

## Mothercare plc

### Full Year Results 2024

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 53 week period to 30 March 2024. Comparatives throughout are based on the 52 week period to 25 March 2023.

#### Key Highlights

- Worldwide retail sales by franchise partners of £280.8 million (2023: £322.7 million).
- Adjusted EBITDA of £6.9 million (2023: £6.7 million), ahead of analysts' expectations.
- Net borrowings of £14.7 million (2023: £12.4 million) at the year end.

#### Current Trading & Outlook

- In the first twenty-six weeks of FY25, the Group's Franchise Partners recorded total retail sales of £121.2 million (FY24: £137.3 million), with the decline largely resulting from the continuing challenges in our Middle Eastern markets.
- Following the revision to the financing arrangements, reducing secured debt facilities to £8 million, taken together with the gross consideration of £16 million from Reliance Brands Holding UK Limited ("Reliance") announced yesterday, a de-leveraged Mothercare can once more move forward with confidence and invest appropriately in the Company's future development.
- We intend to utilise the new India joint venture and subsequent refinancing as a springboard to leverage the full bandwidth of growth opportunities through connections with other businesses, the development of our branded product ranges and licensing beyond our historic boundaries.

#### Financial Highlights

- Profit for the 53 weeks to 30 March 2024 of £3.3 million (2023: loss of £0.1 million).
- Net debt<sup>3</sup> at £14.9 million (2023: £12.9 million).

## Our Group

	<b>53 weeks to 30 Mar 2024 £million</b>	<b>52 weeks to 25 Mar 2023 £million</b>	<b>% change vs. last year</b>
Turnover	56.2	73.1	(23)%
Adjusted EBITDA	6.9	6.7	3%
Adjusted operating profit	6.5	6.2	5%
Group adjusted profit after taxation <sup>2</sup>	3.5	1.1	218%
Statutory profit / (loss)	3.3	(0.1)	-

## Our Franchise partners

	<b>2024</b>	<b>2023</b>	<b>% change vs. last year</b>
	<b>53 weeks to 30 Mar 2024 £million</b>	<b>52 weeks to 25 Mar 2023 £million</b>	
Worldwide retail sales <sup>1</sup> £m	280.8	322.7	(13)%
Online retail sales £m	28.5	29.3	(3)%
Total number of stores	457	506	(10)%
Space (k) sq. ft.	1,149	1,223	(6)%

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

*"We are now focused upon restoring critical mass alongside delivering our remaining core objectives. 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."*

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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, 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 Annual report.

1 - Worldwide retail sales are total international retail franchise partner sales to end customers (which are estimated and unaudited).

2 - Adjusted profit after taxation is stated before the impact of the adjusting items set out in note 5.

3 - Net Debt is defined as total borrowings, 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, 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

## Chairman's Statement

### Core Objectives

Our principal focus in recent years has been to protect the underlying Mothercare brand intellectual property (“IP”), in a solvent business structure, for the benefit of all stakeholders, with minimum equity dilution.

Thereafter our primary future goals for the year under review and beyond were to:

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

These objectives were designed to rebalance the Mothercare brand IP value in a way that also promotes growth in our royalty income: ultimately improving profitability and the covenant of the underlying business for actuarial pension and stock market rating purposes alike.

### The Year under review

Worldwide retail sales by franchise partners for the 53 week period to 30 March 2024 were £280.8 million, compared to £322.7 million for the previous financial year with an adjusted EBITDA of £6.9 million (2023: £6.7 million) showing a continuing year on year improvement in the underlying profitability of the business.

The year-on-year decline in retail sales of 13% reduces to 9% at constant currency exchange rates. Our Middle East markets (41% of our total retail sales) continued to be the most challenging, particularly in the latter part of the financial year due to the geopolitical uncertainty in some of these markets. Other territories were more mixed with the UK and Indonesia amongst the markets that increased retail sales year-on-year, with Indonesia growing to become our second largest market by retail sales behind the Kingdom of Saudi Arabia.

As previously reported, in addition to the global economic uncertainties which are impacting our retail sales, in many of our territories our partners still need to clear old inventory due to the suppressed demand during Covid-19. These factors, when combined with the anticipated further reduction in the store estate, will continue to impact the Group results for the near future, notwithstanding ongoing improvements in product and service.

### Joint Venture and Refinancing

It is against this background that I am delighted to report that we have made significant progress in achieving a majority of our core objectives.

On 17 October we announced a new c£30 million joint venture for the South Asian region with Reliance Brands Ltd (“Reliance”) and a related refinancing with GB Europe Management Services Ltd (“Gordon Brothers”) of the Company’s existing debt facilities.

The Board believes that these new arrangements, pursuant to which the Company received gross consideration of £16 million from Reliance for its participation in the joint venture and secured new reduced debt facilities of £8 million:

- underlines the inherent value of the Mothercare brand,
- creates a new and invigorated partnership in the South Asian region with Reliance, one of the world’s largest, leading and respected business groups which will bring symbiotic and synergistic benefits; and
- delivers a de-leveraged business that can once more move forward with confidence and

invest appropriately in the Company's future development.

### **New South Asian Joint Venture Arrangements**

Mothercare and Reliance created a new joint venture covering Mothercare's franchise operations in India, Nepal, Sri Lanka, Bhutan and Bangladesh. This joint venture arrangement replaced the previous franchise arrangement between Mothercare and Reliance covering India alone, which was a 30 year agreement entered into six years ago.

Reliance is a wholly owned subsidiary of Reliance Industries Ltd, a Fortune 500 company and the largest private sector corporation in India.

Under the terms of these arrangements, Reliance paid £16 million to acquire a 51% interest in a new joint venture company, JVCO 2024 Ltd ("JVCo"). We retain a residual 49% shareholding in JVCo and granted JVCo perpetual rights for the use of the Mothercare brand and related intellectual property in India, Nepal, Sri Lanka, Bhutan and Bangladesh.

