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

Full Year Results 2020

Emerging as a sustainable, capital light, international franchise brand

Mothercare plc, the leading specialist global brand for parents and young children, today announces full year results for the 52 week period to 28 March 2020. Comparatives are based on the 53 week period to 30 March 2019.

Strategic highlights

- *Successfully implemented new operating model:*
    - Transitioned the business to refocus on brand management and the design, development and sourcing of product to support international franchise partners.
      Now serving 791 stores across 40 countries.
- *International franchise arrangements secured:*
    - Heads of terms reached with Boots UK Limited ("Boots") in late 2019 as UK franchise partner, with the Mothercare brand becoming available in Boots stores and online from Autumn 2020.
    - Twenty-year franchise agreement with the Alshaya Group, our most significant franchise partner, providing surety over Mothercare’s largest commercial contract.
- *New financial structure secured to maintain a stable and sustainable business:*
    - Administration of Mothercare UK completed, including transfer of brand rights and intellectual property into the Group.
    - Eliminated approximately £30 million of operating losses through the closure of the UK Retail division.

Post period developments

- Continued discussions with both international franchise and manufacturing partners to further improve commercial relationships, with a positive impact on working capital.
- Completed contractual arrangements for the appointment of Boots as exclusive franchise partner to cover both the UK and Republic of Ireland for an initial period of ten years.
- Ongoing productive discussions to secure refinancing of the Group’s senior debt facility.

Current trading

- In the first twenty-eight weeks of FY21, the Group’s Franchise Partners, all of whom were severely affected by COVID-19 lockdowns, had recorded total retail sales of £145.8m, representing a 39% decline year on year on a continuing operations basis.
- We currently estimate that 95% of our partners’ global retail locations are now open, from a low point of 27% in April 2020.

- There has been a strong recovery in the Middle East following the re-opening of stores after lockdown, with the exception of UAE which has been affected by the reduction in tourism.
- Recovery in Russia has been slow due to government restrictions delaying the full re-opening of the store estate. While all stores are now open, the market has not fully recovered with current performance driven down by lower footfall.
- Trade continues to be challenging in the key markets of India and Indonesia due to the continuing impact of COVID-19 on footfall and consumer confidence.
- Overall, the impact of store closures during the peak of lockdown measures was only partially offset by countries which were able to continue to trade via online platforms.

Financial highlights *(on a continuing operations basis[9], unless otherwise stated)*
*Continuing operations represent the Global operation of the business, with the UK operational segment categorised as a discontinued operation. Continuing operations reflect accounting guidelines and therefore include some expenditure which ceased following the administration process, and as such does not necessarily reflect the result achieved by the standalone international business.

- Loss from continuing operations for the 52 weeks to 28 March 2020 of £7.2 million (2019: £21.1 million loss).
- Total profit for the year achieved of £14.4 million (2019: £97.0 million loss) included a gain on the loss of control of the Group's main trading subsidiary Mothercare UK Limited, and a shared service entity, Mothercare Business Services Limited of £46.2 million. The comparative 53 weeks ended 30 March 2019 included a loss on the disposal of the Early Learning Centre trade and assets of £30.5 million.
- Net debt[3] at £13.7 million (2019: £6.9 million).
- Challenging second half of the year, due to supply chain constraints during the administration process, followed by the widespread impact of COVID-19 requiring our partners to close a significant proportion of their retail store estates.

Group performance - on a continuing operations basis

	2020 **52 weeks to** **28 Mar 2020** **£million**	**2019** **53 weeks to** **30 Mar 2019** **Restated[9]** **£million**	***% change*** ***vs.*** ***last year***
Worldwide sales[1]	542.1	604.3	(10.3)%
Total Group revenue	164.7	199.8	(17.6)%
Group adjusted (loss)/profit before taxation[2]	(5.5)	2.7	(303.7)%
Group loss before tax from continuing operations	(6.4)	(18.0)	64.4%
Net debt[3]	(13.7)	(6.9)	(98.6)%
Worldwide retail sales in constant currency[4]	(10.5)%	(2.4)%	
Worldwide retail sales in actual currency[4]	(8.3)%	(5.9)%	

Performance – total including continuing and discontinued operations

	2020 **52 weeks to**	**2019** **53 weeks to**	***% change***

	28 Mar 2020 £million	30 Mar 2019 Restated[9] £million	*vs.* *last year*
Group adjusted loss	(14.8)	(19.6)	24.5%
Total Group profit/(loss)	14.4	(97.0)	114.8%

Clive Whiley, Chairman of Mothercare, commented:

"We have diligently managed our way through to mitigate the impact of the COVID-19 pandemic during this period of global crisis, and we emerge in better shape than we went into it. We continue to reduce costs and improve our efficiency. We are excited to launch our new UK and Ireland franchise with Boots, restoring the Mothercare brand to its home territory. We have entered into a new 20 year franchise agreement with Alshaya, our largest partner. We have successfully rolled out our innovative, working capital light arrangements with our manufacturing and franchise partners. We are now singularly focused upon building Mothercare as a global brand, both in our existing territories and beyond. We are confident with these foundations now in place Mothercare can move forward as a profitable and cash generative international franchise business, generating revenues through an asset-light model in some 40 international territories.

This would not have been possible without the support of all of our stakeholders whom, on behalf of the Board, I would like to thank for enabling us to get to this point. As a result, from today, Mothercare can look forward to a brighter and stable future once more."

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

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

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

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

3 - Net Debt is defined as total borrowings including shareholder loans and financial assets (note 11) and bank overdraft/cash at bank; it excludes the IFRS lease liability.

4 - Worldwide retail sales in constant currency and Worldwide retail sales in actual currency are adjusted to compare 52 weeks ended 28 March 2020 against the corresponding 52 week period for 2019, and to compare 53 weeks ended 30 March 2019 against the corresponding 53 week period for 2018.

5 – 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.

6 – 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.

7 – 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.

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

9 – The prior year has been restated for the reclassification of ELC and UK business discontinued operations (note 7) and the impact of prior year adjustments (note 12).

Chairman's Statement

Last year we reported that our efforts in 2018 and 2019, which had galvanised all available resources to rescue the Group from a period of acute financial distress, had bought us the time to address the impact of the continuing headwinds our UK retail operations faced and to concentrate upon our vision to be the leading specialist global brand for parents and young children.

Fortunately, in addition to stabilising the business, that effort and process also served to provide greater insight and to hone the instincts of our executive management team, which emerged with sufficient agility and clarity of purpose to execute the transactionally astute measures demanded during the year under review.

This combination of factors allowed us to complete our key objective to refocus the Group upon its core competencies of brand management and the design, development and sourcing of product to deliver long term growth in the business with our international franchise partners, notwithstanding the current global crisis triggered by COVID-19.

Accordingly I am delighted to confirm that Mothercare is now well positioned to become a profitable and cash generative franchise operation, generating revenues through an asset-light model, operating in some 40 international territories. Moreover we have managed to achieve this without recourse to further equity dilution to shareholders.

The implementation of the new operating model in the current year, together with achieved and continuing changes in the associated cost structures, which are not yet transparent within the continuing activities highlighted in these accounts, should still allow the Group to deliver annualised operating profits of some £15 million on a steady state basis. This is in line with previous messaging, albeit delayed by the onset of COVID-19 and dependent upon our franchise partners' retail outlets avoiding further lockdown in their respective territories.

This would not have been possible without the ongoing support of all of our stakeholders. This has enabled us to combat the serious challenges presented by COVID-19, alongside bringing these chapters in the refinancing and restructuring of Mothercare to a near conclusion which, once complete, will provide a committed and stable platform upon which to execute our growth plans.

Background to FY2020

As stated at the time of our 2019 final results, the key strategic aim for FY2020 was to complete the transformation of the business which comprised two key and related elements.

First, to secure a financial structure which maintains a sustainable business model with a capacity to secure future growth. Secondly, to evolve, adapt and optimise the structure, format and model for our UK retail operations within the Mothercare UK franchise.

Rebuilding Mothercare

A major cornerstone of the prior year's Capital Refinancing Plan and UK Restructuring package had been to instil greater commercial focus by creating three distinct operating divisions, Mothercare UK franchise, operating our UK retail operations, Mothercare Global Brand ("MGB"), covering our product design, sourcing and supply of products and Mothercare Business Services ("MBS"), providing certain central services to the operating divisions: each division having been set up to have its own operating and leadership team with clear objectives to improve overall performance.

Mothercare UK franchise and UK Retail Operations

Over the first six months of the last financial year, the Board undertook a root & branch review of our UK retail operations, which included numerous discussions with potential partners regarding the Group's UK retail business.

Unfortunately, despite our best efforts, by autumn 2019 it became clear that the UK retail operations were not capable of returning to a level of structural profitability and returns that were sustainable for the Group and/or attractive enough for a third party partner to operate on an arm's length basis. Furthermore, the Board concluded that it was unable to continue to satisfy the ongoing cash needs of Mothercare UK Limited ("MUK"), which at that stage threatened the viability of the Group as a whole.

Accordingly, MUK and MBS were placed into administration on 5 November 2019. In the interests of clarity, Mothercare plc and its other subsidiaries (the "Group") were not themselves placed into administration and continued to trade in the normal course of business throughout the period under review and today.

Agreement was reached with PricewaterhouseCoopers LLP, as administrators of MUK and MBS for the transfer of certain liabilities and assets from MUK to the Company's wholly owned subsidiary Mothercare Global Brand Limited. These included amongst other things the rights and intellectual property attaching to the Mothercare brand and associated trademarks, the novation of certain commercial agreements relating to the Group's international franchise operations and the transfer of MUK's liabilities in respect of the Group's pension fund (including the deficit therein), liabilities that were already the subject of a parent company guarantee provided by the Company.

The actions highlighted above were carefully thought through and not taken lightly, however all of our stakeholders faced an uncertain future given MUK's perilous financial situation that threatened the Group as a whole. The successful implementation of those actions has returned Mothercare to a stable and sustainable footing, preserving value for many of our stakeholders – most notably our pension fund, our global franchise operations and lending group – who would otherwise have faced significant losses.

Mothercare Global Brand

The Board believed that the administration process in relation to MUK and MBS was right for the Group as a whole, paving the way for its future as a focused international brand operator with no directly operated stores and greatly reduced direct costs.

Mothercare Global Brand's focus is on the core competencies of brand management and the design, development and sourcing of own brand product.

Whilst maintaining a global and consistent brand around the world this renewed focus allows us to adapt the proposition in products, service, store environment and marketing to enable us to manage the diverse market conditions.

