mothercare

Annual Report & Accounts 2023

we know parenting

Contents

Overview

Mothercare is a globally recognised and highly trusted British heritage brand with more than 60 years' experience designing and developing products for parents, babies and young children.

vision

to be the world's most trusted and desirable brand for parents of babies and young children.

purpose

to provide the products and the advice that matter most to parents, to help them feel happy and confident.

proposition

we know parenting

At a glance

Our global footprint

Our products

Clothing

Worldwide Retail Sales

£279m

Our largest categories:

- Newborn
- Baby essentials
- Nightwear

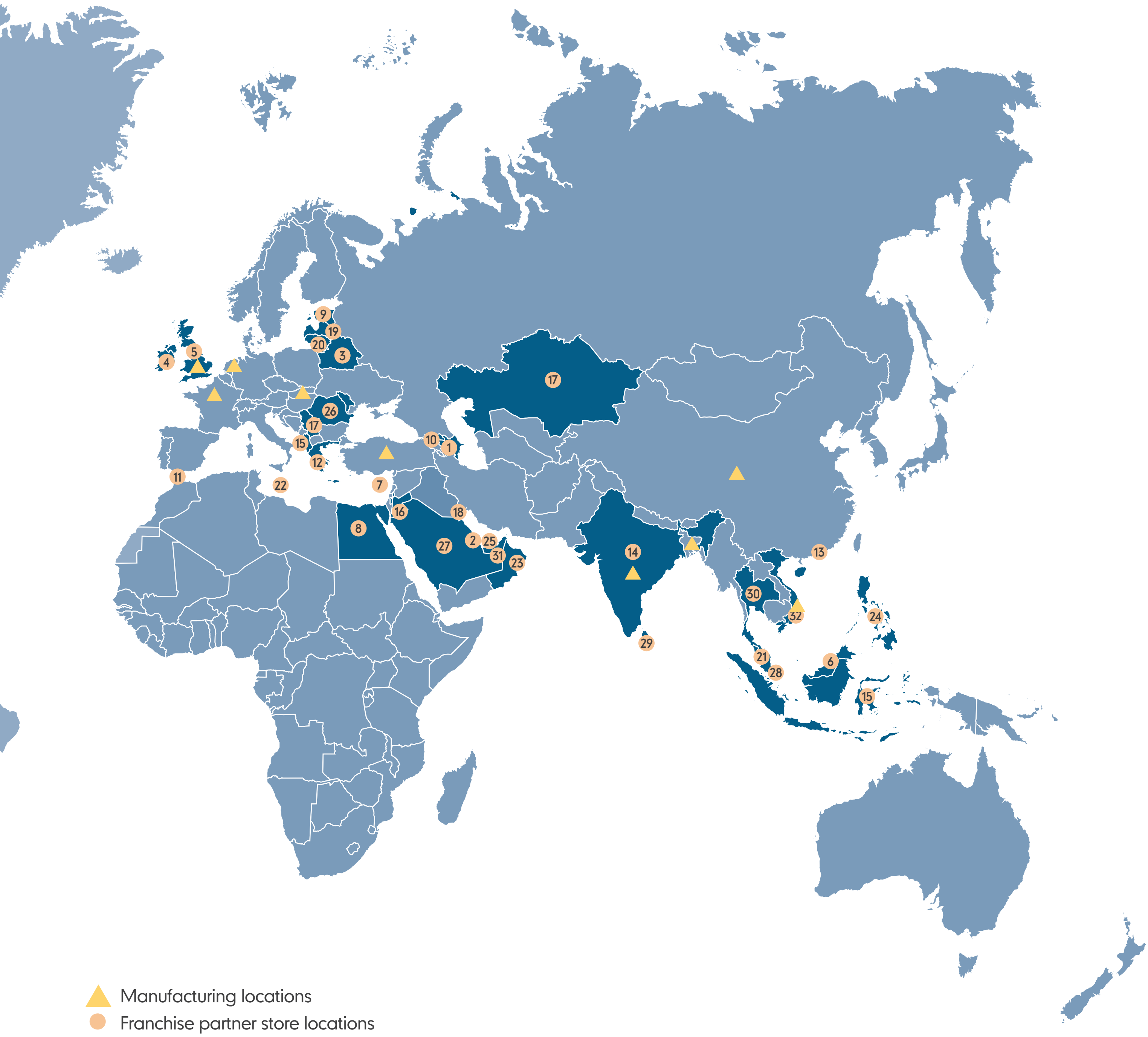
Home, travel and toys

Worldwide Retail Sales

£44m

Our largest categories:

- Bedding
- Pushchairs
- Bathtime, and
- Toys



▲ Manufacturing locations
● Franchise partner store locations

We manufacture primarily in India, Bangladesh and China with audited factories which are environmentally, ethically and socially compliant.

Stores

1. Azerbaijan
2. Bahrain
3. Belarus
4. Boots – Republic of Ireland
5. Boots – UK
6. Brunei
7. Cyprus
8. Egypt
9. Estonia
10. Georgia
11. Gibraltar
12. Greece
13. Hong Kong
14. India
15. Indonesia
16. Jordan
17. Kazakhstan
18. Kuwait
19. Latvia
20. Lithuania
21. Malaysia
22. Malta
23. Oman
24. Philippines
25. Qatar
26. Romania
27. Saudi Arabia
28. Singapore
29. Sri Lanka
30. Thailand
31. United Arab Emirates
32. Vietnam

Our history

Enduring brand equity

1961
Founded by Selim Zilkha and Sir James Goldsmith, opening the first store in Kingston

1968
Begins selling children's clothes up to the age of 5

1972
Mothercare becomes a public company

1983
The first international franchise store opens in Kuwait

1987
Stores open in Malaysia, Hong Kong and Singapore

1990s
Expands further globally into Russia and Europe

2000
Mothercare Plc is formed as a sole business after previous mergers with Habitat and BHS and Mothercare.com is launched

2019
Mothercare UK retail business placed in administration and Mothercare Global Brand is formed

2020
Partnership with Boots is launched as franchisee for the UK and Ireland

2021
Mothercare celebrates its 60th anniversary

2022
Termination of our Russian market

2023
Seeking opportunities to exploit the Mothercare brand

Financial highlights

- Net worldwide retail sales by franchise partners of £322.7 million (2022: £385.3 million)*. This includes no contribution from the Russian market which was suspended at the end of our previous financial year, representing an increase of 9% in continuing markets.
- Adjusted EBITDA of £6.7 million (2022: £12.0 million), ahead of analysts' expectations.
- Net borrowings of £12.4 million (2022: £9.9 million) at the year end.
- Pension scheme deficit materially reduced to £35.0 million (March 2020: £124.6 million).

* FY22 to FY23 includes the impact of the loss of operations in Russia

Chairman's statement

Clive Whiley
Chairman

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

Introduction and the next year

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

Accordingly, we are determined to:

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

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

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

The last five years

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

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

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

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

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

The Year under review

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

- an adjusted EBITDA of £6.7 million (2022: £12.0 million). For the prior year our Russian territory directly contributed some £5.5 million to our adjusted EBITDA, which coupled with some margin benefit due to shipping delays in last year's results, means there is a year on year improvement in the underlying profitability of the business once these elements are excluded;
- net worldwide retail sales by franchise partners were £322.7 million (2022: £385.3 million). For the prior year our Russian territory contributed £88 million hence total retail sales were 9% higher than the levels for the previous financial year with the Russian retail sales excluded. Excluding our Middle East markets as well as Russia, the increase was 17% and our Middle East markets (43% of our total retail sales) reduced by 1% (at actual exchange rates);

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

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

Chairman's statement
continued

Financing

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

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

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

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

Pension Schemes and revised pension contribution plans

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

The last full actuarial valuation of the schemes was at 31 March 2023 and showed a deficit of £35 million, resulting from total assets of £198 million and total liabilities of £233 million.

The revised recovery plan agreed with the Trustees includes total contributions (DRCs plus costs) in the financial years to March 2024 £2.4 million; March 2025 £2.0 million; March 2026 & 2027 £3.0 million; March 2028 & 2029 £4.0 million; March 2030 & 2031 £5.0 million and March 2032 £6 million and March 2033 £0.5 million aggregating to fully fund the £35 million deficit by March 2033.

Opportunities for growth

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

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

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

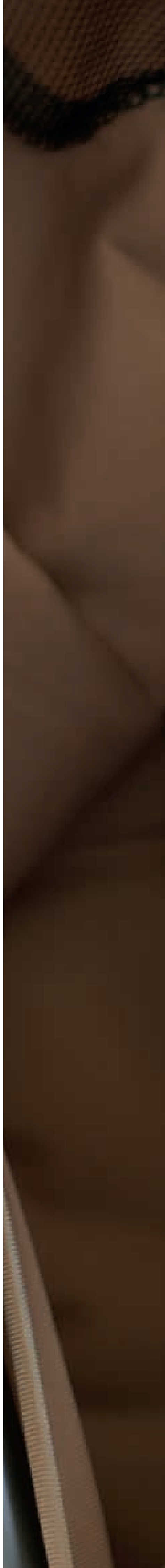
Cost Reduction Programme and Enterprise Resource Planning ("ERP") system

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

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

Supply chain model

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




mothercare

Chairman's statement
continued

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

Management & Board changes

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

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

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

Dividend Policy

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

Summary and Outlook

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

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

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

Business model

Mothercare Global Brand Limited (MGB) owns the Mothercare brand. We design, source and distribute products to our franchise partners, of which there are 17 across 32 countries.

Our key route to market is via our global franchise network of Mothercare stores, with physical stores accounting for almost 90% of our annual global sales. We trade from 50 e-commerce sites and 500+ stores across 32 countries in many of the world's best shopping malls. Partnership arrangements include full multi-channel agreements for the brand's exclusive use in their markets.

Our product ranges are designed with the needs of global parents in mind, from which our partners select products for their consumers. We also develop country and seasonally bespoke products to answer cultural and market differences. Subject to MGB approval, our partners buy complementary specialist third-party branded products to offer consumers more choice.

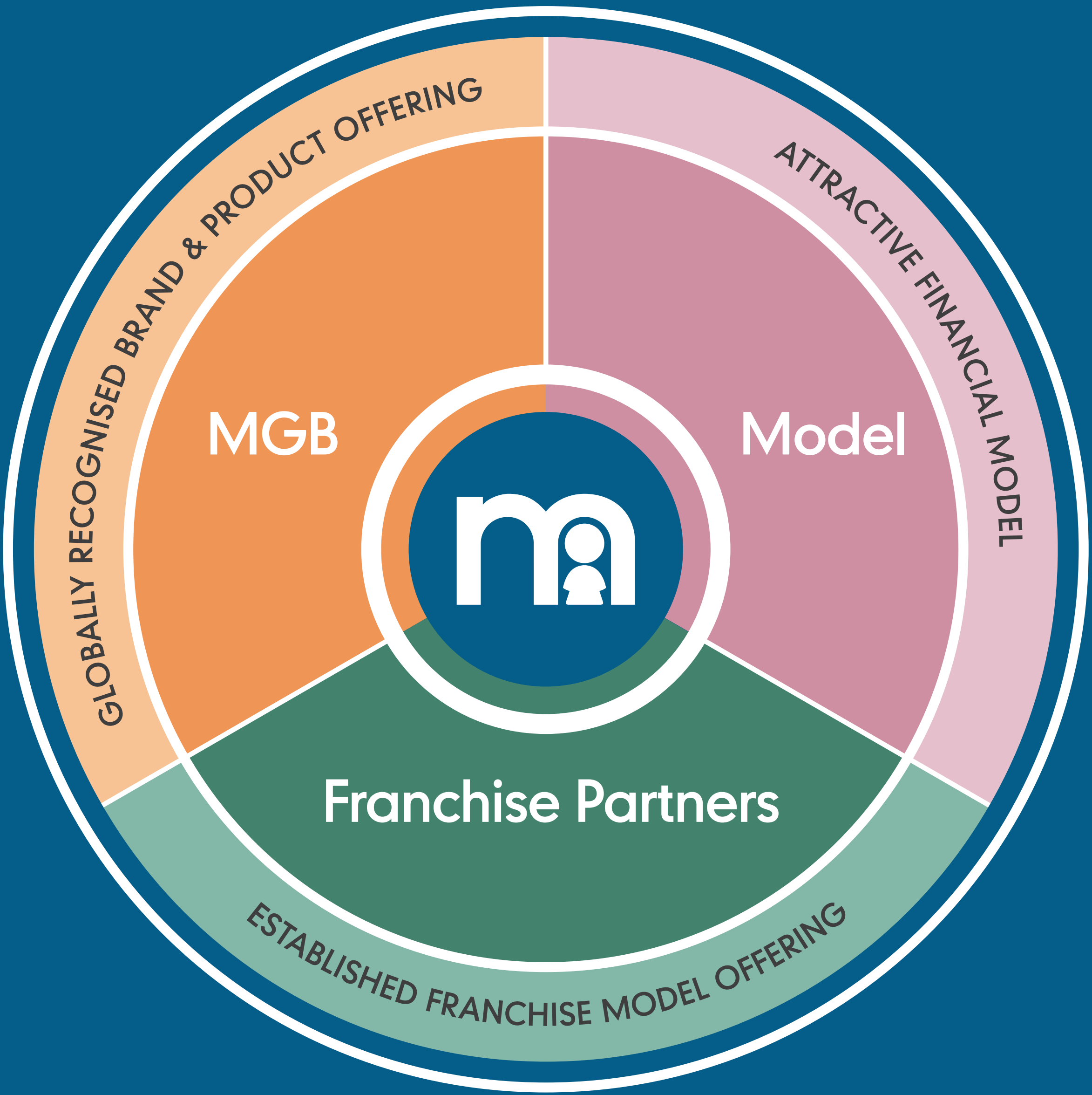
Our financial model results in MGB only placing orders for products from its manufacturing partners that match the orders from the franchise partners. Under a three-way agreement, the franchise partners contract with the manufacturing partners to pay for products they order.

Consequently, MGB does not hold any stock not covered by a sales order. The product is generally shipped directly from the manufacturing partner to the franchisee, meaning there is little need for MGB to use warehouses.

By value, most of the manufacturing partners' invoices for products are directly addressed to and paid by our franchise partners.

MGB earns most of its gross profit from the royalties charged as a percentage of its franchise partners' net retail sales.

Our long-standing manufacturing and franchise partners' businesses often started with the Mothercare brand, and we, therefore, benefit from their deep understanding of the brand. Now three years into this model, we continue to improve season on season and are confident we can scale it for more partners and geographic territories.



Value we create

Customers

We aim to be the most trusted provider of quality products and expertise to parents on their parenting journey.

Business partners

We aim to create value for all our partners, supporting their profitable growth.

Colleagues

We aim to balance fair reward, development in the role and wellbeing for our colleagues by offering them the tools needed to take responsibility for their future while supporting them through each stage of their career with us.

Shareholder

We aim to deliver sustainable profit and growth.

Operational review

our strategic goals

1. build an increasingly connected brand offer

defining who we are to enable a more engaging and relevant customer proposition

2. drive franchise partner profitability

to ensure a sustainable and investible business model

3. continue the MGB journey

to deliver growth and progression through the potential of new systems, channels, territories and sub-brands

Operational review
continued

1. build an increasingly connected brand offer

Progress in FY23

- redefined the brand vision, purpose, and proposition to enable us confidently to put the Mothercare brand at the heart of everything we do
- launched m compact, our first new pushchair since 2018, with full product marketing support showcasing our expertise
- relaunched m play, our baby entertainment range with functionality and technology

Looking ahead to FY24

- further embedding consumer insights into brand planning, elevating brand, and product marketing to increase impact
- communicating our expertise credentials through staff training, visual merchandising, and marketing at the point of purchase to drive activation
- expanding our clothing ranges to deliver choices for classic and contemporary consumer tastes

Operational review
continued

We know our brand is our differentiator

Our brand proposition and good, better, best range construction enables our franchise partners to compete with brands in the mid-market segments confidently. Focusing on the products and advice that matter most to parents, we differentiate from mass retailers with better quality, value for money and expertise to command a more appropriate gross margin.

We know baby, child, and parent needs

Our core consumer targets are pregnant women, parents of children under three and parents of children from three to ten. The emotions driving their purchasing decisions are different across the three groups, and we aim to satisfy those, so they feel happy and confident in their choices. Our heritage and substantial brand equity built over six decades means we are trusted and score highly in many areas, including quality and value for money.

Product

We are growing our core baby market

Attracting pregnant women and parents of children under three is vital for customer acquisition, brand engagement and repeat purchasing. The following have contributed to a growth in baby clothing to 46% of clothing mix vs 30% last year.

- increased design choice for classic and contemporary consumer taste
- introduction of My First collection, a broad range for newborn babies supported by a product marketing campaign; we know comfort
- offered greater choice and newness in our newborn daywear ranges
- created more gifting options, including 8-piece sets and gift in a bag

We continue to focus on baby-to-child development, expanding our developmental toys and successful m play toy range.

We are giving even better value

Our consumers expect high-quality products and excellent value for money, so we continuously improve our offer. In the last year, we've actioned the following:

- increased the number of easy-to-shop, head-to-toe outfits across sets, packs, and dresses to nearly half of our total clothing mix in 2023, vs a quarter in 2022
- relaunched Mothercare Essentials – an offer of key pieces for outfit building that help increase retail basket size
- focused ranges by optimising styles, reducing options, and driving volume per line to increase margin
- utilised a data-driven framework to create clear pricing architecture
- grown our 'good' price entry but also increased our 'best' mix to broaden the appeal and accessibility of our brand

We are using responsibly sourced cotton

In response to parents' growing desire to shop sustainably, the majority of cotton in our ranges developed from 2023 is responsibly sourced, fully traceable and documented throughout the supply chain.

Our manufacturing partners are sourcing organic and sustainable cotton for their retail customers, and all parts of the supply chain must be engaged and approved. Currently, our manufacturing partners are sourcing sustainable cotton through an established BCI route (Better Cotton Initiative). The BCI uses the mass balance programme to combine responsibly sourced cotton with conventional cotton in the supply chain.

We are strengthening manufacturing relationships

We have strong partnerships with our manufacturers, which are longstanding. We:

- drive a strategy which continues to be right factories, right product, right countries to ensure the best product output for the customer
- have consolidated our core supply base, which has driven greater value for each partner and further strengthened manufacturing relationships
- employ a sourcing strategy which supports our growth plan and, where needed, introduce new specialist manufacturers, particularly in Home & Travel
- continue to deliver strong on-time availability of stock into markets to maximise seasonal sales

Operational review
continued

We are building long and short marketing plans

We are at the start of bringing our new brand proposition to life through marketing and communications, utilising 'we know' to communicate our experience and expertise inclusively.

Our brand-building campaigns tell stories which resonate with parents globally by focusing on parenting challenges or key child development stages in beautifully styled photography and videography. Our objective with ‘we know sleep’ is to build a brand association with this critical area and create a halo effect on our clothing and home categories. We will iterate on this campaign throughout 2024 to cut through with our target audiences.

For home and travel categories, product marketing campaigns hero the product features and benefits, demonstrating our expertise and building consumer confidence. For clothing, simplified and modernised photography across all channels creates demand for key styles and best sellers. We introduced ‘we know travel’ for the ‘m compact’ launch and for the ‘My First’ baby collection, ‘we know comfort’.

We continue to push our content forwards with a mobile-first mindset, ensuring we create brand toolkits to empower our franchise partners to manage the brand in their market effectively. We produce more on-model photography and video content than ever before, featuring our best-selling products across all ages for use across all consumer touch points.

We are giving more direction to partners on campaign implementation to drive better global consistency, particularly across retail, e-commerce, and social media. We also support key trading periods, such as Ramadan, with optional campaigns for partners to adopt.

With the store of the future concept ready for implementation, we are also looking at store refresh and evolution solutions for key stores in our existing estate. These provide a lower cost entry of improving the shopping experience for consumers and modernising the brand image.


sleep mode
when playtime turns into naptime...
we know sleep
afternoons are made for spontaneous snoozing
chilled afternoon
coffee...yep coffee is the best thing i've discovered since becoming a dad.
we know sleep


for those moments of complete silence.
we know sleep


when playtime turns into naptime...
our super comfort clothing is play (and sleep) ready
we know sleep


lost in a day dream...
our super comfort clothing is play (and sleep) ready
we know sleep

Operational review
continued

2. drive franchise partner profitability

Progress in FY23

- increased levels of sales data from franchise partners is helping to inform range planning and new product introductions
- defined and accelerated a roadmap of high value categories in Home & Travel to market, offering better margin than third-party brands
- increased direct shipments to 90% and direct invoice to 70% in the latest ordering cycle

Looking ahead to FY24

- further new product introductions on Home & Travel categories – travel, sleep and feeding
- further data analysis to develop customer-led category growth plans to increase sales and margin
- launch of ERP will further enhance our data and reporting management

Operational review
continued

Geographical footprint

Overview

Our key route to market is via our global franchise network of Mothercare stores, with physical stores accounting for almost 90% of our annual global sales. We trade from 50 e commerce sites and 500+ stores across 32 countries in many of the world's best shopping malls. We continue investing in our store and online presentation, and content while developing alternative channels and markets.

Middle East 43% of annual global sales trading from 140 stores

The Middle East is Mothercare's largest region. It consists of eight territories, including Egypt, Jordan, Bahrain and Oman, alongside the key markets of Saudi Arabia, UAE, Kuwait and Qatar. The Middle East experienced a decline of 11% on last year (in local currency).

Our partner Alshaya, a leading regional operator, opened the first Mothercare store outside the UK. This year we celebrated 40 years of Mothercare within the region, and they continue to be a great ambassador for the brand.

The Kingdom of Saudi Arabia accounts for 13% of Mothercare global sales and was the weakest of the Middle Eastern territories. Sales declined 20% on last year reflecting certain local factors some of which are transitory.

Malaysia, Singapore, and Hong Kong 12% of annual global sales trading from 38 stores

Our three Far Eastern Markets, under the operation of our franchise partner Kim Hin International, saw positive uplifts in year-on-year sales, the strongest of which was Malaysia seeing a +32% increase on last year and returning to pre-pandemic sales levels. Singapore was +12% on last year and is set to return to sales of 2019 in the upcoming year.

India 9% of annual global sales trading from 122 stores

India is Mothercare's third largest region, with sales this year 42% on last year, rebounding strongly from the COVID disruptions felt in the previous year.

Our franchise partner Reliance is the leading operator in the region and continues to invest in multiple channel growth, including wholesale which has grown to a 25% share of business for the market.

Indonesia 9% of annual global sales trading from 54 stores

Despite ongoing disruptions and regulation changes impacting the importation of products, Indonesia continued to grow. With sales +28% on last year and our partner Kanmo investing in opening 4 new stores and reinforcing the online proposition, we are nearing pre-pandemic sales levels again. The market now operates with elements of local production of MGB products alongside the usual importation from our manufacturing partners.

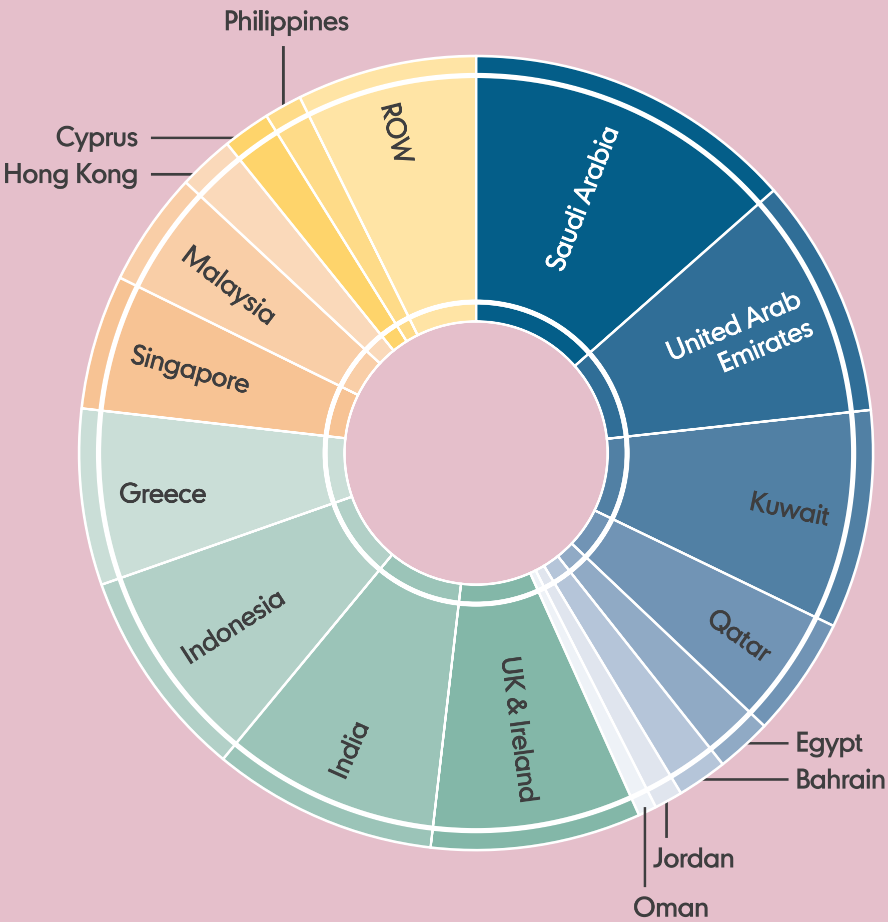
UK and Ireland 9% of annual global sales trading from 12 shop-in-shop stores

Our UK franchise partner Boots saw 10% growth in sales last year alongside the strongest e-commerce participation across our portfolio, with upwards of 20% share of the business. Sales online were +34% on the previous year, helped by further e-commerce investment. Alongside the 12 shop-in-shops, we also have a presence in over 400 locations across the UK and Ireland in varying store formats.