For the financial year ended 30 March 2024, our retail sales in India under the previous franchise arrangements amounted to approximately £24 million and contributed approximately £0.9 million to adjusted EBITDA. Under the new joint venture arrangement's terms, we will receive revenues at lower rates than previously, however we expect the reinvigorated business to grow strongly and surpass previous revenue levels over the next few years. We also expect to benefit from both sourcing fees (supplying the joint venture with product) together with the value creation accruing to our residual 49% equity stake in JVCo.

### **New Financing Arrangements with Gordon Brothers**

We applied part of the proceeds received from Reliance towards a refinancing of the Company's existing debt facilities with Gordon Brothers. Under the terms of these new financing arrangements, the previous £19.5m term loan (which attracted interest at a rate of 13% per annum, plus SONIA, plus PIK interest of 1% per annum) was replaced with:

- an £8m 2 year term loan facility, attracting interest at a rate of 4.8% per annum, plus SONIA (with a floor of 5.2%), plus PIK interest of 1% per annum, rising to 2% per annum through the term of the loan; and
- granted Gordon Brothers new warrants to subscribe up to 43.4m new ordinary shares of Mothercare at a subscription price of 8.5p per share (the "Warrants"). These Warrants, which are exercisable for 5 years from the date of issue, contain certain anti-dilution rights which will operate so as to secure for Gordon Brothers the right to subscribe for an aggregate equity interest representing approximately 7% of the Company's issued share capital (following exercise in full of the Warrants).

### **Financial impact**

As a result of this restructuring of our operations in South Asia and the associated sale of this 51% stake in JVCo, we received approximately £11.5 million of net cash proceeds after other pre-completion adjustments, refinancing expenses, transactional costs and associated additional pension deficit payments, which was applied to refinance the existing Gordon Brothers facilities as outlined above. We estimate that this will result in a taxable gain arising of approximately £29 million and – after the use of certain preexisting tax losses – a cash tax cost of approximately £3 million.

### **Pension Schemes**

We continue to operate in accordance with the revised recovery plan, agreed with the Trustees last year, which includes total contributions (Deficit Repair Contributions plus costs) in the financial years to 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 £6.0 million and March 2033 £0.5 million aggregating to fully fund the 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 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.

We intend to utilise the new India joint venture and refinancing as a catalyst 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.

## **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.

Upon my appointment as Chairman, Mark Newton Jones agreed to return to the Board as a Non-Executive Director to lend his support to the Transformation Plan and subsequently the actions necessary to combat the impact of the pandemic and the Ukraine conflict on the business. Accordingly, following creation of the new India joint venture and coterminous refinancing, Mark has indicated his intention to stand down from the Board at the forthcoming AGM. I would like to thank Mark, on behalf of the Board for his efforts in this regard and we wish him well with his future endeavours.

Finally, we are renewing our search for a new Chief Executive and, in the interim, the day-to-day management of the Group will continue to be run by the Chief Financial Officer and the Operating Board with oversight from me as 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.

## **Summary and Outlook**

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 unswerving support throughout the challenges of the last six years.

The new joint venture strengthens our operations in South Asia through an even closer working relationship with Reliance, our existing valued franchise partner, and underlines the intrinsic value of the Mothercare brand strength, coterminously supporting a material reduction in our bank facilities and leverage.

We have worked closely with Gordon Brothers for over five years now and value its ongoing support. The revised facility agreement and related arrangements reflect the strength of that ongoing relationship alongside recognising the accretive nature of the joint venture to our

equity valuation. The reduction in the required facility size, funded by the formation of the joint venture, and the resulting significantly reduced cash interest cost, greatly improves our flexibility for FY25 and beyond.

As a result, having demonstrated the inherent strength of the business's brand, we believe we can approach 2025 and beyond with a renewed and growing sense of confidence at the opportunities ahead, notwithstanding our ongoing cautious shorter-term outlook, given the continuing challenges facing our Middle East operations.

In short, we are now focused upon restoring critical mass alongside delivering our remaining core objectives. 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.



### FINANCIAL AND OPERATIONAL REVIEW

The creation of the joint venture in India, which more clearly demonstrates the underlying value of our brand, coupled with the part repayment and significant reduction in the interest cost of the loan facility, has dramatically improved and secured, the longer term financing arrangements of the Group.

The Group has for many years had high borrowings and a resultant high interest burden. Following this transaction, our interest charges have reduced to less than 25% of recent levels creating a solid platform from which we are now able to invest in our growth.

International retail sales by our franchise partners were £280.8 million (2023: £322.7 million) a decline of 13% year on year, or 9% at constant currency, reflecting challenging trading conditions in the Middle East in particular.

The profit from operations in the year was £6.7 million (2023: £6.0 million). 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 subtracted in year ended 2024 and £0.2 million added back in 2023), together with depreciation and amortisation of £0.4 million (2023: £0.5 million), resulting in an adjusted EBITDA profit for the year of £6.9 million (2023: £6.7 million).

The Group recorded a profit for the 53 weeks to 30 March 2024 of £3.3 million (2023: loss of £0.1 million). The adjusted profit for the year was £3.5 million (2023: £1.1 million). The adjusted items are detailed in note 5.

Whilst revenues decreased by £16.9 million, cost of sales decreased by £15.6 million, resulting in a gross profit reduction of £1.3 million. This was made up of royalties reducing this year by £2.4 million, as a result of the lower retail sales. The royalty reduction was partly offset by several relatively small credit note and provisioning adjustments, the largest of which was the release of a £0.3 million provision relating to product supply made last year but was not needed and so released this year.

Administrative expenses including adjusted items were £13.3 million, a reduction of £2.4 million compared to the previous year. The major elements were foreign exchange losses which reduced by £0.7 million, pension costs £0.6 million, payroll & recruitment costs £0.5 million and professional fees £0.4 million.

Retail space at the end of the year was 1.1 million sq. ft. from 457 stores (2023: 1.2 million sq. ft. from 506 stores).

#### **Creation of a joint venture for India**

The IP rights for the Mothercare brand for India, Bhutan, Bangladesh, Sri Lanka and Nepal were recently transferred to JVCO 2024 Ltd, which was a wholly owned subsidiary of the Group, at a value of £33 million. Of these territories, India is the only one covered by an extant franchise agreement. In the year to 30 March 2024, India contributed £24.0 million to the total retail sales (c9% of the total retail sales) and £0.9 million to adjusted EBITDA.