MGB now operates stores and websites through a network of franchise partners, in some 40 countries, who operate approximately 791 stores, with 222 stores in Europe (excluding the UK), 206 stores in the Middle East and 363 stores in Asia under the "Mothercare" brand. In addition, the current year will see the Mothercare brand return to the UK through our new UK and Ireland franchise arrangements with Boots UK Limited ("Boots") detailed below.

Revised franchise arrangements

UK franchise

On 13 December 2019, the Company entered into binding heads of terms for the appointment of Boots as our exclusive UK franchise partner and by completion of the formal agreements for this appointment on 19 August 2020, the arrangement had been extended to include the Republic of Ireland.

Boots is at the heart of one of the largest healthcare businesses in the world and Mothercare will dovetail well as the specialist brand for parents and young children in Boots stores and online.

This appointment is for an initial period of ten years and the terms and royalty rates arrangements are commensurate with those of the Company's other franchise agreements.

Mothercare branded clothing will be available in a large number of Boots stores across the UK and Ireland from this autumn with home and travel products (including pushchairs and car seats) available in larger Boots stores, as well as online at www.boots.com.

Alshaya Group

We are also delighted to have entered into a new twenty-year franchise agreement with the Alshaya Group, our most significant franchise partner. We highly value this long-standing and commercial relationship, and we look forward to contributing strongly to an extended period of mutually beneficial partnership growth in the future.

Furthermore, we recognise that there is room to significantly improve the online presence and sales in all the major markets where our franchise partners trade alongside supporting them to fine tune our product offer to maximise their margins and sales densities.

Opportunities for growth beyond the existing territories

The birth rate around the world is c130 million live births per annum, within which we estimate that at least 30 million babies are born each year into households where there is a sufficient income level to afford the Mothercare brand. Indeed, of the top ten territories by wealth and birth rate, the Mothercare brand is only available in three of them today. For example, we currently have no presence in the USA, Japan, Australia or Brazil. Closer to home, we have no outlet or online presence in any of the bigger European economies, such as Germany, France, the Netherlands or Scandinavia. We believe this translates into great potential for the Mothercare brand beyond its existing global footprint and an assessment is now underway to identify the right franchise partners in those markets post COVID-19.

The measure of success in MGB, as we strive to be the leading global brand for parents and young children, with a bright and solvent future, will remain our ability to distribute more Mothercare products around the world through franchising, wholesale & licensing.

Financing

Restructuring Impact on Financing

The direct financial impact arising from the restructuring surrounding the administration of MUK and MBS, in November 2019, was to:

- eliminate approximately £30 million of operating losses from the closure of the UK Retail division;
- incur cash exceptional costs relating to that restructuring transaction of £6 million, arising in the year under review; and
- reduce net debt , as noted later in this report, taking into account the proceeds of the additional financing and the subsequent estimated shortfall in recoveries from the administration processes.

In order to ensure that the Group was in a position to complete the restructuring, the Company arranged for up to £50 million of further financial capacity to potentially be available to the Group from third parties:

- £8.7 million of cash raised from the issuance of new equity of £3.2 million and £5.5 million in convertible unsecured loan notes;

- an agreement with Numis for the provision of a standby underwriting commitment in respect of a potential further equity capital raising of up to £20 million, which facility was allowed to lapse at the end of March 2020;
- Gordon Brothers provided the Company with a term sheet for a new £15 million secured term loan facility, which remains extant;
- a debtor backed facility from a key trade partner, although this has essentially been superseded by the new ways of working outlined below; and
- agreement was reached with the Mothercare pension trustees for a reduction in the planned contributions for 18 months from 5 November 2019.
- Outstanding Debt
- As at 23 September 2020, the total secured debt, including the Group's £24 million revolving credit facility, other guarantees and of letters of credit was £15.7 million and these liabilities remain secured over the Group as a whole. We understand that there remains a further amount to be paid out from the administrators of MUK which is expected to reduce this secured debt further. This remains in line with our previous guidance and expectations at around a £10 million shortfall.

Updated Financing Requirement

With the conclusion of the administration processes the Group has made sufficiently good progress, as a focused international brand operator with no directly operated stores and greatly reduced direct costs, to now anticipate an additional financing requirement at a much later time and a total level, more than halved to around £20 million. Although COVID-19 has impacted the Group as outlined below, the Group has made significant steps towards securing this revised level of funding and once in place, the cash flow needs of the Group are expected to be regularised.

GB Europe Management Services Limited ("Gordon Brothers"), is now the Company's sole lender in respect of the Group's secured senior debt facility and we remain in parallel discussions with alternative debt providers, including Gordon Brothers Brands LLC ("GBB"), with whom a term sheet has already been agreed, for a £20 million secured 4 year loan to refinance the Company's outstanding debt.

Additionally the Group has signed heads of terms with the Pension Scheme Trustees of our defined benefit schemes, for a revised schedule of contributions which allows the Group to pay contributions at an affordable level whilst paying off the new loan.

COVID-19

The impact of COVID-19 has had direct consequences for the Group and our franchise and manufacturing partners, despite the invaluable supply-side experience we gained at the time of the administration of MUK last November, which enabled us to manage and mitigate the overall impact on both our and their businesses. We currently estimate that 95% of our partners' global retail locations are now open, from a low point of 27% in April 2020, following local guidance in their respective territories.

Whilst representing a substantial recovery this still equates to an aggregate current year loss of retail sales to our franchise partners of approximately £145 million compared to the same period last year.

New ways of working with our Partners

In recent months we have been in close discussion with both our international franchise partners and our manufacturing partners to modernise and improve our commercial relationships to mutual benefit, with the objective of improving pricing and quality for our franchise partners and reducing financial and operational risk for our manufacturing partners.

Hence we are pleased to have successfully launched a more sustainable and less capital-intensive business model going forward, with effect from the Autumn/Winter 2020 season. This new model results in our franchise partners contracting to pay for products directly to our manufacturing partners, thus removing the timing mismatch we were experiencing with the reduction in our payment terms and so improving the Group's working capital requirements. We believe this new way of working will ultimately have the added benefits of improving pricing for franchise partners, which in turn should better incentivise retail sales growth and assist our manufacturing partners in reinstating credit insurance for future seasons.

Cost Reduction Programme

The Group has made significant progress in addressing its legacy infrastructure and associated cost base which has greatly assisted in reducing the quantum the Group is seeking to refinance of its senior debt facility:

- The short-term sub-let of our main Daventry warehouse, which predominantly catered to the UK retail business, to a third-party, continues to yield savings in respect of those premises in the order of £220,000 per month;
- we agreed terms to surrender the existing lease of our former head office in Watford in mid-July and we moved into our new head office in Apsley, Hemel Hempstead, in August. As previously announced, this move will reduce cash occupancy costs for our head office by £900,000 per annum;
- PLC board costs have been reduced by 50% since November 2019 and all bonuses for the period ended 28 March 2020 have been waived, equating to an aggregate cost saving of £1 million;
- we have consistently sought to preserve the status of our former colleagues who are pensioners. Further, when we agreed an 18 month revised payment schedule in November 2019, we believed there to be the possibility of an estimated 25% reduction in the deficit at the then next triennial valuation date of 31 March 2020. Given financial market movements in the light of the COVID-19 disruption, that prospect evaporated and we expect that the deficit was broadly unchanged as at that date. Accordingly, we are grateful to the Mothercare pension trusts' trustees for agreeing to a further rescheduling of contributions over the next five years.

This improving recovery in overheads and reduced distribution costs will, in tandem with the impact of the new ways of working highlighted above, support improving cash generation and we expect the business to be broadly cash-flow break-even in this financial year.

Due to reduced revenues following the impact of COVID-19 and the costs associated with restructuring, the Group expects to make a small EBITDA loss for the current year though this is dependent upon our franchise partners' retail outlets avoiding further lockdown in their respective territories.

UK retail business

It would be remiss of us not to reflect on the historical Mothercare UK retail performance, beyond the losses documented in these accounts, and provide some context for the UK business failing to achieve economic viability.

The stark reality is, that the UK retail division of the Group did not make an annual operating profit in over ten years, despite the valiant efforts made by colleagues across the business, throughout which time all of the Group's profits have been generated from our international franchise business.

The investment of the £100 million fundraising in 2014, in part to play catch-up by improving the product proposition, modernising the UK store base and digital capabilities, was committed without the knowledge that the UK high street as a whole and MUK within it would witness an unprecedented and sustained slow down. Indeed, the thirteen quarters of consistent sales and margin growth thereafter simply led to a high-water mark for our UK retail operations losses of £4 million per annum in 2017. However, as documented in last year's report, this positive trajectory came to an abrupt end in the second half of FY18, with a sharp downturn in both customer footfall and consumer confidence.

Over the period between 2014 and 2019 MUK was heavily restructured, both in terms of significantly curtailing the central cost base whilst also growing sales through the digital channel to c.50% of UK retail turnover and reducing the retail store estate from 250 stores down to 79: latterly through 2018's UK Restructuring package encompassing Company Voluntary Arrangements of MUK, Early Learning Centre Limited and Childrens World Limited.

The simple fact is that the shift in sales channel mix combined with our operational gearing remaining too high, notwithstanding cost reductions, resulted in continuing and unsustainable losses in MUK. Just to breakeven MUK required sustained sales growth, and stable gross margins which proved unachievable.

Throughout this period MUK provided c70% of the UK's sales floor space for the well-known brands in the baby category. Due to severe competition from multiple sources MUK saw a continuing decline in sales density and achieved margins, ultimately to the point of being insufficient to cover the occupancy and people costs of running the UK retail estate. Whilst a focus upon exclusive branded product introduced some temporary respite, alongside our own product achieving a higher margin, the floor space was simply too big to fill with Mothercare product alone.

As noted elsewhere in this report, the Board carefully considered all options, given that MUK's perilous financial situation threatened the Group as a whole, concluding that the future for the Mothercare brand in the UK was as a franchise, operating in the same fashion as our other territories around the world, leveraging off the existing floor space, online presence and existing footfall of an established UK retailer.

Management & Board changes

As we approach the end of this period of major change with the completion of our Transformation Plan, the Company's management needs and requirements have also evolved as we become a focused international brand owner and operator. We are also actively adding relevant skills and expertise – particularly in brand and product management – to the executive team to reinforce that development:

- Brian Small was appointed to the Board as an independent Non-Executive Director and Chair of the Audit and Risk Committee on 10 December 2019;
- Nick Wharton, after serving a six year term as Non-Executive Director, left to return to full-time executive employment on 31 December 2019;
- in line with previous communications, I became Non-Executive Chairman on 29 March 2020;
- Mark Newton-Jones stepped down as Chief Executive Officer on 23 January 2020 and became a Non-Executive Director on 24 July 2020;
- Glyn Hughes, who was Chief Financial Officer throughout the restructuring period, became Interim Chief Executive Officer on 23 January 2020 and left the Group to pursue other opportunities on 30 June 2020;
- Andrew Cook, who has served as Corporate Development Director from April 2019, joined the Board as Chief Financial Officer on 23 January 2020.