Greece 7% of annual global sales trading from 27 stores

The performance of Greece was marginally down on last year however, this was one of our strongest-performing markets of 2022. The brand in Greece is strong and set for further investment in the next two years, which will only help to strengthen its position further as we look to the future.

Global sales by territory



Operational review
continued

Performance

Over the last year, we have seen improvements in some market dynamics, such as the improved reliability of global supply chains, better availability, and reduced commodity pricing. Still, it continues to be a challenging time for the retail industry in many countries.

The increased level of sales data that we have received from our partners has allowed us to build more relevant clothing ranges for our franchisees and still reduce options. The condensed, more focused option framework has led to an increase in volume by style. The improved volume, coupled with an increased focus on negotiating and sourcing with our manufacturing partners, has decreased cost prices for our franchise partners.

Using the sales data and working closely with the franchise partners, we have also identified the opportunities within Home and travel, reintroducing new categories such as nursery furniture and innovative travel product.

This year we have seen a significant improvement in availability through working more closely with our manufacturing and supply chain partners, resulting in strong seasonal launches in all markets.

The new PLM system has now been fully launched, and the teams are testing and implementing the ERP solution part of the system.

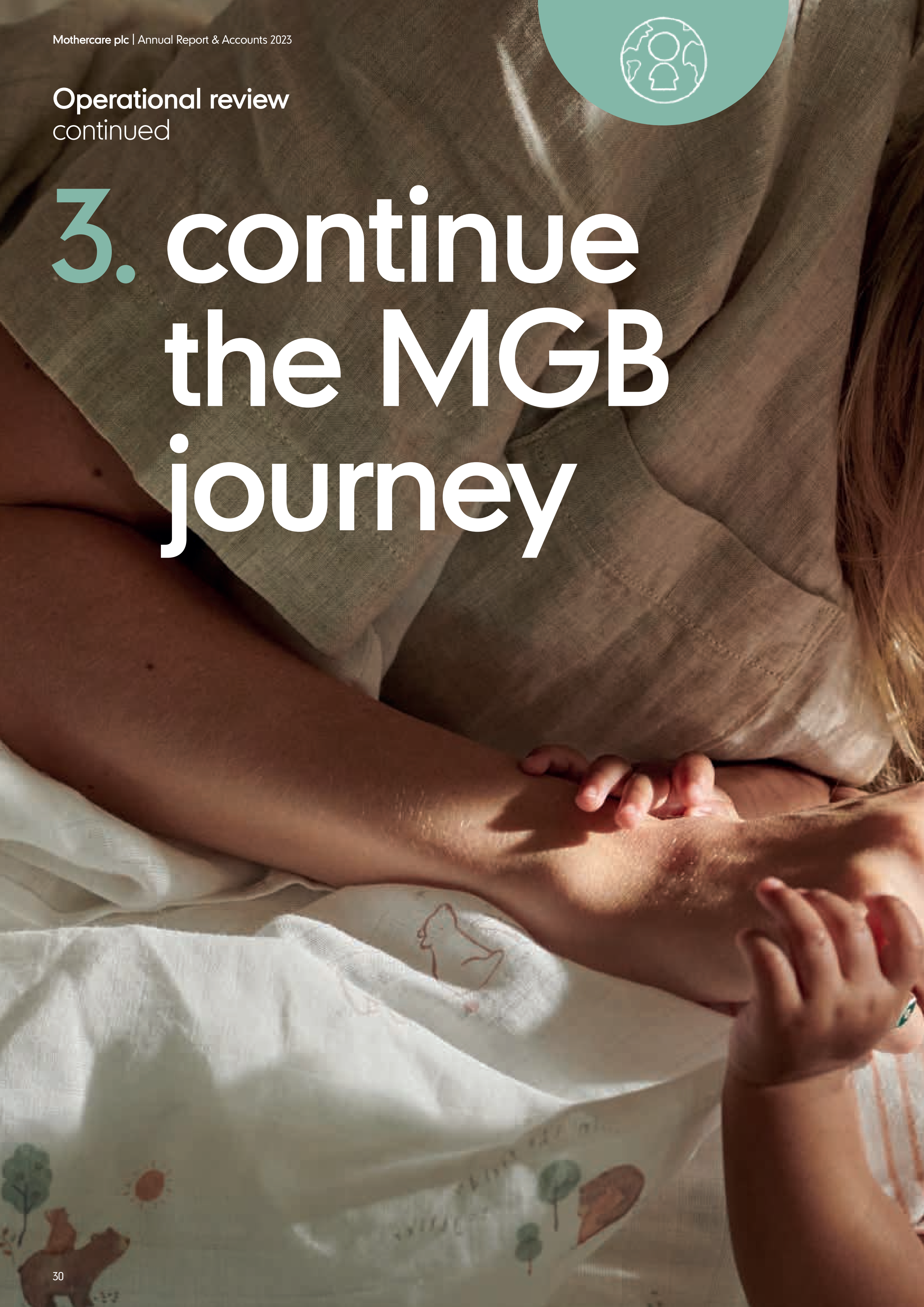
Home & travel

We have developed a Home & Travel roadmap to bring new products to market and reduce the need for Franchise Partners to source products outside our range. This will enable them to drive higher sales and margins from Mothercare branded items exclusive to them in the market and offer consumers more choices.

In the short term, we will continue to approve the sale of market-leading brands for us to position against, as their adjacency helps to build consumer perceptions of expertise and value for money of the Mothercare brand.

Operational review
continued

3. continue the MGB journey



Operational review
continued

Mothercare is a truly global brand with our products used by millions of parents around the world every day in over 32 countries.

Our strategy seeks to rejuvenate sustainable growth across the three key drivers

GROWTH DRIVERS

organic growth	product and category extension into existing markets
growth beyond existing territories	entering new geographies and new channels
step change growth	capturing new market opportunities

Overview

Through our global network of stores and e-commerce, we have excellent brand availability and salience with consumers at the point of purchase and a scalable business model to grow in the mid-market.

We also have opportunities via pure-play online business either directly ourselves, or with partners that would hold the online rights for a territory and provide the website and complete supply chain capability as an alternative to our existing franchised markets. We have opportunities to wholesale the Mothercare product to third-party retailers, be they large retailers or independents, and additionally, we can licence the brand.

We believe growth is possible through four pillars and are working towards each in 2024:

- channels
- territories
- innovation & acquisition
- brand

Channels

E-commerce represents 11% of our total retail sales and continues to offer our Franchise Partners the opportunity to grow their businesses with lower capital investment. In the last year, three partner e-com sites have been redesigned or re-platformed, one has launched, and one has introduced an app.

Our increased investment in digital marketing content, user experience support and focus on social media will support their growth in D2C.

In addition, marketplaces offer additional routes to consumers and many of our partners are opening accounts to increase revenue streams and customer acquisition.

Wholesale offers opportunities to sell where our consumer's shop and can be an additional revenue and profit stream in existing markets, particularly where a partner doesn't take the complete brand offer or a low-risk route to new market entry.

Operational review
continued

Territories

Our existing product ranges have proven global consumer appeal, and we feel confident about opening new territories. We opened our first trial store in Nigeria in the year with a potential long-term franchise partner. We replaced our franchise partner in Kazakhstan, as previously, the territory was part of the Russian agreement. We are open to partnering with new franchise partners, distributors, wholesale customers, and D2C to push beyond our current geographical footprint.

Mothercare is not yet represented in eight of the top ten markets in the world when ranked by wealth and birth rate, and we retain the ability to enter new territories through a number of channels or a combination thereof.

Innovation & Acquisition

Within our current product strategy, we are evolving our designs to cater to broaden our appeal. Our Home & Travel pipeline will deliver new ranges of feeding, sleep, baby entertainment and travel products in 2024.

In addition to this, numerous product synergies into associated non-clothing and home categories like health and beauty, or technology provide increased sales opportunities for the brand.

We are actively reviewing these category opportunities and all routes to market based on the stable, capital-light, international model we have established.

We intend to leverage the full bandwidth of this intrinsic value through connections with other businesses and the development of the product range and licensing beyond our historic limits. In fact, a window of opportunity has opened for us to bring synergies and enhanced profitability into our business, as the core strengths of the Group continue to demonstrate momentum, via step-change growth.

Brand

As we strive to be the leading global brand for parents of babies and young children, Mothercare is almost unparalleled in being a highly trusted, globally recognised British heritage brand that connects with parents across multiple product categories. At present, the brand's singular route to market is via franchisees. Thus, we have barely scratched the surface of exploring the multiple opportunities to grow the brand's global presence.

Our franchise partners indicated their intent to invest in the brand once we had defined the proposition. Having utilised consumer insights to develop the territory and tested the proposition in Europe, ME and Asia, we are confident that it has the potential to shift purchase intent and are working with them on their brand planning.

The most visible element of the brand is our stores, and our intent to launch several 'stores of the future' in 2024 and embark on a refit programme will significantly improve brand image and consumer experience.

KPIs

	2023	2022	2021	2020	2019
Worldwide Sales*					
Total retail sales £m	322.7	385.3	358.6	542.1	604.3
Online retail sales £m	29.3	40.9	44.4	31.3	26.8
Stores as a % of total sales	90.9%	89.4%	87.6%	94.2%	95.6%
Online as a % of total sales	9.1%	10.6%	12.4%	5.8%	4.4%
Worldwide Stores*					
Number of stores	506	680	734	841	1,010
Space (k)sq. ft.	1,223	1,828	1,970	2,345	2,643
International Growth*					
Year on year sales in constant currency	(26.2)%	12.6%	(30.5)%	(10.5)%	(2.4)%
Global Franchises					
Countries with a Mothercare presence	32	36	38	40	50
Product Mix*					
Clothing & Footwear	86.3%	88.4%	86.8%	78.2%	65.7%
Home & Travel	11.7%	10.1%	11.2%	19.8%	31.1%
Toys	2.0%	1.5%	2.0%	1.9%	3.3%

* Numbers presented relate to stores held by, and sales to end consumers by the Group's franchise partners with the exception of product mix which is based on MGB's sales to franchise partners. See accounting policies for definitions.

FY22 to FY23 includes the impact of the loss of operations in Russia.

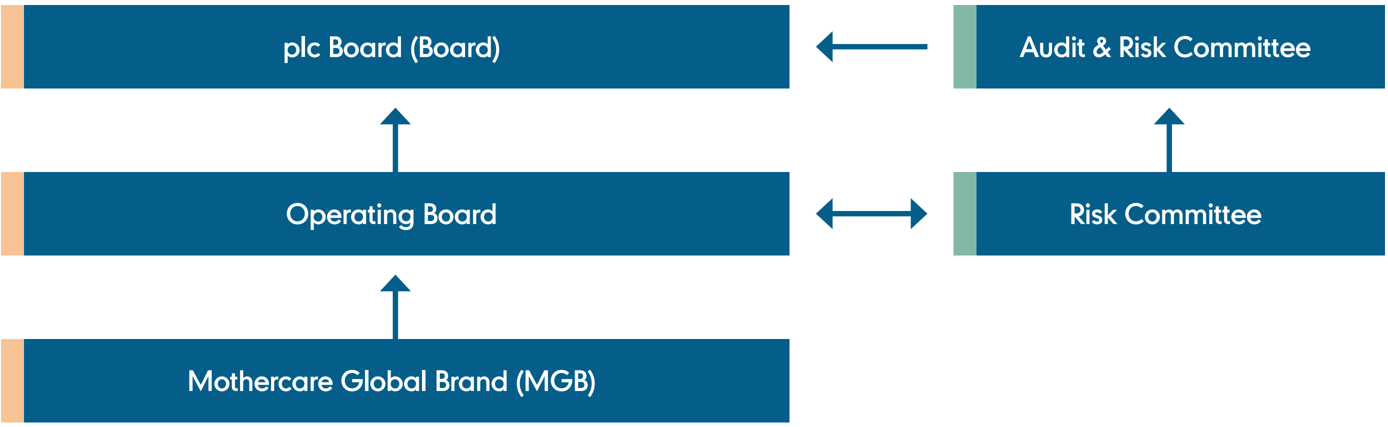
Risk management in MGB

Overview and objectives

As a global franchisor, operating across 32 territories and engaging with manufacturers, supply chain sources and franchise partners, Mothercare Global Brand (MGB) is exposed to multiple risks across the markets within which it operates. With this in mind a risk management framework is in place which is appropriate for the size and complexity of the business with consideration to its AIM listing, future partner and system developments and Brand promotion and evolution.

MGB maintains its risk management function in line with the Quoted Companies Alliance Corporate Governance Code (QCA Code) complying with AIM Rule 26. The Audit & Risk Committee provides oversight, as to the overall suitability and effectiveness of the risk management approach and is accountable and supported by the Board. The Operating Board formally reviews, discusses and documents the Principal Risks to the business at least annually. The Risk Committee, which is chaired by the CFO, sits quarterly to understand existing and developing issues, and MGB Senior Managers contribute to and update Operational Risk registers, as a minimum also quarterly. All colleagues recognise their responsibility to proactively identify and manage risk and opportunity in their daily activities and planning.

MGB risk management structure FY23



The objectives in MGB's risk management are to:

- Support each business function with the right 'tone from the top' with Principal risks and Tolerance approved at Operating Board level
- Ensure a consistent approach to the support of a responsible and risk-aware culture, within each department of the business and at every level
- Assist in the continuing transformation of MGB by ensuring measured, calculated risk taking is supported to achieve business objectives
- Provide regular monitoring and reporting of risks in order to identify suitable mitigation through controls, actions or contingencies

Principles and process

The principles adopted by MGB allow for the nature of balancing the driving of growth, within a complex, challenging, and continually changing, global retail environment, while providing sound opportunity for investors. The risk management framework is adopted throughout MGB to protect and enhance business value with an approach that is impactful and resilient, the end result being considered and strategic decision-making.

The primary principles are designed to promote the protection and improvement of working capital, and the design and supply of sustainable, safe and desirable product for MGB franchise partners, they are:

- Business decisions being made with risk in mind, with Principal Risks reviewed annually
- Risk tolerance dictated by MGB strategy, with annual Operating Board review
- Best practice adopted to ensure legal compliance, through company-wide policies and training
- Risk aware culture is promoted, with quarterly departmental operational risk register reviews

Operational Risk Registers are maintained to inform the business of those areas having the biggest impact on the Principal Risks and the threat they pose to MGB achieving its strategic objectives. Eleven of the business departments contribute quarterly with updates on progress, developing threats and risks that have been reduced or removed. They are Brand, Buying, Commercial, Design, Finance, Legal, IT, Merchandising, Technical, People and Supply Chain.

Risk management in MGB
continued

MGB risk management FY23

MGB has developed effective and proactive measures to ensure ongoing geo-political events and residual pandemic and supply chain risk is mitigated, and the impact reduced, across all our global partners.

The manufacturing base has increased by 24%, reducing those risks associated with a limited product source, and creating improved manufacturing options. With travel restrictions lifted, franchise partner visits were conducted across 5 territories, primarily to audit and ratify reported sales and the associated royalty payment values. A global brand protection initiative was launched with a view to preserving both MGB and franchise partner online interests and the reinvigorated marketing of the brand. Key focus areas will continue to be core data integrity, to support efficient ERP implementation; recruitment and retention of critical resource, in order to develop individuals through succession planning; and brand development and protection, to ensure the key asset continues to evolve and grow.

The risk management principles and process have been implemented to deliver an efficient, profitable and expanding franchise proposition, with controls where mitigation, contingency and actions are required, when assessing individual departmental risks.

Principal risks and uncertainties

Reviewed, discussed and agreed by the Operating Board annually, MGB Principal Risks are designed to promote strategic success and improve future performance, the impact of operational risks on these determines the focus for senior management and their teams.

Principal risk	Potential impact	Key mitigations and control	Change
Liquidity MGB may fail to control cash management and working capital as a result of lower trading receipts, increased partner debt, interest rates or overhead costs and reduced order books, potentially combined with a reduction in overall partner profitability.	This could result in breaches to banking covenants, failed commitments to our pension schemes and an inability to meet overarching operational financial commitments.	• Strong cash management governance in place, including weekly Cash Committee chaired by CFO • Tri–partite and manufacturer agreements, with franchisees and Suppliers, significantly improve working capital. • Franchise partner bank guarantees set up in line with the associated agreements • Direct shipment and direct invoice supply principles continue to develop across the franchisee estate.	
Dependency on a small number of partners There may be an over reliance on a few key franchise partners whose success directly dictates the success of MGB in the absence of further franchise partner development. Additionally with these key franchise partners and some manufacturing partners, MGB is exposed to movements in foreign currency exchange rates.	Any damage to, or loss of, the group's relationship with key partners, could have a material impact on the MGB's franchise model success, operational capability and financial stability.	• Ongoing identification and sufficiently risk-spread review of new business channels, partnerships and territories to grow our global business and reduce this reliance. • Collaboration and support with all partners continues with the aim of enabling growth. • Revised contracts provide increased transparency, competitive pricing and royalty rates. • The majority of the exchange rate risk is limited to the royalties we earn based on a percentage of the local currency retail sales.	

Principal risk	Potential impact	Key mitigations and control	Change
Pension Scheme funding MGB is exposed to the financial uncertainties of its two defined benefit pension plans and particularly as a result of falling interest rates or poor returns on investments related to the schemes.	A decrease in interest rates or investment returns may result in an increase in the scheme deficit and the resultant future contributions to be paid by MGB.	• The Trustees of the schemes are experienced professionals, with whom MGB maintains a very close relationship and their investment plans are reviewed by MGB.	
Global economic and political conditions MGB may be negatively affected by challenging economic conditions and political developments affecting the international markets in which it operates.	Economic and political uncertainty, may impact supply of product or potential to continue with a partner and could have a material adverse effect on the group's business.	• MGB works closely and conducts regular reviews with individual franchise partners to understand developing situations and to mitigate risks from changing conditions. • Political and economic stability of potential partners is considered by the Operating Board during discussions related to business development engagement • Sourcing territories are spread to ensure supply interruption impact is reduced. • Franchise partners have the contracted ability to source product locally if required.	
ERP System MGB legacy IT systems are being replaced by a world class ERP system however this presents a risk of design failure and implementation delay leading to the loss of our ability to operate	IT infrastructure disruption could result in the inability to support our global partners to trade effectively. Any failure of, or attack relating to, stock management or finance systems, would significantly impact operational efficiency and ultimately group profitability	• IT-specific Disaster Recovery Plan is in place, in addition to departmental continuity plans • ERP Steering Committee has been established including representatives from all departments to ensure that the system is appropriately scoped and planned. • Core Data Integrity forms a part of all departments assessed and mitigated risk landscape in preparation for accurate data migration. • Enterprise-wide support extensions are in place to protect existing core systems	

Principal risk	Potential impact	Key mitigations and control	Change
Regulatory and Legal A failure to comply with increasing regulatory requirements or introduction of new regulations impacting MGB or any of our partners could result in brand damage, fines or impact our ability to operate profitably.	MGB is reliant on manufacturers, suppliers and distributors to comply with employment, environmental and other laws. Regulatory compliance requires monitoring and reporting to avoid damage to the Mothercare brand. Changes to regulations or import restrictions and taxes could also significantly impact profitability of some partners.	• Consultation between sourcing design departments and MGB in-house Legal team to ensure brand clearance, IP infringement and local regulations do not expose MGB to potential litigation. • Third-party engaged to complete and report on an ongoing programme of supplier partner audits covering global ethical and quality standards. • Development of a sourcing strategy to allow for greater flexibility in moving suppliers in response to regulatory obligations. • Mandatory compliance training, MGB Code of Conduct sign off and Conflict of Interest declarations completed by all colleagues.	Stable
Brand, Reputation and Relationships The Mothercare Brand is a key asset that is both strong and desirable, should this be negatively impacted through neglected partner relationships, an unsupported, poorly executed Brand vision or failing to meet our customers' expectations with our products, the business model may not be successful in the longer term.	Our brand could be impacted by product failures, ineffective management of product incidents, public scandals relating to any partners, inappropriate behaviour, data breaches or third-party IP abuse, all of which may result in a deterioration of brand confidence and reduction in future global opportunities.	• Ongoing programme of Partner consultation, consumer trend analysis and creation of strong digital assets for global Brand promotion. • Detailed analysis of franchise partners sales and margins. • Agreements in place for every trade supplier reducing MGB liabilities and promoting MGB governance expectations, including annual responsible sourcing audits. • Group trademarks are formally logged in country of operation with a proactive enforcement of IP rights through an Online Brand Enforcement programme.	Stable
Personnel and talent Failure to attract, retain, motivate and progress our top talent, within a compact and evolving team and in an exceptionally competitive job market, could lead to high attrition rates and an inability to 'attract and retain' to meet our strategic intentions.	Potential for talent to leave MGB during brand evolution and system implementation may impact on our ability to deliver Brand strategy. Executive burn out due to extensive business change program and evolving initiatives and reduced efficiency and effectiveness of operations due to increased employee recruitment and induction.	• Improved benefit structure and review process in place to market MGB as an attractive and competitive employer, in order to retain talent and ensure colleague development and wellbeing is at the centre. • Global programme designed to increase and improve Brand exposure, promoting MGB as a desirable employer. • Leadership team and line management providing new system training with further ongoing development opportunity for colleagues, in order to underpin succession planning	Increased

Decreased Increased Stable

Section 172 statement

The Companies (Miscellaneous Reporting) Regulations 2018 require directors to explain how they considered their general duties under Section 172(1) of the Companies Act 2006 to act in a manner they would consider would be most likely to promote the success of the company for the long-term for the benefit of its shareholders as a whole whilst having regard, among other things, to the interests of all stakeholders including employees, business relationships with suppliers, customers and others.

Mothercare's stakeholders include its shareholders, employees, franchise partners, manufacturing partners, the trustees of the pension scheme and its lenders. Key board decisions throughout the year considered the key stakeholder groups and regular methods of engagement with those groups.

During the year the board was cognisant of its s172 duties and specific examples are set out below.

Significant event / decision	Key s172 stakeholders affected	Actions and impact
Financing – commenced refinancing discussions to reduce the cash financing cost	Lenders	With recent increases in interest rates, the interest rate on this loan is currently approximately 19.2%, which coupled with the extended time to return to pre-pandemic retail sales levels, particularly in our Middle Eastern markets, highlighted above, means the Board's current forecasts for continuing operations show the Group may require waivers to future periods' covenant tests. We have therefore commenced refinancing discussions with our lender to vary, renegotiate or refinance this debt facility. Additionally we are looking at various financing alternatives (including equity and equity linked structures) to give us both additional flexibility and reduced cash financing costs. For the avoidance of doubt the Group does not require (and is not seeking through this refinancing) additional liquidity.
Pension schemes	Pension trustees, active and deferred pensioners, lenders, shareholders	The last full actuarial valuation of the schemes was at 31 March 2023 and showed a deficit of £35.0 million, resulting from total assets at £198 million and total liabilities of £233 million. The current recovery plan is based on the deficit at March 2023 of £35.0 million with annual contributions for the years ending in March of: 2024 - £2.4 million; 2025 - £2.0 million; 2026 and 2027 - £3.0 million; 2028 and 2029 - £4.0 million; 2030 and 2031 - £5.0 million; 2032 - £6.0 million and 2033 - £2.0 million. Additionally, the Trustees in determining the amount of future ongoing cash contributions, recognise the current level of borrowings and would be prepared to look afresh at the valuation assumptions if the covenant improves after the valuation date, for example via an equity linked structure, which could reduce the deficit further.