On 17 October, in return for a 51% equity interest in JVCO 2024, together with some royalty concessions, the Group received a gross consideration of £16.0 million, from Reliance, our current franchise partner in India.

The royalty concessions are intended to stimulate investment and growth in the territories. These concessions have time limits attached, which coupled with the expected growth due to such investment, means we estimate the total royalties paid by the

territories in the JV will be around the levels achieved in the year to 30 March 2024 within five years.

The tax arising on this transaction is in relation to a de-grouping charge of approximately £29 million. After offsetting our available losses, which have been recognised as a deferred tax asset on the balance sheet as at 30 March 2024, a net cash liability of approximately £3 million will be payable before the end of this financial year.

After deducting the cash tax liability, other pre-completion adjustments, refinancing expenses, transactional costs and associated additional pension deficit payments, the Group will apply approximately £11.5 million of net cash proceeds, to refinance the existing loan as detailed below.

### **Financing and revision to loan terms**

At the year-end the loan facility, which remained fully drawn across the year, was £19.7 million from Gordon Brothers, on which interest was being charged at 13% per annum plus SONIA plus an additional 1% per annum payment-in-kind coupon. The loan was due for repayment on or before 26 November 2025. Largely as a result of the revenues from the Middle East region, the Group was unable to meet its covenant obligations under the loan agreement, hence the loan is shown as falling due within a year on the balance sheet.

After the balance sheet date, following the repayment of £11.5 million from the transaction above together with the accrued interest, the loan was reduced to a principal £8 million. This loan is due for repayment on or before 17 October 2026. On this revised loan, interest is being charged at 4.8% per annum plus SONIA (with SONIA at a floor of 5.2%) plus a 1% per annum payment-in-kind coupon for the first 12 months, rising to 1.5% per annum for the 13 to 18 months and then 2% per annum thereafter. This payment-in-kind element accrues monthly into the principal and becomes due when the loan is repaid.

If SONIA remains at approximately 5% per annum, the annual interest charge on the loan facility incurred by the Group will reduce by approximately £2.9 million, as a result of the reduction of the principal and associated interest rates.

As part of the revision of the loan facility, Gordon Brothers were granted new warrants to subscribe up to 43.4 million new ordinary shares of Mothercare at a subscription price of 8.5p per share. These Warrants, which are exercisable for 5 years from the date of issue, contain certain anti-dilution rights which will operate so as to secure for Gordon Brothers the right to subscribe for an aggregate equity interest representing approximately 7% of the Company's issued share capital (following exercise in full of the Warrants).

Additionally, the covenants have been revised to reflect the current results and forecasts of the Group and the previous defaults have been waived. The facility remains secured over the assets of the Group as a whole, excluding the 49% interest in JVCO 2024 Ltd, and the early repayment charges if the loan is repaid prior to term have been reset.

At the year-end Mothercare had total cash of £5.0 million (March 2023: £7.1 million).

### **PENSION SCHEME CONTRIBUTIONS**

There are two defined benefit schemes, both of which have been 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 £197.6 million and liabilities of £232.6 million, the Executive Scheme was in surplus, with assets of £81.2 million and liabilities of £80.5 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 £35.0 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.

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 £24.2 million liability on the balance sheet in relation to the pension schemes as at 30 March 2024 and an asset of £8.4 million as at 25 March 2023.

The following annual 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: 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 - £0.5 million.

### **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 are generally willing to offer improved credit terms.

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 are not recognised by the Group and whilst the associated revenue and cost of sales is excluded there is 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 those orders where the franchise partner is not invoiced directly, the majority are covered by letters of credit, bank or other guarantees to reduce our bad debt exposure. Additionally, for orders which are not invoiced directly, we have moved the currency of the payments from our franchise partners to match the currency paid to our manufacturing partners, hence reducing a significant amount of foreign exchange exposure. The costs relating to foreign exchange losses and bad debts reduced by a total of £1.1 million in the year, compared to the previous year.

### **Enterprise resource planning ("ERP") system**

The new ERP system went live in June 2024 and is delivering the expected functionality albeit some non-critical issues are being resolved through further development. The ERP system means we now have a fully integrated solution with a product lifecycle management system ("PLM"), which manages the creation and ordering of products including linked portal to our manufacturing partners. The PLM is directly linked to our finance & operations system, which manages the supply chain elements and finance and also includes a portal for our franchise partners to view the products and place their orders.

We are in the process of decommissioning legacy systems together with defining what the longer resourcing levels of the business will be. Full year savings once these activities have been completed are expected to be in excess of £0.7 million, which coupled with the savings achieved to date will mean the total savings will have exceeded £1 million. In addition to our own savings resulting from the ERP system, there will also be reductions in the recharges we make to our franchise partners, which will be seen in the margins they make on our products.

## BALANCE SHEET

Intangible assets net book value increased by £2.1 million from £5.8 million in the previous year to £7.9 million in the current year. Intangible assets increased largely due to development costs capitalized during the year that related to the development of the Group's ERP system.

The defined benefit scheme moved from a surplus position of £8.4 million in the prior year to a deficit of £24.2 million in the current year, mainly due to the reduced valuation of assets driven by lower than expected returns.

The loss arising from the defined benefit scheme valuation is the key driver of the increase in the net liability position from £1.8 million in the prior year to £30.1 million in the current year.

### Net current assets

Current assets decreased by £5.1 million to £10.8 million at the year-end (2023: £15.9 million), this was primarily due to decreases in cash and cash equivalents and trade and other receivables during the year. Trade and other receivables decreased by £2.9 million, from £7.2 million in the previous year to £4.3 million in the current year driven by the reduction in trading activity year on year. Cash and cash equivalents decreased from £7.1 million in the previous year to £5.0 million in the current year.

Current liabilities increased by £16.3 million to £28.3 million (2023: £12.0 million) mainly due to the classification of the Group's borrowings of £19.7 million as a current liability due to breach of loan covenants, this was offset by a £2.7 million decrease in trade and other payables.