We also continue to make progress with the search for a new Chief Executive Officer and a further announcement will be made when we conclude the recruitment process. In the interim, the day to day management of the Group is being run by Kevin Rusling, the Chief Operating Officer and Andrew Cook, Chief Financial Officer, with close oversight from me as Non-Executive Chairman.

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

Dividend Policy

The Company has not paid a dividend since 3 February 2012 and the Directors do not expect to pay dividends until the business is returned to a sustainable and stable financial footing. The Directors understand the importance of optimising value for Shareholders and it is the Directors' intention to return to paying a dividend as soon as they believe it is financially prudent for the Group to do so. Under the agreement reached with the Pension Scheme Trustees, the Company will also be required to make cash payments to the pension schemes if the Company makes dividend payments to its Shareholders.

Change of Registered Office

With effect from 4 August 2020 the Company's registered office is Westside 1, London Road, Hemel Hempstead, HP3 9TD.

Audit Opinion

Finally I draw your attention to the disclaimer of opinion from the auditors, which is reflective of the compounding effect of two principal events, namely the disruption caused by the administration of MUK last November and the continuing incidence of COVID-19. This is detailed on page 55 of the annual report and accounts, due to be published imminently, and relates to the auditors being unable to satisfy themselves on several items, including:

* historical issues, such as not being able to attend a stocktake of inventory with a carrying value of £9.7 million (of which 90% has subsequently been realised in cash); alongside

* current doubts on going concern relating to the non-completion of the existing refinancing term-sheet or that shareholder loans are due for conversion or redemption in June 2021 (notwithstanding that these are also held by equity shareholders whom have expressed their willingness to be supportive at that stage).

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, which of course includes our view of the ongoing support provided by all stakeholders over the last two years, for which we remain grateful.

Strategic Outlook

The UK high street is facing a near existential problem with intensifying and compounding pressures across numerous fronts, most notably the high levels of rent and rates and the continuing shifts in consumer behaviour from high street to online, as exacerbated by the impact of COVID-19.

Our UK Retail operations would not have been immune to these headwinds and the decisive actions taken stem from a belief that the management and financial resource, being expended on fixing the conundrum of UK retailing, would be better served on our global ambitions to build the Mothercare brand and proposition around the world.

The facts remain compelling: we estimate that there are at least 30 million babies born every year in the world, into markets addressable by the Mothercare brand, yet only 700k in aggregate in the UK. Hence whilst the UK is important for our brand heritage, it is certainly not the singular growth engine of the Group.

Finally I would once again like to thank all of our colleagues across the organisation for their hard work in the challenging circumstances created by both the administration of MUK, and the associated transaction and execution risks ignited as a direct result, and latterly COVID-19.

Clive Whiley
Chairman

Mothercare plc
Preliminary Results

FINANCIAL REVIEW

The Group recorded a loss from continuing operations for the 52 weeks to 28 March 2020 of £7.2 million (2019: £21.1 million loss). Continuing operations represent the Global operation of the business, with the UK operational segment categorised as a discontinued operation. Continuing operations reflect accounting guidelines and therefore include some expenditure which ceased following the administration process, and as such does not necessarily reflect the result achieved by the standalone international business.

Total profit for the year achieved of £14.4 million (2019: £97.0 million loss) included a gain on the loss of control of the Group's main trading subsidiary Mothercare UK Limited, and a shared service entity, Mothercare Business Services Limited of £46.2 million. The comparative 53 weeks ended 30 March 2019 included a loss on the disposal of the Early Learning Centre trade and assets of £30.5 million.

The Group uses a non-statutory reporting measure of adjusted profit, to show results before any one-off significant non-trading items. Adjusted loss for the year from continuing operations of £6.4 million was recorded (2019: £1.3 million loss).

The comparatives for the 53 week period ended 30 March 2019 have been restated for certain prior year adjustments, and for the discontinued operations arising as a result of the loss of control of the UK operating segment, and the disposal of the ELC brand and assets in that year.

GROUP CHANGES

The year ended 28 March 2020 was one of significant change for the Mothercare Group and we have followed accounting guidelines and principles, both in explaining how the requirements of the applicable accounting standards have been applied as well as in detailing the necessary context.

On 5 November 2019, two subsidiaries of the Group, Mothercare UK Limited (MUK) and Mothercare Business Services Limited (MBS), entered administration. On the same day, Mothercare Global Brand Limited (MGB), also a subsidiary of Mothercare PLC (PLC), purchased the brand, customer relationships, and certain assets and liabilities of the international business from the administrators.

Responsibility for the UK operating segment ceased to belong to PLC from the point of administration; included within this were the UK retail store estate, through which the Group sold to end consumers, as well as the Group's UK trading website. Subsequently, the administrators wound down the UK operations, generating cash to repay the creditors, with the bank debt to which MUK was a guarantor, being the sole secured creditor, and the Group liable for any shortfall. The best estimate of this shortfall is £7.0 million of the £28.0 million applicable debt, as well as £3.0 million of stock payments to be funded by the Group.

The inherent uncertainty of process around the split of trading results between continuing and discontinued operations, as well as complexities surrounding the cut-off at the point of loss of control of MUK and MGB, have been the driving factor in leading towards the disclaimed audit opinion.

The International and UK operating segments were previously both trading segments of the same legal entity, MUK. The corporate costs were therefore managed as one business. In categorising these operations between continued and discontinued operations, the accounting standards do not allow for such costs to be pro-rated. Any expenditure which was incurred under a contract used by the international continuing business as well as the UK discontinued operation has therefore been disclosed under continuing operations – regardless of whether the expenditure did not continue after the administration, and regardless of whether the contract was primarily for the benefit of the UK segment. For this reason, the continuing administrative expenses disclosed do not necessarily reflect the ongoing corporate cost base of the business.

Whilst the cost base of the ongoing International business is different from the statutory definition of continuing operations, the trading results presented for the segment are however, more reflective of the Group's continuing turnover. Even so, there were inherent judgments, such as how to allocate foreign exchange gains, required throughout the preparation of these results.

There were no assets or liabilities which met the criteria of a disposal group and consequently there was no impact on the FY19 balance sheet as a result of the administrations. A significant proportion of the Group's assets and liabilities had been held in MUK, previously the main trading subsidiary for the Group.

On 19 August 2020, two significant commercial events were announced to the markets; the first being a new twenty-year franchise agreement with Alshaya Group, the Group's largest franchise partner. In addition to this, the Group, which has a longstanding relationship with Boots UK Limited ('Boots'), will once again have a UK Mothercare-branded presence through Boots stores and their website.

TRADING UPDATE

International retail sales in constant currency were down 10.5% from 2019. This was in part due to a particularly challenging second half of the year due to complexities arising following the administration process, as well as trading challenges due to COVID-19.
This temporarily decelerated, or in some instances constrained, the movement of product within the supply chain, which resulted in a lack of availability for franchise partners.

Retail space from continuing operations at the end of the year was 2.4 million sq. ft. from 841 stores (2019: 2.6 million sq. ft. from 1,010 stores), with the reduction in space due to the Group choosing not to novate to MGB, at the time of administration, several contracts with Franchise Partners that were no longer cost effective.

India and Indonesia, two of the Group's key markets, experienced growth year-on-year. Conversely Russia and Alshaya saw a decline, driven by the aforementioned issues with stock availability, as did China, where COVID-19 caused the store estate to close for much of the fourth quarter.

Despite China seeing the biggest in-year impact, all markets were impacted by the spread of COVID-19 by the final month of the financial year, and trading in the months post year end saw a decline as a result.

Shipments to Franchise Partners were also impacted heavily by COVID-19. The Group has two distribution centres, one in the UK and one in Shenzhen, China; and whilst routes directly from suppliers to partners were able to continue, there were barriers to stock being shipped in and out of the facility in China. There were also COVID-19 related logistical challenges in securing space and haulage, with shipments being delayed once vessel capacities were reached.

In recent months the Group has been in close discussion with both international franchise and manufacturing partners to modernise and improve commercial relationships to mutual benefit, with the objective of improving pricing and quality for franchise partners and reducing financial and operational risk for manufacturing partners. Following these constructive discussions the Group has successfully launched a more sustainable and less capital-intensive business model going forward, with effect from the Autumn/Winter 2020 season. This new model results in franchise partners contracting to pay for products directly to manufacturing partners, thus removing the timing mismatch being experienced with the reduction in payment terms, and so improving the Group's working capital requirements. The Group believes this new way of working will ultimately have the added benefits of improving pricing for franchise partners, which in turn should better incentivise retail sales growth and assist manufacturing partners in reinstating credit insurance for future seasons.

BALANCE SHEET

Total equity at 28 March 2020 was a surplus of £2.3 million, an improvement on the net liability position at 30 March 2019 of £54.2 million. This was driven by the temporary defined pension scheme surplus of £29.8 million, and a £46.2 million reduction in liabilities generating a profit on the loss of control of MUK and MBS.

The net current liability position is driven by the level of provision held against Group receivables and includes the unwind of certain non-cash provisions. The Group's working capital position is closely monitored and forecasts demonstrate the Group is able to meet its debts as they fall due.

	28 March 2020 £ million	30 March 2019 Restated £ million
Goodwill and other intangibles	0.6	16.3
Property, plant and equipment	8.6	27.7
Retirement benefit obligations asset/(liability) (net of deferred tax)	24.4	(24.9)
Net borrowings	(34.7)	(6.9)
Derivative financial instruments	20.7	(3.3)
Other net liabilities	(17.3)	(63.1)
Net assets/ (liabilities)	**2.3**	**(54.2)**
Share capital and premium	179.1	176.0
Reserves	(176.8)	(230.2)
Total equity	**2.3**	**(54.2)**

Pensions

The Mothercare defined benefit pension schemes were closed with effect from 30 March 2013.
As at 28 March 2020, the Group was in the unusual and temporary position of recognising an accounting surplus under IAS 19 of £29.8 million for these schemes.

This accounting surplus is a function of the volatile markets around that time, driven by the extreme situation of countries all over the world being about to enter a period of 'lockdowns' and high levels of uncertainty.