Shareholders

Regular dialogue has been maintained throughout the year with the Company's major shareholders whom represent c80% of the share register.

Employees

Since the easing of Covid restrictions, hybrid working has become the norm. The virtual coffee mornings that were introduced during lockdown have continued to be held weekly with digital being the default method of hosting. All employees join with two-way communication encouraged providing opportunities to ask questions either anonymously or in person. An in person all-employee 'year beginning' meeting was held at the top of the new financial year – the first time that many colleagues had been together or met as many had been recruited during lockdown. A number of wellbeing initiatives and access to support for an array of matters were made available and have continued.

Lenders

The board kept the financial needs and available resources of the group under close review and entered its third year of its arrangement with GB Europe Management Services Limited. The Company keeps its lender fully appraised of its financial status and maintains regular dialogue.

Pension trustees

Regular dialogue took place with the trustees of the defined benefit pension schemes with continual discussions on the value of the deficit and scope for mitigating risk to all stakeholders.

Franchise and manufacturing partners

We maintain regular dialogue with our franchise and manufacturing partners, and the year under review saw a particular focus on identifying opportunities through sales data, resulting in, for example, the reintroduction of certain categories within home and travel.

Financial review

Andrew Cook
Chief Financial Officer

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

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

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

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

For the year to March 2022 our Russian territory directly contributed some £5.5 million to our adjusted EBITDA, which coupled with some margin benefit due to shipping delays in last year's results, means there is a year on year improvement in underlying profitability of the business, when these elements are excluded.

The Group recorded a loss for the 52 weeks to 25 March 2023 of £0.1 million (2022: profit of £12.1 million). The adjusted profit for the year was £1.1 million (2022: £9.0 million). The adjusted items are detailed in note 6.

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

Pension scheme contributions

There are two defined benefit schemes, both of which are now closed to new members, the Staff Scheme and the Executive Scheme. Following the full actuarial triennial valuation at 31 March 2023, the deficit on the Staff Scheme was £35.0 million, resulting from assets of £197.6 million and liabilities of £232.6 million, the Executive Scheme was in surplus, with assets of £81.2 million and liabilities of £80.5 million. The schemes are independent and so the surplus on the Executive Scheme cannot be used to set off the deficit on the Staff Scheme. The deficit to be funded at 31 March 2023 of £35.0 million is a significant reduction from the deficit of £124.6 million at 31 March 2020: the Staff Scheme deficit of £101.7 million, from assets of £278.0 million and liabilities of £379.7 million and the Executive Scheme deficit of £22.9 million, from assets of £105.7 and liabilities of £128.6 million.

The following annual contributions, which include the deficit reduction contributions for the Staff Scheme and the costs for both schemes, have now been agreed with the trustees, for the years ending in March as follows: 2024 - £2.4 million; 2025 - £2.0 million; 2026 and 2027 - £3.0 million; 2028 and 2029 - £4.0 million; 2030 and 2031 £5.0 million; 2032 - £6.0 million and 2033 £0.5 million, a total of £34.9 million. These contributions represent a cash saving of £38.3 million when compared to the previous contributions we were committed to pay. The previously agreed annual contributions to the pension schemes, for the years ending in March, were as follows: 2024 - £4.0 million; 2025 - £7.0 million; 2026 - £8.0 million; 2027 to 2032 - £9.0 million and 2033 - £0.7 million, a total of £73.7 million.

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

Financing

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

With recent increases in interest rates, the interest rate on this loan is currently approximately 19.2%, which coupled with the extended time to return to pre-pandemic retail sales levels, particularly in our Middle Eastern markets, means the Board's current forecasts for continuing operations show the Group may require waivers to future periods' covenant tests.

We have therefore commenced refinancing discussions with our lender to vary, renegotiate or refinance this debt facility, additionally we are looking at various financing alternatives (including equity and equity linked structures) to give us both additional flexibility and reduced cash financing costs. For the avoidance of doubt the Group does not require (and is not seeking through this refinancing) additional liquidity.

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

Operating model

The Group continues to work towards its goal of becoming an asset light business. We continue to use our tripartite agreement ('TPA') process, whereby the franchise partners commit to paying the manufacturing partners for the product when due and in return the manufacturing partners were generally willing to re- extend credit terms that had sometimes been lost because of the UK retail administration. The TPA process has resulted in a substantial reduction in our working capital requirement and has been an instrumental element of our successful navigation through the impact of COVID-19.

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

Financial review
continued

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

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

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

Enterprise resource planning ("ERP") system

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

Balance sheet

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

Net current assets

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

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

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

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

	25 March 2023 £ million	26 March 2022 £ million
Intangible fixed assets	5.8	3.6
Property, plant and equipment	0.2	1.2
Retirement benefit obligations asset	8.4	12.4
Net borrowings (excluding IFRS 16 lease liabilities)	(12.4)	(9.9)
Derivative financial instruments	0.5	0.2
Other net liabilities	(4.3)	(6.0)
Net (liabilities) / assets	(1.8)	1.5
Share capital and premium	198.1	198.1
Reserves	(199.9)	(196.6)
Total equity	(1.8)	1.5

Pensions

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

The defined benefit scheme surplus decreased by £4.0 million to an asset position of £8.4 million (2022: 12.4 million).

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

The Group's deficit payments are calculated using the full triennial actuarial valuation as the basis rather than the accounting deficit / surplus. The value of the deficit under the full actuarial valuation at 31 March 2023 was £35.0 million (31 March 2020 £124.6 million).

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

£ million	53 weeks ending 30 March 2024*	52 weeks ended 25 March 2023	52 weeks ended 26 March 2022
Income statement			
Running costs	(2.1)	(2.1)	(1.7)
Net income/(expense) for interest on liabilities / return on assets	0.5	0.4	(0.5)
Net charge	(1.6)	(1.7)	(2.2)
Cash funding			
Regular contributions	(1.0)	(1.0)	(1.0)
Deficit contributions	(1.4)	(1.2)	(4.3)
Total cash funding	(2.4)	(2.2)	(5.3)
Balance sheet**			
Fair value of schemes' assets	n/a	278.3	395.8
Present value of defined benefit obligations	n/a	(269.9)	(383.4)
Net surplus	n/a	8.4	12.4

* Forecast

** The forecast fair value of schemes' assets and present value of defined benefit obligations is dependent upon the movement in external market factors, which have not been forecast by the Group for 2024 and therefore have not been disclosed.

Financial review
continued

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

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

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

Net debt

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

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

Leases

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

Working capital

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

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

Income statement

	52 weeks to 25 March 2023 £million	52 weeks to 26 March 2022 £million
Revenue	73.1	82.5
Adjusted EBITDA (EBITDA before exceptionals)	6.7	12.0
Depreciation and amortisation (note 7)	(0.5)	(0.9)
Adjusted result before interest and taxation	6.2	11.1
Adjusted net finance costs	(2.8)	(3.1)
Adjusted result before taxation	3.4	8.0
Adjusted (costs)/income	(1.2)	3.1
Profit before taxation	2.2	11.1
Taxation	(2.3)	1.0
Total profit	(0.1)	12.1
EPS – basic	(0.0)p	2.1p
Adjusted EPS – basic	0.2p	1.6p

Foreign exchange

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

	52 weeks ended 25 March 2023	52 weeks ended 26 March 2022
Average:		
Euro	1.2	1.2
Qatari riyal	4.4	5.0
Chinese renminbi	8.3	8.8
Kuwaiti dinar	0.4	0.4
Singapore dollar	1.7	1.8
Saudi riyal	4.5	5.1
Emirati dirham	4.4	5.0
Indonesian rupiah	18,160	19,644
Indian rupee	96.7	101.8
Closing:		
Euro	1.1	1.2
Qatari riyal	4.4	4.8
Chinese renminbi	8.4	8.4
Kuwaiti dinar	0.4	0.4
Saudi riyal	4.5	4.9
Singapore dollar	1.6	1.8
Emirati dirham	4.5	4.8
Indonesian rupiah	18,730	18,924
Indian rupee	100.5	100.1

Financial review
continued

The principal currencies that impact the translation of International sales are shown below. The net effect of currency translation caused worldwide retail sales and adjusted profit to increase by £23.2 million (2022: £16.4 million decrease) and £1.4 million (2022: £0.9 million loss) respectively as shown below:

	Worldwide sales £ million	Adjusted Profit/(loss) £ million
Euro	0.0	0.0
Chinese Renminbi	0.5	0.0
Kuwaiti dinar	3.2	0.2
Qatari riyal	1.9	0.1
Saudi riyal	6.2	0.4
Emirati dirham	4.3	0.3
Indonesian rupiah	1.5	0.1
Singapore dollar	1.6	0.1
Indian rupee	1.0	0.1
Other currencies	3.0	0.1
	23.2	1.4

Net finance costs

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

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

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

Discontinued operations

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

Taxation

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

Earnings per share

Basic adjusted earnings per share were 0.2 pence (2022: 1.6 pence). Statutory earnings per share were (0.0) pence (2022: 2.1 pence).

Cashflow

Reported net cash generated from operations decreased by £3.8 million to £4.3 million (2022: 8.1 million). Payables decreased by £1.3 million, due to the slightly reduced operations and timing, this was offset by a £1.2 million decrease in inventories and £0.9 million decrease in receivables.

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

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

Going concern

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

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

The consolidated financial information has been prepared on a going concern basis. When considering the going concern assumption, the Directors of the Group have reviewed a number of factors, including the Group's trading results and its continued access to sufficient borrowing facilities against the Group's latest forecasts and projections, comprising:

- A Base Case forecast; and
- A Sensitised forecast, which applies sensitivities against the Base Case for reasonably possible adverse variations in performance, reflecting the ongoing volatility in our key markets.

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

The Sensitised scenario assumes the following additional key assumption:

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

The Board's confidence in the Group's Base Case forecast, which indicates that the Group will operate with sufficient cash balances, provided appropriate covenant waivers on our current facility were agreed, if required prior to the completion of our funding activities, and the Group's proven cash management capability, supports our preparation of the financial statements on a going concern basis.

However, if trading conditions were to deteriorate beyond the level of risk applied in the Sensitised forecast, or the Group was unable to execute further cost or cash management programmes, the Group would at certain points of the working capital cycle require covenant waivers based on its current facilities agreement. If this scenario were to crystallise, the Group would need to renegotiate with its lender in order to secure waivers to potential covenant breaches and consequential cash remedies or have completed the current negotiations to amend the covenants or secure additional funding. Therefore, we have concluded that, in this situation, there is a material uncertainty in relation to the continued support of our existing lender, if required, that casts significant doubt that the Group will be able to operate as a going concern without potential waivers or revised/ new financing facilities.

Financial review
continued

Treasury policy and financial risk management

The Board approves treasury policies, and senior management directly control day-to-day operations within these policies.

The major financial risk to which the Group is exposed relates to movements in foreign exchange rates and interest rates. Where appropriate, cost effective and practicable, the Group uses financial instruments and derivatives to manage the risks, however the main strategy is to effect natural hedges wherever possible.

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

Foreign currency risk

The group operates internationally and is exposed to foreign exchange rage, primarily the US dollar. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities dominated in a currency that is not the functional currency of the group which is the pound. All International sales to franchisees are invoiced in pounds sterling or US dollars. The Group therefore has some currency exposure on these sales, but they are used to offset or hedge in part, the Group's US dollar denominated product purchases. Under the tripartite agreements, there has been an increased level of currency matching between purchases and sales, improving the Group's ability to hedge naturally.

Interest rate risk

The principal interest rate risk of the Group arises in respect of the drawdown of the £19.5 million term loan which expose the group to cash flow interest rate risk. Interest is charged at 13% per annum plus SONIA, with SONIA not less than 1%, plus a 1% per annum compounded payment to be made when the loan is repaid, these expose the Group to future cash flow risk. The interest exposure is monitored by management efforts are being made to find cheaper sources of finance to mitigate the increasing base rates.

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

Credit risk

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

The Group has no significant concentrations of credit risk.

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

The Group operates effective credit control procedures in order to minimise exposure to overdue debts. Before accepting any new trade customer, the Group obtains a credit check from an external agency to assess the credit quality of the potential customer and then sets credit limits on a customer-by-customer basis. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses trade receivables have been grouped based on shared credit risk characteristics and the days past due. Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the group.

Shareholders' funds

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

The directors' statement in respect of section 172 of the Companies Act 2006 can be found within the Governance section on page 41.

This strategic report was approved by the Board on 21 September 2023 and signed on its behalf by:

Andrew Cook
Chief Financial Officer

Non-financial information

Sections 414CA of the Companies Act 2006 requires a non-financial information statement to be included in the strategic report. The following table summarises the non-financial information provided in this annual report and cross refers to where it can be found if not included in full in the table.

Section 414CB non-financial matters	Impacts	Further details
Environmental matters	Responsible sourcing and climate change	See ESG section
Social matters		
Employees	Weekly 'all hands' coffee mornings have continued to be held virtually adapting to the hybrid working model. Resources for well-being (including financial) and mental health continue to be a particular focus with access to confidential professional support provided.	
Respect for human rights	Modern Slavery encompasses the offences of slavery, servitude, forced or compulsory labour and human trafficking and is a grave violation of human rights. As employers and providers of goods and services, Mothercare seeks to ensure that such offences do not take place in our operations or our supply chain. We respect internationally recognised human rights, as outlined in the United Nations Guiding Principles on Business and Human Rights (UNGPs) and work with partners to understand and enhance the role we can play in this.	The group's Modern Slavery Statement is set out in full on the Company's website at www.mothercareplc.com/corporate-citizenship
Anti-corruption and anti-bribery	The Bribery Act 2010, which came into force on 1 July 2011, consolidated previous legislation and introduced, amongst other things, a corporate offence of "failure to prevent bribery". This is an offence in the UK wherever the offence takes place. Failure to comply with the act could expose the group to unlimited fines and other consequences.	The group has a zero-tolerance approach to bribery and corruption and its position has been explained to its franchise and manufacturing partners. Employees undertake annual anti-bribery and corruption training.

Environmental, Social and Governance (ESG)

The 'E' in ESG

Responsible sourcing is a key element of MGB's responsible business programme. MGB is committed to respecting internationally recognised human rights and partnering with suppliers that:

- Provide decent, safe and fair working conditions for their employees;
- Treat employees with dignity and respect;
- Reduce the environmental impact of their operations; and
- Demonstrate a strong commitment to business ethics.

MGB's Responsible Sourcing Code of Practice sets out the standards we require at the factories operated by our manufacturing partners who we have a direct agreement with to product Mothercare products. MGB's Code of Practice is based on:

- The UN Guiding Principles on Business and Human Rights which outline the corporate responsibility to respect human rights, avoid infringing on the human rights of others and address relevant adverse human rights impacts;
- The Ethical Trading Initiative (ETI) Base Code which is founded on the conventions of the International Labour Organisation (ILO) and is an internationally recognised code of labour practice;
- The UK Bribery Act 2010 which states that bribery and corruption on an individual and company basis is a criminal offence; and
- The UK Modern Slavery Act 2015 which requires eligible businesses (including Mothercare) to report against the measures taken to eradicate slavery and human trafficking in their operations and supply chains.

It is our manufacturing partners' responsibility to ensure these standards at their factories and within their own supply chains. Implementation of this Code must be sensitive to the rights and livelihoods of the workers it is aiming to protect.

In addition to the standards noted above, manufacturing partners must comply with all relevant local and national laws. Where any conflict between those laws and MGB's standards exist, the manufacturing partner must adhere to the standard which provides the worker with the greatest protection. There may also be country-specific requirements which MGB will discuss directly with the local manufacturing partner.

MGB requires that manufacturing partners must implement management systems and training for all employees (staff, workers and supervisors) to ensure compliance with this Code and all relevant national laws.

MGB monitors compliance with this Code via third party factory audits and the support services of Verisio. It also carries out training with manufacturing partners and works with other organisations such as the Ethical Trading Initiative, other retailers, consultants and non-governmental organisations.

MGB's Responsible Sourcing Handbook provides detail for manufacturing partners in the following areas:

- Child Labour policy
- Sub-contracting and sub-supplier policy
- Home worker policy
- Migrant worker policy
- Freedom of movement policy for workers living in hostels
- Packaging policy
- Timber sourcing policy
- Animal welfare policy
- Cotton sourcing policy

MGB is building on sustainable sourcing of its products. We currently offer responsibly sourced cotton within our clothing ranges and will be widening the number of products made from responsibly sourced yarns and components.

Mothercare is committed to reducing the environmental impact of its products in production, transportation, use and end of life. Our aim is to develop packaging which fulfils its essential function of preserving the product during transportation, distribution, storage, sale, providing information, and in use, whilst minimising the environmental impact.

Climate change
Mothercare greenhouse gas emissions 2022/23

	FY 2022 Performance	FY 2023 Performance
Total CO2e emissions (tonnes)	28.3	26.1
CO2e emissions (per £m Group revenue)	0.3	0.4
Total Energy Consumption (m kWh)	0.12	0.12

Methodology: Emissions fall within the activities for which we have operational control. There are no material exclusions from this data. We have used the GHG Protocol Corporate Accounting and

Reporting Standard as the method to quantify and report greenhouse gas emissions. They have been reported in line with the UK Government's 'Environmental Reporting Guidelines: including

streamlined energy and carbon reporting guidance' (dated March 2019). We have applied emission factors from the UK Government's annually updated Conversion Factors tables and overseas factors from the International Energy Agency's annually updated factors for China and India.

In 2023 overall CO2e emissions reduced, in absolute terms, by 8%. This was driven by energy efficiencies at our Apsley office, and an increase in the proportion of renewably sourced energy within the UK electricity grid. Emissions reduction activity at our Apsley office was achieved through more efficient use of energy timers, which effectively switched off the office lights during the weekend.

Emissions per £m Group revenue increased, despite an overall decrease in greenhouse gas emissions, due to the fall in revenue from the loss of the Russian franchise operations.

The 'S' in Social

The business supports an holistic approach to wellbeing including physical, mental, financial and social, and recognises that it can often be challenging to balance work and home commitments. To that end, we provide educational resources for our people on how they can support themselves and others using both internal and external resources to help foster mental wellbeing in the workplace and ensuring parity between physical and mental health.

Being cognisant that many of MGB's colleagues work on a hybrid basis, a number of resources have been made available utilising online platforms. Informative lunch and learn sessions hosted by third parties including the Retail Trust and the defined contribution pension provider were undertaken during the year and are planned on an ongoing basis. We continue to host weekly coffee mornings via an online portal so that all colleagues can join no matter where they are located.

As well as hybrid working arrangements, MGB offers a number of policies including flexible working, career breaks and paid time off for volunteering.

MGB participates in the Cycle to Work scheme.

The 'G' in Governance

Mothercare adopted the QCA Code on its move to AIM and more information can be found in the Corporate Governance report at page 60.

Board of directors

Clive Whiley
N F

Position: Chairman

Appointment: April 2018

Skills, competencies, experience: Clive Whiley has forty years' experience in regulated strategic management positions since becoming a Member of the London Stock Exchange. He has extensive main board director experience across a broad range of financial services, engineering, manufacturing, distribution, leisure and mining businesses: encompassing the UK, Europe, North America, Australasia, the Middle East and the People's Republic of China.

Other Directorships: Mr Whiley is Chairman of De La Rue plc, China Venture Capital Management Limited, First China Venture Capital Limited, Y-LEE Limited, Senior Independent Director of Griffin Mining Limited and non-executive director of Sportech PLC. Formerly Chairman of Dignity plc and a Non-Executive Director of Grand Harbour Marina plc.

Andrew Cook
F

Position: Chief Financial Officer

Appointment: January 2020

Skills, competencies, experience: Andrew served as Corporate Development Director of Mothercare from April 2019 until his appointment as CFO in 2020. Andrew is a highly-experienced, results-oriented finance executive having successfully transformed business profitability across a number of sectors, including retail. He was most recently Chief Financial Officer for Stanley Gibbons Group plc. Prior to that role, he held senior director roles within Medina Dairy Group, Kelly Services, The Body Shop and Virgin Group.

Other Directorships: None

Gillian Kent
R A N F

Position: Non-executive director and Remuneration Committee Chair

Appointment: March 2017

Skills, competencies, experience: Gillian has had a broad executive career in digital businesses with functional specialism in customer and marketing. Gillian was Chief Executive of real estate portal Propertyfinder until its acquisition by Zoopla, and spent 15 years with Microsoft including three years as Managing Director of MSN UK. Formerly a non-executive director at Pendragon Plc, Dignity plc, Coull Limited, Skadoosh Limited, Portswigger Limited and National Accident Helpline Group Plc.

Other Directorships: Gillian holds non-executive director roles at, Ascential Plc, SIG plc, THG plc, Marlowe plc and at one private company Theo Topco Ltd (Key Group).

Mark Newton-Jones
F

Position: Non-Executive Director

Appointment: July 2014

Skills, competencies, experience: Mark was re-appointed as Chief Executive Officer of the Company in May 2018. Mark initially joined the Company in July 2014 acting as Chief Executive Officer of the Company until April 2018. Mark has 30 years' experience with and developing some of the industry's leading retail brands in both stores and online. Formerly, Mark has held directorships with companies within the Shop Direct Group where he was Chief Executive Officer. Mark was also a non-executive director of Boohoo plc from 2013 to 2016.

Other Directorships: Mark is Senior Managing Director, Head of the UK and Europe, the Middle East & Africa at Gordon Brothers. He is also Chairman of Graduate Fashion Week and a board member of the INGKA Holding B.V. (Supervisory Board of the IKEA Group). Mark is also currently a director of Pockit Limited and a member of Concentric Team Technology I Founder Partner LLP.

Brian Small
A R N F

Position: Non-executive director and Audit and Risk Committee Chair

Appointment: December 2019

Skills, competencies, experience: Brian is an experienced FTSE 250 CFO with broad general management experience in retail, wholesale and consumer-branded manufacturing. Brian was the CFO for JD Sports Fashion plc from 2004 to 2018 before retiring to focus on non-executive roles. He was also a non-executive director of Boohoo.com from 2019 to early in 2023.

Other Directorships: Pendragon Plc, De La Rue plc, and a Trustee Director for the Retail Trust Charity.

Lynne Medini

Position: Group Company Secretary

Appointment: May 2018

Skills, competencies, experience: Lynne is an experienced Chartered Governance Professional with a career spanning 30 years at Mothercare. Fellow, The Chartered Governance Institute.

Operating board

Andrew Cook – Chief Financial Officer

See previous page for biography

Andrea Moore

Position: Brand Director, Mothercare Global Brand

Appointment: February 2023

Skills, competencies, experience: Andrea joined in October 2022 on an interim basis prior to her appointment. Highly skilled at identifying the unique and distinct appeal of brands and turning them into brand strategies that drive high growth across multiple territories. Andrea has 30 years' brand, retail and ecommerce expertise gained in global roles for Dr. Martens, Molton Brown, Levi's and Made.com.

Jo Nicholls

Position: Director of Merchandising, Mothercare Global Brand

Appointment: November 2021

Skills, competencies, experience: Formerly Senior Director of Merchandising of George Clothing. Jo has over 30 years of merchandising with both retail and online experience and has extensive knowledge of the clothing sector. She has implemented large scale change programmes in planning, merchandise processes and the introduction of new systems.

Harriet Poppleton

Position: Commercial Director, Mothercare Global Brand

Appointment: January 2021

Skills, competencies, experience: Formerly International and Business Development director of Monsoon Accessorize. Harriet has over 15 years of extensive International retailing experience in various leadership roles in USA, Middle East and the UK. Having spearheaded a global change programme Harriet is used to managing the complexities of multi-channel global partnerships and business models whilst delivering a global brand with consistency.

Karen Tyler

Position: Chief Product Officer, Mothercare Global Brand

Appointment: July 2020

Skills, competencies, experience: Karen Tyler has over 35 years' retail and online experience sourcing and developing product. She has extensive knowledge of the children's and nursery sector across many global markets. She has previously led teams for Next, Boots, Matalan as well as holding directorships at Boden and Mamas and Papas.

Corporate governance report

The Board believes that establishing and maintaining high standards of corporate governance are critical to the successful delivery of the group's strategy and to safeguard the interests of its shareholders, franchise partners, manufacturing partners, staff and other stakeholders. It considers that The Quoted Companies Alliance Corporate Governance Code (the QCA Code) is appropriate for its size and complexity. We set out how we have complied with the QCA Code at page 61.