The breach of the loan covenants during the year is reflected in the net current assets position at year end. Net current assets of £3.9 million in prior year, moved to a net current liability position of £17.5 million at the end of the year due to the classification of the long term loan as a current liability at year end.

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

	30 March 2024 £ million	25 March 2023 £ million
Intangible fixed assets	7.9	5.8
Property, plant and equipment	0.2	0.2
Retirement benefit obligations (liability) / asset	(24.2)	8.4
Net borrowings (excluding IFRS 16 lease liabilities)	(14.7)	(12.4)
Derivative financial instruments	0.7	0.5
Other net liabilities	–	(4.3)
Net liabilities	(30.1)	(1.8)
Share capital and premium	198.1	198.1
Reserves	(228.2)	(199.9)
Total equity	(30.1)	(1.8)

### Pensions

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

Pension assets net of liabilities were in deficit of £24.2 million at the end of the year compared with a surplus of £8.4 million at the end of the previous period.

The asset value decreased from £278.3 million to £254.7 million. This was largely due to lower than expected returns on the pension assets and the Executive buy-in transaction, overall resulting in an asset experience loss of £26.1 million.

The liabilities increased from £269.9 million to £278.9 million, mainly driven by the asset experience loss of £13.9 million. This has resulted from allowing for the actuarial valuation at the beginning of the year and actual pension increases and deferred revaluations awarded since the previous period being higher than assumed.

In the current year the Executive Scheme executed a buy-in policy with Canada Life Limited whereby the income from the policy exactly matched the amount and timing of the benefits payable to the insured members. Therefore, the fair value of the insurance policy is calculated to be the present value of the related obligations under the assumptions at the balance sheet date.

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 29 March 2025*	53 weeks ended 30 March 2024	52 weeks ended 25 March 2023
<b>Income statement</b>			
Running costs	(1.2)	(1.7)	(2.1)
Net (expense) / income for interest on liabilities / return on assets	(0.5)	0.4	0.4
<b>Net charge</b>	<b>(1.7)</b>	<b>(1.3)</b>	<b>(1.7)</b>
<b>Cash funding</b>			
Regular contributions	–	(0.0)	(1.0)
Deficit contributions	(2.0)	(2.5)	(1.2)
<b>Total cash funding</b>	<b>(2.0)</b>	<b>(2.5)</b>	<b>(2.2)</b>
<b>Balance sheet**</b>			
Fair value of schemes' assets	n/a	254.7	278.3
Present value of defined benefit obligations	n/a	(278.9)	(269.9)
<b>Net (deficit)/surplus</b>	<b>n/a</b>	<b>(24.2)</b>	<b>8.4</b>

\* 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 2025 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:

	2024	2023	2024 Sensitivity	2024 Sensitivity £ million
Discount rate	4.8%	4.7%	+/- 0.1%	-3.9 /+3.9
Inflation - RPI	3.1%	3.0%	+/- 0.1%	+2.7 /-2.0
Inflation - CPI	2.5%	2.3%	+/- 0.1%	+0.7 /-0.7

### Deferred tax assets

The Group has deferred tax assets of £3.4 million (2023: £0.4 million liability). The movement from a liability position to an asset position is due to the recognition of tax losses totaling £3.4 million. The recovery of the asset is supported by the expected level of future profits of the Group. Deferred tax assets arising from accelerated tax depreciation of £1.2 million were offset by liabilities arising from short term timing differences of £1.1 million. Deferred tax assets on actuarial losses were limited to offset the amount of deferred tax liabilities from previous periods due to uncertainties regarding their recovery.

### Net debt

Net debt excluding lease liabilities increased by £2.3 million during the year to £14.7 million (2023: £12.4 million), due to a net cash outflow of £2.0 million and a non-cash increase of £0.2 million as well as a £0.1 million increase resulting from currency translation. Net debt including lease liabilities was £14.9 million (2023: £12.9 million).

### **Leases**

Right-of-use assets of £0.1 million (2023: £0.3 million) and lease liabilities of £0.2 million (2023: £0.5 million) represented the Group's head office lease. The depreciation charge during the year was £0.2 million. The lease expires in the next financial year.

### **Working capital**

Working capital moved to a liability position of £17.5 million at the end of the year from an asset position of £3.9 million in the previous year. This was mainly due to the classification of the long-term borrowings as a short term loan due to the breach of certain loan covenants.

Stock levels fell in the current year from £0.9 million in prior year to £0.6 million, a continuation of efforts to move franchise partners to direct shipments. Trade receivables decreased to £1.4 million in the current year from £3.7 million in prior year, a decrease of £2.3 million, mainly due to timing differences in shipments around the respective year ends.

Trade payables decreased to £2.7 million (2023: £4.0 million) due to similar reasons.

## INCOME STATEMENT

	53 weeks to 30 March 2024 £million	52 weeks to 25 March 2023 £million
Revenue	56.2	73.1
Adjusted EBITDA (EBITDA before exceptionals)	6.9	6.7
Depreciation and amortisation	(0.4)	(0.5)
Adjusted result before interest and taxation	6.5	6.2
Adjusted net finance costs	(3.4)	(2.8)
Adjusted result before taxation	3.1	3.4
Adjusted costs	(0.2)	(1.2)
Profit before taxation	2.9	2.2
Taxation	0.4	(2.3)
Total profit/(loss)	3.3	(0.1)
EPS - basic	0.6p	(0.0)p
Adjusted EPS - basic	0.6p	0.2p

### Foreign exchange

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

	53 weeks ended 30 March 2024	52 weeks ended 25 March 2023
Average:		
Egyptian pound	39.9	26.9
Qatari riyal	4.6	4.4
Malaysian Ringgit	5.8	5.4
Kuwaiti dinar	0.39	0.37
Singapore dollar	1.7	1.7
Saudi riyal	4.7	4.5
Emirati dirham	4.6	4.4
Indonesian rupiah	19,257	18,160
Indian rupee	104.0	96.7
Closing:		
Egyptian pound	60.8	37.1
Qatari riyal	4.6	4.4
Malaysian Ringgit	6.0	5.5
Kuwaiti dinar	0.39	0.37
Saudi riyal	4.8	4.5
Singapore dollar	1.7	1.6
Emirati dirham	4.7	4.5
Indonesian rupiah	19,920	18,730
Indian rupee	105.5	100.5