Post year end, the Group has commenced work on the triennial valuation of these schemes, and market shifts mean that a significant level of deficit is expected. The previous triennial valuation of the pension scheme, as at March 2017, contained a deficit of £139.4 million, and the Group's deficit payments are calculated using this full actuarial valuation as the basis.
The year end IAS 19 accounting valuation is a surplus despite the triennial valuation deficit as a result of a decrease in long term inflation expectations and the use of a lower pre-retirement discount rate.

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 27 March 2021*	52 weeks ending 28 March 2020	53 weeks ended 30 March 2019
Income statement			
Running costs	(3.0)	(2.9)	(3.3)
Past service costs in respect of GMP equalisation	-	-	(0.6)
Past service credit in respect of PIE	-	-	1.6
Net interest on liabilities / return on assets	0.7	(0.6)	(0.9)
Net charge	(2.3)	(3.5)	(3.2)
Cash funding			
Regular contributions	(1.9)	(1.9)	(2.2)
Additional contributions	(2.0)	(1.9)	(6.9)
Deficit contributions	(7.5)	(7.8)	(5.3)
Total cash funding	(11.4)	(11.6)	(14.4)
Balance sheet**			
Fair value of schemes' assets	n/a	401.2	363.7
Present value of defined benefit obligations	n/a	(371.4)	(388.6)
Net liability	n/a	29.8	(24.9)

*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 2021 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:

	2020	2019	2020 Sensitivity	2020 Sensitivity £ million
Discount rate	2.3%	2.6%	+/- 0.1%	-7.2 /+7.4
Inflation – RPI	2.5%	3.2%	+/- 0.1%	+7.0 /-6.8
Inflation – CPI	1.7%	2.1%	+/- 0.1%	+2.9 /-3.1

The group has a deferred tax liability of £5.4 million; £5.2 million of this has arisen as a temporary difference due to the surplus on the pension scheme. In 2019, no deferred tax was recognised as the deferred tax asset was not considered recoverable.

Net debt

Net debt of £13.7 million represents a worsening of the FY19 net debt position of £6.9 million.

Drawdowns on the Revolving Credit Facility (RCF) between FY19 year end and the point of the administration of MUK and MBS led to a secured loan of £28.0 million crystallising. The debt facility had increased from £17.0 million at FY19 up to £24.0 million due to additional borrowing, and a further £4.0 million as a result of liabilities for guarantees being included in the final balance.

Under the sales purchase agreement with the administrators, the proceeds of the wind up of the UK business must first be used to repay the secured creditor i.e. the RCF. Monies of £21.0 million are expected to be generated towards this, and therefore in addition to the debt of £28.0 million, a financial asset of £21.0 million has been recognised gross of the debt to reflect this.

The year end debt on convertible shareholder loans totalled £12.8 million (2019: £6.2 million); interest on these loans compounds at a rate of 0.83% per month until the point at which they are either converted to equity at the option of the lender, or repaid. The increase in the shareholder loan liability since 2019 includes the receipt of an additional £5.5 million of cash in November 2019, as well as the effect of compound interest on these new loans, as well as on the original loans which were received in May 2018.

Also included within net debt is £6.1 million (2019: £16.3 million) of cash funds, the reduction being driven by the impact of operating losses.

Leases

Included within right-of-use assets of £7.9 million is an investment property asset of £7.8 million relating to a warehouse facility in Daventry which the Group ceased to use for supply of goods from the point at which MUK went into administration. This lease is now subject to a short-term sublet and held for rental income. There is a corresponding lease liability of £8.4 million, of which £8.3 million relates to this facility. There are no comparative amounts in 2019 as this is the Group's first year of adopting IFRS 16 'Leases'.

Working capital

There has been a significant change to the way the Group manages its inventory holdings. Previously the Group sold to end consumers in the UK as well as to Franchise partners and therefore certain levels of fulfilment stock were required to be held in the warehouse. Since the administration of MUK, only stock directly needed to fulfil Franchise partner orders has been required. Of the £9.7 million year end inventories balance (2019: £66.8 million), £4.5 million of this related to stock in transit.

The types of trade receivables held have remained unchanged, however the year end position of £11.2 million (2019: £27.1 million) was impacted by the supply and demand issues in the final month of the year instigated by the worldwide closures due to COVID-19. Levels of trade payables at £12.0 million (2019: £48.4 million) reflect the reduction in stock intake as a result of the closure of the UK retail business, coupled with reduced credit terms.

INCOME STATEMENT – on a continuing operations basis

	52 weeks to 28 March 2020 £million	53 weeks to 30 March 2019 Restated £million
Revenue	164.7	199.8
Adjusted result before interest and taxation	(0.6)	6.2
Adjusted net finance costs	(4.9)	(3.5)
Adjusted result before taxation	(5.5)	2.7
Adjusted costs	(0.9)	(20.7)
Loss before taxation [1]	**(6.4)**	**(18.0)**
Taxation	(0.8)	(3.1)
Profit/(loss) from discontinued operations (note 7)	21.6	(75.9)
Total profit/(loss)	**14.4**	**(97.0)**

EPS – basic (continuing operations)	(2.0)p	(7.4)p
Adjusted EPS – basic (continuing operations)	(1.8)p	(0.5)p

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

Foreign exchange

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

	52 weeks ended 28 March 2020	53 weeks ended 30 March 2019
Average:		
Euro	**1.1**	1.1
Russian rouble	**82.4**	83.6
Chinese Renminbi	**8.9**	8.7
Kuwaiti dinar	**0.4**	0.4
Saudi riyal	**4.8**	5.1
Emirati dirham	**4.7**	4.7
Indonesian rupiah	**17,968**	18,587
Indian rupee	**90.1**	89.1
Closing:		
Euro	**1.1**	1.2
Russian rouble	**93.9**	85.4
Chinese Renminbi	**8.3**	8.9
Kuwaiti dinar	**0.4**	0.4
Saudi riyal	**4.4**	5.0
Emirati dirham	**4.3**	4.9
Indonesian rupiah	**19,576**	18,709
Indian rupee	**88.5**	91.4

The principal currencies that impact the translation of International sales are shown below. The net effect of currency translation caused worldwide sales and adjusted loss to increase by £14.4 million (2019: decrease by £22.9 million) and £0.9 million (2019: decrease by £1.4 million) respectively as shown below:

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

See glossary for definitions

Net finance cost

Financing represents interest receivable on bank deposits, less interest payable on borrowing facilities, the amortisation of costs relating to bank facility fees and the net interest charge on the liabilities/assets of the pension scheme. Year-on-year finance costs have increased due to the compounding interest on the convertible shareholder loans, of which £8.0 million has been borrowed in the prior financial year, and a further £5.5 million in the current financial year.

£6.0 million of finance income (2019: £2.7 million of finance costs) are included in adjusted items in relation to the £6.0 million fair value gain on the embedded derivatives contained within the shareholder loan agreements, this movement being driven by a worsening in the markets as a result of COVID-19. The comparative charge included a £1.7 million increase in the shareholder loan embedded derivatives, £0.4 million charge for the previously unamortised facility fee and £0.6 million in relation to the unwind of the discount on the onerous lease provision.

Discontinued operations

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

On 12 March 2019, the Group entered into an agreement for the sale of the Early Learning Centre (ELC) trade and specified assets. The 2019 Annual Report contained discontinued operations in relation to ELC and the comparative 2019 period has subsequently been restated to include the UK segment as a discontinued operation.

The profit from discontinued operations for the period is £21.6 million (2019: £75.9 million loss).

The total statutory profit after tax for the Group is £14.4 million (2019: £97.0 million loss)

Taxation

The tax charge comprises corporation taxes incurred and a deferred tax charge. The total tax charge from continuing operations was £0.6 million (2019: £3.1 million) – (see note 6).

The total tax credit from discontinued operations was £0.1 million (2019: £3.0 million charge) – (see note 7).

Earnings per share

Basic adjusted losses per share from continuing operations were 1.8 pence (2019: 0.5 pence). Continuing statutory losses per share were 2.0 pence (2019: 7.4 pence).
Total basic adjusted losses per share were 4.2 pence (2019: 6.9 pence loss). Total statutory earnings per share were 4.1 pence (2019: 34.2 pence).

CASHFLOW

Statutory net cash outflow from continuing operating activities was £2.9 million compared with an inflow of £10.3 million in the prior year, reflecting improvements in working capital.

Cash outflow from continuing investing activities of £1.5 million (2019: £8.2 million inflow), reflected the reduction in capital expenditure, in particular, in relation to systems development, following the MUK and

MBS administrations. The inflow in 2019 included £14.5 million of proceeds received on the sale of the UK Head Office in December 2018.

Cash outflows from financing activities netted to £2.9 million, whereas in the prior year the significant equity raise completed meant the 2019 comparative amount was an inflow of £9.1 million.

Going concern

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 these financial statements. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the financial review.

On 5 November 2019 the Group announced the appointment of administrators for MUK and MBS, with the rest of the Group continuing to trade under the normal terms of business. The Group subsequently agreed with the administrator, a transfer to MGB (a wholly owned subsidiary of Mothercare plc) of: the Mothercare brand, its trademarks and associated intellectual property; the novation of the commercial agreements relating to our international franchise operations; and the transfer of the Group's pension scheme deficit.

At the point of administration, the Group’s secured debts, comprising: Letters of Credit, Bank Guarantees and a £24.0 million Revolving Credit Facility (RCF) crystallised into a single £28.0 million secured facility, with the proceeds of the administration to be used in the repayment of the outstanding debt, on the basis that any shortfall would be settled by the Group. In February 2020, the administrators made an interim payment to the secured lenders of £10.0 million, with the expectation that a further £11.0 million, based on the latest estimated outcome statement, would be paid on completion of the administration, which remained outstanding at year end, leaving a shortfall of £7.0 million to be funded by the Group in relation to the secured debt and £3.0 million for the purchase of stock due back to the administrators. The Secured lenders continue to support the Group with its banking requirements during this time, however, the facility remains repayable on demand.

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 it is able to mitigate the material uncertainty surrounding the ongoing financial restructuring of the Group, which includes:

- The Group’s ability to successfully renegotiate its banking facilities, which are currently repayable on demand, with either its existing lenders or to refinance with a third party, in order to secure ongoing funding for the Group and to repay the existing secured lenders for the shortfall in proceeds from the administration of MUK and MBS;
- The Group’s ability to renegotiate its Defined Benefit Pension Deficit Repayment plan with the Pension Trustees;
- That the Group’s outstanding Convertible Shareholder Loans, due to mature June 2021 will be converted into equity and the Group will not be required settle these in cash .

