Mothercare plc

Full Year Results 2023

Further progress made on the journey towards becoming an asset-light, global franchising business

Mothercare plc ("Mothercare", "the Company" or "the Group"), the highly trusted British heritage brand, that connects with the parents of newborn babies and children across multiple product categories throughout their early life as parents,, today announces full year results for the 52 week period to 25 March 2023. Comparatives are based on the 52 week period to 26 March 2022.

Key Highlights

- 9% increase in net worldwide retail sales by franchise partners in continuing markets of £322.7 million (2022: £297.1 million excluding Russia, £385.3 million including Russia).
- Adjusted EBITDA of £6.7 million (2022: £12.0 million), ahead of analysts' expectations.
- Net borrowings of £12.4 million (2022: £9.9 million) at the year end.
- Pension scheme deficit materially reduced to £35.0 million (March 2020: £124.6 million).
- Pension contributions reduced by £38.8 million to £34.9 million.

Current Trading & Outlook

- In the first twenty five weeks of FY24, the Group's Franchise Partners recorded total retail sales of £132.5 million (FY23: £156.8 million), with the decline largely resulting from the continuing challenges in our Middle Eastern markets
- We expect to complete a refinancing shortly and remain in discussions with a number of key stakeholders and financing partners, to ensure that the Group has adequate and appropriate financing for the future.
- Our medium-term guidance for the steady state operation, in more normal circumstances, of our continuing franchise operations remains that they are capable of exceeding £10 million operating profit and that opportunities exist to grow our global footprint further.
- We are now focused on both restoring critical mass and monetising the Mothercare global brand IP.

Financial Highlights

- Loss for the 52 weeks to 25 March 2023 of £0.1 million (2022: £12.1 million profit).
- Net debt[3] at £12.9 million (2022: £11.0 million).

Our Group

	2023	2022

	52 weeks to 25 Mar 2023 £million	52 weeks to 26 Mar 2022 £million	*% change vs. last year*
Turnover	73.1	82.5	(11)%
Adjusted EBITDA	6.7	12.0	(44)%
Adjusted operating profit	6.2	11.1	(44)%
Group adjusted profit after taxation[2]	1.1	9.0	(88)%
Statutory (loss)/profit	(0.1)	12.1	-

Our Franchise partners

	2023 52 weeks to 25 Mar 2023 £million	2022 52 weeks to 26 Mar 2022 £million	*% change vs. last year*
Worldwide retail sales[1] £m	322.7	385.3	(16)%
Online retail sales £m	29.3	40.9	(28)%
Total number of stores	506	680	(26)%
Space (k) sq. ft.	1,223	1,828	(33)%

Clive Whiley, Chairman of Mothercare, commented:

"I am pleased with the progress Mothercare has made during the year as we continue our transformation towards an asset-light, global franchising business. Our priority over the last 12 months has been the continued execution of our Transformation Plan and cementing Mothercare's future as a sustainable business model, for the benefit of all our stakeholders.

I would like to thank our colleagues across the business, alongside our pension trustees and all other stakeholders, for their continuing support. Without this, we would not be in the profitable, cash generative position we are today.

We have a compelling market opportunity. Mothercare remains in an unparalleled position of being a highly trusted British heritage brand, with a significant opportunity to leverage this brand equity and grow our global presence beyond our existing franchise network. There is still work to do, but we are excited about the future prospects for Mothercare as we leave behind the turmoil of recent years."

Investor and analyst enquiries to:

Mothercare plc
Clive Whiley, Chairman
Andrew Cook, Chief Financial Officer

Email: investorrelations@mothercare.com

Numis Securities Limited (NOMAD & Joint Corporate Broker)
Luke Bordewich

Tel: 020 7260 1000

Henry Slater	
Cavendish Capital Markets Limited (Joint Corporate Broker) Carl Holmes	**Tel:** 020 7220 0500
Media enquiries to: **MHP** Rachel Farrington Tim Rowntree	**Email:** mothercare@mhpgroup.com **Tel:**020 3128 8613

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 Groups 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).

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.

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, expect 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

Chairman's Statement

Introduction and the next year

Throughout the challenges of recent years our prime goal has been to protect the underlying Mothercare brand intellectual property ("IP"), in a solvent business structure, for the benefit of all stakeholders. We have also sought to avoid unnecessary equity dilution at all costs.

Accordingly, we are determined to:

- continue to reduce the combined business and pension schemes financing requirement , whilst putting in place adequate working capital facilities and eliminating the current unsustainable cash financing charges;
- sponsor growth in our Partners retail sales and store footprint;
- explore new territories and additional routes to market; and
- establish a platform for step-change growth.

All of these objectives will help to improve the profitability and covenant of the underlying business for actuarial pension and stock market rating purposes alike.

Hence, we believe that the enormous effort applied over the last five years has finally provided line-of-sight to rebalancing the Mothercare brand IP value in a way that also promotes growth in our royalty income.

The last five years

On my appointment as Chairman in April 2018, the combined immediate refinancing requirement & pension schemes actuarial deficit was £256 million for a business that reported a loss before tax of £72.8 million on net worldwide retail sales of over £600 million in the year ended March 2018.

The Transformation Plan launched immediately thereafter secured a flexible financial structure which maintained a sustainable business model with a capacity to sponsor future growth: ultimately leading to the transition of the business to focus upon our core international franchise and brand management competencies, as an asset light global franchising business.

Extraneous circumstances surrounding the pandemic and the Ukraine conflict, introduced:

- Covid-19 led to an unprecedented demand shock (with a low point in April 2020 of only 27% of our Franchise Partners' global retail locations being open) with management focusing upon the well-being of staff alongside successfully protecting corporate liquidity to preserve the businesses of our manufacturing & franchise partners; and
- the suspension of the Russian retail business, in March 2022, and the eventual withdrawal of the right to operate Mothercare branded stores in Russia at the end of June 2022 drove numerous economic, logistical & business disruptions into the Group.

Unfortunately, the dis-economies of scale associated with the above, alongside not always maintaining product development in unison with all our partners expectations, contributed to a halving of our franchise partners store footprint over the last five years.