The directors as at the date of this report along with their biographical details and committee memberships are shown on the preceding pages. The directors' attendance at meetings for the year ended 25 March 2023 is set out in the table below. The table sets out for each director both the number of meetings attended and the maximum number of meetings that could have been attended. Only the attendance of members of the committees is shown in the table although other directors have also attended at the invitation of the respective committee chair.

The ad hoc board meetings which approved the interim results and full year report and accounts were constituted by the Board from those members available at that time, having considered the views of the whole Board beforehand.

				Committee			
	Board		Audit and Risk			Nomination	Remuneration
Maximum no of meetings	9 formal	4 additional: sub-committee	4 formal	1 additional	1 formal	3 formal	1 additional
Director							
Clive Whiley	9/9	4/4			1/1		
Andrew Cook	9/9	4/4					
Gillian Kent	9/9		4/4	1/1	1/1	3/3	1/1
Daniel Le Vesconte	3/4						
Mark Newton-Jones	9/9						
Brian Small	9/9		4/4	1/1	1/1	3/3	1/1

Directors' conflict of interest

The Board has maintained procedures whereby potential conflicts of interest are reviewed regularly. These procedures have been designed so that the Board may be reasonably assured that any potential situation where a director may have a direct or indirect interest which may conflict or may possibly conflict with the interests of the Company are identified and, where appropriate, dealt with in accordance with the Companies Act 2006 and the Company's Articles of Association. The Board has approved a situational conflict since Mark Newton-Jones' appointment as Senior Managing Director, Head of the UK and Europe, the Middle East & Africa at Gordon Brothers, the Company's lender.

Board evaluation

As announced last year, it was the intention to undertake a board evaluation once the incoming CEO had had time to settle in. As announced on 9 June 2023, the CEO appointed on 16 January 2023 stepped down with immediate effect. Consequently, the Operating Board continues to be led by the Chairman and CFO as was the case for the previous three years. A further evaluation will be planned once appropriate to do so.

The Chairman meets with the non-executive directors without management present at least annually.

	QCA Corporate Governance Code: 10 principles and related disclosures	Mothercare plc application
Principle	DELIVER GROWTH	
1	Establish a strategy and business model which promote long-term value for shareholders	The group's business model is set out on page 12. The group's revenue principally derives from royalties payable on global franchise partners' retail sales, operating through around 900 stores in the UK and some 32 countries around the world. Since 2020 we have been working with MGB's franchise partners on an asset-light model in which manufacturing partners invoice and are paid directly by franchise partners for products. Moving forward this new operating model, together with changes in associated cost structures, would result in a reduction in future overheads and supports improving cash generation for the business.
2	Seek to understand and meet shareholder needs and expectations	The Company maintains a very close dialogue with its major investors, communicating directly with them several times a year. The Company maintains an investor relations inbox that all shareholders are invited to use and, specifically to ask questions that they might ordinarily ask at general meetings of the company.
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	See section 172 statement on page 41. The main stakeholders in the business include its people, franchise partners, manufacturing partners and pension trustees. Regular dialogue is maintained with them all.
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	See our Principal risks and uncertainties on pages 37 to 40.
	MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK	
5	Maintain the board as a well-functioning, balanced team led by the chair	See our governance statement on pages 60 to 63.
6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	See our governance statement on pages 60 to 63.
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	See our governance statement on pages 60 to 63.
8	Promote a corporate culture that is based on ethical values and behaviours	The Company believes that establishing and maintaining high standards of corporate governance are critical to the successful delivery of the group's strategy and to safeguard the interests of its stakeholders. The group is committed to respecting internationally recognised human rights and partnering with suppliers that: provide decent, safe and fair working conditions for their employees with dignity and respect; reduce the environmental impact of their operations; and demonstrate a strong commitment to business ethics. MGB will continue to evolve and strengthen the group as it develops its global relationships.
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	A key element of the Board's responsibility is monitoring and reviewing the effectiveness of the Company's system of internal control, and the non-executive directors challenge and scrutinise its effectiveness and integrity. The roles and responsibilities of the Directors, eg where they sit on and / or chair a specific committee are set out at page 62. The terms of reference and matters reserved for the board are available on the Company's website, www.mothercareplc.com.

Corporate governance report
continued

	BUILD TRUST	
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Reports of the work of the Board and its committees are set out in the Annual Report 2023: Board: corporate governance pages 60 – 63 and Directors' report pages 69 – 70. Audit and Risk Committee: page 63. Nomination Committee – page 63. Remuneration Committee – pages 64 – 65. Shareholder notices of meetings and voting at general meetings is available on the regulatory information service at www.mothercareplc.com. There have been no significant votes cast against since 2018. Copies of previous annual reports are available on the same URL.

Governance and Committees

The Board is assisted by three main committees that meet and report on a regular basis. At the year end the members of the committees were as set out below. A record of the meetings held during the year of the Board and its principal committees and the attendance by each director is set out on page 60.

	A Audit and Risk Committee	R Remuneration Committee	N Nomination Committee
Committee members	Brian Small (Chair) Gillian Kent	Gillian Kent (Chair) Brian Small	Clive Whiley (Chair) Gillian Kent Brian Small

Audit and Risk Committee

The Committee comprises Brian Small as Chair and Gillian Kent. Brian is a chartered accountant with recent and relevant financial experience.

The Committee meets regularly during the year with attendance noted at page 60 of the Governance report.

The Company's chairman, CFO and external audit partner are invited to attend along with other board directors and executives from time to time.

The Committee's remit is to review the scope and issues arising from the audit and matters relating to financial control and risk. It assists the Board in its review of corporate governance and in the presentation of the Company's financial results through its review of the interim and full year accounts before approval by the Board, focusing in particular on compliance with accounting principles, changes in accounting practice and major areas of judgement.

During its scheduled meetings the Committee considered the unaudited interim statement, a review of the risk management policy, risk register and risk committee terms of reference.

Non audit services

A policy in respect of non-audit work by the audit firm is in effect. The general principle is that the audit firm should not be requested to carry out non-audit services on any activity of the Company where they may in the future be required to give an audit opinion. Furthermore, the appointment of the audit firm for any non-audit work must be approved by the Committee (or by the Chair of the Committee in the case of minor matters), and will be approved only if it is regarded as being in the best interests of the Company and the Committee will not approve (and the Company will not pay) any non-audit fees to the auditors on a contingent basis.

Nomination Committee

The Committee comprises Clive Whiley as Chair and Brian Small and Gillian Kent. The terms of reference are available on the Company's website, mothercareplc.com.

As a matter of process, the Committee makes recommendations to the Board on candidates to fill board vacancies which are then considered by the Board in conjunction with any advice or recommendation from the Remuneration Committee.

During the year under review, the search for a CEO was concluded resulting in the appointment of Daniel Le Vesconte who was appointed to the board in January 2023. Since the year end Daniel stepped down as a director. Up until his appointment and post his departure the business was and continues to be led by the CFO and Chairman.

Remuneration Committee – see page 64.

Directors' remuneration report

Statement from the Remuneration Committee Chair

Dear Shareholder,

On behalf of my colleagues on the Remuneration Committee and the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended 25 March 2023.

The Annual Report on Remuneration provides details of the amounts earned in respect of the year ended 25 March 2023 and how the Directors' Remuneration Policy is intended to be implemented for the year commencing 26 March 2023. The Directors' Remuneration Policy was approved as part of an advisory vote on the 2022 Directors' Remuneration Report at the company AGM on the 13 October 2022 with 99.99% of votes in favour and is available in our 2022 Directors' Remuneration Report on our website.

Remuneration decisions in respect to FY2023

Taking into account the performance during the year and our focus to ensure that executive directors are focused on outcomes and strategic priorities the Committee made the following decisions:

Board changes

Daniel Le Vesconte was appointed as CEO on 16th January 2023 with a base salary of £363,000. Daniel subsequently stepped down as CEO and from the Board on 8 June 2023. Daniel Le Vesconte will remain an employee of the Group up to 8 December 2023 and will continue to receive his salary and benefits while he remains an employee.

Salary/fees

There was no change in the CFO salary, Chairman's or NED fees for FY2023.

Annual bonus outcomes

To support the control of P&L expenditure and cash management and to reflect the experience of the wider workforce, the executive directors did not participate in the annual bonus plan during FY2023.

Long term incentives

On 28 September 2020 Andrew Cook was granted a performance-based LTIP award equal to 100% of salary. 50% of the award was subject to FY2023 EBITDA performance. 50% of the award was subject to absolute TSR performance measured over the three year period following the grant date. The award will vest on the third anniversary of the grant date subject to the outcome of the performance metrics. Any vested shares will be subject to a two year post-vesting holding period.

FY2023 EBITDA (£6.7m) was below the threshold EBITDA target and therefore the proportion of the award subject to EBITDA performance will lapse in full. The vesting outcome of the proportion of the award subject to absolute TSR performance (which will be determined in October 2023 following the end of the TSR performance period), together with the overall vesting outcome of the award, will be disclosed in the FY2024 Directors' Remuneration Report.

Implementation of remuneration policy for FY2024

Salary/Fees

Andrew Cook was awarded a 6% increase in salary (from £259,000 to £274,540) with effect from 1 July 2023 in line with the average salary increase awarded to the wider workforce. The Committee considered this increase to be appropriate noting that he had not received a salary increase since his appointment as CFO on 23 January 2020.

There was no change in NED fees and the Chairman's fee. The fees for FY2024 are as follows:

- Chairman fee: £120,000
- NED base fee: £50,000
- Fee for chair of audit and risk committee: £7,500
- Fee for chair of remuneration committee: £7,500

Annual bonus plan

Andrew Cook's annual bonus opportunity is equal to 100% of salary in line with the Directors' Remuneration Policy and is subject to stretching profit performance and non-financial strategic objectives. Details of the performance metrics and targets will be disclosed in the FY2024 Directors' Remuneration Report.

Long term incentives

Per the Directors' Remuneration Policy included in the FY2022 Directors' Remuneration Report, the Committee intended to grant performance-based LTIP awards during the course of the three year Policy period (i.e. in FY2023, FY2024 and FY2025). However, no awards were granted in FY2023 given the economic uncertainty.

The Committee has reflected on its approach to long term incentives for FY2024 and intends to grant restricted shares to Andrew Cook and other senior management as a one-off in lieu of performance-based LTIP awards for FY2023 and FY2024. The key rationale is as follows:

- It removes the challenge of setting long term targets in an uncertain and volatile market.
- It recognises the need to support retention and reward long term value creation through this challenging period requiring significant leadership and resilience.

The Committee is mindful of market practice and shareholder expectations as regards setting restricted share award levels at no more than 50% of the performance-based LTIP opportunity. Noting the maximum performance-based LTIP opportunity under the Directors' Remuneration Policy (150% of salary for FY2023) and that no performance-based LTIP awards were granted in FY2023 and will not be granted in FY2024, it is proposed that Andrew Cook is granted a restricted share award opportunity equal to 55% of salary. This represents greater than a 50% discount to the total performance-based LTIP opportunity that could have been granted to Andrew Cook in FY2023 and FY2024.

The restricted share awards will vest on the third anniversary of the grant date subject to continued employment. Any vested shares will be subject to a two year post-vesting holding period.

The Company is in the process of searching for a new CEO. The new CEO incumbent may also be granted a restricted share award depending on the timing of appointment, with an award opportunity of up to 100% of salary.

The Committee has consulted with the Company's major shareholders on the intention to grant restricted share awards and is pleased with the level of support received.

The Committee intends to revert to granting performance-based LTIP awards in FY2025, but will review its approach following year end taking into account the level of market uncertainty and volatility at the time.

Conclusion

We are committed to a responsible and transparent approach in respect of executive pay. The Committee believes that the advisory vote provides accountability and gives shareholders a say on this important area of corporate governance. We continue to welcome any feedback from shareholders and hope to receive your support at the 2023 AGM.

Gillian Kent
Chair of the Remuneration Committee

21 September 2023

Annual Report on Remuneration

Single total figure of remuneration (audited)

The table below shows the single total figure remuneration for directors in FY2023 with comparative figures for FY2022.

	Salary and fees		Benefits		Pension		Annual bonus		Long Term Incentives		Total	
Director	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Executive												
Daniel Le Vesconte[1]	77	–	3.7	–	–	–	–	–	–	–	80.7	–
Andrew Cook	259	259	11.5	10.5	15.5	15	–	259	–	–	283	543.5
Non executive												
Clive Whiley[2]	120	130	–	–	–	–	–	–	–	91[3]	120	221
Gillian Kent[4]	57.5	55.5	–	–	–	–	–	–	–	–	57.5	55.5
Mark Newton-Jones[4]	50	48	–	–	–	–	–	–	–	–	50	48
Brian Small[4]	57.5	55.5	–	–	–	–	–	–	–	–	57.5	55.5

1 Dan Le Vesconte was appointed as CEO on 16 January 2023 and subsequently stepped down as CEO and from the Board on 8 June 2023.

2 Clive Whiley's fee was reduced from £130,000 p.a. to £120,000 p.a. with effect from 1 April 2022.

3 Represents the value of the restricted share award at vesting (29 March 2022) which was granted to Clive Whiley in respect of his previous role of executive chairman. Details of the vesting were disclosed in last year's directors' remuneration report.

4 The non-executive director fees were reinstated to their previous level of £50,000 p.a. with effect from 1 July 2021. The additional fees for chairing the audit and risk committee and remuneration committee remained the same.

Executive director base salary (auditable)

Base salary and fees

	2023 £000	2022 £000	% increase
Daniel Le Vesconte	363	–	n/a
Andrew Cook	259	259	0

Non-executive director fees (auditable)

	2023 £000	2022 £000	% increase / (decrease)
Chairman	120[1]	130	(7.7)
Non-executive director	50	50	0
Chair of audit and risk committee	7.5	7.5	0
Chair of remuneration committee	7.5	7.5	0

1 Clive Whiley's fee was reduced from £130,000 p.a. to £120,000 p.a. with effect from 1 April 2022.

Annual bonus plan (audited)

To support the control of P&L expenditure and cash management and to reflect the experience of the wider workforce, the executive directors did not participate in the annual bonus plan during FY2023.

Long term incentive (audited)

On 28 September 2020 Andrew Cook, the CFO, was granted a performance-based LTIP award equal to 100% of salary. 50% of the award was subject to FY2023 EBITDA performance. 50% of the award was subject to absolute TSR performance measured over the three-year period following the grant date. The award will vest on the third anniversary of the grant date subject to the outcome of the performance metrics. Any vested shares will be subject to a two year post-vesting holding period.

FY2023 EBITDA (£6.7m) was below the threshold EBITDA target and therefore the proportion of the award subject to EBITDA performance will lapse in full. The vesting outcome of the proportion of the award subject to absolute TSR performance (which will be determined in October 2023 following the end of the TSR performance period), together with the overall vesting outcome of the award, will be disclosed in the FY2024 Directors' Remuneration Report.

There was no LTIP awarded to the executive directors during FY2023.

Payments to past directors and payments for Loss of Office

There were no payments to past directors nor any payments for loss of office made during FY2023.

Statement of directors' shareholding and share interests (audited)

The interests of the directors and their connected persons in the Company's ordinary shares as at 26 March 2022 and 25 March 2023 are set out below. As at 21 September 2023, the Company has not been advised of any changes to the interests of the directors and their connected persons.

Director	Shareholding requirement (% salary)	Current shareholding (% salary)[1]	Shares held at 25 March 2023	Shares held at 26 March 2022
Executive directors				
Daniel Le Vesconte	200%	14.2%	568,582	–
Andrew Cook	200%	30.1%	862,375	862,375
Non-executive directors				
Clive Whiley	n/a	n/a	3,054,168	1,225,890
Gillian Kent	n/a	n/a	–	–
Brian Small	n/a	n/a	–	–
Mark Newton-Jones	n/a	n/a	2,472,499	2,796,710

1 Current shareholding as a % of salary was calculated by reference to the average mid-market quoted share price over the 30 days to the balance sheet date (9.05 pence).

Annual Report on Remuneration
continued

Share interests

Director	Award	Date of award	Number of awards at 26.03.22	Awards granted	Awards vested	Awards lapsed	Number of awards at 25.03.23	Exercise price	Date at which award vests / vested
Clive Whiley[1]	Chairman's restricted share award	29.03.19	774,110	–	774,110	–	–	Nil	29.03.2022
Andrew Cook	SAYE	23.12.2020	180,000	–	–	–	180,000	10p	01.03.2024
	LTIP2019[1]	29.03.2019	709,601	–	–	709,601	–	Nil	29.03.2022
	LTIP 2020[3]	28.09.2020	2,590,000	–	–	–	2,590,000	Nil	28.09.2023
Mark Newton-Jones[2,4]	LTIP 2019[1]	29.03.19	752,486	–	–	752,486	–	Nil	29.03.2022

1 On 29 March 2019 Clive Whiley was granted a restricted share award over 774,110 shares in respect of his role of executive chairman. The award vested on 29 March 2022 and was exercised on 14 September 2022. The underlying shares are subject to a two-year post-vesting holding period.

2 LTIP 2019 lapsed in full on 29 March 2022 as the TSR performance targets and underpin were not achieved.

3 An update on the vesting outcome of LTIP 2020 is set out on page 64.

4 Mark Newton-Jones served as an executive director up to 23 July 2020.

Advisers

During the year, the Committee received independent advice from Deloitte. Deloitte is a founder member of the Remuneration Consultants Group and voluntarily operates under its code of conduct in dealings with the Committee.

Statement of voting at General Meeting

The FY2022 directors' remuneration report including the directors' remuneration policy was approved at the Annual General Meeting held on 13 October 2022. The table below sets out the voting outcome.

Resolution	Votes For	% of Votes For	Votes Against	% of Votes Against	Votes Withheld*
To approve the directors' remuneration report (including the directors' remuneration policy)	437,069,890	99.99	52,922	0.01	14,137

*A vote withheld is not a vote in law and is not counted in the calculation of votes 'for' and 'against' each resolution

Approval

This report was approved by the board of directors on 21 September 2023 and signed on its behalf by Gillian Kent, Chair of the remuneration committee.

Directors' report

The directors present their report on the affairs of the group, together with the financial statements and auditors' report for the 52-week period ended 25 March 2023. The corporate governance statement set out on pages 60 to 63 forms part of this report. The Chairman's statement on page 6 gives further information on the work of the Board during the period.

The principal activity of the group is undertaken by its subsidiary and owner of the Mothercare intellectual property, Mothercare Global Brand (MGB). MGB specialises in designing and sourcing Mothercare products and licensing and franchising the brand. The group's headquarters is in the UK and it operates in some 32 countries through its network of franchise partners.

An overview of future developments can be found in Growth Drivers on page 32.

Directors

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Companies Act 2006 and related legislation and best corporate governance practice. The Articles may be amended by special resolution of the shareholders. The business of the Company is managed by the Board which may exercise all the powers of the Company subject to the provision of the Articles of Association, the Companies Act and any ordinary resolution of the Company.

The following directors served during the 52-week period ended 25 March 2023:

Name	Appointment
Clive Whiley	Non-executive chairman and chair of the nomination committee
Andrew Cook	Executive director
Gillian Kent	Non-executive director and chair of the remuneration committee
Daniel Le Vesconte	Executive director
Mark Newton-Jones	Non-executive director
Brian Small	Non-executive director and chair of the audit and risk committee

Daniel Le Vesconte was appointed on 16 January 2023 and his appointment as a director terminated on 8 June 2023. He is therefore not standing for election at the forthcoming AGM.

The remaining directors will all retire and offer themselves for re-election at the forthcoming AGM.

The directors have had regard to the need to foster the Company's business relationship with suppliers, customers and others, and the effect of that regard, including the principal decisions taken by the Company during FY2023 are as set out in more detail in the section 172 statement on page 41.

Dividend

The directors are not recommending the payment of a final dividend for the year and no interim dividend was paid during the year (2022: nil). The Company's dividend policy is set out on page 11 of the Chairman's statement.

Capital structure

As at 31 August 2023, the Company's issued ordinary share capital was 563,836,626 ordinary shares of 1p each all carrying voting rights. The details of the Company's issued share capital as at 25 March 2023 are set out in note 24 to the financial statements. No shares were held in Treasury.

Details of the share plans operated by the group are set out at note 29 to the financial statements.

Substantial shareholdings

As at 21 September 2023, the Company had been advised by, or was aware of, the following interests above 3% in the Company's ordinary share capital:

	% of issued share capital
Richard Griffiths and controlled undertakings	33.22
Lombard Odier Asset Management (Europe) Limited	26.72
M&G Plc	11.39
D C Thomson & Company Limited	9.39

Treasury policy and financial risk management

Treasuring policy, financial risk management and foreign currency, interest rate and credit risk are set out on page 50 of the financial review.

Charitable giving

During the financial year the group donated around 150 bags of clothing samples to a Hertfordshire based charity for onward distribution to Ukraine and Afghanistan. On top of that a large amount of clothing was donated to Mamas in Need, Teens Unite, Barnardo's and Great Ormand Street Children's Hospital (across their three oncology wards).

As part of World Book Day activities, MGB colleagues donated books which filled three large bags and were donated to the local Lions Charity Bookshop. They also held a coffee morning and bake sale in aid of Macmillan which raised £975.

Across four sample sales run by MGB employees, a total of £19,726 was made for various charities including Wellbeing of Women and Home-Start.

Directors' report
continued

Should colleagues wish to donate their time, MGB also offers one, non-contractual, paid Volunteer Day each financial year for colleagues to volunteer for any organisation that is a registered UK charity and demonstrates a positive social or environmental benefit.

Energy and Carbon

The ESG section at page 52 within the Strategic Report contains the group's SECR reporting on energy consumption and carbon emissions.

Political donations

It is the Company's policy not to make political donations and none were made during the year.

Auditors

Each of the persons who was a director of the Company at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

Gravita Audit Limited (formerly Jeffreys Henry Audit Limited) has expressed its willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming annual general meeting.

Annual general meeting (AGM)

The AGM will be held on 23 October 2023.

By order of the board

Lynne Medini
Group Company Secretary

21 September 2023

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with UK-adopted International Accounting Standards and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" and applicable law).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent Company and of the profit or loss of the group for that period.

In preparing the financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether UK-adopted International Accounting Standards have been followed for the group financial statements and United Kingdom accounting standards, comprising FRS101 have been followed for the parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company and/or the Group will not continue in business.

The directors are responsible for safeguarding the assets of the group and parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

This responsibility statement was approved by the board of directors on 21 September 2023 and is signed on its behalf by:

Clive Whiley	**Andrew Cook**
Chairman	Chief Financial Officer

Independent auditor's report to the members of Mothercare plc

Report on the audit of the financial statements

Opinion

We have audited the consolidated financial statements of Mothercare plc (the "Parent Company") and its subsidiaries (the "Group"), for the year ended 25 March 2023, which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated statement of cash flow and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted International accounting standards (IFRSs). The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 25 March 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

In auditing the consolidated and parent company financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of these financial statements is appropriate.

We draw attention to note 2 in the Group financial statements and note 1 in the parent company financial statements, which explain the board's considerations over going concern, including factors that may affect the future prospects and trading activities of the group.

The Group forecasts indicate that waivers may be required in respect of future periods' covenant tests. The cause of this is largely to do with high interest rates coupled with extended time needed to return to pre-pandemic retail sales levels. As a result, the Board is considering financing activities to repay all or part of the current facility. These events or conditions, along with other matters as set out in note 2 in the Group financial statements and note 1 in the parent company financial statements indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The existence of a material uncertainty related to going concern is one of the most significant risks of material misstatement due to the uncertainty of the Group's ability to meet future covenant tests and its ability to secure alternative financing arrangements.

Management performed an assessment in relation to group's ability to continue as a going concern and the assessment comprises a base case scenario that includes a reasonable worst-case scenario and a reverse stress test. The overall assessment includes key assumptions considered by management that required significant judgment in relation to the estimation of future revenue generated by franchisees.

We assessed the significant judgements made by management in relation to the reverse stress test to ensure that these are adequately considered and in line with current events and trading performance.

We performed the following audit procedures to assess the management's judgements, key assumptions and entity's ability to continue as a going concern:

- Liaising with management and discussing their going concern assessment, including their view and perspective associated with firm's ability to continue as a going concern
- Reviewing and assessing the reliability of the forecast to ensure its accuracy and performing arithmetical checks
- Reviewing the past forecast with the actual results to determine if prior year's estimates were adequately considered and whether management's historical approach in terms of the key assumptions was appropriate

- Reviewing the forecast in line with the ongoing impact of Covid-19 and entity's exposure to the current European conflict that affected its trading activities
- Assessing the worst-case scenario and reverse stress test considered by management in line with the key assumptions involved and other relevant events to determine the potential impact that these may have in respect of the current covenants related to the external borrowing facilities
- Assessing the covenants attached to the external borrowing facilities and challenging management approach and assessment of a breach of covenants during the subsequent period
- Reviewing the subsequent trading activities and performance in line with the covenants attached to the external borrowing facilities; and
- Assessing the relevant disclosure within the annual report in line with the management's assessment and other related aspects considered.