In addition to the above, the impact of the COVID-19 pandemic on the future prospects of the Group is not fully quantifiable at the reporting date, as the complexity and scale of restrictions in place at a global level is outside of what any business could accurately reflect in a financial forecast. However, we have attempted to capture the impact on both our supply chain and key Franchise Partners based on what is currently known and localised trading activity since the start of the crisis. We have modelled a substantial reduction in global retail sales as a result of store closures and subdued consumer confidence throughout the remainder of FY21 with recovery expected in FY22 in addition to lower shipment volumes as our partners seek to reduce their stock intake accordingly.

The sensitised scenario assumes the following additional key assumptions:

- Significant further decline in retail sales in our key markets reflecting the impact of further store closures, beyond the level already experienced, as a result of increased restrictions being put in place to combat the effect of COVID-19;
- A delayed recovery that assumes that retail sales remain subdued throughout the forecast period as a result of continued social distancing restrictions.

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

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

Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code 2018 and the FRC's Guidance on Board Effectiveness, the directors have assessed the prospects and viability of the company and its ability to meet liabilities as they fall due over the medium term. The directors concluded that a period to the end of March 2023 is a suitable time period for their review for the following reasons;

- This period aligns with our medium term forecasting cycle
- Performance is significantly impacted by both UK and International economic conditions which are increasingly difficult to predict beyond this period

The assessment was made by considering the principal risks facing the company, and stress testing the strategic plan to model the impact of a combination of these risks occurring together to drive sustained pressure on the business over the three year period to March 2023.

These projections were then reviewed in the context of the available funding and the Groups ability to mitigate the material uncertainties highlighted in the Going Concern Statement.

The scenario builds on the sensitised case used for the Going Concern Review and assumed that our key global markets experience a continuation of external macro-economic and currency pressures culminating in only a moderate improvement in like-for-like retail sales on the back of emerging from the Covid-19 crisis, such that by the end of the review period retail sales are still below the pre crisis level. Potential volatility as a result of BREXIT is not reflected in our forecast, however, the impact on the Group could be material, if sterling were to weaken significantly or if the UK fails to successfully negotiate a trade deal with the EU.

In the above scenario, the profitability and liquidity of the business would be significantly impacted and management would be in a position to take significant mitigating actions, such as an immediate and reduction in capital spend and costs. In addition in this scenario, it is likely that the Group would require additional short term financial support in order to retain sufficient cash available for the business to remain liquid over the period reviewed.

Notwithstanding the above, the Directors confirm they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to March 2023. It is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty. The going concern statement contains details of the relevant material uncertainties.

Treasury policy and financial risk management

The Board approves treasury policies, and senior management directly controls day-to-day operations within these policies. The major financial risk to which the Group is exposed relates to movements in foreign exchange rates and interest rates. Where appropriate, cost effective and practicable, the Group uses financial instruments and derivatives to manage the risks, however the main strategy is to effect natural hedges wherever possible.

No speculative use of derivatives, currency or other instruments is permitted.

Foreign currency risk

All International sales to franchisees are invoiced in Pounds sterling or US dollars. The Group therefore has some currency exposure on these sales, but they are used to offset or hedge in part the Group's US dollar denominated product purchases.

Interest rate risk

The principal interest rate risk of the Group arises in respect of the drawdown of the Revolving Credit Facility ('RCF'). This facility is at a fixed rate of 5.5% plus LIBOR, and exposes the Group to cash flow interest rate risk. The interest exposure is monitored by management but due to low interest rate levels during the period the risk is believed to be minimal and no interest rate hedging has been undertaken. At 28 March 2020, the debt due under the RCF was £28.0 million (2019: £17.0 million).

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

Credit risk

The Group has exposure to credit risk inherent in its trade receivables. The Group has no significant concentration of credit risk. The Group operates effective credit control procedures in order to minimise exposure to overdue debts. Before accepting any new trade customer, the Group obtains a credit check from an external agency to assess the credit quality of the potential customer and then sets credit limits on a customer by customer basis. IFRS 9 'Financial Instruments' has been applied such that receivables balances are held net of a provision calculated using a risk matrix, taking micro and macro-economic factors into consideration.

Shareholders' funds

Shareholders' funds amount to a surplus of £2.3 million, an improvement of £56.5 million since the 53 week period to 30 March 2019. This was driven by the temporary defined pension scheme surplus of £29.8 million, and a £46.2 million reduction in liabilities generating a profit on the loss of control of MUK and MBS.

DIRECTORS' RESPONSIBILITY STATEMENT

The 2020 Annual Report and Accounts which will be issued in September 2020, contains a responsibility statement in compliance with DTR 4.1.12 of the Listing Rules which sets out that as at the date of approval of the Annual Report on 24 September 2020, the directors confirm to the best of their knowledge:

- the Group and unconsolidated Company financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company, and the undertakings included in the consolidation taken as a whole; and

- the performance review contained in the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group and the undertakings including the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Consolidated income statement

For the 52 weeks ended 28 March 2020

	Note	**52 weeks ended 28 March 2020**			**53 weeks ended 30 March 2019** Restated*		
		Before adjusted items £ million	**Adjusted items[1] £ million**	**Total £ million**	Before adjusted items £ million	Adjusted items[1] £ million	Total £ million
Revenue	3	**164.7**	**–**	**164.7**	199.8	–	199.8
Cost of sales		**(128.5)**	**–**	**(128.5)**	(147.0)	(0.9)	(147.9)
Gross profit / (loss)		**36.2**	**–**	**36.2**	52.8	(0.9)	51.9
Administrative expenses		**(34.6)**	**(6.9)**	**(41.5)**	(42.7)	(17.7)	(60.4)
Impairment losses on receivables		**(2.2)**	**–**	**(2.2)**	(3.9)	–	(3.9)
(Loss)/profit from operations	3	**(0.6)**	**(6.9)**	**(7.5)**	6.2	(18.6)	(12.4)
Net finance costs	5	**(4.9)**	**6.0**	**1.1**	(3.5)	(2.1)	(5.6)
(Loss)/profit before taxation		**(5.5)**	**(0.9)**	**(6.4)**	2.7	(20.7)	(18.0)
Taxation		**(0.9)**	**0.1**	**(0.8)**	(4.0)	0.9	(3.1)
Loss for the period from continuing operations		**(6.4)**	**(0.8)**	**(7.2)**	(1.3)	(19.8)	(21.1)
Discontinued operations							
(Loss)/profit for the period from discontinued operations	7	**(8.4)**	**30.0**	**21.6**	(18.3)	(57.6)	(75.9)
(Loss)/profit for the period attributable to equity holders of the parent		**(14.8)**	**29.2**	**14.4**	(19.6)	(77.4)	(97.0)
(Loss)/profit per share							
From continuing operations							
Basic	9	**(4.2)p**		**4.1p**	(6.9)p		(34.2)p
Diluted	9	**(4.2)p**		**3.0p**	(6.9)p		(34.2)p
From continuing and discontinued operations							
Basic	9	**(1.8)p**		**(2.0)p**	(5.8)p		(7.4)p
Diluted	9	**(1.8)p**		**(2.0)p**	(5.8)p		(7.4)p

See glossary for definitions.

1. Includes adjusted costs (property costs, restructuring costs and impairment charges), the fair value movement on embedded derivatives, profit/loss on disposal of the UK operating segment and ELC business, and the impact of non-cash foreign currency adjustments. 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 and the Operating Board.

* Results for the prior year have been reclassified for the discontinuation of the ELC business and the UK operating segment, and restated for the impact of prior year adjustments.

Consolidated statement of comprehensive income

For the 52 weeks ended 28 March 2020

	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 Restated £ million
Profit/(loss) for the period	**14.4**	(97.0)
Items that will not be reclassified subsequently to the income statement:		
Actuarial gain on defined benefit pension schemes	**46.6**	1.6
Income tax relating to items not reclassified	**(5.4)**	0.2
	41.2	1.8
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**(1.9)**	0.1
Cash flow hedges: gains arising in the period	**–**	12.9
Deferred tax on cash flow hedges	**–**	(0.6)
	(1.9)	12.4
Other comprehensive income for the period	**39.3**	14.2
Total comprehensive income/(expense) for the period wholly attributable to equity holders of the parent	**53.7**	(82.8)

Consolidated balance sheet

As at 28 March 2020

	28 March 2020	30 March 2019 restated	24 March 2018 restated
	£ million	£ million	£ million
Non-current assets			
Goodwill	–	–	26.8
Intangible assets	**0.6**	16.3	39.6
Property, plant and equipment	**0.7**	27.7	55.0
Long-term receivables	–	–	0.1
Deferred tax asset	–	–	3.6
Right-of-use leasehold assets	**7.9**	–	–
Retirement benefit obligations	**29.8**	–	–
	39.0	44.0	125.1
Current assets			
Inventories	**9.7**	66.8	87.0
Trade and other receivables	**15.6**	45.9	64.5
Derivative financial instruments	**21.0**	1.5	0.1
Cash and cash equivalents	**6.1**	16.3	–
Assets classified as held for sale	**–**	0.5	–
	52.4	131.0	151.6
Total assets	**91.4**	175.0	276.7
Current liabilities			
Trade and other payables	**(29.5)**	(101.2)	(105.5)
Borrowings	**(28.0)**	(11.5)	(1.6)
Current tax liabilities	**(0.3)**	(0.7)	(0.3)
Provisions	**(2.3)**	(22.4)	(9.4)
	(60.1)	(135.8)	(16.8)
Non-current liabilities			
Trade and other payables	**–**	(16.8)	(21.5)
Borrowings	**(12.8)**	(11.7)	(42.5)
Lease liabilities	**(8.4)**	–	–
Retirement benefit obligations	**–**	(24.9)	(37.7)
Derivative financial instruments	**(0.3)**	(4.8)	(0.6)
Provisions	**(2.1)**	(35.2)	(37.4)
Deferred tax liability	**(5.4)**	–	–
	(29.0)	(93.4)	(133.6)
Total liabilities	**(89.1)**	(229.2)	(173.3)
Net assets/(liabilities)	**2.3**	(54.2)	3.4
Equity attributable to equity holders of the parent			
Share capital	**87.4**	87.1	85.4
Share premium account	**91.7**	88.9	61.0
Own shares	**(1.0)**	(1.1)	(1.1)
Translation reserve	**(3.7)**	(1.8)	(1.9)
Hedging reserve	**–**	1.3	(9.4)
Retained deficit	**(172.1)**	(228.6)	(130.6)
Total equity	**2.3**	(54.2)	3.4