The Year under review

On the same basis as the loss above was reported, for the financial year to 25 March 2023 we are reporting a profit before tax of £2.3 million on net worldwide retail sales by franchise partners of £322 million with a comparative financing requirement including pension deficit of £55 million, some 80% lower than the inherited position. We have also generated free cash flow from operations. Further financial highlights have been:

- an adjusted EBITDA of £6.7 million (2022: £12.0 million). For the prior year our Russian territory directly contributed some £5.5 million to our adjusted EBITDA, which coupled with some margin benefit due to shipping delays in last year's results, means there is a year on year improvement in the underlying profitability of the business once these elements are excluded;
- net worldwide retail sales by franchise partners were £322.7 million (2022: £385.3 million). For the prior year our Russian territory contributed £88 million

hence total retail sales were 9% higher than the levels for the previous financial year with the Russian retail sales excluded. Excluding our Middle East markets as well as Russia, the increase was 17% and our Middle East markets (43% of our total retail sales) reduced by 1% (at actual exchange rates);

We remain mindful that the pandemic also had a significant impact on our franchise partners' profitability, inevitably resulting in a need for them to clear old inventory, reduce costs and the levels of investment they have been able to make in their businesses. This is likely to mean that the return to pre pandemic levels of trading will take longer and we are working with our partners to assist that recovery, ultimately benefitting both our own business and our franchise partners in the longer term.

We continue to make ongoing improvements in product and service but these will not offset completely the above factors which will continue to impact the Group results for the financial year to March 2024 and beyond.

Financing

At the year-end the Group had net borrowings of £12.4 million (March 2022: £9.9 million). This comprised total cash of £7.1 million (March 2022: £9.2 million), reflecting ongoing tight control of cash, against the £19.5 million (£19.1 million) of the Group's existing loan facility with GB Europe Management Services Limited ("GBB") which remained fully drawn across the year. This unavoidable increase in net debt, set against the challenging backdrop of significant increases in interest rates, further demonstrates our progress as a focused, asset light, global franchising business with no directly operated stores and greatly reduced direct costs.

Since completing the £19.5 million secured four-year loan facility with GBB, in September 2022, the interest rate on this loan has increased to the current level of 19.2%, which coupled with the extended time to return to pre-pandemic retail sales levels, particularly in our Middle Eastern markets, means that we will require waivers to future periods' covenant tests.

We have therefore commenced refinancing discussions with GBB to vary, renegotiate or refinance this debt facility alongside continuing to explore various financing alternatives. For the avoidance of doubt, the Group does not require additional liquidity in our current forecasts although this would be preferable to accommodate business development and unanticipated challenges..

The first stage of this process was agreeing revised Deficit Repair Contributions ("DRC's") with the Mothercare Pension Scheme Trustees ("Trustees") of our defined benefit schemes' ("Schemes") to reduce the annual cash cost to the Company.

Pension Schemes and revised pension contribution plans

We retain a good working relationship with the Trustees and I am pleased to report that, following the most recent valuation of the Schemes in March 2023, we have reached formal agreement with the Trustees for a further reduction in DRCs. The revised recovery plan now sets out aggregate contributions of £34.9 million in the financial years March 2024 to March 2033. This represents a £38.8 million reduction in the aggregate cash payments that were to have been made to the pension schemes in that period under our previous repayment commitments.
The last full actuarial valuation of the schemes was at 31 March 2023 and showed a deficit of £35 million, resulting from total assets of £198 million and total liabilities of £233 million.

The revised recovery plan agreed with the Trustees includes total contributions (DRCs plus costs) in the financial years to March 2024 £2.4 million; March 2025 £2.0 million; March 2026 & 2027 £3.0 million; March 2028 & 2029 £4.0 million; March 2030 & 2031

£5.0 million and March 2032 £6 million and March 2033 £0.5 million aggregating to fully fund the £35 million deficit by March 2033.

Opportunities for growth

As we pursue our goal to be the world's most trusted and desirable brand for parents of babies and young children, the facts surrounding our market remain compelling:

- Mothercare remains in an almost unparalleled position of being a highly trusted British heritage brand, that connects with the parents of newborn babies and children across multiple product categories throughout their early life as parents;
- we estimate that there are some 30 million babies born every year in the world, into markets addressable by the Mothercare brand, yet only 700,000 in aggregate in the UK. Mothercare is still not represented in eight of the top ten markets in the world, when ranked by wealth and birth rate; and
- we have yet to capitalize on the multiple opportunities available to us in wholesale, licensing or online marketplaces to grow the global presence of the Mothercare brand beyond our existing franchise network.

This year we intend to leverage the full bandwidth of this intrinsic value through connections with other businesses, the development of our branded product ranges and licensing beyond our historic boundaries.

Cost Reduction Programme and Enterprise Resource Planning ("ERP") system

Our continual review and challenge to costs, whilst still ensuring we operate to the standards of a world class business, should lead to a further net reduction in administrative expenses once the ERP system is fully implemented later this financial year.

Although our new ERP system has faced delays, I would like to thank the internal team responsible for advancing this project, within tight budgetary controls, for their efforts in bringing a project of this size and complexity close to a conclusion.

Supply chain model

The loss of revenue and volume orders from the Russian retail business represented the single biggest impact on the Group during the period under review and required the necessary adjustments to our supply chain, operations and administrative costs to address the consequent diseconomies of scale and maintain our service to our franchise partners.

We continue to evolve our supply chain to reduce cost, complexity and deliver goods to our franchise partners in the quickest way possible. We also closed our remaining UK distribution centre in April 2022 and continue to develop our product option framework as we seek to curtail the impact of input cost inflation.

Management & Board changes

We have a PLC Board that we believe is appropriate for a company of our size, nature and circumstances. Our Non-Executive Directors have relevant skills, continue to directly contribute to the ongoing change process, are regularly appraised and are encouraged to interface with the Operating Board.

During the year we also supplemented the Operating Board via the appointment of a Brand Director and, following our successful transition to becoming an international brand owner and operator, saw the departure of Kevin Rusling, our Chief Operating Officer, who had been instrumental in managing that transition over the previous five years.

Finally, we appointed a new Chief Executive Officer during the year but unfortunately this failed to have the immediate impact upon our core business we expected and the appointment was terminated. We are therefore renewing our search and in the interim the day-to-day management of the Group is being run by the Chief Financial Officer and the Operating Board with oversight from me as Non- Executive Chairman.

Dividend Policy

The Company has not paid a dividend since February 2012. The Directors understand the importance of optimising value for shareholders and it is the Directors' intention to return to paying a dividend when it is financially prudent for the Group to do so but recognising the restrictions within the Company's agreements with its lenders and the Pension Trustees.