In line with our assessment and audit procedures performed, the group was not able to demonstrate future compliance with some covenants, giving rise to a material uncertainty in relation to going concern. Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

As there is a material uncertainty for the going concern assumption, this key audit matter has not been included within this key audit matters section. This is in accordance with the guidance set out within ISA (UK) 701.

Independent auditor's report to the members of Mothercare plc
continued

Key audit matter	How our audit addressed the key audit matter
Defined benefit pension scheme As part of our assessment, we identified the defined benefit pension scheme as one of the most significant risks where a material misstatement could exist. It was reported that the Group operates two schemes that relate to staff and executive members. The valuation of scheme is comprehensive and requires a high degree of judgement based on the actuarial assumptions over the prevailing future outlook at the point of valuation. Therefore, we considered that there are risks associated with the judgements related to key assumptions used in the valuation reporting of defined benefit scheme. The defined benefit scheme is assessed under International Accounting Standards (IAS) 19 'Employee Benefits'. Last year, the defined benefit scheme stated a net surplus of £12.4m, which comprises a defined benefit obligation ("DBO") of £383.4m and assets measured at bid market value of £395.8m. At the end of period ended 25 March 2023, the defined benefit scheme outlines a net surplus of £8.4m, which comprises a defined benefit obligation ("DBO") of £269.9m and assets measured at bid market value of £278.3m.	We liaised with management to assess the current schemes disclosed in the year and reviewed if an appropriate approach in line with IAS19 'Employee Benefits' had been taken and the related criteria required to ensure all the relevant aspects are met and disclosed; We obtained and reviewed the actuarial reports that were prepared by a management's specialist to ensure that these are compliant with IAS 19 and related criteria; We have used our own independent specialist to assess and provide an opinion in respect of the key assumptions and models that have been considered by the actuary in order to determine the present value of the defined benefit surplus reported at the end of the reporting period; We have enquired from management, where required, to document and obtain further insight in terms of the key assumptions disclosed by the actuary; We have verified the assets and liabilities, that are included and disclosed in the schemes, against third party investment management report; and We have reviewed the actuary reports in line with the figures, details and information disclosed in financial statements to ensure that there are no discrepancies.
Revenue recognition In line with ISA (UK) 240, there is a presumed fraud risk associated with revenue recognition. The recognition of revenue from contracts with customers requires a significant judgement from management. Therefore, this aspect may give rise to manipulation risk and inadequate approach in respect of the accounting treatment and disclosure of revenue in accordance with IFRS 15, Revenue from Contracts with Customers.	We have liaised with management and discussed the approach in respect of the revenue recognition for all income streams, including any related aspects associated with control procedures; We have assessed the managements' approach in respect of the application of accounting policy in accordance with the criteria stipulated by IFRS 15, Revenue from Contracts with Customers; We have obtained external confirmations from Company's partners in respect of both revenue streams, royalty and product sales; and We have reviewed the external confirmations provided from Company's partners in line with the contractual agreements and any related aspects such as retail sales or royalty rates; where required, we performed recalculation when assessing the royalty revenue by franchise partner to adequate recognition and disclosure.

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade debtors As part of our assessment, we identified the recoverability of trade debtors as a risk because of the current trading performance and any associated market circumstances that the Group is exposed to. The overall net trade debtors value is material at group level, reporting a total value of £3.7m (2022: £3.4m) at the end of the reporting period. The assessment associated with trade debtors' recoverability comprises significant judgements and key inputs that are required to be addressed in line with the Expected Credit Losses as described by IFRS 9.	We have performed analytical review on balances and classes of balances to determine whether any significant unusual trends and relationships compared to prior year; We have raised enquiries, where necessary and required, to understand the most up to date relationship with current partners and conclude whether any loss of key partners during the pre and post year end period; We have considered and performed a comprehensive review in respect of post year end settlements to conclude on recoverability and determine whether an adequate value reported at the end of the reporting period; We have assessed other factors such as current market conditions in various jurisdictions to determine any deterioration of trading performance or shipments being restricted; and We have considered a review of judgements and inputs considered by management when assessing the Expected Credit Losses per IFRS 9 and any associated provisions that were incorporated at the end of the reporting period to ensure this is consistent and in line with the relevant criteria.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£646,000 (2022: £596,000)	£50,000 (2022: £20,000)
How we determined it	1% of revenue (2022: 5% of net profit)	2.5% of gross assets reported at the end of the reporting period (2022: 1% of gross assets)
Rationale for benchmark applied	The basis for materiality has changed from the prior year. It is now considered that revenue is a primary measure used by shareholders in assessing the performance of the Group and is generally accepted auditing benchmarks.	We believe that the gross assets is an appropriate measure used by shareholders in assessing the performance of the Company and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1,000 and £626,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £32,350 as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent auditor's report to the members of Mothercare plc continued

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of 2 reporting units, comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information of Mothercare plc, Mothercare Global Brand Limited and Mothercare Finance (2) Limited reporting units, which were individually financially significant and accounted for 100% of the Group's revenue and 100% of the Group's absolute profit before tax (i.e., the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units).

We also performed specified audit procedures over account balances and transaction classes that we regarded as material to the Group.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report on these respects.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 71, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The extent to which the audit was considered capable of detecting irregularities including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the digital marketing and advertising sector.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including Companies Act 2006, taxation legislation, data protection, anti-bribery, employment, environmental, health and safety legislation and anti-money laundering regulations.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.
- We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 2 of the Group financial statements were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- reviewing correspondence with HMRC and the company's legal advisor

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit. Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jan Charlesworth
Senior Statutory Auditor

For and on behalf of
Gravita Audit Limited (Statutory Auditors)
Finsgate
5-7 Cranwood Street
London EC1V 9EE

21 September 2023

Consolidated income statement
For the 52 weeks ended 25 March 2023

	Note	52 weeks ended 25 March 2023 Before adjusted items £ million	Adjusted items[1] £ million	Total £ million	52 weeks ended 26 March 2022 Before adjusted items £ million	Adjusted items[1] £ million	Total £ million
Revenue	4	**73.1**	**–**	**73.1**	82.5	–	82.5
Cost of sales		**(52.2)**	**–**	**(52.2)**	(54.9)	–	(54.9)
Gross profit		**20.9**	**–**	**20.9**	27.6	–	27.6
Administrative expenses	6	**(15.5)**	**(0.2)**	**(15.7)**	(16.0)	1.9	(14.1)
Impairment losses on receivables	18	**0.8**	**–**	**0.8**	(0.5)	–	(0.5)
Profit from operations	7	**6.2**	**(0.2)**	**6.0**	11.1	1.9	13.0
Finance costs	8	**(2.8)**	**(1.0)**	**(3.8)**	(3.1)	1.2	(1.9)
Profit before taxation		**3.4**	**(1.2)**	**2.2**	8.0	3.1	11.1
Taxation	9	**(2.3)**	**–**	**(2.3)**	1.0	–	1.0
(Loss)/profit for the period		**1.1**	**(1.2)**	**(0.1)**	9.0	3.1	12.1
(Loss)/profit for the period attributable to equity holders of the parent		**1.1**	**(1.2)**	**(0.1)**	9.0	3.1	12.1
Earnings per share							
Basic	11			**(0.0)p**			2.1p
Diluted	11			**(0.0)p**			2.1p

1 Includes adjusted costs (property costs, restructuring and reorganisation costs) and movement on warrant options. Adjusted items are considered to be one-off or significant in nature and /or value. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across the periods because it is consistent with how business performance is reviewed by the Board.

Consolidated statement of comprehensive income
For the 52 weeks ended 25 March 2023

	Note	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
(Loss)/profit for the period		**(0.1)**	12.1
Items that will not be reclassified subsequently to the income statement:			
Remeasurement of net defined benefit liability: Actuarial (loss) / gain on defined benefit pension schemes	30	**(4.5)**	35.0
Deferred tax relating to items not reclassified	16	**1.1**	(3.1)
		(3.4)	31.9
Items that may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations	26	**–**	–
Deferred tax relating to items reclassified	16	**–**	–
		–	–
Other comprehensive (expense) / income for the period		**(3.4)**	31.9
Total comprehensive (expense) / income for the period wholly attributable to equity holders of the parent		**(3.5)**	44.0

Consolidated balance sheet
As at 25 March 2023

	Note	25 March 2023 £ million	26 March 2022 £ million
Non-current assets			
Intangible assets	13	**5.8**	3.6
Property, plant and equipment	14	**0.2**	0.3
Right-of-use leasehold assets	15	**0.3**	0.9
Retirement benefit obligations	30	**8.4**	12.4
		14.7	17.2
Current assets			
Inventories	17	**0.9**	2.1
Trade and other receivables	18	**7.2**	8.1
Derivative financial instruments	21	**0.5**	0.2
Current tax assets		**0.2**	–
Cash and cash equivalents	19	**7.1**	9.2
		15.9	19.6
Total assets		**30.6**	36.8
Current liabilities			
Trade and other payables	22	**(10.8)**	(12.1)
Lease liabilities	15	**(0.3)**	(0.3)
Provisions	23	**(0.9)**	(1.7)
		(12.0)	(14.1)
Non-current liabilities			
Borrowings	20	**(19.5)**	(19.1)
Lease liabilities	15	**(0.2)**	(0.8)
Provisions	23	**(0.3)**	(0.9)
Deferred tax liabilities	16	**(0.4)**	(0.4)
		(20.4)	(21.2)
Total liabilities		**(32.4)**	(35.3)
Net (liabilities)/assets		**(1.8)**	1.5
Equity attributable to equity holders of the parent			
Share capital	24	**89.3**	89.3
Share premium account	25	**108.8**	108.8
Own shares		**(0.2)**	(1.0)
Translation reserve	26	**(3.7)**	(3.7)
Retained loss		**(196.0)**	(191.9)
Total equity		**(1.8)**	1.5

Approved by the board and authorised for issue on 21 September 2023 and signed on its behalf by:

Andrew Cook
Chief Financial Officer

Company Registration Number: 1950509

Consolidated statement of changes in equity

For the 52 weeks ended 25 March 2023

	Note	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Retained earnings £ million	Total equity £ million
Balance at 26 March 2022		**89.3**	**108.8**	**(1.0)**	**(3.7)**	**(191.9)**	**1.5**
Items that will not be reclassified subsequently to the income statement		–	–	–	–	(3.4)	(3.4)
Other comprehensive expense		–	–	–	–	(3.4)	(3.4)
Loss for the period		–	–	–	–	(0.1)	(0.1)
Total comprehensive expense		**–**	**–**	**–**	**–**	**(3.5)**	**(3.5)**
Shares transferred to executive on vesting		–	–	0.8	–	(0.8)	–
Adjustment to equity for equity-settled share-based payments	29	–	–	–	–	0.2	0.2
Balance at 25 March 2023		**89.3**	**108.8**	**(0.2)**	**(3.7)**	**(196.0)**	**(1.8)**

For the 52 weeks ended 26 March 2022

	Note	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Retained earnings £ million	Total equity £ million
Balance at 27 March 2021		**89.3**	**108.8**	**(1.0)**	**(3.7)**	**(236.4)**	**(43.0)**
Items that will not be reclassified subsequently to the income statement		–	–	–	–	31.9	31.9
Other comprehensive income		–	–	–	–	31.9	31.9
Profit for the period		–	–	–	–	12.1	12.1
Total comprehensive income		**–**	**–**	**–**	**–**	**44.0**	**44.0**
Adjustment to equity for equity-settled share-based payments	29	–	–	–	–	0.5	0.5
Balance at 26 March 2022		**89.3**	**108.8**	**(1.0)**	**(3.7)**	**(191.9)**	**1.5**

Consolidated cash flow statement
For the 52 weeks ended 25 March 2023

	Note	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Net cash inflow from operating activities	27	**4.3**	8.1
Cash flows from investing activities			
Purchase of property, plant and equipment		**(0.1)**	(0.1)
Purchase of intangibles – software		**(2.2)**	(2.8)
Cash used in investing activities		**(2.3)**	(2.9)
Cash flows from financing activities			
Interest paid		**(2.8)**	(2.5)
Lease interest paid		**(0.1)**	(0.1)
Repayments of leases		**(0.2)**	(0.4)
Facility fee paid		**(0.9)**	–
Net cash (outflow) from financing activities		**(4.0)**	(3.0)
Net (decrease)/increase in cash and cash equivalents		**(2.0)**	2.2
Cash and cash equivalents at beginning of period		**9.2**	6.9
Effect of foreign exchange rate changes		**(0.1)**	0.1
Cash and cash equivalents at end of period	27	**7.1**	9.2

Notes to the consolidated financial statements

1 General information

Mothercare plc is a company incorporated in Great Britain under the Companies Act 2006. The address of the registered office is given in the shareholder information on page 134. The nature of the Group's operations and its principal activities are set out in the operational review on page 14.

These financial statements are presented in UK pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

2 Significant accounting policies

Basis of presentation

The Group's accounting period covers the 52 weeks ended 25 March 2023. The comparative period covered the 52 weeks ended 26 March 2022.

Basis of accounting

The consolidated financial statements of Mothercare Plc as of 25 March 2023 and for the year then ended (the "consolidated financial statements") have been under UK adopted International Accounting Standards and the parent is under FRS 101. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006 (the "Companies Act").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

New standards, amendments, IFRIC interpretations and new relevant disclosure requirements

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

- Annual Improvements to IFRS 2018–2020, effective 1 January 2022;
- Onerous Contracts–Cost of Fulfilling a Contract (Amendments to IAS 37), effective 1 January 2022;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective 1 January 2022;
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective 1 January 2022.

Going concern

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

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

The consolidated financial information has been prepared on a going concern basis. When considering the going concern assumption, the Directors of the Group have reviewed a number of factors, including the Group's trading results and its continued access to sufficient borrowing facilities against the Group's latest forecasts and projections, comprising:

- A Base Case forecast
- A Sensitised forecast, which applies sensitivities against the Base Case for reasonably possible adverse variations in performance, reflecting the ongoing volatility in our key markets.

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

The Sensitised scenario assumes the following additional key assumption:

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

The Board's confidence in the Group's Base Case forecast, which indicate that the Group will operate with sufficient cash balances, provided appropriate covenant waivers on our current facility were agreed, if required prior to the completion of our funding activities, and the Group's proven cash management capability, supports our preparation of the financial statements on a going concern basis..

However, if trading conditions were to deteriorate beyond the level of risk applied in the Sensitised forecast, or the Group was unable to execute further cost or cash management programmes, the Group would at certain points of the working capital cycle require covenant waivers based on its current

Notes to the consolidated financial statements
continued

2 Significant accounting policies (continued)

facilities agreement. If this scenario were to crystallise, the Group would need to renegotiate with its lender in order to secure waivers to potential covenant breaches and consequential cash remedies or have completed the current negotiations to amend the covenants or secure additional funding. Therefore, we have concluded that, in this situation, there is a material uncertainty in relation to the continued support of our existing lender, if required, that casts significant doubt that the Group will be able to operate as a going concern without potential waivers or revised/ new financing facilities.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 25 March 2023. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has the right, to variable returns from its involvement with the investee; and
- has the ability to use its powers to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The accounting policies of subsidiaries are in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is recognised only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time. Revenue is measured at the transaction price the Group expects to be entitled to in a contract with a customer and excludes amounts collected on behalf of third parties discounts, value-added taxes (VAT) and other sales-related taxes.

Revenue recognition has been considered in accordance with IFRS 15 and two separate performance obligations have been identified in relation to income received from franchise partners:

The first performance obligation identified relates to the sale of goods to international franchise partners. Turnover from such sales is recognised at the point in time at which the control of goods is transferred, which is on dispatch. There are two potential points in time depending on the method of shipping. In the first instance, control passes to the franchise partner once the goods are loaded on their shipping vessel. In the second instance, control passes to the franchise partner at the point their freight carrier collects the goods from one of our distribution centres.

The second performance obligation is in relation to royalty revenue from licences provided to franchise partner to trade under the Mothercare brand name, which is recognised on a sales usage basis when the corresponding retail sales are recognised by the franchise partner, in accordance with the substance of the relevant licensing agreement, the Group has also recognised revenue with certain customers on an agency basis.

The most significant consideration under IFRS 15 in determining this treatment is that control of the stock passes directly from the manufacturer to the franchise partner, therefore the Group never takes control of the stock during the logistics cycle. Agency revenue, being solely the margin element of the sale, is recognised at the point that control of the goods passes to the franchise partner.

Given the Group's business model, management are required to apply their judgment as to whether the Group is contracting in the capacity of an agent or a principal. The key determining factor considered by management in making such a judgment is whether control of the stock passes to the Group (before transferring to the franchise partner).

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Accrued income

Accrued income relates to revenues the Group is entitled to, where amounts have not yet been invoiced, and is treated as a receivable yet to be invoiced, dependent only on the passage of time. In these instances Group has an unconditional right to the revenue.

Adjusted earnings

The Group considers that adjusted profit before tax provides additional useful information for shareholders. The term adjusted earnings is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for IFRS measures of profit.

As the Group has chosen to present an alternative earnings per share measure, a reconciliation of this alternative measure to the statutory measure required by IFRS is given in note 11.

To meet the needs of shareholders and other external users of the financial statements the presentation of the income statement has been formatted to show more clearly, through the use of columns, our adjusted business performance which provides more useful information on underlying trends.

2 Significant accounting policies (continued)

The adjustments made to reported results are as follows:

Adjusted items

Due to their significance or one-off nature, and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group, certain items have been classified as adjusted.

The gains and losses on these items, such as impairment charges and restructuring costs can have a material impact on the trend in profit from operations and the result for the period. Adjusting for these items is consistent with how business performance is measured internally by the Board and Operating Board.

On this basis the following items are analysed as adjusted items on the face of the income statement:

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

Further details of the adjusted items are provided in note 6.

Leasing

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.

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 as 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.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentational currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement.

In these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period; unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified within other comprehensive income, accumulated in equity in the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefit costs

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 the income statement and presented in other comprehensive income.

Past service cost is recognised at the earlier of the following: when the plan amendment or curtailment occurs; or when the entity recognises related restructuring costs or termination benefits.

Notes to the consolidated financial statements
continued

2 Significant accounting policies (continued)

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 retirement benefit obligations has been updated to reflect current market discount rates, and also considering whether there have been 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 retirement benefit obligations.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and assets in the course of construction, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements – lease term

Fixtures, fittings and equipment – 3 to 10 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Management re-assess the useful lives and residual values of property, plant and equipment on an annual basis.

Intangible assets – software

Where computer software is not an integral part of a related item of computer hardware, the software is classified as an intangible asset. The capitalised costs of software for internal use include external direct costs of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project. Capitalisation of these costs ceases no later than the point at which the software is substantially complete and ready for its intended internal use. These costs are amortised on a straight-line basis over their expected useful lives, which is normally five years.

Assets under the course of construction

Whilst internal development of intangible software assets is taking place, assets are reported in the category of assets under the course of construction. Once an asset is ready for use, either in stages or in entirety, the asset is transferred to the reported category of intangible assets – software and depreciation commences.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets under the course of construction are tested for impairment annually irrespective of whether there are any indicators of impairment. Where the asset does not generate cash flows that are independent from

2 Significant accounting policies (continued)

other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that an asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the income statement immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Cost is calculated using the weighted average cost formula. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial guarantees

Where the Company has entered into financial guarantee contracts, such as over a lease, these are initially measured at fair value, and later revalued to the higher of: expected credit losses, and the amount initially recognised less any cumulative income/amortisation.

Lease guarantees

Amounts which have fallen due are treated as financial guarantee contracts under IFRS 9: Financial instruments. Amounts which are a potential future liability are accounted for under IAS 37: Provisions.

Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are initially measured at the transaction price, and subsequently measured at amortised cost less provision or impairment. The Group recognises a loss allowance for expected credit losses on trade receivables, which is updated at each financial reporting date to reflect changes in credit risk since initial recognition.

Expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Financial asset

The Group holds a financial asset of £0.5 million (2022: £0.2 million) reflecting the amount which the administrators of MUK and MBS are expected to pay towards settlement of the Group's secured debt. This amount represents the realisation of cash from the wind-up of the UK business through the administration process. The asset has been fair valued based on the administrators' worst-case estimate of the amount that the Group will receive.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective rate interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Finance costs directly attributable to the acquisition or construction of qualifying assets are capitalised. Qualifying assets are those that necessarily take a substantial period of time to prepare for their intended use.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Notes to the consolidated financial statements
continued

2 Significant accounting policies (continued)

Equity instruments

Equity instruments issued by the Company are recorded as the proceeds are received, net of direct issue costs.

Derivative financial instruments

The Group's financial risk management policy prohibits the use of derivative financial instruments for speculative or trading purposes and the Group does not therefore hold or issue any such instruments for such purposes.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at fair value through profit or loss.

Warrants

Where warrants are not issued for a fixed number of shares at a fixed amount, they are recognised as a liability at fair value on the date of issue. Subsequently, fair value is recalculated, with movements recognised in the income statement, at each reporting date.

Provisions

Provisions, including liabilities of uncertain timing or amount such as leasehold dilapidations, warranty claims and disputes, and onerous leases, are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Onerous contracts

Present obligations arising out of onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant, and expensed on a straight-line basis over the vesting period. The estimates are updated at each balance sheet date for the Group's expectation of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the valuation technique considered to be most appropriate for each class of award, including Black-Scholes calculations and Monte Carlo simulations. The expected life used in the formula is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date, with any changes in fair value recognised in the profit or loss for the year.

The Group also provides employees with the ability to purchase the Group's ordinary shares at 80% of the current market value within an approved Save As You Earn scheme. The Group records an expense based on its estimate of the 20% discount related to shares expected to vest on a straight-line basis over the vesting period.

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 UK-adopted International Accounting 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 measurements.

Purpose

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

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

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

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

Group worldwide sales:

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

Constant currency sales:

The Group reports some financial measures on both a reported and constant currency basis. Sales in constant currency exclude the impact of movements in foreign exchange translation. The constant currency basis retranslates the previous year revenues at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the year

2 Significant accounting policies (continued)

on year reported results. Further details are disclosed within the Financial Review on pages 42 to 50.

Profit/(loss) before adjusted items:

The Group's policy is to exclude items that are considered to be significant in both nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group. On this basis, the following items were included within adjusted items for the 52-week period ended 25 March 2023:

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

A reconciliation of adjusted earnings is shown in note 6.

3 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 2, management has made judgements that have an effect on the application of policies and reported amounts.

3a Critical accounting judgements

Critical judgements represent key decisions made by management in the application of the Group's accounting policies. Where significant risk of a materially different outcome exists due to management assumptions or sources of estimation uncertainty, this will represent a critical accounting estimate. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

Adjusted items

The directors believe that the adjusted profit and earnings per share measures provide additional useful information for shareholders on the performance of the business.

These measures are consistent with how business performance is measured internally by the Board and Operating Board.

The adjusted profit before tax measure is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies. The classification of adjusted items requires significant management judgment by considering the nature and intentions of a transaction.

Note 6 provides further details on current period adjusted items and their adherence to Group policy.

Determination of Expected credit losses (ECL) on trade and other receivables

Judgment is required in determining the rate of expected default applicable for receivables. A risk matrix includes judgments for the rates used by age and risk level of a receivable. There is also inherent judgment in selecting the appropriate risk level for each customer.

3b Key sources of estimation uncertainty

In applying the Group's accounting policies described above, the directors have identified that the following areas are the key estimates that have a significant risk of resulting in a material adjustment to the carrying value of assets and liabilities in the next financial year.

Expected credit losses (ECL) on trade and other receivables

The provision for the allowance for expected credit losses (refer to note 18) is calculated using a combination of internally and externally sourced information, including future default levels (derived from historical defaults overlaid by macro-economic assumptions), future cash collection levels (derived from past trends), credit ratings and other credit data.

Once a customer has defaulted on a receivable amount, there is limited sensitivity associated with credit risk however, prior to default, the greatest sensitivity relates to the ability of customers to afford their payments. Deterioration in the ability of customers to afford their payments will cause an increase in the probability of default.