Consolidated statement of changes in equity

For the 52 weeks ended 28 March 2020

	Equity attributable to equity holders of the parent						
	Share capital	Share premium account	Own shares	Translation reserve	Hedging reserve	Retained earnings	**Total equity**
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Balance at 30 March 2019	**87.1**	**88.9**	**(1.1)**	**(1.8)**	**1.3**	**(228.6)**	**(54.2)**
Other comprehensive (expense)/income	–	–	–	(1.9)	–	41.2	39.3
Loss for the period	–	–	–	–	–	14.4	14.4
Total comprehensive (expense)/income for the period	–	–	–	**(1.9)**	–	**55.6**	**53.7**
Transfer from equity to inventories during the period	–	–	–	–	(1.3)	–	(1.3)
Adjustment to equity for equity-settled share-based payments	–	–	–	–	–	0.9	0.9
Issue of new shares	0.3	2.9	0.1	–	–	–	3.3
Expenses of issue of equity shares	–	(0.1)	–	–	–	–	(0.1)
Balance at 28 March 2020	**87.4**	**91.7**	**(1.0)**	**(3.7)**	**–**	**(172.1)**	**2.3**

For the 53 weeks ended 30 March 2019

	Equity attributable to equity holders of the parent						
	Share capital	Share premium account	Own shares	Translation reserve	Hedging Reserve	Retained earnings	**Total equity**
	£ million	£ million	£ million	£ million	£ million	£ million	**£ million**
Balance at 25 March 2018 as previously reported	**85.4**	**61.0**	**(1.1)**	**(1.9)**	**(9.4)**	**(129.4)**	**4.6**
Cumulative adjustment to opening balances from the application of IFRS 15	–	–	–	–	–	(0.8)	(0.8)
Cumulative adjustment to opening balances from the application of IFRS 9	–	–	–	–	–	(2.0)	(2.0)
Prior year adjustments	–	–	–	–	–	(1.2)	(1.2)
Balance at 25 March 2018 as restated	85.4	61.0	(1.1)	(1.9)	(9.4)	(133.4)	0.6
Other comprehensive income for the period	–	–	–	0.1	12.3	1.8	14.2
Loss for the period	–	–	–	–	–	(97.0)	(97.0)
Total comprehensive income/(expense) for the period	–	–	–	0.1	12.3	(95.2)	(82.8)
Issue of new shares	1.7	30.8	–	–	–	–	32.5
Expenses of issue of equity shares	–	(2.9)	–	–	–	–	(2.9)
Transfer from equity to inventories during the period	–	–	–	–	(1.6)	–	(1.6)
Balance at 30 March 2019 as restated	**87.1**	**88.9**	**(1.1)**	**(1.8)**	**1.3**	**(228.6)**	**(54.2)**

Consolidated cash flow statement

For the 52 weeks ended 28 March 2020

	Note	**52 weeks ended 28 March 2020 £ million**	53 weeks ended 30 March 2019 Restated £ million
Net cash flow from operating activities – continuing operations	11	**(2.9)**	10.3
Net cash flow from operating activities – discontinued operations		**3.4**	(8.9)
Cash flows from investing activities			
Interest received		**0.3**	0.1
Purchase of property, plant and equipment		**(0.4)**	–
Purchase of intangibles – software		**(1.4)**	(6.4)
Proceeds from sale of property, plant and equipment		**–**	14.5
Net cash used in investing activities – continuing operations		**(1.5)**	8.2
Net cash used in investing activities – discontinued operations		**7.0**	0.1
Cash flows from financing activities			
Issue of share capital		**3.2**	32.5
Expenses of share issue		**(0.1)**	(2.9)
Shareholder loans		**5.5**	8.0
Interest paid		**(1.8)**	(2.3)
Lease interest paid		**(0.7)**	–
Repayments of leases		**(1.8)**	–
Repayment of facility		**(13.0)**	(61.5)
Drawdown of facility		**6.0**	36.0
Payment of facility fee		**(0.2)**	(0.7)
Net cash raised in financing activities – continuing operations		**(2.9)**	9.1
Net cash raised in financing activities – discontinued operations		**(12.9)**	(1.8)
Net increase in cash and cash equivalents		**(9.8)**	17.0
Cash and cash equivalents/(overdraft) at beginning of period		**16.3**	(1.6)
Effect of foreign exchange rate changes		**(0.4)**	0.9
Cash and cash equivalents at end of period		**6.1**	16.3

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 Financial Reporting Standards (IFRS) as endorsed by the European Union, 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 28 March 2020 or the 53 week period ended 30 March 2019, but it is derived from those accounts. Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered in September 2020. The auditor has reported on the 2020 accounts: their report includes a disclaimer of opinion; and did not contain statements under s498 (2) or (3) of the Companies Act 2006. The 2019 financial statements are available on the Group's website (www.mothercareplc.com).

2. Accounting Policies and Standards

Going concern

The Directors have reviewed the Group's latest forecasts and projections, which have been sensitivity-tested for reasonably possible adverse variations in performance, reflecting the ability to renegotiate bank facilities, ability to renegotiate the defined benefit pension deficit repayments, and uncertainties around the impact of COVID-19.

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

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

Adoption of new IFRSs

The same accounting policies, presentation and methods of computation are followed in this yearly report as applied in the Group's last audited financial statements for the 53 weeks ended 30 March 2019, with the exception of IFRS 16 'Leases' for which the 52 weeks ended 28 March 2020 is the Group's first period of application.

IFRS 16 'Leases' requires lessees to recognise a right of use asset, and a lease liability for future lease payables for all leases unless the underlying asset is of immaterial value or the lease term is less than one year. Instead of the rental expense, depreciation of the right of use asset on a straight line basis, and interest accruing on the lease liability, are recognised in the income statement.

There was no impact on brought forward reserves as a result of the transition to accounting under this standard.

At the point of transition, lease liabilities of £119.1 million were created alongside corresponding right-of-use assets of £64.4 million. IFRS 16 lease liabilities for the UK store estate were significantly greater than the corresponding right-of-use assets because the onerous lease provision and lease incentives liability were transferred against the asset at inception.

The Group has elected to rely on its assessment of whether or not a lease is onerous under IAS 37: Provisions, Contingent Assets, and Contingent Liabilities immediately before the date of initial application, and included an adjustment to the right-of-use asset in accordance with this.

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

On 5 November 2019, the Company's subsidiary and owner of the Group's UK retail operations, MUK, entered administration. An agreement was reached with the administrators of MUK to assign the "Mothercare" brand and novate the majority of the Group's international franchise agreements to a new legal entity and subsidiary of the Company, MGB, alongside certain assets and liabilities, including all liabilities in respect of the Group's defined benefit pension schemes.

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

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

Standards issued but not yet effective

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

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)

• IFRS 3 Business Combinations (Amendment – Definition of Business)
• Revised Conceptual Framework for Financial Reporting

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

IFRS 16 'Leases'

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All leases held by the Group are classified as operating leases.

All leases are accounted for by recognising a right-of-use asset and a lease liability unless they are for leases of low value assets, or for a duration of twelve months or less.

IFRS 16 was adopted on 31 March 2019, without restatement of comparative figures. Subsequent to this, the accounting policy was appropriately amended.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as it typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for: lease payments made at or before commencement of the lease; initial direct costs incurred; and the amount of any dilapidations provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the revised remaining lease term.

Discontinued operations

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

Foreign currency adjustments

The Group applies hedge accounting on some of its foreign currency contracts. The adjustment made by the Group ensures that it reports its adjusted profit performance consistently with cash flows, reflecting the economic hedging which is in place. In addition, foreign currency monetary assets and liabilities are revalued to the closing balance sheet rate under IAS21 "The Effects of Changes in Foreign Exchange Rates". Revaluation adjustments relating to cash and debtors are included before adjusted items with those relating to hedged items reported as adjusted items such that the Group reports its adjusted performance consistently with its cash flows.

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

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

Profit/(loss) before adjusted items
The Group's policy is to exclude items that are considered to be one-off and significant in both nature and/or value and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group. On this basis, the following items were included within adjusted items for the 52-week period ended 28 March 2020:

Continuing operations:
- costs associated with restructuring, redundancies and refinancing;
- finance costs, including the fair value movement on embedded derivatives in the shareholder loans;
- loss on disposal of the UK business;
- FY19: profit arising on the sale of the Head office freehold;
- FY19: loss on disposal of the ELC business.

Discontinued operations:
- store impairment and onerous lease charges;
- amortisation of intangible assets.

3. Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reported to the Group's Board in order to allocate resources to the segments and assess their performance. Under IFRS 8, the Group has not identified that it's continuing operations represent more than one segment.

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

Management have identified that the Miniclub operation constitutes a separate operating segment as it has its own operational manager, however it is considered to meet all the aggregation criteria under IFRS 8, including: the nature of products; the nature of the production processes; the type or class of customer; the methods used to distribute products; and the nature of the regulatory environment.

The results of franchise partners are not reported separately and therefore have not been identified to constitute separate operating segments.

Revenues are attributed to countries on the basis of the customer's location. The largest International customer represents approximately 38.9% (2019: 32.7%) of group sales.

Turnover by destination	**52 weeks ended 28 March 2020 £ million**	53 weeks ended 30 March 2019 Restated £ million
Continuing operations:		
Europe	**66.2**	88.0
Middle East	**63.4**	66.4
Asia	**34.1**	43.2
Rest of world	**1.0**	2.2
Total revenue	**164.7**	199.8

4. Adjusted items

The total adjusted items attributable to continuing operations reported for the 52-week period ended 28 March 2020 is a net charge of £0.9 million (2019: £20.7 million). The adjustments made to reported loss before tax to arrive at adjusted loss from continuing operations are:

	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 Restated £ million
Adjusted costs from continuing operations:		
Property related costs included in administrative expenses	**1.3**	5.6
Restructuring costs included in administrative expenses	**5.6**	12.1
Restructuring costs included in finance costs	**(6.0)**	2.1
Total adjusted costs:	**0.9**	19.8
Other adjusted items:		
Non-cash foreign currency adjustments under IAS 39 and IAS 21 included in cost of sales	**–**	0.9
Total adjusted items before tax	**0.9**	20.7

Property related costs included in administrative expenses – £1.3 million (2019: £5.6 million)

The charge of £1.3 million constitutes impairment to the IFRS 16 asset, reflecting management's best estimate of the period the warehouse facility, which became vacant as a result of the cessation of the UK operations, is expected to be continue to be vacant, as well as the accelerated dilapidations provision due to said warehouse becoming vacant.

The prior year charge of £5.6 million included:

A charge of £14.5 million for software impairment comprising £1.7 million licences for aspects of a planning system that will no longer be installed, and £12.8 million of general impairment against remaining intangibles.