Summary and Outlook

As highlighted at the beginning of my statement, it has been five years of hard work and transformative change for the Group and, on behalf of the Board I would like to thank our colleagues across the business, alongside our pension trustees and all other stakeholders for their unstinting support throughout those difficult times. Without that support, alongside the resilience we have built into the business throughout this journey, we could not have dealt with the major challenges we have faced and Mothercare would not be in the profitable, cash generative position we are today.

We expect to complete a refinancing shortly and remain in discussions with a number of key stakeholders and financing partners, to ensure that the Group has adequate and appropriate financing for the future. Furthermore, our medium-term guidance is unchanged for the steady state operation, in more normal circumstances, and we believe our continuing franchise operations remain capable of delivering approximately £10 million operating profit.

In short, we are now focused on both restoring critical mass and monetising the Mothercare global brand IP. This is an exciting prospect for our partners, our colleagues and all our stakeholders alike as we finally leave behind the turmoil of recent years.

Mothercare plc
Preliminary Results

FINANCIAL AND OPERATIONAL REVIEW

Our total retail sales and adjusted EBITDA from our continuing markets have grown year on year. Demonstrating the strength in our asset light, reduced risk, international operating model.

The significant reduction in our pension contributions is the first step in ensuring our longer term financing arrangements are adequate and appropriate for the future needs of the Group.

International retail sales by our franchise partners of £322.7 million (2022: £385.3 million) includes no contribution for the Russia market, which contributed £88.2 million to the FY22 retail sales and was suspended at the end of our previous financial year. Excluding the Russian retail sales from FY22, our total retail sales from our continuing markets in FY23 increased by 9%.

The profit from operations in the year was £6.0 million (2022: £13.0 million) reflecting a number of significant changes. To better understand the underlying results, the Group uses a non-statutory reporting measure of adjusted profit, to show results before any one-off significant non-trading items. This involves removing the adjusted items which relate to restructuring and reorganisation costs and are non- recurring (£0.2 million added back in year ended 2023 and £1.9 million subtracted in 2022), together with depreciation and amortisation of £0.5 million (2022: £0.9 million), resulting in an adjusted EBITDA profit for the year of £6.7 million (2022: £12.0 million).

For the year to March 2022 our Russian territory directly contributed some £5.5 million to our adjusted EBITDA, which coupled with some margin benefit due to shipping delays in last year's results, means there is a year on year improvement in underlying profitability of the business, when these elements are excluded. The Group recorded a loss for the 52 weeks to 25 March 2023 of £0.1 million (2022: profit of £12.1 million). The adjusted profit for the year was £1.1 million (2022: £9.0 million). The adjusted items are detailed in note 6.

Retail space at the end of the year was 1.2 million sq. ft. from 506 stores (2022: 1.8 million sq. ft. from 680 stores, excluding Russia these figures were 1.4 million sq. ft. from 564 stores)

PENSION SCHEME CONTRIBUTIONS

There are two defined benefit schemes, both of which are now closed to new members, the Staff Scheme and the Executive Scheme. Following the full actuarial triennial valuation at 31 March 2023, the deficit on the Staff Scheme was £35.0 million, resulting from assets of £198 million and liabilities of £233.0 million, the Executive Scheme was in surplus, with assets of £XX million and liabilities of £XX million. The schemes are independent and so the surplus on the Executive Scheme cannot be used to set off the deficit on the Staff Scheme. The deficit to be funded at 31 March 2023 of £35 million is a significant reduction from the deficit of £124.6 million at 31 March 2020: the Staff Scheme deficit of £101.7 million, from assets of £278.0 million and liabilities of £379.7 million and the Executive Scheme deficit of £22.9 million, from assets of £105.7 and liabilities of £128.6 million.

The following annual contributions, which include the deficit reduction contributions for the Staff Scheme and the costs for both schemes, have now been agreed with the trustees, for the years ending in March as follows: 2024 - £2.4 million; 2025 - £2.0 million; 2026 and 2027 - £3.0 million; 2028 and 2029 - £4.0 million; 2030 and 2031 £5.0 million; 2032 - £6.0 million and 2033 £2.0 million, a total of £36.4 million. These contributions represent a cash saving of £37.3 million when compared to the previous contributions we were committed to pay. The previously agreed annual contributions to the pension schemes, for the years ending in March, were as follows: 2024 - £4.0 million; 2025 - £7.0 million; 2026 -
£8.0 million; 2027 to 2032 - £9.0 million and 2033 - £0.7 million, a total of £73.7 million.

These deficits are on an actuarial technical provisions basis, which is used to determine the contributions required and produces different figures from those included in the balance sheet, which are required to be from applying IAS 19 and resulted in the £8.4 million asset on the balance sheet in relation to the pension schemes.

FINANCING

At the year-end Mothercare had total cash of £7.1 million (March 2022: £9.2 million), reflecting ongoing tight control of cash, against the £19.5 million (March 2022: £19.1 million) of the Group's existing loan facility, which remained fully drawn across the year.

With recent increases in interest rates, the interest rate on this loan is currently approximately 19.2%, which coupled with the extended time to return to pre-pandemic retail sales levels, particularly in our Middle Eastern markets, means the Board's current forecasts for continuing operations show the Group may require waivers to future periods' covenant tests.
We have therefore commenced refinancing discussions with our lender to vary, renegotiate or refinance this debt facility, additionally we are looking at various financing alternatives (including equity and equity linked structures) to give us both additional flexibility and reduced cash financing costs. For the avoidance of doubt the Group does not require (and is not seeking through this refinancing) additional liquidity.

The first stage of this process was the agreement of the significantly reduced pension contributions as detailed above. We therefore expect to complete the refinancing in the near future, to ensure the Group has adequate and appropriate financing for the future.

OPERATING MODEL

The Group continues to work towards its goal of becoming an asset light business. We continue to use our tripartite agreement ('TPA') process, whereby the franchise partners commit to paying the manufacturing partners for the product when due and in return the manufacturing partners were generally willing to re- extend credit terms that had sometimes been lost because of the UK retail administration. 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, are unchanged and remains with the Group.

For the latest orders for the spring/summer 2024 season, we expect some 70% (FY22 50%) of the products by value, to be invoiced directly to franchise partners by our manufacturing partners. We continue to work with our larger franchise partners to move them to this basis. For some of the smaller franchise partners we are obtaining bank guarantees or letters of credit to reduce our debt exposure.