If the ECL rates on trade receivables had been 5% higher at 25 March 2023, the loss allowance on trade receivables would have been £0.4 million higher (2022: £0.5 million higher).

Allowances against the carrying value of inventory

The Group reviews the market value of, and demand for, its inventories on a periodic basis to ensure that recorded inventory is stated at the lower of cost and net realisable value. In assessing the ultimate realisation of inventories, the Group is required to make judgements as to future demand requirements and to compare these with current inventory levels. Factors that could impact estimated demand and selling prices are timing and success of product ranges (see note 17).

A 20% change in the volume of inventories requiring clearance through the franchise network or any alternative mediums would impact the net realisable value by £0.5 million (2022: £0.2 million). A 5% change in the level of markdown applied to the selling price would impact the value of inventories by £0.1 million (2022: £0.1 million).

Retirement benefits

Retirement benefits are accounted for under IAS 19 'Employee Benefits'. For defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at fair value.

Notes to the consolidated financial statements
continued

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

As a result of changing market and economic conditions, the expenses and liabilities actually arising under the plans in the future may differ materially from the estimates made on the basis of these actuarial assumptions. The plan assets are partially comprised of equity and fixed-income instruments. Therefore, declining returns on equity markets and markets for fixed-income instruments could necessitate additional contributions to the plans in order to cover future pension obligations. Also, higher or lower withdrawal rates or longer or shorter life expectancy of participants may have an impact on the amount of pension income or expense recorded in the future.

The interest rate used to discount post-employment benefit obligations to present value is derived from the yields of senior, high-quality corporate bonds at the balance sheet date; selection of an appropriate rate is judgemental. These generally include AA-rated securities. The discount rate is based on the yield of a portfolio of bonds whose weighted residual maturities approximately correspond to the duration necessary to cover the entire benefit obligation.

Pension and other post-retirement benefits are inherently long-term and future experience may differ from the actuarial assumptions used to determine the net charge for 'pension and other post- retirement charges'. Note 30 to the consolidated financial statements describes the principal discount rate, inflation and pension retirement benefit obligation assumptions that have been used to determine the pension and post-retirement charges in accordance with IAS 19. The calculation of any charge relating to retirement benefits is clearly dependent on the assumptions used, which reflects the exercise of judgment. The assumptions adopted are based on prior experience, market conditions and the advice of plan actuaries.

At 25 March 2023, the Group's pension surplus was £8.4 million (2022: £12.4 million). Further details of the accounting policy on retirement benefits are provided in note 2.

Sensitivities to changes in assumptions in respect of discount rates, inflation and life expectancy are included in note 30.

Deferred taxation

The Directors have to consider the recoverability of the deferred tax assets based on forecast profits. They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Impairment of assets

The Group reviews the carrying value of assets on a periodic basis, and whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable.

Such circumstances or events could include: a pattern of losses involving the asset; a decline in the market value for the asset; and an adverse change in the business or market in which the asset is involved. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any, and the impact of Brexit or COVID-19, if any. Estimates of future cash flows and the selection of appropriate discount rates relating to particular assets or groups of assets involve the exercise of a significant amount of judgment.

Cash flow projections are based on the Group's five year internal forecasts, the results of which are reviewed by the Board. Estimates of selling prices and direct costs are based on past experience, expectations of future changes in the market and historic trends.

Estimation of useful lives of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment and intangible assets are depreciated on a straight line basis over their useful economic lives. This requires the estimation of how long these assets will be in use by the business before they are either disposed of, and if necessary, required to be replaced. The appropriateness of assets' useful economic lives and any changes could affect prospective depreciation rates and asset carrying values are reviewed at least annually. Right-of-Use investment property assets have been depreciated over the lease length, which was considered appropriate having taken into account the expected net present value of cashflows generated over the lease term. Estimation will be required over the estimated useful economic life of the ERP system; currently this is an asset under construction and not being depreciated but as appropriate the Group will carry out an assessment of how long it is expected to endure.

4. Revenue

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

5. Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reported to the Group's executive decision makers (comprising the executive directors and operating board) in order to allocate resources to the segments and assess their performance. Under IFRS 8, the Group has not identified that its operations represent more than one operating segment.

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

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

Turnover by destination	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Europe	**33.6**	42.0
Middle East	**13.0**	14.4
Asia	**26.5**	26.1
Total revenue	**73.1**	82.5

Notes to the consolidated financial statements
continued

6. Adjusted items

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

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

* Tax on adjusted items was at 19% (2022: 19%).

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

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

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

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

The current year charge relates to:

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

The prior year income included:

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

6. Adjusted items (continued)

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

The current year charge includes:

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

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

Cashflows arising on adjusted items

	Cash flows from operating activities		Cash flows from financing activities	
	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million	**52 weeks ended 25 March 2023 £ million**	52 weeks ended 26 March 2022 £ million
Property related costs	**–**	–	**–**	–
Restructuring and reorganisation income in administrative expenses	**–**	1.6	**–**	–
Restructuring costs in financing costs	**–**	–	**(0.6)**	–
Total	**–**	1.6	**(0.6)**	–

Notes to the consolidated financial statements
continued

7. Profit from operations

Profit from operations (except where specifically stated) has been arrived at after charging:

	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Net total foreign exchange loss	(0.7)	(0.5)
Cost of inventories recognised as an expense	(47.5)	(50.4)
Write-up (write-down) of inventories to net realisable value	0.8	3.2
Depreciation of property, plant and equipment	(0.1)	(0.3)
Amortisation of right-of-use assets	(0.3)	(0.3)
Amortisation of intangible assets – software	(0.1)	(0.3)
Rental expense of properties	(0.3)	(0.6)
Loss allowance on trade receivables (see note 18)	(0.2)	(0.5)
Warehouse, freight and duty costs	(0.8)	(2.8)
IT contracts and maintenance	(4.2)	(4.0)
Staff costs (including directors*):		
Wages and salaries (including cash bonuses, excluding share-based payment charges)	(7.2)	(8.1)
Social security costs	(0.8)	(0.9)
Pension costs (including administrative expenses and PPF levy of defined benefit scheme)	(2.5)	(2.2)
Share-based payments charge (see note 29)	(0.1)	(0.6)

* Directors include executive and non-executive directors.

An analysis of the average monthly number of full and part-time employees throughout the Group, including directors*, is as follows:

	52 weeks ended 25 March 2023 Number	52 weeks ended 26 March 2022 Number
Number of employees comprising:		
Head Office	141	157
Overseas	8	7
	149	164

* Directors include executive and non-executive directors.

7. Profit from operations (continued)

Details of Directors' emoluments, share options and beneficial interests are provided within the remuneration report on pages 64 to 65. The analysis of Auditor's remuneration is as follows:

	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.0	0.0
Fees payable to the Company's auditor for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	0.1	0.1
Total audit fees	0.1	0.1
Total non-audit fees	–	–

The policy for the approval of non-audit fees is set out on page 63, in the corporate governance report.

8. Net finance costs

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

Notes to the consolidated financial statements
continued

9. Taxation

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

	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Current tax:		
Foreign taxation	1.1	1.7
Adjustment in respect of prior periods	–	–
	1.1	1.7
Deferred tax: (see note 16)		
Origination and reversal of temporary differences	1.2	(2.7)
Adjustment in respect of prior periods	–	–
Charge/(credit) for taxation on profit for the period	2.3	(1.0)

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

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

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

	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Profit for the period before taxation	2.2	11.1
Profit for the period before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2022: 19%)	0.4	2.1
Effects of:		
Expenses not deductible for tax purposes	0.4	1.2
Income not taxable	(0.1)	(1.0)
Impact of overseas tax rates	–	0.4
Foreign tax credits	0.7	0.2
Deferred tax recognized in other comprehensive income	–	(3.1)
Remeasurement of deferred tax for changes in tax rates	0.2	0.1
Deferred tax not recognised/written off	0.7	(0.9)
Charge/(credit) for taxation on profit for the period	2.3	(1.0)

In addition to the amount charged to the income statement, deferred tax relating to retirement benefit obligations amounting to £1.1 million has been credited directly to other comprehensive income (2022: £3.1 million).

10. Dividends

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

11. Earnings / (losses) per share

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

	£ million	£ million
(Loss) / profit for basic and diluted earnings per share	(0.1)	12.1
Adjusted items (note 6)	1.2	(3.1)
Tax effect of above items	–	–
Adjusted profit	1.1	9.0

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

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

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

Notes to the consolidated financial statements
continued

12. Subsidiaries and joint ventures

Details of all the Group's investments in subsidiaries and joint ventures, all of which are wholly owned (except where stated) and included in the consolidation, at the end of the reporting period is as follows:

Investment in subsidiaries	Country	% owned	Nature of Business	Direct/ indirect
Chelsea Stores Holdings Limited	UK(1)	100%	Holding Company	Direct
Chelsea Stores (EBT Trustees) Limited	UK(1)	100%	Dormant	Indirect
Chelsea Stores Holdings 2 Limited	UK(1)	100%	Holding Company	Indirect
Early Learning Centre Limited	UK(1)	100%	Non Trading	Indirect
Mothercare Toys 3 Limited (in liquidation)	UK(1)	100%	In liquidation	Indirect
Mothercare Group Sourcing Limited	Hong Kong(2)	100%	Non Trading	Indirect
TCR Properties Limited	UK(1)	100%	Dormant	Direct
Mothercare Finance Limited	UK(1)	100%	Holding Company	Direct
Mothercare Sourcing Division (Bangladesh) Private Limited	Bangladesh(4)	100%	Dormant	Indirect
Mothercare Group Limited (The)	UK(1)	100%	Investment Holding Company	Direct
Mothercare Services Limited	UK(1)	100%	Non Trading	Indirect
Mothercare (Holdings) Limited	UK(1)	100%	Holding Company	Indirect
Gurgle Limited	UK(1)	100%	Non Trading	Indirect
Mothercare International (Hong Kong) Limited	Hong Kong(2)	100%	Investment Holding Company	Indirect
Mothercare Sourcing India Private Limited	India(5)	100%	Trading	Indirect
Mothercare Inc	USA(6)	100%	Non Trading	Indirect
Princess Products Limited	UK(1)	100%	Dormant	Direct
Mothercare Procurement Limited	Hong Kong(2)	100%	Non -Trading	Direct
Mothercare Trademarks AG	Switzerland(7)	100%	Non Trading	Direct
Mothercare Commercial (Shanghai) Co Limited	China(8)	100%	Non Trading	Indirect
Mothercare Global Brand Limited	UK(1)	100%	Trading	Direct
Mothercare Europe Global Brand Limited	ROI(9)	100%	Dormant	Indirect
Mothercare Finance (2) Limited	UK(1)	100%	Trading	Indirect

Investment in joint ventures	Place of incorporation	Proportion of ownership interest %	Proportion of voting power held %
Wadicare Limited*	Cyprus	30	30

*As the joint venture is loss-making, no share of profits has been recognised. Registered office address;

(1) Westside 1, London Road, Hemel Hempstead, HP3 9TD

(2) 26th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong

(3) Sanne Secretaries Limited, IFC5, St Helier, JE1 1ST, Jersey

(4) 62/1 Purana Paltan, Level 4, Motijheel C/A, Dhaka 1000, Bangladesh

(5) Number 100, N.A Elixir, 2nd Floor, 4th B Cross, 5th Block Industrial Layout, Koramangala, Bangalore, 560095, India

(6) 1209 Orange Street, Wilmington, Delaware, 1980, USA

(7) Haldenstrasse 5, 6340 Baar, Switzerland

(8) Unit 7 and 8, 18 Floor, No 3 Building, No 1193 ChangNing Road, ChangNing District, Shanghai, China

(9) The Greenway, Block C, 1120114 St Stephen's Green, Dublin 2, Ireland

13. Intangible assets

	Intangible assets		
	Software £ million	Software under development £ million	Total Intangibles £ million
Cost			
As at 27 March 2021	1.5	0.6	2.1
Additions	–	2.8	2.8
As at 26 March 2022	1.5	3.4	4.9
Additions	–	2.3	2.3
As at 25 March 2023	**1.5**	**5.7**	**7.2**
Amortisation and impairment			
As at 27 March 2021	1.0	–	1.0
Amortisation	0.3	–	0.3
As at 26 March 2022	1.3	–	1.3
Amortisation	0.1	–	0.1
As at 25 March 2023	**1.4**	**–**	**1.4**
Net book value			
As at 27 March 2021	0.5	0.6	1.1
As at 26 March 2022	0.2	3.4	3.6
As at 25 March 2023	**0.1**	**5.7**	**5.8**

The Group does not hold any intangible assets with a restricted title.

Software

Software is amortised on a straight line basis over its expected useful life which is usually five years. At each balance sheet date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets including software under the course of construction are tested for impairment annually irrespective of whether there are any indicators of impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. As at year end, there are no intangible assets remaining with an indefinite useful life.

The recoverable amount is deemed to be the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit ("CGU") is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to that recoverable amount. An impairment loss is recognised as an expense in administrative expenses immediately.

The relevant CGUs have been identified as the whole Group for any other software as these are used across the entire business. The key assumptions for the value in use calculations are those regarding the discount rate. Management has used a pre-tax discount rate of 17%. Cashflow projection has been based on management's most recent budget, which is for an eighteen month period with a projection taking this out five years. Management has based the budgets on historic performance, adjusted for changes due to COVID-19 and the evolving business model. Various scenario analyses were run and there was sufficient headroom; the headroom was not particularly sensitive to any budgetary assumptions used.

Notes to the consolidated financial statements
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13. Intangible assets (continued)

Sensitivity analysis has been undertaken, which reduces the net present value of future cash flows. There is no indication that the carrying value of software would require further impairment over and above the £nil million (2022: £nil million) already booked.

Software additions include £nil (2022: £nil) of internally generated intangible assets.

At 25 March 2023, the Group had entered into contractual commitments for the acquisition of software amounting to £nil million (2022: £nil million).

14. Property, plant and equipment

	Fixtures, fittings, equipment £ million
Cost	
As at 27 March 2021	2.5
Additions	0.1
As at 26 March 2022	2.6
Additions	–
As at 25 March 2023	2.6
Accumulated depreciation and impairment	
As at 27 March 2021	2.0
Charge for period	0.3
As at 26 March 2022	2.3
Charge for period	0.1
As at 25 March 2023	2.4
Net book value	
As at 27 March 2021	0.5
As at 26 March 2022	0.3
As at 25 March 2023	0.2

An impairment review of Group level intangibles and fixed assets was completed and based on the value in use of the Group level cash flows, no further impairment charge has been made.

15. Leases

Right-of-use Assets

	Property, Plant and Equipment £ million
At 27 March 2021	1.2
Amortisation	(0.3)
Balance at 26 March 2022	0.9
Additions	–
Lease modification	(0.3)
Amortisation	(0.3)
Balance at 25 March 2023	**0.3**

An impairment review of right-of-use assets was completed and based on the net present value of the expected cashflows, an impairment charge of £nil million (2022: £nil million) has been made. The net present value is equivalent to the fair value.

Lease liabilities

	Land and buildings £ million
At 27 March 2021	(1.4)
Interest expense	(0.1)
Lease payments	0.4
Balance at 26 March 2022	(1.1)
Additions	–
Interest expense	(0.1)
Lease modification	0.4
Lease payments	0.3
Balance at 25 March 2023	**(0.5)**

Notes to the consolidated financial statements
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16. Deferred tax assets and liabilities

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon in the current and prior reporting period:

	Accelerated tax depreciation £ million	Short–term timing differences £ million	Retirement benefit obligations restated £ million	Losses £ million	Total £ million
At 27 March 2021	–	–	–	–	–
(Charge)/credit to income	(0.2)	1.3	–	1.6	2.7
Credit/(charge) to other comprehensive income	–	–	(3.1)	–	(3.1)
At 26 March 2022	(0.2)	1.3	(3.1)	1.6	(0.4)
(Charge)/credit to income	(1.0)	(0.2)	–	0.1	(1.1)
Credit/(charge) to other comprehensive income	–	–	1.1	–	1.1
At 25 March 2023	**(1.2)**	**1.1**	**(2.0)**	**1.7**	**(0.4)**

Certain deferred tax assets and liabilities have been offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	25 March 2023 £ million	26 March 2022 £ million
Deferred tax assets	**2.8**	2.9
Deferred tax liabilities	**(3.2)**	(3.3)
	(0.4)	(0.4)

At 25 March 2023, the Group has unused capital losses of £229.3 million (2022: £229.3 million) available for offset against future capital gains. No asset has been recognised in respect of the capital losses as it is not considered probable that there will be future taxable capital gains. The capital losses may be carried forward indefinitely.

The Group has taken a prudent approach given the uncertainty around future profitability of the relevant statutory entities and as at the balance sheet date deferred tax assets of £Nil (2022: £Nil) on accelerated depreciation, and £2.2 million (2022: £2.4 million) on short- term timing differences have not been recognised. The Group also has unrelieved tax losses of £43.7 million (2022: £43.9 million) available for offset against future profits at the balance sheet date. No deferred tax asset has been recognised for such losses.

In arriving at the decision not to recognise a deferred tax asset, management has critically assessed all available information, including future business profit projections and in certain cases, analysis of historical operating results. These forecasts are consistent with those prepared and used internally for business planning and impairment testing purposes. Following this evaluation, it was determined there would be insufficient taxable income generated to realise the benefit of the remaining deferred tax assets in the near future.

At the reporting date, deferred tax liabilities of £0.3 million (2022: £0.1 million) relating to withholding taxes have not been provided for in respect of the aggregate amount of unremitted earnings of £1.0 million (2022: £2.6 million) in respect of subsidiaries. No liability has been recognised because the Group, being in a position to control the timing of the distribution of intra group dividends, has no intention to distribute intra group dividends in the foreseeable future that would trigger withholding tax. There are no unremitted earnings in connection with interests in joint ventures.

17. Inventories

	25 March 2023 £ million	26 March 2022 £ million
Gross value	**3.4**	3.1
Allowance against carrying value of inventories	**(2.5)**	(1.0)
Finished goods and goods for resale	**0.9**	2.1

Finished goods and goods for resale comprises the following:

	25 March 2023 £ million	26 March 2022 £ million
Finished goods and goods for resale – at a distribution centre	**0.9**	1.9
Finished goods and goods for resale – in transit	**–**	0.2
Finished goods and goods for resale	**0.9**	2.1

The cost of inventories recognised as an expense during the year was £47.5 million (2022: £50.4 million). The amount of write down of inventories to net realisable value recognised within net income in the period is a credit of (£3.2) million (2022: £0.3 million charge for total operations). All inventories (2022: All) are expected to be recovered within the year.

18. Trade and other receivables

	25 March 2023 £ million	26 March 2022 £ million
Trade receivables gross	**7.4**	9.9
Expected credit losses (ECL) under IFRS 9	**(3.7)**	(6.5)
Trade receivables net	**3.7**	3.4
Prepayments	**1.4**	1.8
Accrued income	**1.3**	1.6
Other receivables	**0.5**	0.8
VAT	**0.3**	0.5
Trade and other receivables due within one year	**7.2**	8.1

The following table details the risk profile of trade receivables based on the Group's provision matrix, which determines the expected credit loss by reference to age of the debt as well as micro and macroeconomic factors.

Trade receivables – days past due	Not past due £ million	< 30 days £ million	31–60 days £ million	61–90 days £ million	91–120 days £ million	>120 days £ million	Total £ million
Expected credit loss rate (ECL)	15%	21%	20%	10%	81%	99%	49%
Estimated total gross carrying amount at default	3.2	0.9	0.4	0.0	0.0	2.9	7.4
Lifetime ECL	(0.5)	(0.2)	(0.1)	0.0	0.0	(2.9)	(3.7)
At 25 March 2023	**2.7**	**0.7**	**0.3**	**0.0**	**0.0**	**0.0**	**3.7**

Notes to the consolidated financial statements
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18. Trade and other receivables (continued)

Trade receivables – days past due	Not past due £ million	< 30 days £ million	31–60 days £ million	61–90 days £ million	91–120 days £ million	>120 days £ million	Total £ million
Expected credit loss rate (ECL)	42%	35%	49%	0%	71%	89%	66%
Estimated total gross carrying amount at default	3.4	0.7	0.5	0.0	0.0	5.3	9.9
Lifetime ECL	(1.4)	(0.2)	(0.2)	0.0	0.0	(4.7)	(6.5)
At 26 March 2022	2.0	0.5	0.3	0.0	0.0	0.6	3.4

The following tables explain how significant changes in the gross carrying amount of the trade receivables contributed to the loss allowance.

The following summarises the movement in the allowance for doubtful debts:

	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Balance at start of period	**(6.5)**	(7.3)
Amounts written off during the period as uncollectable	**1.8**	1.4
Amounts recovered in the period	**1.2**	–
Charged in the period	**(0.2)**	(0.6)
Balance at end of period	**(3.7)**	(6.5)

The Group's exposure to credit risk inherent in its trade receivables is discussed in note 21. The Group has no significant concentration of credit risk, except as disclosed above. 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.

Debtor balances which are not provided for are either on payment plans and abide or pay to terms with the exception of timing due to unforeseen circumstances.

Provisions for doubtful trade receivables are established based upon the difference between the receivable value and the estimated net collectible amount. The Group establishes its provision for doubtful trade receivables based on its historical loss experiences and an analysis of the counterparty's current financial position.

The average credit period taken on sales of goods is disclosed in note 21. No interest is charged on trade receivables, however, the right to charge interest on outstanding balances is retained.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

19. Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

20. Borrowings

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

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

The Group also holds a financial asset of £0.5 million (2022: £0.2 million) reflecting the expected proceeds from the wind-down of the UK operations by the administrators of Mothercare UK Limited. The total expected repayment due is £0.5 million (2022: £0.2 million).

Borrowing facilities

	25 March 2023 £ million	26 March 2022 £ million
Borrowings:		
Secured borrowings at amortised cost:		
Term loan	**19.5**	19.5
Payment-in-kind interest	**0.1**	–
Prepaid facility fee	**(0.1)**	(0.4)
Total Borrowings	**19.5**	19.1
Amounts falling due after more than one year and less than five years	**19.6**	19.5

21. Financial risk management

A. The classes and categories of the Group's financial instruments are categorised as follows:

Financial Instruments: Categories

	Fair value level	25 March 2023 £ million	26 March 2022 £ million
Financial assets			
Customer and other receivables at amortised cost*		**5.0**	5.0
Cash and short-term deposits		**7.1**	9.2
Financial assets	3	**0.5**	0.2
Total		**12.6**	14.4
Financial liabilities			
Trade and other payables at amortised cost**		**10.0**	9.7
Lease liabilities		**0.5**	1.1
Interest bearing loans and borrowings:			
Term loan		**19.5**	19.5
Total		**30.0**	30.3

* Prepayments of £1.4 million (2022: £1.8 million), the VAT receivable of £0.3 million (2022: £0.5 million) and other debtors of £0.5 million (2022: £0.8 million) do not meet the definition of a financial instrument.

** Other creditors (including payroll creditors and deferred income) of £0.8 million (2022: £2.4 million) do not meet the definition of a financial instrument.

The Group's finance team performs valuations of financial items for financial reporting purposes, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Chief Financial Officer and to the Audit and Risk Committee, with whom valuation processes and fair value changes are discussed.

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21. Financial risk management (continued)

Fair value hierarchy levels 1-3 are based on the degree to which the fair value is observable and are defined as:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted process included within Level 1 that are observable for the asset or liability, either directly (i.e. Prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivatives and the financial asset are valued at fair value. All other financial assets/liabilities are valued at amortised cost.

Financial assets (Level 3) – the financial asset represents a right, arising under the sales purchase agreement with the administrators of MUK, to receive the proceeds of the wind-up of the UK retail store estate and website operations as repayment for the Group's secured borrowings. All amounts the Group is required to pay have now been settled, and the financial asset valuation has been calculated by using the worst case scenario, i.e. that the Group will receive a further £0.5 million. Many of the outflows which would impact the valuation of this financial asset have now been finalised, with the final repayment being dependent on the amounts to be received back by the merchant acquirer and final settlement of VAT. In the comparative period, the financial asset was estimated by the worst case outcome expected at that time, which was a settlement of £0.5 million.

B. Terms, conditions and risk management policies

The Board approves treasury policies and senior management directly controls day-to-day operations within these policies. The major financial risks to which the Group is exposed relate to movements in foreign exchange rates and interest rates. Where appropriate, cost effective and practicable, the Group uses financial instruments and derivatives to manage these risks. No speculative use of derivatives, currency or other instruments is permitted. The Group's financial risk management policy is described in note 21.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the returns to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

C. Foreign currency risk management

The Group incurs foreign currency risk on purchases whenever they are denominated in a currency other than the functional currency. This risk is managed through the natural offset of sales and purchases denominated in foreign currency.