Profit of £8.9 million on the sale of the Head office freehold property. In December 2018, the Group sold and leased back the UK Head Office for cash of £14.5 million (net of £0.2 million fees). The carrying value of the assets prior to disposal was £5.6 million, generating a profit on disposal of £8.9 million.

Restructuring costs included in administrative expenses – £5.6 million (2019: £12.1 million)

Costs of £5.6 million reflect the legal and professional fees incurred for the cessation of the UK business, corresponding continuation of the Global Franchise operations, and the exploration of financing options for the continuing element of the business.

The prior year charge of £12.1 million included:

Costs of £2.5 million reflecting closure of the sourcing office - comprising severance pay, lease costs, and advisor fees. During the comparative period it was announced that the Sourcing offices would be closed, with a third party taking on sourcing activities to drive economies of scale; this contract ceased in the current year as a result of the discontinuation of the UK business.

Costs of £4.5 million relating to the head office restructure including fees, the cost of specific project heads and redundancy costs. The salary costs for individuals substantially working on the restructure were included in adjusted costs on the basis that these costs would not have been incurred had these projects not taken place.

Refinancing costs of 5.9 million: In May 2018 the group entered a refinancing and funding review resulting in the equity raise, Shareholder loan, two CVAs (Mothercare and ELC), the administration of Childrens World Limited, and the amendment to the group's banking facilities. Fees of £5.9 million associated with these activities were recognised as adjusted costs.

Pension Increase Exchange – £1.4 million gain. In November 2018, members of the defined benefit pension scheme were offered the option of participating in a pension increase exchange (PIE). This enabled members the option of taking a higher pension at that time, in exchange for future increases being reduced to 75% of what they would otherwise have been. This was recognised as a past service cost through the income statement. Fees of £0.2 million were incurred to implement this change, including the independent legal advice offered to members. The net impact of £1.4 million is considered to be one-off in nature and has therefore been presented as an adjusted item.

Guaranteed minimum pensions – £0.6 million. On 26 October 2018 a High Court judgement was handed down regarding the Lloyds Banking Group's defined benefit pension scheme which affects many pension schemes in the UK, including the Group's UK schemes. The judgement concluded that schemes should be amended to ensure that members who have guaranteed minimum pensions (GMP) receive the same benefits regardless of their gender. This change impacted GMP benefits accrued between 1990 and 1997. In consultation with independent actuaries, the Group estimated the financial effect of equalising benefits to be an increase in the Group's accounting pension deficit of £0.6 million. This was recognised as a past service cost, and as this is one-off in nature therefore has been presented as an adjusted item.

Restructuring (income)/costs included in finance costs – £(6.0) million gain (2019: £2.1 million expense)

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

The reduction in the embedded derivatives of £6.0 million (2019: £1.7 million increase) is recognised as finance income (2019: a finance cost) in adjusted items. This £6.0 million consists of: a reduction in liabilities of £4.6 million in relation to the shareholder loans issued in May 2018; and £1.4 million from the inception valuation in November 2019 to the reporting date of 28 March 2020 for the newly issued loans in the current period. The reduction in the value of these embedded derivatives has been driven by the share price movement; and the share price at the reporting date was impacted by uncertainties in the UK stock market due to COVID-19.

Upon the renegotiation of banking facilities in the prior year, a charge of £0.4 million for the previously unamortised facility fee was recognised in adjusted costs.

Other adjusted items

Non-cash foreign currency adjustments of £nil million (2019: £0.9 million loss) include the revaluation of stock liabilities held in foreign currencies and the revaluation of outstanding forward contracts which have not yet been matched to the purchase of stock. There are no amounts in the current period as the Group did not have any open hedging contracts.

These revaluation and hedging adjustments are reported as adjusted items as the Group reports its underlying performance on a consistent basis with its cash flows; this is in line with how business performance is measured internally by the Board and Operating Board.

5. Net finance costs

	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 Restated £ million
Interest and bank fees on bank loans and overdrafts	**1.2**	1.2
Other interest payable	**2.6**	1.9
Net interest on liabilities/return on assets on pension	**0.6**	0.9
Interest on lease liabilities	**0.8**	–
Fair value movement on embedded derivatives	**–**	1.7
Interest payable	**5.2**	5.7
Fair value movement on embedded derivatives	**(6.0)**	–
Interest received on bank deposits	**(0.3)**	(0.1)
Net finance (income)/costs	**(1.1)**	5.6

6. Taxation

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

	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 Restated* £ million
Current tax – overseas tax and UK corporation tax	**0.8**	3.0
Deferred tax – UK tax charge for temporary differences	**–**	0.1
Charge/(credit) for taxation on loss for the period	**0.8**	3.0

UK corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the period. The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. These rate reductions were substantively enacted by the balance sheet date and therefore included in these financial statements. Temporary differences have been measured using these enacted tax rates. Legislation has been substantively enacted after the current financial year balance sheet date to repeal the reduction of the main corporation tax rate thereby maintaining the current rate of corporation tax at 19%.

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

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

	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 Restated £ million
Loss for the period from continuing operations	**(6.4)**	(18.0)
Loss for the period before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	**(1.2)**	(3.4)
Effects of:		
Expenses not deductible for tax purposes	**–**	1.6
Profits/losses surrendered to discontinued operations	**–**	(0.4)
Impact of difference in current and deferred tax rates	**(0.1)**	0.5
Impact of overseas tax rates	**0.3**	1.0
Impact of overseas taxes expensed	**(0.1)**	(0.1)
Adjustments in respect of prior periods – current tax	**0.1**	–
Deferred tax not recognised	**1.7**	3.9
Relief for losses brought forward	**0.1**	–
Charge for taxation on loss for the period	**0.8**	3.1

In addition to the amount charged to the income statement, deferred tax relating to retirement benefit obligations, share-based payments and cash flow hedges amounting to £5.4 million (2019: £0.4 million) has been charged directly to other comprehensive income.

7. Discontinued operations

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

On 12 March 2019, the Group entered into an agreement for the sale of the Early Learning Centre (ELC) trade and specified assets. This contract completed on 22 March 2019, and the subsequent Curated Wholesale Agreement with TEAL Brands Limited ("TEAL") took effect from 13 May 2019.

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

	52 weeks ended 28 March 2020			53 weeks ended 30 March 2019		
	Before adjusted items*	**Adjusted items**	**Total**	Before adjusted items*	Adjusted items	Total
	£ million	**£ million**	**£ million**	£ million	£ million	£ million
Revenue:	**149.5**	**–**	**149.5**	359.9	–	359.9
Expenses	**(137.1)**	**–**	**(137.1)**	(351.7)	–	(351.7)
Gross profit	**12.4**	**–**	**12.4**	8.0	–	8.0
Administrative expenses	**(15.7)**	**30.0**	**14.3**	(21.3)	(57.9)	(79.2)
(Loss)/profit from operations	**(3.3)**	**30.0**	**26.7**	(13.3)	(57.9)	(71.2)
Net finance costs	**(5.2)**	**–**	**(5.2)**	(1.7)	–	(1.7)
(Loss)/profit before taxation	**(8.5)**	**30.0**	**21.5**	(15.0)	(57.9)	(72.9)
Taxation	**0.1**	**–**	**0.1**	(3.3)	0.3	(3.0)
Net (loss)/profit attributable to discontinued operations	**(8.4)**	**30.0**	**21.6**	(18.3)	(57.6)	(75.9)

* Adjusted loss after tax on discontinued operations of £(8.4) million (2019: £18.3 million loss) includes only those costs that are clearly identifiable as costs of the component that is being disposed of and that will not be recognised on an ongoing basis.

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

	52 weeks ended 28 March 2020 £ million
Reduction in intangibles assets	**(14.0)**
Reduction in property, plant and equipment	**(15.8)**
Reduction in right-of-use assets	**(39.1)**
Reduction in inventories	**(68.8)**
Reduction in trade and other receivables	**(12.7)**
Reduction in trade and other payables	**70.9**
Reduction in provisions	**11.3**
Reduction in lease liabilities	**101.1**
Reduction in Group secured creditors	**13.3**
Profit on disposal	**46.2**

The adjusted item arising from the sale of the ELC operations was comprised as follows:

	53 weeks ended 30 March 2019 £ million
Consideration received or receivable:	
Cash	**6.0**

Deferred cash consideration	**5.5**
Total disposal consideration*	**11.5**
Legal expenses	**(1.2)**
Total net consideration	**10.3**
Write off of goodwill and intangible assets	**(30.8)**
Write down of property, plant and equipment	**(1.4)**
Write down of inventory	**(2.3)**
Write down of other assets	**(0.8)**
Transfer of inventory to TEAL Brands Limited	**(5.5)**
Adjusted item before taxation	**(30.5)**
Taxation	**0.4**
Loss on sale of Early Learning Centre (adjusted item)	**(30.1)**

* Additional consideration of £1.0 million in May 2020 and £1.0m in May 2021 was deferred; this would have been over the first two years of trading under the Curated Wholesale Agreement with TEAL Brands Limited, and therefore the total consideration was deemed to be £13.5 million.

8. Dividends

The Directors are not recommending the payment of a final dividend for the year (2019: £nil). No interim dividend was paid during the year (2019: £nil).

