnings per share (restated)</b>	<b>379.0</b>	352.5
<b>Number of shares at period end</b>	<b>563.8</b>	374.2
	<b>£ million</b>	<b>£ million</b>
<b>Loss for basic and diluted earnings per share (restated)</b>	<b>(21.5)</b>	13.1
Adjusted items (restated)	12.9	(27.8)
Tax effect of above items	–	(0.1)
<b>Adjusted loss for continuing and discontinued operations</b>	<b>(8.6)</b>	(14.8)
	<b>pence</b>	<b>Pence</b>
<b>From continuing and discontinued operations</b>		
<b>Basic losses per share (restated)</b>	<b>(5.7)</b>	3.7
<b>Basic adjusted losses per share</b>	<b>(2.3)</b>	(4.2)
<b>Diluted losses per share (restated)</b>	<b>(5.7)</b>	3.7
<b>Diluted adjusted losses per share</b>	<b>(2.3)</b>	(4.2)
	<b>£ million</b>	<b>£ million</b>
<b>Loss for basic and diluted earnings per share (restated)</b>	<b>(21.5)</b>	(8.5)
Adjusted items (restated) (Note 4)	12.9	2.2
Tax effect of above items	–	(0.1)
<b>Adjusted loss for continuing operations</b>	<b>(8.6)</b>	(6.4)
	<b>Pence</b>	<b>pence</b>
<b>From continuing operations</b>		
<b>Basic losses per share (restated)</b>	<b>(5.7)</b>	(2.4)
<b>Basic adjusted losses per share</b>	<b>(2.3)</b>	(1.8)
<b>Diluted losses per share (restated)</b>	<b>(5.7)</b>	(2.4)
<b>Diluted adjusted losses per share</b>	<b>(2.3)</b>	(1.8)

Where there is a loss per share, the calculation has been based on the weighted average number of shares in issue, as the loss renders all potentially dilutive shares anti-dilutive.

Diluted EPS has therefore been calculated using the weighted average number of shares in issue of 379.0 million (2020: 352.5 million), which is the same denominator as used to calculate basic EPS.

During the current year, the FRC conducted a review of the Group's 2020 Annual Report. This note has therefore been restated to correct an error that was identified during their review. The shareholder loan options to convert and the issued share options were previously disclosed as dilutive, and then used in the calculation of diluted EPS. The table showing the calculation of the denominator has been amended to exclude these, as they are antidilutive. Following on from this, the diluted EPS from continuing operations and the diluted EPS from total operations have both been restated such that they use the same denominator as the basic profit per share i.e. the diluted and basic loss per share disclosed are the same. Previously, diluted EPS from continuing operations was disclosed as (2.0)p, it is now disclosed as (2.4)p. Previously, diluted EPS from

total operations was disclosed as 3.0p, it is now disclosed as 3.7p. There was no impact on adjusted losses per share.

The number of shareholder loan options to convert as at the comparative year end has also been restated to 168.2 million due to a computational error in the prior period.

In addition to the above, the profit number in the comparative period has been amended by £1.3 million, and basic EPS from total operations has been restated from 4.1p to 3.7p, as a result of the prior year adjustment – see note 12 for further information.

## 10. Share Capital and Share Premium

On 12 March 2021, the Group's shares were transferred from the London Stock Exchange's Main Market to instead be listed on AIM. Following this, on 17 March 2021, the shareholder loans – previously held within borrowings with the option to convert classified as a financial liability – converted to equity. The agreements entitled the shareholders to 189,644,132 ordinary 1 pence shares, giving rise to £1.9 million of share capital, £17.1 million of share premium and £9.5 million of distributable profits.

On 7 November 2019, the Company issued 32,359,450 ordinary shares at 10 pence. This raised equity of £3.1 million, an increase in share capital of £0.3 million, and £2.8 million in share premium (after expenses of £0.1 million).

Also in the comparative period, there were options issues under the Save as You Earn schemes for 89,274 as follows: 54,576 on 10 July 2019; 3,076 on 31 July 2019; 6,153 on 14 Aug 2019; and 25,469 on 11 Sept 2019.