The Group historically used forward foreign currency contracts to reduce its cash flow exposure to exchange rate movements, primarily on the US dollar. In doing so, hedge accounting was applied; contracts were considered effective cash flow hedges and accounted for by recognising the gain/loss on the hedge through reserves. There were no contracts outstanding at the year end date or prior year end. The Group has more recently relied on its foreign currency denominated revenues to provide a natural hedge against its foreign currency denominated stock purchases.

The Group incurs foreign currency risk on royalty income as local sales are translated into Sterling amounts on which royalties are calculated. To help mitigate against further currency impacts, the Group previously entered into hedging contracts. The Group has more recently relied on the balance created by foreign currency denominated stock purchases.

21. Financial risk management (continued)

Foreign exchange rate risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Group uses UK pounds sterling as its reporting currency. As a result, the Group is exposed to foreign exchange rate risk on financial assets and liabilities that are denominated in a currency other than UK sterling, primarily in US dollars and Hong Kong dollars.

Consequently, it enters into various contracts that reflect the changes in the value of foreign exchange rates to preserve the value of assets, commitments and anticipated transactions. The Group previously used forward contracts and options, primarily in US dollars, but has not entered into any contracts since the latest ones it held expired in May 2019.

Derivatives embedded in non-derivative host contracts have been recognised separately as derivative financial instruments when their risks and characteristics are not closely related to those of the host contract and the host contract is not stated at its fair value with changes in its fair value recognised in the income statement.

Of total sales, 25% (2022: 22%) were invoiced in foreign currency. The Group purchases product in foreign currencies, representing approximately 95% (2022: 98%) of purchases.

The Group did not hold any foreign currency forward exchange contracts at 25 March 2023; nor were they committed to any such contracts (2022: none).

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities – Trade payables		Assets – Trade receivables		Assets – Cash	
	25 March 2023 £ million	26 March 2022 £ million	**25 March 2023 £ million**	26 March 2022 £ million	**25 March 2023 £ million**	26 March 2022 £ million
US dollar	**(2.8)**	(1.7)	**1.0**	0.7	**1.4**	0.9
Euro	**–**	–	**–**	–	**–**	0.1
Indian rupee	**(0.1)**	(0.4)	**–**	0.3	**0.6**	0.9
Bangladeshi taka	**–**	–	**–**	–	**0.1**	0.1
	(2.9)	(2.1)	**1.0**	1.0	**2.1**	2.0

Liabilities included in the table above are categorised as trade payables (2022: all trade payables).

Assets included in the table above are categorised as Trade debtors of £1.0 million (2022: £1.0 million) and cash of £2.1 million (2022: £2.0 million)

Currency sensitivity analysis

The Group's foreign currency financial assets and liabilities are denominated mainly in US dollars. The following table details the impact of a 10% increase in the value of pounds sterling against the US dollar. A negative number indicates a net decrease in the carrying value of assets and liabilities and a corresponding loss in adjusted items or in other comprehensive income where pounds sterling strengthens against the US dollar.

	Reflected in profit and loss		Reflected in equity	
	25 March 2023 £ million	26 March 2022 £ million	**25 March 2023 £ million**	26 March 2022 £ million
US dollar impact	**–**	0.3	**–**	–

Notes to the consolidated financial statements
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21. Financial risk management (continued)

D. Credit risk

Credit risk is the risk that a counterparty may default on their obligation to the Group in relation to lending, hedging, settlement and other financial activities. The Group's credit risk is primarily attributable to its trade receivables. The Group has a credit policy in place and the exposure to counterparty credit risk is monitored. The Group mitigates its exposure to counterparty credit risk through minimum counterparty credit guidelines, diversification of counterparties, working within agreed counterparty limits and bank guarantees where appropriate.

The carrying amount of the financial assets represents the maximum credit exposure of the Group. The carrying amount is presented net of impairment losses recognised. The maximum exposure to credit risk comprises trade receivables as shown in note 18, and cash and derivative financial assets. Debtor balances which are not provided for are either on payment plans and abide or pay to terms with exception of timing due to unforeseen circumstances.

The average credit period on gross trade receivables based on revenue was 18 days (2022: 33 days).

E. Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities and monitoring covenant compliance and headroom.

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows of the Group's financial liabilities, including cash flows in respect of derivatives:

Financial liabilities	Less than 1 year £ million	1 to 2 years £ million	2–5 years £ million	Over 5 years £ million	Total £ million
Borrowings	–	–	19.6	–	19.6
Trade and other payables	10.0	–	–	–	10.0
Lease liabilities	0.4	0.1	–	–	0.5
At 25 March 2023	**10.4**	**0.1**	**19.6**	**–**	**30.1**

Financial liabilities	Less than 1 year £ million	1–2 years £ million	2–5 years £ million	Over 5 years £ million	Total £ million
Borrowings	–	–	19.5	–	19.5
Trade and other payables	9.7	–	–	–	9.7
Lease liabilities	0.3	0.8	–	–	1.1
At 26 March 2022	10.0	0.8	19.5	–	30.3

Stock payments due to suppliers are matched with franchise partner payments and as a result the unwind of trade payables from the balance sheet is equal and opposite to trade receivable cash receipts from franchise partners. From summer 2020, the Group has been sourcing and selling stock to franchise partners through a tripartite contracting mechanism. Under the tripartite agreements, each party commits to produce, deliver and pay for stock to agreed timelines, this method of contracting greatly reduces the working capital burden for the Group as all payments to suppliers are offset by cash receipts from franchise partners which are made in advance of the payment to supplier.

There are some exceptions to this way of working where franchise partners do still receive invoices from the Group, which are settled on agreed terms. These exceptions are incorporated into cash forecasts and the business has the headroom to deal with these. Away from stock the overhead recovery and royalties are charged on terms which vary by franchise partner which provide cash flow to cover the overhead costs.

21. Financial risk management (continued)

F. Interest rate risk

The principal interest rate risk of the Group arises in respect of the drawdown of the term loan. This facility is at a fixed rate plus SONIA, it exposes the Group to cashflow interest rate risk.

G. Market risk

The Group is exposed to market risk, primarily related to foreign exchange and interest rates. The Group's objective is to reduce, where it deems appropriate to do so, fluctuations in earnings and cash flows associated with changes in interest rates, foreign currency rates and of the currency exposure of certain net investments in foreign subsidiaries. It is the Group's policy to use derivative financial instruments, where possible, to manage exposures of fluctuations on exchange rates.

Capital management policies and procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern;
- To provide an adequate return to shareholders by pricing products and services in a way that reflects the level of risk involved in providing those goods and services.

The Group monitors capital on the basis of the carrying amount of equity, any secured borrowing facilities and any subordinated / un-secured loans, less cash and cash equivalents as presented in the statement of financial position.

Management assess the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excess leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust the capital structure, the Group may raise new loan financing or issue new shares to reduce debt.

22. Trade and other payables

	25 March 2023 £ million	26 March 2022 £ million
Current liabilities		
Trade payables	**4.0**	4.7
Payroll and other taxes including social security	**0.6**	1.6
Accruals	**6.0**	5.0
Deferred income	**0.2**	0.8
	10.8	12.1

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 55 days (2022: 48 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Deferred income is a contract liability; it relates to amounts received from franchise partners before the stock has passed into their control. The performance criteria which must be met is for the Group to provide the franchise partners control of the stock. Of the £0.2 million deferred income balance (2022: £0.8 million), all (2022: all) of it will be included in revenue within one year.

The directors consider that the carrying amount of trade payables approximates to their fair value. Included within accruals is an amount of £0.1 (2022: £0.1 million) in relation to contractual liabilities arising as part of the administration of Mothercare UK Limited. These represent management's best estimate of the amounts that are due to third parties.

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23. Provisions

	25 March 2023 £ million	26 March 2022 £ million
Current liabilities		
Property provisions	–	0.8
Other provisions	**0.9**	0.9
Short-term provisions	**0.9**	1.7
Non-current liabilities		
Property provisions	**0.1**	0.1
Other provisions	**0.2**	0.8
Long-term provisions	**0.3**	0.9
Property provisions	**0.1**	0.9
Other provisions	**1.1**	1.7
Total provisions	**1.2**	2.6

The movement on total provisions is as follows:

	Property provisions £ million	Other provisions £ million	Total provisions £ million
Balance at 26 March 2022	0.9	1.7	2.6
Utilised in period	(0.8)	(0.7)	(1.5)
Charged in period	–	0.1	0.1
Balance at 25 March 2023	0.1	1.1	1.2

Property provisions represent dilapidations provisions for our head office. In the prior year property provisions comprised £0.8 million property rates liability relating to the Group's former Daventry warehouse and £0.1 million dilapidations provisions.

Other provisions include provisions for uninsured losses and contractual agreements requiring future cash outflows. The timing of these provisions is uncertain and estimation has been used to consider what amounts will fall due in less than one year.

24. Share capital

	52 weeks ended 25 March 2023 Number of shares	52 weeks ended 26 March 2022 Number of shares	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Issued and fully paid				
Ordinary shares of 1 pence each				
Balance at beginning of period	**563,836,626**	563,836,626	**5.6**	5.6
Conversion to equity of shareholder loans	**–**	–	**–**	–
Issue of shares in the period	**–**	–	**–**	–
Balance at the end of period	**563,836,626**	563,836,626	**5.6**	5.6
Deferred shares of 49 pence each				
Balance at beginning of period	**170,871,885**	170,871,885	**83.7**	83.7
Balance at end of period	**170,871,885**	170,871,885	**83.7**	83.7
Total share capital at end of period			**89.3**	89.3

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

The deferred shares do not carry any voting rights.

Further details of employee and executive share schemes are given in note 30.

The own shares reserve of £0.2 million (2022: £1.0 million) represents the cost of shares in Mothercare plc purchased in the market and held by the Mothercare Employee Trusts to satisfy options under the Group's share option schemes (see note 29). The total shareholding is 151,232 (2022: 925,342) with a market value at 25 March 2023 of £0.0 million (2022: £0.1 million).

25. Share premium

	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Balance at beginning of period	**108.8**	108.8
Premium arising on conversion of shareholder loans to equity	**–**	–
Balance at end of period	**108.8**	108.8

See note 24 above for further details.

Notes to the consolidated financial statements
continued

26. Translation reserves

	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Translation reserve		
Balance at beginning of period	**(3.7)**	(3.7)
Exchange differences on translation of foreign operations	**–**	–
Balance at end of period	**(3.7)**	(3.7)

27. Reconciliation of cash flow from operating activities

	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Profit from operations	**6.0**	13.0
Adjustments for:		
Depreciation of property, plant and equipment	**0.1**	0.3
Amortisation of right-of-use assets	**0.3**	0.3
Amortisation of intangible assets	**0.1**	0.3
Gain / (loss) on adjusted foreign currency movements	**0.1**	(0.1)
Equity-settled share-based payments	**0.2**	0.5
Movement in provisions	**(1.4)**	(3.4)
Net gain on financial derivative instruments	**(0.3)**	(0.6)
Payments to retirement benefit schemes	**(2.2)**	(5.2)
Charge to profit from operations in respect of retirement benefit schemes	**2.1**	1.7
Operating cash inflow before movement in working capital	**5.0**	6.8
Decrease in inventories	**1.1**	3.8
Decrease in receivables	**0.9**	11.7
(Decrease) in payables	**(1.4)**	(12.9)
Net cash inflow from operating activities	**5.6**	9.4
Income taxes paid	**(1.3)**	(1.3)
Net cash inflow from operating activities	**4.3**	8.1

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

27. Reconciliation of cash flow from operating activities (continued)

Analysis of net debt and financial liabilities

	Note	26 March 2022 £ million	Cash flow £ million	Foreign exchange £ million	Other non–cash movements[1] £ million	**25 March 2023 £ million**
Term loan	20	(19.1)	0.3	–	(0.7)	**(19.5)**
Cash at bank	19/20	9.2	(2.2)	0.1	–	**7.1**
IFRS 16 lease liabilities		(1.1)	(0.3)	–	0.9	**(0.5)**
Net debt		(11.0)	(2.2)	0.1	0.2	**(12.9)**

1. Non-cash movements comprise

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

28. Lease liabilities

At the balance sheet date, the maturity analysis of the Group's undiscounted cashflows on IFRS 16 leases were as follows:

	Land and Buildings 25 March 2023 £ million	**Other 25 March 2023 £ million**	Land and Buildings 26 March 2022 £ million	Other 26 March 2022 £ million
Not later than one year	**0.3**	**–**	0.4	–
After one year but not more than five years	**0.2**	**–**	0.9	–
After five years	**–**	**–**	–	–
Total undiscounted cashflows	**0.5**	**–**	1.3	–

The Group's weighted average incremental borrowing rate for all leases is 11% (2022: 11%); as a practical expedient, a lessee may apply a single discount rate to a portfolio of leases with reasonably similar characteristics; leases have been grouped according to location, type and lease length. The practical expedient has been employed such that leases where the contractual term ends within twelve months of the date of initial application have been accounted for as short-term leases.

The weighted average incremental borrowing rate for leases is 11% (2022: 11%).

Operating lease commitments consisted of total future minimum lease payments of £nil (2022: £nil) for leases which were not accounted for under IFRS 16 'Leases'.

Notes to the consolidated financial statements
continued

29. Share-based payments

An expense is recognised for share-based payments based on the fair value of the awards (at the date of grant for those awards due to be equity settled and at year end for those due to be cash settled), the estimated number of shares that will vest and the vesting period of each award. The decrease in the charge year on year is due to a change in the estimated number of shares that will vest.

Share-based payments comprise a charge of £0.3 million (2022: £0.6 million) including national insurance. At 25 March 2023 there is a balance sheet liability of £0.2 million related to the expected national insurance charge when share-based payment schemes vest (2022: £0.4 million), which has been recognised in accruals in note 22.

These charges relate to the following schemes:

A. Save As You Earn Schemes

B. Long term Incentive Plans – LTIP 2020

C. Long Term Incentive Plans – LTIP 2021

D. Long term Incentive Plans – LTIP 2019

Details of the share schemes that the Group operates are provided in the directors' remuneration report on pages 64 to 65.

For each scheme, expected volatility was determined with reference to the 90-day volatility of the Company share price over the previous three years. The expected life used in each model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The dates of exercise are not disclosed, as it is not deemed practicable to do so.

A. Save As You Earn Schemes

The employee Save As You Earn schemes are open to all eligible employees and provide for a purchase price equal to the average daily mid-market price on the three days prior to the offer date, less 20%.

The share options can be applied for during a two week period in the year of invitation and savings are placed in an employee Save As You Earn bank account on trust for a three-year period.

The number of shares outstanding under the Save As You Earn Schemes is as follows:

	Weighted average exercise price	**52 weeks ended 25 March 2023 Number of shares**	52 weeks ended 26 March 2022 Number of shares
Balance at beginning of period	14p	**3,653,910**	2,614,618
Granted during period	10p	**–**	1,335,598
Forfeited during period	17p	**(54,000)**	(36,000)
Exercised during period	–	**–**	–
Cancelled in the period	15p	**(1,007,291)**	(144,000)
Expired during period	16p	**(972,272)**	(116,306)
Balance at end of period	12p	**1,620,347**	3,653,910

The shares outstanding at 25 March 2023 had a weighted average remaining contractual life of 1.2 years and held a weighted average exercise price of 12p.

29. Share-based payments (continued)

The fair value of Save As You Earn share options is calculated based on a Black-Scholes model with the following assumptions:

Grant date	December 2021	December 2020
Number of options granted	1,335,598	1,551,240
Share price at grant date	19.5p	13p
Exercise price	15.4p	10p
Expected volatility	75%	87%
Risk free rate	0.63%	0.03%
Expected dividend yield	Nil	Nil
Time to expiry	3 years	3 years
Fair value of option	11p	8.2p

The resulting fair value is expensed over the service period of three years on the assumption that 10% of the December 2021 options / 10% of December 2020 options will lapse over the service period as employees leave the Group.

B. Long Term Incentive Plans – LTIP 2020

In September 2020, the Group granted further awards under the Mothercare plc 2019 Long term Incentive Plan. The performance conditions relate to Group earnings before interest, tax, depreciation and amortisation, and relative total shareholder return weighted equally 50:50. No consideration is payable for the grant of these awards. There were two types of awards granted, and a different valuation model has been used for each. The EBITDA awards were valued using a Black-Scholes model, the key assumptions and inputs are below. The TSR awards were valued using a Monte-Carlo simulation model, the key inputs and assumptions are below.

Grant date	September 2020 EBITDA awards	September 2020 TSR awards
Number of shares awarded	3,095,000	3,095,000
Share price at date of grant	10.3p	10.3p
Exercise price	Nil	Nil
Expected volatility	66.4%	66.4%
Risk-free rate	(0.1)%	(0.1)%
Expected dividend yield	Nil	Nil
Fair value of shares granted	10.3p	5.0p
Average time to expiry	3.0 years	3.0 years

Notes to the consolidated financial statements
continued

29. Share-based payments (continued)

C. Long Term Incentive Plans – LTIP 2021

In September 2021, the Group granted further awards under the Mothercare plc 2019 Long term Incentive Plan. The performance conditions relate to Group earnings before interest, tax, depreciation and amortisation, and absolute total shareholder return weighted equally 50:50. No consideration is payable for the grant of these awards. There were two types of awards granted, and a different valuation model has been used for each. The EBITDA awards were valued using a Black-Scholes model, the key assumptions and inputs are below. The TSR awards were valued using a Monte-Carlo simulation model, the key inputs and assumptions are below.

Grant date	September 2021 EBITDA awards	September 2021 TSR awards
Number of shares awarded	694,350	694,350
Share price at date of grant	10.9p	17.2p
Exercise price	Nil	Nil
Expected volatility	43.9%	79%
Risk-free rate	0.56%	0.18%
Expected dividend yield	Nil	Nil
Fair value of shares granted	10.9p	12p
Average time to expiry	3.0 years	3.0 years

D. Long Term Incentive Plans – LTIP 2019

In March 2019 the Group granted awards under the Mothercare plc 2019 Long term Incentive Plan. These consisted of an award of Conditional shares, which carry no performance conditions other than continued service, and a nil cost option award for which vesting is subject to a relative total shareholder return (TSR) performance condition against a bespoke comparator group as well as fulfilment of share price underpin. The LTIP lapsed with no shares vesting.

30. Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees.

The cost charged to the income statement of £0.4 million (2022: £0.4 million) represents contributions due and paid to these schemes by the Group at rates specified in the rules of the plan.

Defined benefit schemes

The Group previously operated two defined benefit pension schemes for employees of Mothercare UK Limited; these were both closed to future accrual with effect from 28 March 2013.

The pension schemes' assets are held in a separate trustee administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interest of the fund's beneficiaries.

For the protection of members' interests, the Group has appointed three trustees, who are independent of the Group. To maintain this independence, the trustees and not the Group are responsible for their own successors.

The valuation carried out by the Company for these Accounts uses a different method and assumptions than that carried out by the Trustee for Scheme funding purposes. The assumptions used by the Company are prescribed by the accounting standard IAS19. For these accounts, the present value of the defined benefit obligation, the related service cost and the past service cost were measured using the project unit method.

The most recent full actuarial valuation for Scheme funding purposes was carried out by the Trustee at 31 March 2023. The value of the deficit under the full actuarial valuation at 31 March 2023 was £35.0m for the Staff Scheme; the Group's deficit payments are calculated using this as the basis. The Executive Scheme valuation revealed a small funding surplus.

The schemes expose the Company to actuarial risks such as longevity risk, interest rate risk, inflation risk, and market (investment) risk.

30. Retirement benefit schemes (continued)

Below is an outline of the risks, what they are and how the Group mitigates those risks.

Risk	Description	Mitigation
Volatile asset returns	The Defined Benefit Obligation (DBO) is calculated using a discount rate set with reference to AA corporate bond yields; asset returns that differ from the discount rate will create an element of volatility in the solvency ratio. The Staff Scheme had a 24% strategic allocation to a diversified growth fund at the end of the fiscal year. The Executive Scheme had a 10% strategic allocation to a diversified growth fund at the start of the fiscal year, but this was reduced to nil in April/May 2022. Although these growth assets are expected to outperform corporate bonds in the long term, they can lead to volatility and mismatching risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the UK Pension Schemes' long-term objectives.	Over the fiscal year, the Company and Trustee strategic allocations to growth assets, bond and bond-like assets has changed. Staff Scheme – As a result of the UK gilt crisis, the interest rate and inflation hedge ratios within the leveraged LDI portfolio fell from 65% to 48% (on the self-sufficiency basis, gilts + 0.4% p.a.) in October 2022. The hedge ratios were increased to 55% in December 2022. In November 2022 a decision was taken to reduce the strategic allocation to Secured Finance from 17% to 10%. This was implemented at the end of March 2023 with the proceeds initially invested in the LDI portfolio in April. Following a review of the investment strategy in February 2023, a decision was taken to use these proceeds to increase the interest rate and inflation hedge ratios to 65% and increase the diversified growth allocation to 29%. These changes are due to be implemented post fiscal year, in May/June 2023. Executive Scheme – in April/May 2022, the Scheme was de-risked by removing the diversified growth fund allocation (10%). The proceeds were used to increase the buy and maintain credit strategic allocation to 20%. In September/October 2022, following a number of deleveraging events within the LDI portfolio in response to the UK gilt crisis, the buy and maintain credit portfolio was liquidated in order to provide collateral to the LDI portfolio. In November 2022 a decision was taken to terminate the secured finance portfolio and invest the proceeds in the LDI portfolio. This is being implemented in two phases, in March/April and June/July 2023. In February 2023 a decision was taken to terminate the multi-asset credit portfolio and invest the proceeds in the LDI portfolio. This was implemented in March/April 2023. The target interest rate and inflation hedge ratios remained unchanged at 73% and 77% respectively during the fiscal year (on the self-sufficiency basis, gilts + 0.4% p.a.) but were increased to 100% post fiscal year end. As at the end of the fiscal year, the Staff Scheme had a strategic allocation to bond and bond-like assets of 76% (unchanged from last year) and the Executive Scheme had a strategic allocation to bond and bond-like assets of 100% (up from 90% last year). This is designed to reduce funding level volatility by investing in assets which more closely match the characteristics of the liabilities.

Notes to the consolidated financial statements
continued

30. Retirement benefit schemes (continued)

Changes in bond yields	A decrease in corporate bond yields will increase the present value placed on the DBO for accounting purposes, although this will be partially offset by an increase in the value of the UK Pension Fund's bond holdings.	At fiscal year end the Staff and Executive Schemes had a proportion of their strategic allocations (39% and 49% respectively) in liability-driven investments, which provide a hedge against falling bond yields (falling yields which increase the DBO will also increase the value of the bond assets). Post fiscal year end the liability-driven investments strategic allocations were increased to 41% and 100% for the Staff and Executive Schemes, respectively. Note that there are some differences in the credit quality of bonds held by the UK Pension Fund and the bonds analysed to decide the DBO discount rate, such that there remains some risk should yields on different quality bond/ swap assets diverge.
Inflation risk	A significant proportion of the DBO is indexed in line with price inflation (specifically inflation in the UK Retail Price Index and Consumer Price Index)and higher inflation will lead to higher liabilities (although, in most cases, this is capped at an annual increase of 5%).	The UK Pension Fund holds some inflation-linked assets which provide a hedge against higher-than- expected inflation increases on the DBO.
Life expectancy	The majority of the UK Pension Fund's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.	

Other Risks: There are a number of other risks of running the UK Pension Fund including operational risks (such as paying out the wrong benefits) and legislative risks (such as the government increasing the burden on pension through new legislation).

Asset-liability matching strategy

The Trustees of the Schemes, on behalf of the Company, ensure that the Schemes' assets are invested in accordance with the policies and objectives set out in the Schemes' Statement of Investment Principles.

The Schemes investment strategies aim to match the Schemes' assets to a portion of the interest rate and inflation sensitivity of the retirement obligations by investing in unleveraged and leveraged fixed and index-linked UK government bonds, as part of a liability driven investment portfolio. The Schemes also invest in other bond and bond-like investments (multi-asset credit and secured finance) in order to broadly match benefit payments as they fall due, whilst aiming to generate an excess return over that expected from government bonds. The Trustees, on behalf of the Company, reviews how the expected yield on the investments are matching the expected cash outflows arising from the retirement obligations, and the degree to which the interest rate and inflation sensitivity of the retirement obligations is matched.