We are also moving more product direct from manufacturing partners to franchise partners. For spring/summer 2024, we expect 90% (FY22 80%), by value, to be shipped in this way. The remaining 10% are smaller orders that cannot be viably shipped direct and they are consolidated on our in our warehouse in China.

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.

ENTERPRISE RESOURCE PLANNING ("ERP") SYSTEM

Despite experiencing further delays, full testing of our new ERP is underway and the initial feedback is positive though there will inevitably be some elements that need amending. The full system is expected to be live this financial year, with the product lifecycle management system having gone live last May. The contract for the creation of the ERP is on a fixed cost basis so will not increase, however the costs of our own implementation team, which are both internal and external continue to be capitalised. Once fully live the annual IT cost savings resulting from the ERP are still expected to be approximately £1 million. In addition to our own savings there should be savings for both out franchise partners in dealing with our business, through bespoke portals and quicker and easier information flows with increased integrity and accuracy.

BALANCE SHEET

The balance sheet moved from a net asset position of £1.5 million in prior year to a net liability position of £1.8 million at the end of the current year. A decrease in current assets of £3.7 million was offset by a £2.2 million decrease in current liabilities. Intangible assets increased by £2.2 million largely due to acquisitions made for the Group's Enterprise Resource Planning system. The decrease in the defined benefit pension scheme asset of £4.0 million, is the main contributor to the overall reduction in net assets of £3.3 million. The decrease in the scheme assets due to lower than expected returns was offset by the movement in the scheme liabilities, leading to the defined benefit pension loss for the year of £4.5 million.

Net current assets

Current assets decreased by £3.7 million to £15.9 million (2022: £19.6 million), driven by lower inventories of £1.2m, trade and other receivables of £0.9 million and cash and cash equivalents of £2.1 million, partially offset by a £0.5 million increase in financial and tax assets.

Current liabilities decreased by £2.1 million to £12.0 million (2022: £14.1 million) reflecting a £0.8 million decrease in provisions and a £1.3 million decrease in trade and other payables.

Net current assets decreased to £3.9 million in the current year from £5.5 million in prior year. The £1.6 million decrease reflecting the reduction in trading activity around the year end compared to the prior year.

The Group's working capital position is closely monitored, and forecasts demonstrate the Group is able to meet its debts as they fall due.

	26 March 2023 £ million	27 March 2022 £ million
Intangible fixed assets	**5.8**	**3.6**
Property, plant and equipment	**0.2**	**1.2**
Retirement benefit obligations asset/(liability)	**8.4**	**12.4**
Net borrowings (excluding IFRS 16 lease liabilities)	**(12.4)**	**(9.9)**
Derivative financial instruments	**0.5**	**0.2**
Other net liabilities	**(4.3)**	**(6.0)**
Net assets / (liabilities)	**(1.8)**	**1.5**
Share capital and premium	**198.1**	198.1
Reserves	**(199.9)**	(241.1)
Total equity	**(1.8)**	(43.0)

Pensions

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

The defined benefit scheme surplus decreased by £4.0 million to an asset position of £8.4 million (2022: 12.4 million). The liabilities reduced from £383.4m at the end of last year to £269.9 million at the end of the current year, the liabilities were valued using a discount rate based on corporate bond yields with an increase in yields placing a lower value on the liabilities. In addition, the schemes' benefit payments are linked to inflation, over the year changes in the financial market conditions resulted in the discount rate increasing by 190 basis points and long term inflation expectations decreasing by 50 basis points. The assets have reduced from £395.8 million to £278.3 million due to lower than expected returns over the year. In combination these movements resulted in a gain on liabilities of £116.4 million and a loss on assets of £116.9 million since the prior year end, which coupled with an experience adjustment of £4.0 million resulting from the high levels of inflation observed since the prior year-end and an allowance for the difference between the actual and expected inflation seen since the 31 March 2020 actuarial valuation, the net loss for the year was £4.5 million.

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 2023 was £35.0 million (31 March 2020 £124.6 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 30 March 2024***	**52 weeks ended 25 March 2023**	**52 weeks ended 26 March 2022**
Income statement			
Running costs	(2.1)	(2.1)	(1.7)
Net income/ (expense) for return on assets / interest on liabilities	0.5	0.4	(0.5)
Net charge	(1.6)	(1.7)	(2.2)
Cash funding			
Regular contributions	(1.0)	(1.0)	(1.0)
Deficit contributions	(1.4)	(1.2)	(4.3)
Total cash funding	(2.4)	(2.2)	(5.3)
Balance sheet**			
Fair value of schemes' assets	n/a	278.3	395.8
Present value of defined benefit obligations	n/a	(269.9)	(383.4)
Net (liability)/surplus	n/a	8.4	12.4

* 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 2023 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:

	2023	2022	**2023 Sensitivity**	**2023 Sensitivity £ million**
Discount rate	**4.7%**	2.8%	**+/- 0.1%**	**-3.7 /+3.8**
Inflation - RPI	**3.0%**	3.5%	**+/- 0.1%**	**+2.2 /-2.5**
Inflation - CPI	**2.3%**	2.9%	**+/- 0.1%**	**+1.2 /-1.3**

The Group has a deferred tax liability of £0.4 million (2022: £0.4 million). Deferred tax assets arising from short term timing differences and losses of £2.8 million were offset by liabilities arising from accelerated tax depreciation and tax on the actuarial loss arising from the valuation of the defined benefit scheme of £3.2 million. The position remains consistent with prior year.

Net debt

Net debt excluding lease liabilities increased by £2.5 million during the year to £12.4 million (2022: £9.9 million), due to a net cash outflow of £1.9 million and a non-cash increase of £0.7 million as well as a £0.1 million decrease resulting from currency translation. Net debt including lease liabilities was £12.9 million (2022: 11.0 million). The group refinanced its facility during the year, extending the term to November 2025.

The Group regularly reviews its financing arrangements and remains confident of its ability to access additional financing successfully when needed. The Group's amended and extended committed facility will mature in 2025, this together with its cash and cash equivalents are considered adequate to meet its projected cash requirements.

Leases

Right-of-use assets of £0.3 million (2022: £0.9 million) and lease liabilities of £0.5 million (2022: £1.1 million) represented the Group's head office leases. During the year, the Group terminated the lease on the ground floor at the head office as the additional space became surplus to its requirements, this together with the amortisation of right-of-use assets and rental payments accounts for the decrease year on year. There were no significant penalties resulting from the termination.