## 11. Notes to the cash flow statement

	52 weeks ended 27 March 2021	53 weeks ended 28 March 2020 Restated
	£ million	£ million
<b>Loss from operations</b>	<b>(2.4)</b>	<b>(8.8)</b>
Adjustments for:		
Depreciation of property, plant and equipment	0.3	3.1
Amortisation of right-of-use assets	1.5	0.5
Amortisation of intangible assets	0.2	3.2
Impairment of right-of-use assets	–	0.5
Profit on sale of property, plant and equipment	(0.1)	–
(Gain)/loss on non-cash foreign currency adjustments	0.1	(1.3)
Share-based payments	0.5	0.9
Movement in provisions	0.4	1.5
Net gain on financial derivative instruments	(0.8)	–
Payments to retirement benefit schemes	(4.5)	(11.6)
Charge in respect of retirement benefit schemes	3.4	2.9
<b>Operating cash flow before movement in working capital</b>	<b>(1.4)</b>	<b>(9.1)</b>
Decrease in inventories	3.8	61.7
Decrease in receivables	0.9	30.9
Decrease in payables	(5.1)	(86.3)
<b>Net cash flow from operating activities</b>	<b>(1.8)</b>	<b>(2.8)</b>
Income taxes paid	(0.8)	(0.1)
<b>Cash flow from operations – continuing operations</b>	<b>(2.6)</b>	<b>(2.9)</b>
<b>Cash flow from operations – discontinuing operations</b>	<b>–</b>	<b>3.4</b>

## Analysis of net debt

	28 March 2020 £ million	Cash flow £ million	Offset £ million	Non – cash movements <sup>1</sup> £ million	27 March 2021 £ million
Cash and cash equivalents/bank overdrafts	6.1	0.8	–	–	6.9
Borrowings: revolving credit facility - secured	(7.0)	–	11.7	(4.7)	–
Borrowings: term loan - secured	–	(7.3)	(11.7)	–	(19.0)
Borrowings - shareholder loans	(12.8)	–	–	12.8	–
IFRS 16 lease liabilities	(8.4)	2.1	–	4.9	(1.4)
Net debt	(22.1)	(4.4)	–	13.0	(13.5)

### 1. Non-cash movements comprise:

- Shareholder loans: interest of £6.2 million accrued in the period before the loans were converted to equity (in their entirety) in March 2021.
- Revolving credit facility: the £4.7 million reflects the movement in the cash proceeds from the wind-up of the UK operations expected to be used by the administrators, to part-repay this loan and the fact that the financial asset is no longer linked to the debt, hence whilst the starting position of £(7.0) million was the debt facility net of the asset, the closing position of £nil reflects the fact the facility has been fully settled.
- The offset of £11.7 million reflects the fact that when the term loan was drawn down, £11.7 million was immediately used to settle the Revolving capital facility; this money never passed through the Group and the loan was received net of this.
- Non-cash movements on IFRS 16 lease liabilities comprise £1.5 million of additions in the year – being the Group's new head office; £7.3 million of disposals in the year – being the assignment of the lease on the UK warehouse facility which the Group was no longer using; and £0.9 million of interest accrued on lease liabilities.

The Group had outstanding borrowings at 27 March 2021 of £19.0 million (2020: £40.8 million).

In November 2020, the Group drew down on a four-year term loan of £19.5 million (£19.0 million net of prepaid facility fees) with Gordon Brothers. The loan is secured on the assets and shares of specific Group subsidiaries. Interest amounts payable on this facility are not materially sensitive to changes in LIBOR; the interest rate payable is 12% plus LIBOR.

The Group previously held a revolving credit facility; this was fully settled at the time the term loan with Gordon Brothers was withdrawn. At the comparative period end, there was £28.0 million outstanding under this facility, which was secured on the shares of specified obligor subsidiaries and the assets of the group not already pledged. This loan was in breach of the covenant requirements and therefore repayable on demand. Interest amounts payable on this facility are not materially sensitive to changes in LIBOR.