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 profit to decrease by £15.2 million (2023: £23.2 million increase) and £0.8 million (2023: £1.4 million increase) respectively as shown below:

	Worldwide sales £ million	Adjusted loss £ million
Egyptian pound	(2.3)	(0.1)
Malaysian ringgit	(1.2)	(0.1)
Kuwaiti dinar	(1.1)	(0.1)
Saudi riyal	(1.4)	(0.1)
Emirati dirham	(1.1)	(0.1)
Indonesian rupiah	(1.5)	(0.1)
Singapore dollar	(2.6)	(0.1)
Indian rupee	(2.1)	(0.1)
Other currencies	(1.9)	–
	<b>(15.2)</b>	<b>(0.8)</b>

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## **Net finance costs**

Financing costs include net interest income on the pension scheme less interest payable on borrowing facilities, the amortisation of costs relating to bank facility fees and interest expense on lease liabilities.

Net finance costs of £3.8 million remained consistent with the previous year cost of £3.8 million. Interest on the term loan was £3.9 million in the current year (2023: £2.9 million) the increase was primarily due to the increase in the base rate. Facility costs decreased to £0.4 million from £0.9 million in prior year.

These were offset by net interest income on the defined benefit asset and liability which remained consistent with prior year at £0.4 million (2023: 0.4 million).

## **Discontinued operations**

There were no discontinued operations presented for the current financial 53 week period ended 30 March 2024. The total statutory profit after tax for the Group is £3.3 million (2023: £0.1 million loss).

## **Taxation**

The tax credit comprises corporation taxes incurred and a deferred tax credit. The total tax credit for the period was £0.4 million (2023: £2.3 million charge) – (see note 7).

## **Earnings per share**

Basic adjusted earnings per share were 0.6 pence (2023: 0.2 pence). Statutory earnings per share were 0.6 pence (2023: (0.0) pence).

## **CASHFLOW**

Operating cash flow improved by £0.5 million to an inflow of £4.8 million (2023: £4.3 million). Profit from operations increased by £0.7 million to £6.7 million in the current year from £6.0 million in prior year.

Trade and other payables decreased by £2.7 million, but this was offset by £2.9 million reduced trade and other receivables and £0.3 million reduced inventories.

Cash outflow from investing activities was consistent with prior year at £2.3 million (2023: £2.3 million). A total of £2.2 million of the current year costs was attributable to the development of our new Enterprise Resource Planning system.

Cash outflow from financing activities was £4.5 million (2023: £4.0 million).

Overall, net outflows from investing activities (£2.3 million) and financing activities (£4.5 million) offset the cash inflow from operations of £4.8 million, accounting for the overall decrease in cash and cash equivalents of £2.1 million year on year.

## **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.

Since the balance sheet date the IP rights for the Mothercare brand for India, Bhutan, Bangladesh, Sri Lanka and Nepal were transferred to JVCO 2024 Ltd on 31 August 2024, which was a wholly



owned subsidiary of the Group, at a value of £33.3 million. On 17 October, in return for a 51% equity interest in JVCO 2024, together with some royalty concessions, the Group received a gross consideration of £16.0 million, from Reliance, our current franchise partner in India.

From these proceeds Mothercare repaid £11.5 million of its existing loan facility, reducing the principal liability to £8 million and at the same time revised the terms of facility including reducing the interest charged from 13% per annum plus SONIA plus an additional 1% per annum payment-in-kind coupon to 4.8% per annum plus SONIA (with SONIA at a floor of 5.2%) plus a 1% per annum payment-in-kind coupon for the first 12 months, rising to 1.5% per annum for the 13 to 18 months and then 2% per annum thereafter percentage and revising the financial covenants.

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, the recent reduction in debt and interest charges 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.

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 FY25 and FY26.

The Board's confidence in the Group's Base Case forecast, which indicates that the Group will operate with sufficient cash balances and within the financial covenants of the loan facility, following the recent reduction and revision of this facility and the Group's proven cash management capability, supports our preparation of the financial statements on a going concern basis.

However, as described in our strategic report, the global economic uncertainties have impacted our retail sales during the year and post year end. In particular, our Middle East markets, which contribute around 41% of the Group's total retail sales continue to be the most challenging. If trading conditions were to deteriorate beyond the level of risk applied in the sensitised forecast owing to ongoing geopolitical tensions, other global downturn in trade or low consumer demand, the Group may need to renegotiate with its lender in order to secure waivers to potential covenant breaches or have access to additional funding to continue its trading activities. Whilst the directors believe that the post year end deal with Reliance, as described above, has now put the Group in a stronger position, it is acknowledged that, in view of the above, there remains a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

### **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 risk, primarily the US dollar. Foreign exchange risk arises from future commercial transactions and recognised 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 exposes 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. Subsequent to the year end, part of the loan was settled with a remaining principal amount of £8.0m, on this interest would be charged at 4.8% per annum plus SONIA (with SONIA at a floor of 5.2%) plus a 1.0% per annum payment-in-kind coupon for the first 12 months, rising to 1.5% per annum for the 13 to 18 months and then 2.0% per annum thereafter. This payment-in-kind element accrues monthly into the principal and becomes due when the loan is repaid.

In the comparative period, interest was 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.

### **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 £30.1 million, an adverse movement of £28.3 million from prior year. This was mainly due to the impact of the actuarial loss of £33.8 million less deferred tax on the pension scheme of £2.0 million at year end offset by the deferred tax asset recognised of £3.4 million.