Working capital

Working capital was £3.9 million at year compared with £5.5 million in prior year, a decrease of £1.6 million. The Group successfully moved certain franchise partners to direct shipments during the year, thereby reducing the stock levels to £0.9 million at year end (2022: £2.1 million). Trade receivables increased to £3.7 million at year end (2022: £3.4 million) mainly due to timing differences in shipments around the respective year ends.

Trade payables decreased to £4.0 million (2022: £4.7 million) due to similar reasons.

INCOME STATEMENT

	52 weeks to 26 March 2023 £million	52 weeks to 27 March 2022 £million
Revenue	**73.1**	82.5
Adjusted EBITDA (EBITDA before exceptionals)	**6.7**	12.0
Depreciation and amortisation (note 7)	**(0.5)**	(0.9)
Adjusted result before interest and taxation	**6.2**	11.1
Adjusted net finance costs	**(2.8)**	(3.1)
Adjusted result before taxation	**3.4**	8.0
Adjusted costs	**(1.2)**	3.1
Loss before taxation	**2.2**	11.1
Taxation	**(2.3)**	1.0
Total profit/(loss)	**(0.1)**	12.1
EPS - basic	**(0.0)p**	1.6p
Adjusted EPS - basic	**0.2p**	2.1p

Foreign exchange

The main exchange rates used to translate International retail sales are set out below:

	52 weeks ended 25 March 2023	52 weeks ended 26 March 2022
Average:		
Euro	**1.2**	1.2
Qatari riyal	**4.4**	5.0
Chinese renminbi	**8.3**	8.8
Kuwaiti dinar	**0.4**	0.4
Singapore dollar	**1.7**	1.8
Saudi riyal	**4.5**	5.1
Emirati dirham	**4.4**	5.0
Indonesian rupiah	**18,160**	19,644
Indian rupee	**96.7**	101.8
Closing:		
Euro	**1.1**	1.2

Qatari riyal	**4.4**	4.8
Chinese renminbi	**8.4**	8.4
Kuwaiti dinar	**0.4**	0.4
Saudi riyal	**4.5**	4.9
Singapore dollar	**1.6**	1.8
Emirati dirham	**4.5**	4.8
Indonesian rupiah	**18,730**	18,924
Indian rupee	**100.5**	100.1

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 profit to increase by £23.2 million (2022: £16.4 million decrease) and £1.4 million (2022: £0.9 million loss) respectively as shown below:

	Worldwide sales £ million	**Adjusted Profit/(loss) £ million**
Euro	**0.0**	**0.0**
Chinese Renminbi	**0.5**	**0.0**
Kuwaiti dinar	**3.2**	**0.2**
Qatari riyal	**1.9**	**0.1**
Saudi riyal	**6.2**	**0.4**
Emirati dirham	**4.3**	**0.3**
Indonesian rupiah	**1.5**	**0.1**
Singapore dollar	**1.6**	**0.1**
Indian rupee	**1.0**	**0.1**
	23.2	**1.4**

Net finance costs

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.

Net finance expense for the year was £3.8 million, an increase of £1.9 million. The prior year net charge included a gain of £1.2 million relating to options which expired unexercised in March 2022. Interest on the term loan was £2.9 million in the current year (2022: £2.5 million) the movement driven by the increase in base rates. Debt servicing payments of £4.0 million (2022: £3.0 million) are comprised of net interest payments of £2.8 million, lease payments of £0.3 million and facility costs of £0.9 million.

The net interest income/cost on the defined benefit asset and liability was an income of £0.4 million in the current year, a swing from the cost of £0.5 million in 2022.

Discontinued operations

There were no discontinued operations presented for the current financial 52 week period ended 25 March 2023. The total statutory loss after tax for the Group is £0.1 million (2022: £12.1 million profit).

Taxation

The tax charge comprises corporation taxes incurred and a deferred tax charge. The total tax charge from operations was £2.3 million (2022: £1.0 million credit) - (see note 9).

Earnings per share

Basic adjusted earnings per share were 0.20 pence (2022: 1.6 pence). Statutory earnings per share were (0.0) pence (2022: 2.1 pence).

CASHFLOW

Reported net cash generated from operations decreased by £3.8 million to £4.3 million (2022: 8.1 million). Payables decreased by £1.4 million, due to the slightly reduced operations and timing, this was offset by a £1.1 million decrease in inventories and £0.9 million decrease in receivables.

Cash outflow from investing activities of £2.3 million (2022: £2.9 million), was mainly driven by our
investment in our new Enterprise Resource Planning system of £2.2 million.

Cash outflow from financing activities was £4.0 million (2022: £3.0 million).

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.

With recent increases in interest rates, the interest rate on this loan is currently approximately 19.2%, which coupled with the extended time to return to pre-pandemic retail sales levels, particularly in our Middle Eastern markets, means the Board's current forecasts for continuing operations show the Group may require waivers to future periods' covenant tests. Our current lender remains supportive, whilst we complete our financing activities to repay all or part of the facility.

The consolidated financial information has been prepared on a going concern basis. 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:

- A Base Case forecast; and
- 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.

In making the assessment on going concern the Directors have assumed that the Group is able to mitigate the material uncertainty surrounding the Group's ability to successfully complete its financing activities to repay all or part of the existing facility and that our current lenders would continue to support us in the event we required waivers to future period's covenant test, whilst doing so.

The Sensitised scenario assumes the following additional key assumption:

- A significant reduction in global retail sales, which may result from subdued, consumer confidence or disposable income or through store closures or weaker trading in our markets, throughout the remainder of FY24 and FY25.

The Board's confidence in the Group's Base Case forecast, which indicates that the Group will operate with sufficient cash balances, provided appropriate covenant waivers on our current facility were agreed, if required prior to the completion of our funding activities, 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 risk applied in the Sensitised forecast, or the Group was unable to execute further cost or cash management programmes, the Group would at certain points of the working capital cycle require covenant waivers based on its current facilities agreement. 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 have completed the current negotiations to amend the covenants or secure additional funding. Therefore, we have concluded that, in this situation, there is a material uncertainty in relation to the continued support of our existing lender, if required, that casts significant doubt that the Group will be able to operate as a going concern without potential waivers or revised/ new financing facilities.