In addition, the Trustees believe that, over the long term, excess returns over that expected from government bonds will be generated through investing in equities and other return enhancing asset classes, as well as through the use of active management where appropriate.

Over the year, the Company and Trustee strategic allocation to growth assets, bond and bond-like assets has changed.

As at the end of the year, the Staff Scheme had a strategic allocation to bond and bond-like assets of 76% (unchanged from last year) and the Executive Scheme had a strategic allocation to bond and bond-like assets of 100% (up from 90% last year).

Staff scheme – As a result of the UK gilt crisis, the interest rate and inflation hedge ratios within the leveraged LDI portfolio fell from 65% to 48% (on the self-sufficiency basis, gilts + 0.4% p.a.) in October 2022. The hedge ratios were increased to 55% in December 2022.

Following a review of the investment strategy in February 2023, a decision was taken to use the proceeds from the reduction in the secured finance allocation to increase the interest rate and inflation hedge ratios to 65%. These changes are due to be implemented post fiscal year, in May/June 2023.

Executive scheme – The target interest rate and inflation hedge ratios remained unchanged at 73% and 77% respectively during the fiscal year (on the self-sufficiency basis, gilts + 0.4% p.a.) but were increased to 100% post fiscal year end.

30. Retirement benefit schemes (continued)

The IAS 19 valuation conducted for the period ended 25 March 2023 disclosed a net defined pension surplus of £8.4 million (2022: £12.4 million).

Right to recognise a surplus position on the balance sheet

The Group is considered to have an unconditional right to a surplus under the scheme on scheme wind-up, under Paragraph 11(c) of IFRIC 14. Under the scheme rules, the ability for the Trustees to apply remaining assets on a wind up, after all benefit entitlements have been secured in full, to increase the benefits of the Schemes' members prior to them being distributed to the Schemes' employers is subject to employer consent. Such consent can be properly withheld by the employer under current trust law and in that scenario, the Trustees have to pay any balance remaining to employers in such shares as the Trustees after consultation with the Actuary shall decide. This is subject to the requirements of section 76 of the Pensions Act 1995 having been met. The surplus can therefore be returned to the employers on a winding up as long as the usual requirements in section 76 of the Pensions Act 1995 relating to the provision of pension increases have been met (those requirements apply to all UK registered DB schemes).

The major assumptions used in the updated actuarial valuations were:

	25 March 2023	26 March 2022
Discount rate	**4.7%**	2.8%
Inflation rate – RPI	**2.95%**	3.45%
Inflation rate – CPI	**2.25%**	2.85%
Future pension increases	**2.75%**	3.1%
Male life expectancy at age 65	**21.3 years**	21.2 years
Male life expectancy at age 65 (currently aged 45)	**22.6 years**	22.5 years
Female life expectancy at age 65	**24.1 years**	24.0 years
Female life expectancy at age 65 (currently aged 45)	**25.5 years**	25.4 years

Following the closure of the Scheme to future benefit accrual, a salary increase assumption is not required.

The mortality assumptions used are the SAPS tables published by the CMI allowing for future improvements in line with the CMI 2021 projections with a long term annual rate of improvement of 1.25 per cent. and a core smoothing factor of 7. Weighted averages across both schemes are shown above.

The Company's basis for setting the discount rate was amended to a 'single agency' yield curve approach in previous years. Under this approach the yield curve is based on a AA 'universe' including bonds that receive at least one AA rating from the main ratings agencies (i.e. a 'single agency' approach) and a bootstrapping method to extrapolate the curve at the longer end. Logarithmic regression has been used to find the best fitting yield curve for the spot yields calculated from the bond data.

The effects of movements in the principal assumptions used to measure the scheme liabilities for every change in the relevant assumption are set out below:

Assumption	Change in assumption	Impact on scheme liabilities £ million
Discount rate	+/– 0.1%	–3.7/+3.8
Rate of RPI inflation	+/– 0.1%	+2.2 /–2.5
Rate of CPI inflation	+/– 0.1%	+1.2 /–1.3
Life expectancy (age 65)	+ 1 year	+ 11.6
Discount rate	+/– 0.5%	–18.0 /+19.9
Rate of RPI inflation	+/– 0.5%	+13.2 /– 12.4

Notes to the consolidated financial statements
continued

30. Retirement benefit schemes (continued)

The above sensitivities are applied to adjust the defined benefit obligation at the end of the reporting period. Whilst the analysis does not take account of the full distribution of cash flows expected under the scheme, it does provide an approximation to the sensitivity of the assumptions shown.

Amounts expensed in the income statement in respect of the defined benefit schemes are as follows:

	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Running costs	**2.1**	1.7
Net (return on assets) / interest on liabilities	**(0.4)**	0.5
	1.7	2.2

Running costs are included in administrative expenses, and net interest on liabilities/return on assets is included in finance costs.

The amount recognised in other comprehensive income for the period ended 25 March 2023 is a loss of £4.5 million (2022: £35.0 million income).

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement schemes is as follows:

	25 March 2023 £ million	26 March 2022 £ million
Present value of defined benefit obligations	**(269.9)**	(383.4)
Fair value of schemes' assets	**278.3**	395.8
Asset/(Liability) recognised in balance sheet	**8.4**	12.4

Movements in the present value of defined benefit obligations were as follows:

	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
At beginning of period	**(383.4)**	(429.0)
Interest expense	**(10.5)**	(8.3)
Actuarial gains / (losses) arising from changes in demographic assumptions	**–**	5.6
Actuarial gains/(losses) arising from changes in financial assumptions	**116.4**	36.2
Actuarial gain on experience adjustment	**(4.0)**	–
Benefits paid	**11.6**	12.1
At end of period	**(269.9)**	(383.4)

30. Retirement benefit schemes (continued)

Movements in the fair value of schemes' assets were as follows:

	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
At beginning of period	**395.8**	403.4
Interest income	**10.9**	7.8
Scheme administration expenses	**(2.1)**	(1.7)
(Losses) / gains on scheme assets excluding interest income	**(116.9)**	(6.8)
Company contributions	**2.2**	5.2
Benefits paid	**(11.6)**	(12.1)
At end of period	**278.3**	395.8

The major categories of scheme assets are as follows:

	25 March 2023 £ million	25 March 2023 £ million	26 March 2022 £ million	26 March 2022 £ million
	Quoted market price in active market	No quoted market price in active market	Quoted market price in active market	No quoted market price in active market
Corporate bonds	**136.8**	**–**	180.8	–
Index-linked government bonds	**29.9**	**–**	29.3	–
Government bonds	**81.6**	**–**	89.0	–
Diversified growth funds	**26.1**	**–**	91.8	–
Cash and cash equivalents	**3.9**	**–**	4.9	–
	278.3	**–**	395.8	–

The percentage split of the scheme assets between sterling and non-sterling are as follows as at 25 March 2023:

	Sterling	Non–sterling
Overseas equities	100%	–
Corporate bonds	100%	–
Secured Finance	100%	–
Liability driven investments	100%	–
Diversified growth funds	64%	36%
Cash and cash equivalents	100%	–

The schemes' assets do not include any of the Group's own financial instruments nor any property occupied by, or other assets used by, the Group.

Notes to the consolidated financial statements
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30. Retirement benefit schemes (continued)

The Company is committed to paying into each scheme for future years, these amounts are outlined on the below Schedule of Contributions:

Staff Scheme year ending March	Amount	Exec Scheme year ending March	Amount
2024	£2.0 million	2024	£0.4 million
2025	£2.0 million	2025	Nil
2026	£3.0 million	2026	Nil

The schemes are funded by the Company. Funding of the schemes is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above. Funding requirements are formally set out in the Statement of Funding Principles, Schedule of Contributions and Recovery Plan agreed between the trustees and the Company.

The weighted average duration of the defined benefit obligation at 25 March 2023 is approximately 15 years (2022: 20 years). The defined benefit obligation at 25 March 2023 can be approximately attributed to the scheme members based on membership date at 31 March 2020 as follows:

- Active members: 0% (2022: 0%)
- Deferred members: 65% (2022: 65%)
- Pensioner members: 35% (2022: 35%)

All benefits are vested at 25 March 2023 (unchanged from 26 March 2022). There are fixed and floating charges over the assets of the company in favour of the pension scheme.

31. Contingent liability

In previous years, it was reported that the Group had a contingent liability in relation to orders that were initially placed with suppliers for the Spring/Summer 2020 and Autumn/Winter 2020 seasons but that were cancelled pre year end by management. Whilst resolution has been reached with many of these suppliers there is still the possibility that due to the administration process or the impact of COVID-19 there may be a claim from a supplier in relation to these issues.

The value of any potential cost to the Group is not possible to determine with any accuracy however management's best estimate of future outflows in relation to the above is considered to be less than £1.4 million in value (2022: £1.4 million), with the probability being low but not remote.

As part of the administration of Mothercare UK Limited, the group signed an agreement with the administrators to purchase certain assets and liabilities. There are certain pending claims for which the group may have to contribute via a top-up mechanism agreed with the administrators. The best estimate of the outflow is considered to be less than £1.9 million. As investigations are still ongoing it is not possible to identify a timeline within which it might be resolved.

32. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures are disclosed below.

Trading transactions

During the previous year, Group companies entered into the following transactions with related parties who are not members of the Group, there were no transactions in the current year:

52 weeks ended 26 March 2022	Sales of goods £ million	Purchases of goods £ million	Amounts owed by related parties £ million	Amounts owed to related parties £ million
Joint ventures	**–**	**–**	**1.8**	**–**
52 weeks ended 26 March 2023				
Joint ventures	–	–	–	–

Sales of goods to related parties were made at the Group's usual cost prices.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received at the year end. The amounts shown above have been shown gross and a provision of £nil (2022: £1.8 million) has been made for doubtful debts. During the year, no debt owed from related parties was impaired (2022: £nil).

Remuneration of key management personnel

The remuneration of the operating board (including directors and other key decision makers), who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual directors is provided in the audited part of the remuneration report on pages 66 to 68.

	52 weeks ended 25 March 2023 £ million	52 weeks ended 26 March 2022 £ million
Short-term employee benefits	**1.9**	2.5
Compensation for loss of office	**0.2**	–
	2.1	2.5

Mothercare Pension scheme

Details of other transactions and balances held with the two pension schemes are set out in note 31.

Other transactions with key management personnel

There were no other transactions with key management personnel.

Other transactions with related parties

There were no other transactions with shareholders in the current or prior year.

Notes to the consolidated financial statements
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33. Events after the balance sheet date

Defined benefit scheme contributions

In the first half of FY24 a full triennial actuarial valuation was performed and the Trustees of the schemes agreed a further reduction in contributions after the balance sheet date. Details of these are provided in the financial review on page 42.

Company financial statements

Contents

Company balance sheet
As at 25 March 2023

	Note	25 March 2023 £ million	26 March 2022 £ million
Fixed assets			
Investments in subsidiary undertakings	2	**1.5**	1.3
		1.5	1.3
Current assets			
Debtors – amounts falling due within one year	3	**0.2**	0.1
Cash and cash equivalents		**0.3**	0.6
		0.5	0.7
Creditors – amounts falling due within one year	4	**(172.4)**	(171.9)
Provisions	5	**(0.2)**	(0.2)
Net current liabilities		**(172.1)**	(171.4)
Net liabilities		**(170.6)**	(170.1)
Equity			
Called up share capital	6	**89.3**	89.3
Share premium	7	**108.8**	108.8
Own shares	7	**(0.2)**	(1.0)
Profit and loss account	7	**(368.5)**	(367.2)
Total Equity		**(170.6)**	(170.1)

For the 52 weeks ended 25 March 2023

The Company has taken advantage of the disclosure exemption permitted by s408 of the Companies Act 2006 and has not presented a profit and loss account. The Company reported a loss for the financial period ended 25 March 2023 of £0.5 million (2022: profit of £0.4 million).

Approved by the board on 21 September 2023 and signed on its behalf by:

Andrew Cook
Chief Financial Officer

Company Registration Number: 1950509

Company statement of changes in equity

For the 52 weeks ended 25 March 2023

	Note	Share capital £ million	Share premium account £ million	Own share reserve £ million	Profit and loss account £ million	Total £ million
Balance at 26 March 2022		**89.3**	**108.8**	**(1.0)**	**(367.2)**	**(170.1)**
Loss for the period	7	–	–	–	(0.5)	(0.5)
Other comprehensive expense for the period		–	–	–	–	–
Total comprehensive expense for the period		**–**	**–**	**–**	**(0.5)**	**(0.5)**
Shares transferred to executive on vesting		–	–	0.8	(0.8)	–
Balance at 25 March 2023		**89.3**	**108.8**	**(0.2)**	**(368.5)**	**(170.6)**
Balance at 27 March 2021		**89.3**	**108.8**	**(1.0)**	**(367.6)**	**(170.5)**
Profit for the period		–	–	–	0.4	0.4
Other comprehensive income for the period		–	–	–	–	–
Total comprehensive income for the period		**–**	**–**	**–**	**0.4**	**0.4**
Balance at 26 March 2022		89.3	108.8	(1.0)	(367.2)	(170.1)

Notes to the company financial statements
As at 25 March 2023

General information

Mothercare plc is a public company limited by shares incorporated in Great Britain under the Companies Act 2006. The address of the registered office is given in the shareholder information on page 134. Mothercare plc acts as a holding company for a group of companies operating as a specialist franchisor of products for parents and young children under the Mothercare brand.

1. Significant accounting policies

The Company's accounting period covers the 52 weeks ended 25 March 2023. The comparative period covered the 52 weeks ended 26 March 2022.

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council (FRC). Accordingly these financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the FRC.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemption available under the standard in relation to share-based payments, presentation of comparative information in respect of certain assets, capital management, certain revenue requirements of IFRS 15, the presentation of a cash flow statement, standards not yet effective and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

Going concern

The consolidated and Company financial statements have been prepared on the historical cost basis and on the going concern basis, as described in the going concern statement in the Financial Review on page 42.

The Directors of the Group and the Company have reviewed the Group's latest forecasts and projections, which have been sensitivity-tested for reasonably possible adverse variations in performance, reflecting the ongoing volatility in our key markets.

The Board's confidence in the Group's Base Case forecast, which indicates the Group will operate with sufficient cash balances, provided appropriate covenant waivers on our current facility were agreed, if required prior to the completion of our funding activities, and the Group's proven cash management capability supports our preparation of the financial statements on a going concern basis.

However, if trading conditions were to deteriorate beyond the level of risks applied in the Sensitised forecast, or the Group was unable to execute further cost or cash management programmes, the Group would at certain points of the working capital cycle require covenant waivers based on its current facilities agreement. If this scenario were to crystallise the Group would need to renegotiate with its lender in order to secure waivers to potential covenant breaches and consequential cash remedies or have completed the current negotiations to amend the covenants or secure additional funding. Therefore, we have concluded that, in this situation, there is a material uncertainty in relation to the continued support of our existing lender, if required, that casts significant doubt that the Group and the Company will be able to operate as a going concern without potential waivers or revised/ new financing facilities.

Warrants

Where warrants are not issued for a fixed number of shares at a fixed amount, they are recognised as a liability at fair value on the date of issue. Subsequently, fair value is recalculated, with movements recognised in the income statement, at each reporting date. The Company is exempt from preparing financial instrument disclosures under FRS 101; these are included in note 21 of the Group consolidated financial statements.

Interest rate risk

For information on the Company's approach to interest rate risk, please see page 109 of the Group consolidated financial statements.

Liquidity risk

For information on the Company's approach to liquidity risk, please see page 108 of the Group consolidated financial statements.

Credit risk

The Company has exposure to credit risk inherent in its receivables due from its subsidiary undertakings.

1. Significant accounting policies (continued)

Critical accounting judgements

The preparation of the Company financial statements requires management to make judgements, estimates and assumptions in applying the Company's accounting policies to determine the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to accounting estimates applied prospectively.

Critical judgements represent key decisions made by management in the application of the Group accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a critical accounting estimate. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

Impairment of assets

The Company reviews the carrying value of assets on a periodic basis, and whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Such circumstances or events could include: a pattern of losses involving the asset; a decline in the market value for the asset; and an adverse change in the business or market in which the asset is involved. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any.. Estimates of future cash flows and the selection of appropriate discount rates relating to particular assets or groups of assets involve the exercise of a significant amount of judgment.

Key sources of estimation uncertainty

Allowances against the carrying value of investments in subsidiaries

The financial statements have been prepared on the historical cost basis except for the re measurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment. The recoverable amounts of individual investments in subsidiaries are determined from value in use calculations with a discounted cash flow model being used to calculate this amount. The key assumptions for the value in use calculation are those regarding the discount rate and growth rates. Management has used a pre-tax discount rate of 17.0% (2022: 13.0%) which reflects the time value of money and risks related to the cash generating units. There have been no impairment charges during the current financial period (2022: £nil).

Cash flow projections are based on the Group's five year internal forecasts, the results of which are reviewed by the Board. Estimates of selling prices and direct costs are based on past experience, expectations of future changes in the market and historic trends. The forecasts are extrapolated beyond four years based on long-term average growth rate of 0%.

Notes to the company financial statements
continued

2. Investments in subsidiary undertakings

Investments in the Company's balance sheet consist of its investments in subsidiary undertakings. The Company's subsidiaries, all of which are wholly owned, are included in note 12 of the Group financial statements.

The Company's investment in its subsidiary undertakings is as follows:

	25 March 2023 £ million	26 March 2022 £ million
Investment in subsidiaries – net book value	**1.5**	1.3

	£ million
Cost	
At 26 March 2022	455.0
Disposal	–
Share-based payments to employees of subsidiaries	0.2
At 25 March 2023	455.2
Impairment	
At 26 March 2022	(453.7)
Charged during the period	–
At 25 March 2023	(453.7)
Net book value	**1.5**

The recoverable amounts of individual investments in the Mothercare subsidiaries are determined from value in use calculations with a discounted cash flow model being used to calculate this amount. The key assumptions for the value in use calculation are those regarding the discount rate and growth rates. Management has used a pre-tax discount rate of 17.0% (2022: 13.0%) which reflects the time value of money and risks related to the cash generating units. The cash flow projections are based on the financial budgets and forecasts approved by the Board covering a five year period. No growth rate has been applied.

3. Debtors

	25 March 2023 £ million	26 March 2022 £ million
Other debtors	**0.2**	0.1

4. Creditors

Creditors: amounts due within one year	**25 March 2023 £ million**	26 March 2022 £ million
Amounts due to subsidiary undertakings	**171.7**	169.9
Accruals and other creditors	**0.7**	2.0
	172.4	171.9

Amounts due to subsidiary undertakings are repayable on demand. No interest is payable on the outstanding balances.

5. Provisions

	25 March 2023 £ million	26 March 2022 £ million
Current liabilities		
Other provisions	**0.2**	0.2
Short-term provisions	**0.2**	0.2

The movement on total provisions is as follows:

	Property provisions £ million
Balance at 26 March 2022	0.2
Released during the year	–
Charged to the income statement	–
Balance at 25 March 2023	0.2

Other provisions of £0.2 million relates to a legal claim received against a subsidiary of Mothercare UK Limited which went into administration, this remains unchanged from prior year.

6. Called up share capital

For details of the Company's share capital and movements, please see note 24 to the consolidated financial statements. Further details of employee and executive share schemes are provided in note 30 to the consolidated financial statements.

7. Reserves

	Share premium £ million	Own shares £ million	Profit and loss account £ million
Balance at 26 March 2022	108.8	(1.0)	(367.2)
Loss for the financial year	–	–	(0.5)
Shares transfer to executive on vesting	–	0.8	(0.8)
Balance at 25 March 2023	**108.8**	**(0.2)**	**(368.5)**

The own shares reserve of £0.2 million (2022: £1.0 million) represents the cost of shares in Mothercare plc purchased in the market and held by the Mothercare Employee Trusts to satisfy options under the Group's share option schemes (see note 29). The total shareholding is 151,232 (2022: 925,342) with a market value at 25 March 2023 of £0.0 million (2022: £0.1 million).

The Company has no distributable reserves and has made no distribution during this or the prior year.

8. Events after the balance sheet date

Details on events after the balance sheet date are shown in note 33 to the consolidated financial statements.

Shareholder information

Shareholder information (unaudited)

Shareholder analysis

A summary of holdings as at 25 March 2023 is as follows:

	Mothercare ordinary shares	
	Number of shares	Number of shareholders
Banks, insurance companies and pension funds	1	1
Nominee companies	483,026,536	145
Other corporate holders	76,062,469	96
Individuals	4,747,620	18,271
	563,836,626	18,513

As can be seen from the above analysis, many shares are registered in the name of a nominee company as the legal owner. The underlying holder of shares through a nominee account is the beneficial owner of these shares, being entitled to the capital value and the income arising from them. An analysis of these nominee holdings shows that the largest underlying holders are pension funds, with unit trusts and insurance companies the other major types of shareholder.

Share price data

	2023	2022
Share price at 25 March 2023 (26 March 2022)	**8.51p**	12.00p
Market capitalisation	**£54.9m**	£67.7m
Share price movement during the year:		
High	**12.00p**	19.95p
Low	**6.00p**	10.05p

All share prices are quoted at the mid-market closing price. For capital gains tax purposes:

- the market value on 31 March 1982 of one ordinary share in British Home Stores PLC is 155p and of one ordinary share in Habitat Mothercare PLC is 133p; and
- the market value of each Mothercare plc 50p ordinary share immediately following the reduction of capital and consolidation on 17 August 2000 for the purpose of allocating base cost between such shares and the shares disposed of as a result of the reduction is 135p.

Rights issue and TERP

On 23 September 2014 the Company announced a proposed rights issue of 9 for 10 ordinary shares at 125p per new ordinary share. The theoretical ex-rights price ('TERP') between 24 September and 9 October 2014 (being the last day the ordinary shares were traded cum rights) was 178p.

Immediately before the rights issue, the issued share capital was 88,824,771. 79,942,294 new ordinary shares were issued on 27 October 2014. The total issued share capital immediately following the rights issue was 168,767,065.

Placing and open offer

On 9 July 2018 the Company announced a proposed subdivision of shares (into 1p ordinary shares and 49p deferred shares) and a placing and open offer of 170,871,885 ordinary 1p shares on a 1 for 1 basis at 19p per ordinary share. Immediately before the placing and open offer, the issued share capital was 170,871,885. 170,871,885 new ordinary shares were issued on 27 July 2018. The total issued share capital immediately following the placing and open offer was 341,743,770.

Placing

On 5 November 2019 the Company announced that 32,359,450 new ordinary 1p shares (the "Placing Shares") had been placed by Numis Securities Limited at a price of 10 pence per Placing Share with existing institutional investors. The Placing Shares were admitted to the premium listing segment of the Official List on 7 November 2019. The issued share capital prior to the Placing was 341,833,044 and, following the issue, the total number of issued shares with voting rights was 374,192,494.

Conversion shares

On 17 March 2022 189,644,132 conversion shares of 1p each were issued at 10 pence per ordinary share. The total voting rights following the admission of the conversion shares was 563,836,626.

Shareholder information
continued

Registrars and transfer office

Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

Financial calendar

	2023
Annual General Meeting	23 October
Announcement of interim results	November

	2024
Preliminary announcement of results for the 53 weeks ending 30 March 2024	July
Issue of report and accounts	July
Annual General Meeting	September

Registered office and head office

Westside 1, London Road, Hemel Hempstead, Hertfordshire HP3 9TD www.mothercareplc.com
Registered number 1950509

Group company secretary

Lynne Medini

Registrars

Administrative enquiries concerning shareholders in Mothercare plc for such matters as the loss of a share certificate, dividend payments or a change of address should be directed, in the first instance, to the registrars:

Equiniti Limited

Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA Telephone 0371 384 2013, www.shareview.co.uk

Postal share dealing service

A postal share dealing service is available through the Company's registrars for the purchase and sale of Mothercare plc shares from the www.shareview.co.uk website or on the shareholder helpline Telephone 0371 384 2013.

Further details can be obtained from Equiniti on 0371 384 2013 (calls to this number are charged at the standard landline rate per minute plus network extras. Lines are open 8.30 am to 5.30 pm, Monday to Friday).

Stockbrokers

The Company's stockbrokers are:

Cavendish Capital Markets Limited, One Bartholomew Close, London, EC1A 7BL
Telephone 020 7220 0500

Numis Securities Limited, 45 Gresham Street, London, EC2V 7BF
Telephone 020 7260 1000

ShareGift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation. The share transfer form needed to make a donation may be obtained from the Mothercare plc registrars, Equiniti Limited.

Further information about ShareGift is available from
www.sharegift.org or by telephone on 020 7930 3737.

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