## **Directors' responsibilities statement**

The 2024 Annual Report and Accounts which will be issued in October 2024, contains a responsibility statement which sets out that as at the date of approval of the Annual Report on 17 October 2024, 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 53 weeks ended 30 March 2024

	53 weeks ended 30 March 2024			52 weeks ended 25 March 2023			
	Note	Before adjusted items £ million	Adjusted items <sup>1</sup> £ million	Total £ million	Before adjusted items £ million	Adjusted items <sup>1</sup> £ million	Total £ million
<b>Revenue</b>	4	56.2	-	56.2	73.1	-	73.1
Cost of sales		(36.6)	-	(36.6)	(52.2)	-	(52.2)
Gross profit		19.6	-	19.6	20.9	-	20.9
Administrative expenses		(13.5)	0.2	(13.3)	(15.5)	(0.2)	(15.7)
Impairment gains on receivables		0.4	-	0.4	0.8	-	0.8
<b>Profit from operations</b>		6.5	0.2	6.7	6.2	(0.2)	6.0
Finance costs		(3.4)	(0.4)	(3.8)	(2.8)	(1.0)	(3.8)
<b>Profit before taxation</b>		3.1	(0.2)	2.9	3.4	(1.2)	2.2
Taxation	7	0.4	-	0.4	(2.3)	-	(2.3)
<b>Profit/(loss) for the period</b>		3.5	(0.2)	3.3	1.1	(1.2)	(0.1)
<b>Profit/(loss) for the period attributable to equity holders of the parent</b>		3.5	(0.2)	3.3	1.1	(1.2)	(0.1)
Earnings per share							
Basic	8			0.6p			(0.0)p
Diluted	8			0.6p			(0.0)p

<sup>1</sup> Includes adjusted costs (property costs, restructuring and reorganisation costs). Adjusted items are 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 53 weeks ended 30 March 2024

	53 weeks ended 30 March 2024 £ million	52 weeks ended 25 March 2023 £ million
<b>Profit / (loss) for the period</b>	<b>3.3</b>	<b>(0.1)</b>
<b>Items that will not be reclassified subsequently to the income statement:</b>		
Remeasurement of net defined benefit liability:		
Actuarial loss on defined benefit pension schemes	<b>(33.8)</b>	<b>(4.5)</b>
Deferred tax relating to items not reclassified	<b>2.0</b>	<b>1.1</b>
<b>Other comprehensive expense for the period</b>	<b>(31.8)</b>	<b>(3.4)</b>
<b>Total comprehensive expense for the period wholly attributable to equity holders of the parent</b>	<b>(28.5)</b>	<b>(3.5)</b>

# Consolidated balance sheet

As at 30 March 2024

	30 March 2024 £ million	25 March 2023 £ million
<b>Non-current assets</b>		
Intangible assets	7.9	5.8
Property, plant and equipment	0.2	0.2
Right-of-use leasehold assets	0.1	0.3
Deferred tax assets	3.4	–
Retirement benefit obligations	–	8.4
	<b>11.6</b>	<b>14.7</b>
<b>Current assets</b>		
Inventories	0.6	0.9
Trade and other receivables	4.3	7.2
Derivative financial instruments	0.7	0.5
Current tax assets	0.2	0.2
Cash and cash equivalents	5.0	7.1
	<b>10.8</b>	<b>15.9</b>
<b>Total assets</b>	<b>22.4</b>	<b>30.6</b>
<b>Current liabilities</b>		
Trade and other payables	(8.1)	(10.8)
Lease liabilities	(0.2)	(0.3)
Provisions	(0.3)	(0.9)
Borrowings	(19.7)	–
	<b>(28.3)</b>	<b>(12.0)</b>
<b>Non-current liabilities</b>		
Borrowings	–	(19.5)
Lease liabilities	–	(0.2)
Provisions	–	(0.3)
Retirement benefit obligations	(24.2)	–
Deferred tax liabilities	–	(0.4)
	<b>(24.2)</b>	<b>(20.4)</b>
<b>Total liabilities</b>	<b>(52.5)</b>	<b>(32.4)</b>
<b>Net liabilities</b>	<b>(30.1)</b>	<b>(1.8)</b>
<b>Equity attributable to equity holders of the parent</b>		
Share capital	89.3	89.3
Share premium account	108.8	108.8
Own shares	(0.2)	(0.2)
Translation reserve	(3.7)	(3.7)
Retained loss	(224.3)	(196.0)
<b>Total equity</b>	<b>(30.1)</b>	<b>(1.8)</b>

## Consolidated statement of changes in equity

For the 53 weeks ended 30 March 2024

	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Retained earnings £ million	Total equity £ million
<b>Balance at 25 March 2023</b>	<b>89.3</b>	<b>108.8</b>	<b>(0.2)</b>	<b>(3.7)</b>	<b>(196.0)</b>	<b>(1.8)</b>
Items that will not be reclassified subsequently to the income statement	–	–	–	–	<b>(31.8)</b>	<b>(31.8)</b>
Other comprehensive expense	–	–	–	–	<b>(31.8)</b>	<b>(31.8)</b>
Profit for the period	–	–	–	–	<b>3.3</b>	<b>3.3</b>
<b>Total comprehensive expense</b>	–	–	–	–	<b>(28.5)</b>	<b>(28.5)</b>
Adjustment to equity for equity-settled share-based payments	–	–	–	–	<b>0.2</b>	<b>0.2</b>
<b>Balance at 30 March 2024</b>	<b>89.3</b>	<b>108.8</b>	<b>(0.2)</b>	<b>(3.7)</b>	<b>(224.3)</b>	<b>(30.1)</b>

For the 52 weeks ended 25 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 expense	–	–	–	–	(3.4)	(3.4)
Loss for the period	–	–	–	–	(0.1)	(0.1)
Total comprehensive expense	–	–	–	–	(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)