Treasury policy and financial risk management

The Board approves treasury policies, and senior management directly control 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

The group operates internationally and is exposed to foreign exchange rage, primarily the US dollar. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities dominated in a currency that is not the functional currency of the group which is the pound. 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 which expose the group to cash flow interest rate risk. Interest is charged at 13% per annum plus SONIA, with SONIA not less than 1%, plus a 1% per annum compounded payment to be made when the
loan is repaid, these expose the Group to future cash flow risk. The interest exposure is monitored by management efforts are being made to find cheaper sources of finance to mitigate the increasing base rates.

In the comparative period, interest was charged at a fixed rate of 12% plus SONIA.

Credit risk

Credit risk arises from cash and cash equivalents and credit exposures to customers including outstanding receivables.

The Group has no significant concentrations of credit risk.

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum, rating of 'A' are accepted.

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. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses trade receivables have been grouped based on shared credit risk characteristics and the days past due. Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the group.

Shareholders' funds

Shareholders' funds amount to a deficit of £1.8 million an adverse movement of £3.3 million from prior year. This was mainly due to the impact of the net actuarial loss of £3.4 million at year end.

Directors' responsibility statement

The 2023 Annual Report and Accounts which will be issued in September 2023, contains a responsibility statement which sets out that as at the date of approval of the Annual Report on 21 September 2023, in the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant information of which the group's and parent Company's auditors are unaware: and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and parent Company's auditors are aware of that information.

Consolidated income statement

For the 52 weeks ended 26 March 2023

		52 weeks ended 25 March 2023			52 weeks ended 26 March 2022		
	Note	**Before adjusted items £ million**	**Adjusted items[1] £ million**	**Total £ million**	Before adjusted items £ million	Adjusted items[1] £ million	Total £ million
Revenue	3	**73.1**	**-**	**73.1**	82.5	-	82.5
Cost of sales		**(52.2)**	**-**	**(52.2)**	(54.9)	-	(54.9)
Gross profit		**20.9**	**-**	**20.9**	27.6	-	27.6
Administrative expenses		**(15.5)**	**(0.2)**	**(15.7)**	(16.0)	1.9	(14.1)
Impairment losses on receivables		**0.8**	**-**	**0.8**	(0.5)	-	(0.5)
Profit/(loss) from operations	3	**6.2**	**(0.2)**	**6.0**	11.1	1.9	13.0
Finance costs		**(2.8)**	**(1.0)**	**(3.8)**	(3.1)	1.2	(1.9)
Profit /(loss) before taxation		**3.4**	**(1.2)**	**2.2**	8.0	3.1	11.1
Taxation	5	**(2.3)**	**-**	**(2.3)**	1.0	-	1.0
Profit/(loss) for the period		**1.1**	**(1.2)**	**(0.1)**	9.0	3.1	12.1
Profit/(loss) for the period attributable to equity holders of the parent		**1.1**	**(1.2)**	**(0.1)**	9.0	3.1	12.1
Profit/(loss) per share							
Basic	7			**(0.0)p**			2.1p
Diluted	7			**(0.0)p**			2.1p

1 Includes adjusted costs (property costs, restructuring and reorganisation costs) and movement on warrant options. 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.

Consolidated statement of comprehensive income

For the 52 weeks ended 26 March 2023

	52 weeks ended 26 March 2023 £ million	52 weeks ended 27 March 2022 £ million

Profit / (loss) for the period	**(0.1)**	**12.1**
Items that will not be reclassified subsequently to the income statement:		
Remeasurement of net defined benefit liability:		
Actuarial gain / (loss) on defined benefit pension schemes	**(4.5)**	**35.0**
Deferred tax relating to items not reclassified	**1.1**	**(3.1)**
	(3.4)	**31.9**
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**-**	-
Deferred tax relating to items reclassified	**-**	-
	-	-
Other comprehensive income / (expense) for the period	**(3.4)**	**31.9**
Total comprehensive income / (expense) for the period wholly attributable to equity holders of the parent	**(3.5)**	**44.0**

Consolidated balance sheet

As at 25 March 2023

	25 March 2023 £ million	26 March 2022 £ million
Non-current assets		
Intangible assets	**5.8**	3.6
Property, plant and equipment	**0.2**	0.3
Right-of-use leasehold assets	**0.3**	0.9
Retirement benefit obligations	**8.4**	12.4
	14.7	17.2
Current assets		
Inventories	**0.9**	2.1
Trade and other receivables	**7.2**	8.1
Derivative financial instruments	**0.5**	0.2
	0.2	-
Cash and cash equivalents	**7.1**	9.2
	15.9	19.6
Total assets	**30.6**	36.8
Current liabilities		
Trade and other payables	**(10.8)**	(12.1)
Lease liabilities	**(0.3)**	(0.3)
Provisions	**(0.9)**	(1.7)
	(12.0)	(14.1)
Non-current liabilities		
Borrowings	**(19.5)**	(19.1)
Lease liabilities	**(0.2)**	(0.8)
Provisions	**(0.3)**	(0.9)
Deferred tax liability	**(0.4)**	(0.4)
	(20.4)	(21.2)
Total liabilities	**(32.4)**	(35.3)
Net assets/(liabilities)	**(1.8)**	1.5
Equity attributable to equity holders of the parent		
Share capital	**89.3**	89.3
Share premium account	**108.8**	108.8
Own shares	**(0.2)**	(1.0)
Translation reserve	**(3.7)**	(3.7)
Retained loss	**(196.0)**	(236.4)
Total equity	**(1.8)**	(43.0)

Consolidated statement of changes in equity

For the 52 weeks ended 26 March 2023

	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Retained earnings £ million	Total equity £ million
Balance at 26 March 2022	**89.3**	**108.8**	**(1.0)**	**(3.7)**	**(191.9)**	**1.5**
Items that will not be reclassified subsequently to the income statement	-	-	-	-	**(3.4)**	**(3.4)**

Other comprehensive income	-	-	-	-	(3.4)	(3.4)
Profit for the period	-	-	-	-	**(0.1)**	**(0.1)**
Total comprehensive income	-	-	-	-	(3.5)	(3.5)
Shares transferred to executive on vesting	-	-	**0.8**	-	**(0.8)**	
Adjustment to equity for equity-settled share-based payments	-	-	-	-	**0.2**	**0.2**
Balance at 25 March 2023	**89.3**	**108.8**	**(0.2)**	**(3.7)**	**(196.0)**	**(1.8)**