9. Earnings per share

	52 weeks ended 28 March 2020 Million	53 weeks ended 30 March 2019 Million
Weighted average number of shares in issue for the purposes of basic earnings per share	**352.5**	**283.5**
Dilution – option schemes	**120.5**	**28.0**
Weighted average number of shares in issue for the purpose of diluted earnings per share	**473.0**	311.5
Number of shares at period end	**374.2**	341.7

	£ million	Restated £ million
Loss for basic and diluted earnings per share	**14.4**	(97.0)
Adjusted items	**(29.1)**	77.7
Tax effect of above items	**(0.1)**	(0.3)
Adjusted loss for continuing and discontinued operations	**(14.8)**	(19.6)

From continuing and discontinued operations	**pence**	pence
Basic losses per share	**4.1**	(34.2)
Basic adjusted losses per share	**(4.2)**	(6.9)
Diluted losses per share	**3.0**	(34.2)
Diluted adjusted losses per share	**(4.2)**	(6.9)

	£ million	£ million
Loss for basic and diluted earnings per share	**(7.2)**	(21.1)
Adjusted items (Note 4)	**0.9**	20.7
Tax effect of above items	**(0.1)**	(0.9)
Adjusted loss for continuing operations	**(6.4)**	(1.3)

From continuing operations	**Pence**	pence
Basic losses per share	**(2.0)**	(7.4)
Basic adjusted losses per share	**(1.8)**	(0.5)
Diluted losses per share	**(2.0)**	(7.4)
Diluted adjusted losses per share	**(1.8)**	(0.5)

10. Share Capital and Share Premium

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

11. Notes to the cash flow statement

	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 Restated £ million
Loss from operations	**(7.5)**	(12.4)
Adjustments for:		
Depreciation of property, plant and equipment	**3.6**	2.6
Amortisation of intangible assets	**3.2**	10.5
Impairment of property, plant and equipment and intangible assets	**0.5**	14.5
Profit on sale of property, plant and equipment	**–**	(8.9)
(Gain)/loss on non-cash foreign currency adjustments	**(1.3)**	1.5
Share-based payments	**0.9**	(0.8)
Movement in provisions	**0.2**	4.2
Amortisation of lease incentives	**–**	(0.1)
Payments to retirement benefit schemes	**(11.6)**	(14.4)
Charge in respect of retirement benefit schemes	**2.9**	2.3
Operating cash flow before movement in working capital	**(9.1)**	(1.0)
Decrease in inventories	**62.6**	3.4
Decrease in receivables	**30.9**	20.1
Decrease in payables	**(86.6)**	(10.3)
Foreign exchange movements on working capital	**(0.6)**	(0.8)
Net cash flow from operating activities	**(2.8)**	11.4
Income taxes paid	**(0.1)**	(1.1)
Cash flow from operations – continuing operations	**(2.9)**	10.3
Cash flow from operations – discontinuing operations	**3.4**	(8.9)

Analysis of net debt

	30 March 2019 £ million	Cash flow £ million	Foreign exchange £ million	Non – cash movements[1] £ million	**28 March 2020 £ million**
Cash and cash equivalents/bank overdrafts	16.3	(7.4)	(0.9)	(1.9)	6.1
Borrowings - secured	(17.0)	(11.0)	-	21.0	(7.0)
Borrowings - Shareholder loans	(6.2)	(5.5)	-	(1.1)	(12.8)
Net debt	(6.9)	(23.9)	(0.9)	18.0	(13.7)

1. Non-cash movements comprise:

- Shareholder loans: the £1.5 million valuation of the embedded derivative on shareholder loans issued in November 2019 at inception, £2.8 million of interest accrued on the shareholder loans, and £0.2 million of facility fee amortisation.
- Revolving credit facility: the £21.0 million reflects the cash proceeds from the wind-up of the UK operations expected to be used by the administrators, PwC, to part-repay this loan.
- Cash at bank: £1.9 million of cash was held by Mothercare UK limited at the point of disposal of the UK operating segment.

Net debt excludes IFRS 16 lease liabilities of £8.4 million (see note 16). The disposal of £119.1 million of lease liabilities in the period related to the loss of control of MUK and was therefore a non-cash transaction (see note 10).

The Group had outstanding borrowings at 28 March 2020 of £40.8 million (2019: £23.2 million).

The revolving credit facility of £28.0 million (2019: £17.0 million) is secured on the shares of specified obligor subsidiaries and the assets of the group not already pledged. This loan was in breach of the covenant requirements and therefore repayable on demand. The Group also holds a financial asset of £21.0 million reflecting the expected proceeds from the wind-down of the UK operations by the administrators of

Mothercare UK Limited, and therefore the total expected repayment due at 28 March 2020 is £7.0 million. Post year end, £10.0 million of the £21.0 million has so far been paid down by the administrators.

The Group has also raised shareholder loans of £5.5 million (2019: £8.0 million) during the period, which attract a monthly compound interest rate of 0.83%, and have a termination date of June 2021. These shareholder loans provide an opportunity for the lender to convert the loan into ordinary shares of the Company at specified dates of either 31 May or 30 November each year. They are accounted for at an amortised cost of £12.8 million (2019: £6.2 million), with the option to convert fair valued and treated as an embedded derivative liability of £0.3 million (2019: £4.8 million). The conversion option forms a liability rather than equity due to the terms of the lending agreements through which the conversion price may be reduced should the Group issue shares.

12. **Restatements for the 53 weeks ended 30 March 2019**

The tables below show a reconciliation of the income statement from the published year end 30 March 2019 financial statements to the restated amounts shown for the current year.

	30 March 2019 reported £ million	Discontinued operations £ million	Lease dilapidations £ million	Credit note provision £ million	Rebate creditor £ million	Finance costs £ million	30 March 2019 restated £ million
Revenue	513.8	(310.7)	–	(3.3)	–	–	199.8
Cost of sales	(495.5)	347.6	–	–	–	–	(147.9)
Gross profit	18.3	36.9	–	(3.3)	–	–	51.9
Administrative expenses	(76.9)	13.5	(0.3)	–	(0.6)	–	(64.3)
(Loss)/profit from operations	(58.6)	50.4	(0.3)	(3.3)	(0.6)	–	(12.4)
Net finance costs	(8.0)	1.8	–	–	–	0.6	(5.6)
(Loss)/profit before taxation	(66.6)	52.2	(0.3)	(3.3)	(0.6)	0.6	(18.0)
Taxation	(0.9)	(2.2)	–	–	–	–	(3.1)
Loss for the period from continuing operations	(67.5)	50.0	(0.3)	(3.3)	(0.6)	0.6	(21.1)
Loss for the year from discontinued operations	(25.9)	(50.0)	–	–	–	–	(75.9)
(Loss)/profit for the period attributable to equity holders of the period	(93.4)	–	(0.3)	(3.3)	(0.6)	0.6	(97.0)

	30 March 2019 reported £ million	Discontinued operations £ million	Lease dilapidations £ million	Credit note provision £ million	Rebate creditor £ million	Finance costs £ million	30 March 2019 restated £ million	24 March 2018 Restated £ million
Current liabilities								
Trade and other payables	(102.6)	–	–	–	–	1.4	(101.2)	(105.5)
Provisions	(21.8)	–	–	(0.6)	–	–	(22.4)	(16.8)
Non-current liabilities								
Trade and other payables	(14.8)	–	–	–	(2.0)	–	(16.8)	(21.5)
Provisions	(31.6)	–	(0.9)	(2.7)	–	–	(35.2)	(37.4)
Net assets	(49.4)	–	(0.9)	(3.3)	(2.0)	1.4	(54.2)	3.4
Retained loss	(223.8)	–	(0.9)	(3.3)	(2.0)	1.4	(228.6)	(130.6)
Equity	(49.4)	–	(0.9)	(3.3)	(2.0)	1.4	(54.2)	3.4

The results for the comparative period of the 53 weeks ended 30 March 2019 have been restated in order to give a clearer view of the results for that period in light of certain factors arising and also for the impact discontinued operations.

The annual report for the 53 week period ended 30 March 2019 disclosed the operations impacted as a result of the Early Learning Centre trade and assets sale as discontinued. For consistency with the results for the 52 week period ended 28 March 2020, the results for the 53 week period ended 30 March 2019 have been restated to additionally show the UK operating segment as discontinued as a result of the loss of control of MUK and MBS as a result of the appointment of administrators in both Companies on 5 November 2019.

The restatement has been performed in accordance with IFRS 5 'Non-Current Assets Held for sale and Discontinued Operations' and therefore, in consistency with the common control accounting used to reflect the substance of the loss of control and continuation of the International segment of the business, continuing operations include expenses which were discontinued as a result of the administration process however were used by both the International and UK operating segments prior to this and therefore do not qualify as discontinued expenditure under IFRS 5.

The numbers above correspond to the additional discontinued operations; whereas note 7 shows total discontinued operations for the 53 weeks to 30 March 2019 – the difference being the ELC results, which were already shown as discontinued in the 2019 Annual Report.

Additionally, due to errors made in a previous reporting period the following restatements have been made to the results for the 53 week period ended 30 March 2019:

These adjustments include:

1) Lease dilapidations

A correction to the provision for dilapidations to reflect the amounts of wear and tear to date on a property largely used in relation to the UK operating segment. An independent dilapidations assessment was performed in February 2020 which gave a detailed breakdown of end of lease costs as well as wear and tear to that date. The Group had previously considered that the lease would be extended indefinitely and therefore that any dilapidations amount would not be significant, however the detailed review showed a more reflective picture, and this is therefore considered an adjustable error as management could have had access to this information or prepared an estimate of the dilapidations at this site in the previous financial years.

The impact of this adjustment on the closing balance sheet at 24 March 2018 is to increase provisions and reduce reserves brought forward by £0.6 million.

2) And 3) Rebate liabilities

Inclusion of liabilities in relation to amounts due under historic contracts that should have been recognised at the time of the agreement, rather than over the period of the contract. The error was only identified during the current financial year.

The impact of these adjustments on the closing balance sheet at 24 March 2018 is to increase creditors and reduce reserves brought forward by £1.4 million.

3) Finance costs

A miscalculation of finance costs accrued but not paid, in relation to several previous years, which has now been reversed. Interest charges had been accrued based on a misinterpretation of the contractual terms such that they included amounts based on rates under a previous facility as well as the actual monthly interest due. This is an accrual that was not adjusted in previous years, however due to the other prior year adjustments and revised size of the Group is considered significant enough in 2020 for a prior year adjustment.

The impact of this adjustment on the closing balance sheet at 24 March 2018 is to reduce creditors and increase reserves brought forward by £0.8 million.

13. Events after the balance sheet date

In June 2020, Gordon Brothers purchased the Group's secured borrowings previously held by HSBC.

A week before year end, widescale shutdowns started due to COVID-19, and the uncertainties in relation to this have continued after the year end. Whilst the full impact remains unknown, to date there has been a broad impact across both the supply chain and the franchise partner network, with factories and stores closing in multiple territories as different countries react to the unfolding crisis.

Factories and ports closing led to delays in the shipment of products to franchise partners, and also hindered the ability of the Group's manufacturing partners to source raw materials. As at the current date, ports and factories have re-opened and supply has recommenced.

The impact to the Group's franchise partners was felt through the closure of 73% (at the peak of the closure period) of their store portfolio across their retail estates.

Glossary – Alternative Performance Measures (APMs)

Introduction

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).

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 and across the period because it is consistent with how business performance is reported to the Board and Operating Board.

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

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes 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 sales plus total UK sales. Total International sales are International retail sales plus International Wholesale sales. Total Group revenue is a statutory number and is made up of total UK sales and receipts from International franchise partners, which includes royalty payments and the cost of goods dispatched to international franchise partners.

International retail sales

International retail sales are the estimated retail sales of overseas franchise and joint venture partners to their customers.

International like-for-like sales

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

Profit/(loss) before adjusted items

The Group's policy is to exclude items that are considered to be one-off and significant in both nature and/or value and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group.