# Consolidated cash flow statement

For the 53 weeks ended 30 March 2024

	Note	53 weeks ended 30 March 2024 £ million	52 weeks ended 25 March 2023 £ million
<b>Net cash flow from operating activities</b>	10	<b>4.8</b>	<b>4.3</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(0.1)	(0.1)
Purchase of intangibles - software		(2.2)	(2.2)
<b>Cash used in investing activities</b>		<b>(2.3)</b>	<b>(2.3)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(4.2)	(2.8)
Lease interest paid		(0.1)	(0.1)
Repayments of leases		(0.2)	(0.2)
Facility fee paid		–	(0.9)
<b>Net cash outflow from financing activities</b>		<b>(4.5)</b>	<b>(4.0)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2.0)</b>	<b>(2.0)</b>
Cash and cash equivalents at beginning of period		7.1	9.2
Effect of foreign exchange rate changes		(0.1)	(0.1)
<b>Cash and cash equivalents at end of period</b>		<b>5.0</b>	<b>7.1</b>



## 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 53 week period ended 30 March 2024 or the 52 week period ended 25 March 2023, but it is derived from those accounts. Statutory accounts for 2023 have been delivered to the Registrar of Companies and those for 2024 will be delivered in October 2024. The auditor has reported on the 2024 accounts: their report includes a material uncertainty over going concern. The 2023 financial statements are available on the Group's website ([www.mothercareplc.com](http://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.

Since the balance sheet date the IP rights for the Mothercare brand for India, Bhutan, Bangladesh, Sri Lanka and Nepal were transferred to JVCO 2024 Ltd on 31 August 2024, which was a wholly owned subsidiary of the Group, at a value of £33.3 million. On 17 October, in return for a 51% equity interest in JVCO 2024, together with some royalty concessions, the Group received a gross consideration of £16.0 million, from Reliance, our current franchise partner in India.

From these proceeds Mothercare repaid £11.5 million of its existing loan facility, reducing the principal liability to £8 million and at the same time revised the terms of facility including reducing the interest charged from 13% per annum plus SONIA plus an additional 1% per annum payment-in-kind coupon to 4.8% per annum plus SONIA (with SONIA at a floor of 5.2%) plus a 1% per annum payment-in-kind coupon for the first 12 months, rising to 1.5% per annum for the 13 to 18 months and then 2% per annum thereafter percentage and revising the financial covenants.

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, the recent reduction in debt and interest charges 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.

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 FY25 and FY26.

The Board's confidence in the Group's Base Case forecast, which indicates that the Group will operate with sufficient cash balances and within the financial covenants of the loan facility, following the recent reduction and revision of this facility and the Group's proven cash management capability, supports our preparation of the financial statements on a going concern basis.

However, as described in our strategic report, the global economic uncertainties have impacted our retail sales during the year and post year end. In particular, our Middle East markets, which contribute around 41% of the Group's total retail sales continue to be the most challenging. If trading conditions were to deteriorate beyond the level of risk applied in the sensitised forecast owing to ongoing geopolitical tensions, other global downturn in trade or low consumer demand, the Group may need to renegotiate with its lender in order to secure waivers to potential covenant breaches or have access to additional funding to continue its trading activities. Whilst the directors believe that the post year end deal with Reliance, as described above, has now put the Group in a stronger position, it is acknowledged that, in view of the above, there remains a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

#### *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing on or after 1 January 2023:

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2, effective 1 January 2023;
- Definition of accounting Estimates – Amendments to IAS 8 effective 1 January 2023;
- Deferred tax related to Assets and Liabilities arising from a Single Transaction effective 1 January 2023;
- OECD Pillar Two Rules, effective immediately.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### *New standards and interpretations not yet adopted*

Certain amendments to accounting standards have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods an on foreseeable future transactions.

#### **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 annual report.

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 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.

#### **Profit 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 53-week period ended 30 March 2024:

- costs associated with restructuring and redundancies;
- dilapidations costs related to the Group's head office building.

### 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.

### 4. Revenue

Revenues are attributed to countries on the basis of the customer's location. The largest customer represents approximately 30% (2022: 24%) of Group sales.

	<b>53 weeks ended 30 March 2024 £ million</b>	52 weeks ended 25 March 2023 £ million
Sale of goods to franchise partners	<b>40.7</b>	55.2
Royalties income	<b>15.5</b>	17.9
Adjusted items before tax	<b>56.2</b>	73.1
	<b>53 weeks ended 30 March 2024 £ million</b>	52 weeks ended 25 March 2023 £ million
Turnover by destination		
Europe	<b>27.5</b>	33.6
Middle East	<b>11.6</b>	13.0
Asia	<b>17.1</b>	26.5
Total revenue	<b>56.2</b>	73.1

### 5. Adjusted items

The total adjusted items reported for the 53-week period ended 30 March 2024 is a net loss of £0.2 million (2022: £1.2 million). The adjustments made to reported profit before tax to arrive at adjusted profit are:

	<b>53 weeks ended 30 March 2024 £ million</b>	52 weeks ended 25 March 2023 £ million
Adjusted items:		
Property related costs included in administrative expenses	-	(0.2)
Restructuring and reorganisation income/ (costs) included in administrative expenses	<b>0.2</b>	(0.0)
Restructuring costs included in finance costs	<b>(0.4)</b>	(1.0)
Adjusted items before tax	<b>(0.2)</b>	(1.2)

**Property related costs included in administrative expenses – £ Nil (2023: £(0.2) million)**

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

**Restructuring and reorganisation income/(costs) included in administrative expenses – £0.2 million (2023: £(0.0) million)**

The current year income relates to:

- £0.7 million true-up of the financial asset arising on the revolving capital facility, which was valued at the end of financial year 2024 based on the information available at the time, whilst assuming the worst-case outcome this was offset by;
- £(0.5) million redundancy payments made to certain staff during the year.

The prior year charge included:

- £(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 2023 based on the information available at the time, whilst assuming the worst-case outcome.

**Restructuring costs included in finance costs – £(0.4) million (2023: £(1.0) million)**

The current year charge relates to £0.4 million defined benefit scheme administrative costs linked to refinancing of the Group's existing loan facility.

The prior year charge includes:

- £(0.5) million transaction costs arising from the refinancing that were 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.