	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Retained Earnings £ million	Total Equity £ million
Balance at 27 March 2021	89.3	108.8	(1.0)	(3.7)	(236.4)	(43.0)
Items that will not be reclassified subsequently to the income statement	-	-	-	-	31.9	31.9
Other comprehensive income	-	-	-	-	31.9	31.9
Profit for the period	-	-	-	-	12.1	12.1
Total comprehensive income	-	-	-	-	44.0	44.0
Adjustment to equity for equity-settled share-based payments	-	-	-	-	0.5	0.5
Balance at 26 March 2022	89.3	108.8	(1.0)	(3.7)	(191.9)	1.5

Consolidated cash flow statement

For the 52 weeks ended 25 March 2023

	Note	**52 weeks ended 25 March 2023 £ million**	52 weeks ended 26 March 2022 £ million
Net cash flow from operating activities	10	**4.3**	8.1
Cash flows from investing activities			
Purchase of property, plant and equipment		**(0.1)**	(0.1)
Purchase of intangibles - software		**(2.2)**	(2.8)
Cash used in investing activities		**(2.3)**	(2.9)
Cash flows from financing activities			
Interest paid		**(2.8)**	(2.5)
Lease interest paid		**(0.1)**	(0.1)
Repayments of leases		**(0.2)**	(0.4)
Drawdown of loan facility		**(0.9)**	-
Net cash outflow / (inflow) from financing activities		**(4.0)**	(3.0)
Net increase in cash and cash equivalents		**(2.0)**	2.2
Cash and cash equivalents at beginning of period		**9.2**	6.9
Effect of foreign exchange rate changes		**(0.1)**	0.1
Cash and cash equivalents at end of period		**7.1**	9.2

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 25 March 2023 or the 52 week period ended 26 March 2022, but it is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered in September 2023. The auditor has reported on the 2023 accounts: their report includes a material uncertainty over going concern. The 2022 financial statements are available on the Group's website (www.mothercareplc.com).

2. Accounting Policies and Standards

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.

With recent increases in interest rates, the interest rate on this loan is currently approximately 19.2%, which coupled with the extended time to return to pre-pandemic retail sales levels, particularly in our Middle Eastern markets, means the Board's current forecasts for continuing operations show the Group may require waivers to future periods' covenant tests. Our current lender remains supportive, whilst we complete our financing activities to repay all or part of the facility.

The consolidated financial information has been prepared on a going concern basis. 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:

- A Base Case forecast; and
- 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..

In making the assessment on going concern the Directors have assumed that the Group is able to mitigate the material uncertainty surrounding the Group's ability to successfully complete its financing activities to repay all or part of the existing facility and that our current lenders would continue to support us in the event we required waivers to future period's covenant test, whilst doing so.

The Sensitised scenario assumes the following additional key assumption:

- A significant reduction in global retail sales, which may result from subdued, consumer confidence or disposable income or through store closures or weaker trading in our markets, throughout the remainder of FY24 and FY25.

The Board's confidence in the Group's Base Case forecast, which indicates that the Group will operate with sufficient cash balances, provided appropriate covenant waivers on our current facility were agreed, if required prior to the completion of our funding activities, 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 risk applied in the Sensitised forecast, or the Group was unable to execute further cost or cash management programmes, the Group would at certain points of the working capital cycle require covenant waivers based on its current facilities agreement. 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 have completed the current negotiations to amend the covenants or secure additional funding. Therefore, we have concluded that, in this situation, there is a material uncertainty in relation to the continued support of our existing lender, if required, that casts significant doubt that the Group will be able to operate as a going concern without potential waivers or revised/ new financing facilities.

New standards, amendments, IFRIC interpretations and new relevant disclosure requirements
The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Annual Improvements to IFRS 2018-2020, effective 1 January 2022;

- Onerous Contracts-Cost of Fulfilling a Contract (Amendments to IAS 37), effective 1 January 2022;

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective 1 January 2022;

- Reference to the Conceptual Framework (Amendments to IFRS 3), effective 1 January 2022.

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.

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 sales:

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

Constant currency sales:

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 significant in both nature and/or quantum 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 25 March 2023:

- costs associated with restructuring and redundancies;
- movement on embedded derivatives in the shareholder warrants;
- dilapidations costs related to the groups head office building;
- movement on the expected outcome related to the administration of Mothercare UK Limited (in administration).

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 operations represent more than one 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 customer represents approximately 30% (2022: 24%) of Group sales.

	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Sale of goods to franchise partners	**55.2**	59.9
Royalties income	**17.9**	22.6
Total revenue	**73.1**	82.5

4. Adjusted items

The total adjusted items reported for the 52-week period ended 25 March 2023 is a net loss of £1.2 million (2022: £3.1 million gain). The adjustments made to reported profit before tax to arrive at adjusted profit are:

	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Adjusted costs from continuing operations:		
Property related (costs) / income included in administrative expenses	**(0.2)**	0.5
Restructuring and reorganisation (costs) / income included in administrative expenses	**(0.0)**	1.4
Restructuring (costs) / income included in finance costs	**(1.0)**	1.2
Adjusted items before tax	**(1.2)**	3.1

Property related (costs) / income included in administrative expenses - £ (0.2) million (2022: £0.5 million)

The current year charge represents a true up of the dilapidations provision for the Group's head office.

The prior year income relates to credits arising from the settlement of a lease liability relating to a claim on a previous UK retail store.

Restructuring and reorganisation (costs) / income included in administrative expenses - £(0.0) million (2022: £1.4 million)

The current year charge relates to:

- £(0.3) million redundancy payments made to certain staff during the year, this was offset by;
- £0.3 million true-up of the financial asset arising on the revolving capital facility, which was valued at the end of financial year 2022 based on the information available at the time, whilst assuming the worst-case outcome.

The prior year income included:

- £1.6 million credits arising in relation to the profit on disposal of Mothercare UK Limited business which went into administration. 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 end of financial year 2022 based on the information available at the time, whilst assuming the worst-case outcome. The remaining £0.8 million relates to recovery of holding and handling costs incurred in liquidating stock owned by Mothercare UK Limited, these costs were expensed in previous years as there was no certainty of recovery of these.
- £(0.2) million provision to settle a legal claim received against a subsidiary.