The Group also holds a financial asset of £2.6 million (2020: £21.0 million) reflecting the expected proceeds from the wind-down of the UK operations by the administrators of Mothercare UK Limited. The total expected repayment due is £2.6 million (2020: £7.0 million). In the comparative period, these proceeds were used to repay the secured revolving capital facility. As this facility was settled on the agreement of the new term loan, this asset is no longer linked to the Group's debt.

The Group held shareholder loans which converted to equity in March 2021, and therefore there are no outstanding amounts at the current financial period end. £5.5 million of capital was raised in 2020 and £8.0 million in 2019. These attracted a monthly compound interest rate of 0.83%, and had a termination date of June 2021. These are accounted for at an amortised cost of £nil (2020: £12.8 million), with the option to convert fair valued and treated as an embedded derivative liability of £nil (2020: £0.3 million). The conversion option formed a liability rather than equity due to the terms of the lending agreements through which the conversion price could be reduced should the Group issue shares.

## 12. Restatements for the 52 weeks ended 28 March 2020

After the Annual Report for the year ended 28 March 2020 was approved, the Group was approached by a third party about a lease liability relating to Mothercare UK Limited. Despite Mothercare UK Limited being in administration, this was an amount that the Group were liable for due to a cross-guarantee with Mothercare

PLC. Had management been aware of this liability before the 2020 Annual Report was approved, a provision would have been included as at 5 November 2019 i.e. the date Mothercare UK Limited went into administration, and would still have been on the balance sheet at 28 March 2020 and 27 March 2021. As a result of this, it has been considered appropriate to include a prior year adjustment for the amount the provision would have been.

The impact of this prior year adjustment on the balance sheet has been to increase provisions as at 27 March 2021 by £1.2 million, increase derivative financial instruments by £0.1 million, and reduce retained earnings by £1.3 million. Under the Group's accounting policy, amounts which have fallen due are treated as financial guarantee contracts under IFRS 9: Financial instruments. Amounts which are a potential future liability are accounted for under IAS 37: Provisions.

The impact of this prior year adjustment on the income statement for the comparative year has been to increase the adjusted items expense by £1.3 million and reduce the profit £1.3 million.

There is no impact on the brought forward reserves for the comparative financial year.

Additionally, the Group had previously disclosed the deferred tax liability on the defined benefit pension scheme at the underlying corporation tax rate – this was on the basis that the scheme is currently in a funding deficit, and further, there was no expectation a surplus payment would ever be received. However, the deferred tax liability in the comparative period has been increased to reflect the 35% withholding tax which would be paid in the highly unlikely event the scheme were to return to a surplus position in future years.

The impact of this prior year adjustment on the balance sheet has been to increase the deferred tax liability and reduce retained earnings by £5.0 million as at 28 March 2020 by £5.0 million. This adjustment has reversed in the year to 27 March 2021 and has nil impact on the balance sheet as at 27 March 2021..

The impact of this prior year adjustment on the income statement for the comparative year has been £nil. The impact of this prior year adjustment on other comprehensive income for the prior period has been to reduce earnings from other comprehensive income by £5.0 million.

There is no impact on the brought forward reserves for the comparative financial year.

### **13. Events after the balance sheet date**

Shutdowns due to COVID-19 are ongoing, and the uncertainties in relation to this have continued after the year end. Whilst the future impact remains unknown, to date there has been a broad impact across both the supply chain and the franchise partner network, with factories and stores closing in multiple territories.

On 4 March 2021 the UK Government announced an intention to increase the rate of corporation tax to 25% with effect from 1 April 2023. The 2021 Finance Bill received Royal Assent on 10 June 2021. As no deferred tax asset balances have been recognised at 27 March 2021, the impact of this rate change would be nil if the tax increase had been substantively enacted by that date. The actual impact would be dependent on a number of factors including actuarial movements in the Group's pension schemes.