**6. Net finance costs**

	53 weeks ended 30 March 2024 £ million	52 weeks ended 25 March 2023 £ million
Other interest payable and finance charges	4.1	4.1
Net interest expense on liabilities/return on assets on pension	-	-
Interest on lease liabilities	0.1	0.1
Fair value movement on warrants	-	-
Interest payable	4.2	4.2
Net interest income on liabilities/return on assets on pension	(0.4)	(0.4)
<b>Net finance costs</b>	<b>3.8</b>	<b>3.8</b>

## 7. Taxation

UK corporation tax is calculated at 24.95% (2023: 19%) of the estimated assessable profit for the period.

	53 weeks ended 30 March 2024 £ million	52 weeks ended 25 March 2023 £ million
Current tax:		
Foreign taxation	1.4	1.1
Adjustment in respect of prior periods	0.1	–
	1.5	1.1
Deferred tax:		
Origination and reversal of temporary differences	(1.3)	1.2
Adjustment in respect of prior periods	(0.6)	–
(Credit)/charge for taxation on profit for the period	(0.4)	2.3

UK corporation tax is calculated at 24.95% (2023: 19%) of the estimated assessable profit for the period.

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

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

	53 weeks ended 30 March 2024 £ million	52 weeks ended 25 March 2023 £ million
Profit for the period before taxation	2.9	2.2
Profit for the period before taxation multiplied by the standard rate of corporation tax in the UK of 24.95% (2023:19%)	0.7	0.4
Effects of:		
Expenses not deductible for tax purposes	0.5	0.4
Income not taxable	–	(0.1)
Foreign tax credits	0.6	0.7
Group income	(0.2)	–
Adjustments in respect of prior years	(0.5)	–
Remeasurement of deferred tax for changes in tax rates	–	0.2
Tax losses	(3.4)	–
Movement in deferred tax not recognised	1.9	0.7
(Credit)/charge for taxation on profit for the period	(0.4)	2.3

There was no final dividend for the period (2023: £nil) and no interim dividend was paid during the period (2023: £nil).

## 8. Earnings per share

	53 weeks ended 30 March 2024 million	52 weeks ended 25 March 2023 million
Weighted average number of shares in issue	563.8	563.8
Dilutive potential ordinary shares	7.7	–
Diluted weighted average number of shares	571.5	563.8
Number of shares at period end	563.8	563.8
	£ million	£ million
Profit/(loss) for basic and diluted earnings per share	3.3	(0.1)
Adjusted items (Note 6)	0.2	1.2
Tax effect of above items	–	–
Adjusted profit	3.5	1.1
	Pence	Pence
Basic earnings/(losses) per share	0.6	(0.0)
Basic adjusted earnings per share	0.6	0.2
Diluted earnings/(losses) per share	0.6	(0.0)
Diluted adjusted earnings per share	0.6	0.2
	30 March 2024 million	25 March 2023 million
Analysis of shares by class		
Ordinary shares at period end date	563.8	563.8
Dilutive/antidilutive SAYE options	0.8	1.6
Dilutive/antidilutive LTIP options	12.9	6.9
Total	577.5	572.3

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.

## 9. 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.

## 10. Cashflow from operating activities

	53 weeks ended 30 March 2024 £ million	52 weeks ended 25 March 2023 £ million
Profit from operations	6.7	6.0
Adjustments for:		
Depreciation of property, plant and equipment	0.1	0.1
Amortisation of right-of-use assets	0.2	0.3
Amortisation of intangible assets	0.1	0.1
Gain on adjusted foreign currency movements	0.2	0.1
Equity-settled share-based payments	0.2	0.2
Movement in provisions	(0.8)	(1.4)
Net gain on financial derivative instruments	(0.2)	(0.3)
Payments to retirement benefit schemes	(2.4)	(2.2)
Charge to profit from operations in respect of retirement benefit schemes	1.7	2.1
Operating cash inflow before movement in working capital	5.8	5.0
Decrease in inventories	0.3	1.1
Decrease in receivables	2.4	0.9
(Decrease) in payables	(2.5)	(1.4)
Net cash inflow from operating activities	6.0	5.6
Income taxes paid	(1.2)	(1.3)
Net cash inflow from operating activities	4.8	4.3

### Analysis of net debt

	25 March 2023 £ million	Cash flow £ million	Foreign exchange £ million	Other non-cash movements <sup>1</sup> £ million	30 March 2024 £ million
Term loan	(19.5)	–	–	(0.2)	(19.7)
Cash at bank	7.1	(2.0)	(0.1)	–	5.0
IFRS 16 lease liabilities	(0.5)	0.3	–	–	(0.2)
<b>Net debt</b>	(12.9)	(1.7)	(0.1)	(0.2)	(14.9)

<sup>1</sup> Non-cash movements represents term loan - unwinding of £0.2 million of the facility fee charged on the term loan and loan modification costs.

The Group had outstanding borrowings at 30 March 2024 of £19.7 million (2023: £19.5 million).

In November 2020, the Group drew down on a four-year term loan of £19.5 million 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 loan is repayable on demand due to breaches in loan covenants.

The Group also holds a financial asset of £0.7 million (2023: £0.5 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 £0.7 million (2023: £0.5 million).



## 11. Events after the balance sheet date

The IP rights for the Mothercare brand for India, Bhutan, Bangladesh, Sri Lanka and Nepal were transferred to JVCO 2024 Ltd on 31 August 2024, which was a wholly owned subsidiary of the Group, at a value of £33.3 million. On 17 October, in return for a 51% equity interest in JVCO 2024, together with some royalty concessions, the Group received a gross consideration of £16.0 million, from Reliance, our current franchise partner in India.

From these proceeds Mothercare repaid £11.5 million of its existing loan facility, reducing the principal liability to £8 million and at the same time revised the terms of facility including reducing the annual interest percentage and revising the financial covenants. As part of the revision of the loan facility, our lender, Gordon Brothers were granted new warrants to subscribe up to 43.4m new ordinary shares of Mothercare at a subscription price of 8.5p per share (the "Warrants"). These Warrants, which are exercisable for 5 years from the date of issue, contain certain anti-dilution rights which will operate so as to secure for Gordon Brothers the right to subscribe for an aggregate equity interest representing approximately 7% of the Company's issued share capital (following exercise in full of the Warrants).