Restructuring (costs) / income included in finance costs - £(1.0) million (2022: £1.2 million)

The current year charge includes:

- £(0.5) million transaction costs arising from the refinancing that are not directly attributable to the renegotiation.
- £(0.4) million modification loss due to the group renegotiating its existing loan facility. The principal amount remained the same under the revised agreement with the term extended by a year.
- £(0.1) million cost incurred on finance brokers.

The prior year income relates to 15.0 million 12 pence warrants which expired without the shareholders exercising the warrants.

Net finance costs

	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Other interest payable and finance charges	**4.1**	2.5
Net interest expense on liabilities/return on assets on pension	**-**	0.5
Interest on lease liabilities	**0.1**	0.1
Fair value movement on warrants	**-**	(1.2)
Interest payable	**4.2**	1.9
Net interest income on liabilities/return on assets on pension	**(0.4)**	-
Net finance costs/(income)	**3.8**	1.9

5. Taxation

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

	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Current tax:		
Foreign taxation	**1.1**	1.7
	1.1	1.7
Deferred tax:		
Origination and reversal of temporary differences	**1.2**	(2.7)
Charge/(credit) for taxation on profit for the period	**2.3**	(1.0)

UK corporation tax is calculated at 19% (2022: 19%) of the estimated assessable profit for the period. The increase in the corporation tax rate from 19% to 25% was substantively enacted by the balance sheet date and will be effective from 1 April 2023. As a result, the relevant deferred tax balances have been remeasured. Deferred tax balances are expected to unwind after 1 April 2023. The impact of the change in tax rate has been recognised in tax expense in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss.

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

The charge/ (credit) for the period can be reconciled to the profit for the period before taxation per the consolidated income statement as follows:

	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Profit for the period before taxation	**11.1**	(21.4)

Profit for the period before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2022: 19%)	**2.1**	(4.1)
Effects of:		
Expenses not deductible for tax purposes	**0.4**	1.2
Income not taxable	**(0.1)**	(1.0)
Impact of overseas tax rates	**-**	0.4
Foreign tax credits	**0.7**	0.2
Deferred tax recognized in other comprehensive income	**-**	(3.1)
Remeasurement of deferred tax for changes in tax rates	**0.2**	0.1
Deferred tax not recognised/written off	**0.7**	(0.9)
Charge/(credit) for taxation on profit for the period	**2.3**	(1.0)

6. Dividends

There was no final dividend for the period (2022: £nil) and no interim dividend was paid during the period (2022: £nil).

7. Earnings per share

	52 weeks ended 25 March 2023 million	52 weeks ended 26 March 2022 million
Weighted average number of shares in issue	**563.8**	563.8
Dilutive potential ordinary shares	**-**	10.1
Diluted weighted average number of shares	**563.8**	573.9
Number of shares at period end	**563.8**	563.8

	£ million	£ million
(Loss)/profit for basic and diluted earnings per share	**(0.1)**	12.1
Adjusted items (note 4)	**1.2**	(3.1)
Tax effect of above items	**-**	-
Adjusted profit	**1.1**	9.0

	Pence	Pence
Basic (losses) / earnings per share	**(0.0)**	2.1
Basic adjusted earnings / (losses) per share	**0.2**	1.6
Diluted (losses) / earnings per share	**(0.0)**	2.1
Diluted adjusted earnings per share	**0.2**	1.6

Analysis of shares by class	**25 March 2023 million**	26 March 2022 million
Ordinary shares at period end date	**563.8**	563.8
Antidilutive/dilutive SAYE options	**1.6**	3.7
Antidilutive/dilutive LTIP options	**6.9**	11.3
Total	**572.3**	578.8

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.

8. 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.

9. Notes to the cash flow statement

	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Profit from operations	**13.0**	(2.4)
Adjustments for:		
Depreciation of property, plant and equipment	**0.1**	0.3
Amortisation of right-of-use assets	**0.3**	0.3
Amortisation of intangible assets	**0.1**	0.3
Gain / (loss) on adjusted foreign currency movements	**0.1**	(0.1)
Equity-settled share-based payments	**0.2**	0.5
Movement in provisions	**(1.4)**	(3.4)
Net gain on financial derivative instruments	**(0.3)**	(0.6)
Payments to retirement benefit schemes	**(2.2)**	(5.2)
Charge to profit from operations in respect of retirement benefit schemes	**2.1**	1.7
Operating cash inflow / (outflow) before movement in working capital	**5.0**	6.8
Decrease in inventories	**1.1**	3.8
Decrease in receivables	**0.9**	11.7
Decrease in payables	**(1.4)**	(12.9)
Net cash inflow / (outflow) from operating activities	**5.6**	9.4
Income taxes paid	**(1.3)**	(1.3)
Net cash inflow / (outflow) from operating activities	**4.3**	8.1

Analysis of net debt

	26 March 2022 £ million	Cash flow £ million	Foreign exchange £ million	Other non-cash movements[1] £ million	**25 March 2023 £ million**
Term loan	(19.1)	0.3	-	(0.7)	**(19.5)**
Cash at bank	9.2	(2.2)	0.1	-	**7.1**
IFRS 16 lease liabilities	(1.1)	(0.3)	-	0.9	**(0.5)**
Net debt	(11.0)	(2.2)	0.1	0.2	**(12.9)**

1 Non-cash movements comprise

- Term loan - unwinding of £0.7 million of the facility fee charged on the term loan and loan modification costs.
- Non-cash movements on IFRS 16 lease liabilities represents the of interest accrued on lease liabilities and modification of the lease agreement during the period.

The Group had outstanding borrowings at 25 March 2023 of £19.5 million (2022: £19.1 million).

In November 2020, the Group drew down on a four-year term loan of £19.5 million (£19.1 million net of prepaid facility fees) with Gordon Brothers. The loan is secured on the assets and shares of specific Group subsidiaries. The interest rate payable is 13% per annum plus SONIA, with SONIA not less than 1%, plus a 1% per annum compounded payment to be made when the loan is repaid.

The Group also holds a financial asset of £0.5 million (2022: £0.2 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 £0.5 million (2022: £0.2 million).

10. Events after the balance sheet date

Defined benefit scheme contributions

In the first half of FY24 a full triennial actuarial valuation was performed and the Trustees of the schemes agreed a further reduction in contributions after the balance sheet date. Details of these are provided in the financial review.