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

Completion of Transformation Plan

Half Year Results

Emerging as a sustainable, capital light, international franchise brand

Mothercare plc ("Mothercare" or "the Company"), the global specialist brand for parents and young children, today provides an update on the completion of its Transformation Plan and announces unaudited half year results of the Company and its subsidiaries (the "Group") for the 28 week period to 10 October 2020.

Transformation update

The Company today announces the following final elements to its Transformation Plan, including:

- £19.5 million loan secured with Gordon Brothers Brands LLC (“GBB”); proceeds will be used to repay outstanding amounts due under the Group’s revolving credit facility.

- Agreement reached with the trustees of the Group’s defined benefit pension schemes as to revised deficit payments for the next five years.

- Agreement reached with the holders of the Group’s £13.5m convertible unsecured loans issued in 2018 and 2019 (“CULS”) committing to convert these to equity on 31 January 2021 subject to certain conditions including the approval of certain matters by shareholders, including the relisting of the Group onto AIM.

During the period key operational agreements were secured, including:

- Ten year franchise agreement with Boots UK Limited ("Boots") as exclusive UK and Republic of Ireland franchise partner, with the Mothercare brand becoming available in Boots stores and online from Autumn 2020.

- Twenty year franchise agreement with the Alshaya Group, our most significant franchise partner, providing surety over Mothercare’s largest commercial contract.

Clive Whiley, Chairman of Mothercare plc, commented:

“The restructuring phase of Mothercare is now all but complete. The singular focus of the business is to return Mothercare to its rightful place as the leading global brand for parents and young children and to deliver the operational and financial performance commensurate with that leading position.

We have diligently managed our way through this period of global crisis, and we emerge in better shape than we went into it. We have refinanced the business alongside commencing our new arrangements with Boots for the UK and Ireland and we are now operating our innovative, working capital light arrangements with our manufacturing and franchise partners around the globe for the Autumn/Winter 2020 collections. With these foundations in place Mothercare can move forward again with confidence as a profitable and cash generative international franchise business both in store and online, generating revenues through an asset-light model in the UK and some 40 international territories.

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

Financial Highlights for the 28 week period to 10 October 2020

- Group adjusted loss before taxation from continuing operations to £4.4 million (H1 FY19/20: profit of £4.0 million).
- Statutory Group loss before taxation from continuing operations of £14.0 million (H1 FY19/20: profit of £5.7 million).
- Net debt of £17.5 million (£13.7 million at 28 March 2020, £24.5 million at 12 October 2019).
- Adjusted EBITDA from continuing operations of £(0.1) million (H1 FY19/20: £11.9 million).
- COVID-19 caused uncertainty during the period and this has continued after the balance sheet date.
- Worldwide sales[1] were down 39.7% in constant currency (H1 FY19/20: down 5.3%), down 42.0% in actual currency.
- Mothercare product is now available in over 1,000 of franchise partner stores around the world

The below table includes Group performance on a continuing operations basis; this excludes both the discontinued operation of the Early Learning Centre brand and the UK operation:

Group performance – on a continuing operations basis

	28 weeks to 10-Oct-20 £million	**28 weeks to 12-Oct-19 Restated £million**	***% change vs. last year***
Group			
Worldwide sales[1]	189.2	328.4	(42.4)%
Total Group revenue	44.4	102.0	(56.5)%
Group adjusted (loss)/profit before taxation[2]	(4.4)	4.0	(210.0)%
Group (loss)/profit before tax from continuing operations	(14.0)	5.7	(345.6)%
Net debt[3]	(17.5)	(24.5)	28.6%
Worldwide retail sales in constant currency	(39.7)%	(5.3)%	
Worldwide retail sales in actual currency	(42.0)%	(1.6)%	

Group performance – total including continuing and discontinued operations

	28 weeks to 10-Oct-20 £million	**28 weeks to 12-Oct-19 Restated £million**	***% change vs. last year***
Group adjusted loss	(4.5)	(4.9)	8.2%
Total Group loss	(14.1)	(19.2)	26.6%

Investor and analyst enquiries to:
Mothercare plc — **Email:** investorrelations@mothercare.com
Andrew Cook, Chief Financial Officer
Kevin Rusling, Chief Operating Officer

Numis Securities Limited (Financial Advisor) — **Tel:** 020 7260 1000
Luke Bordewich
Henry Slater

Media enquiries to:
MHP Communications
Tim Rowntree
Alistair de Kare-Silver

Email: mothercare@mhpc.com
Tel: 0203 128 8742

Notes

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

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

3 – Net debt is defined as total borrowings including shareholder loans and bank overdraft/cash at bank (net of the financial asset); it excludes the IFRS 16 lease liability.

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

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

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

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

Chairman's statement

Mothercare plc, the leading specialist global brand for parents and young children, today provides the following update on the completion of its Transformation Plan.

Mothercare is now set to be a profitable and cash generative international franchise operation in the future, generating revenues through an asset-light model, operating in the UK and some 40 international territories and backed by new debt facilities. We have completed our transition to refocus the Group on its core competences of brand management and the design, development and sourcing of product to support international franchise partners through their stores and online. This announcement sets out the final steps that we have taken, notwithstanding the serious challenges presented by Covid-19, including the conclusion of the refinancing process that gives the Company and all stake-holders a committed and stable foundation upon which to execute our growth plans.

Refinancing of the Business

Background

In March this year we successfully emerged from the transaction and execution risks associated with the administration of Mothercare UK Limited ("MUK") and the restructuring of the business which commenced in November 2019. This necessary and unavoidable step preserved value, most notably for our pension fund, our global franchise operations and lending group – who would have otherwise faced significant losses.

Unfortunately, immediately thereafter the circumstances surrounding Covid-19 introduced an unprecedented demand shock, which led to a low point in April 2020 of only 27% of our franchise partners' global retail locations being open. Whilst substantially recovering since then this still equates to an aggregate current year loss of retail sales to our franchise partners of approximately £145 million, compared to the same period last year.

At that stage the Board activated contingency plans to focus management attention upon the well-being of our colleagues alongside protecting corporate liquidity in order to preserve the businesses of our manufacturing and franchise partners as a prerequisite to returning to longer-term profitability.

Refinancing

We are pleased to set out today the final elements of the refinancing of the business which comprises three key parts:

- A new £19.5 million term loan from Gordon Brothers Brands LLC ("GBB") to refinance the Company's outstanding debt (the "New Debt Facility");
- The holders of the existing £13.5 million of Convertible Unsecured Loan Notes (the "CULS") due 30 June 2021, have agreed to convert their entire holdings into equity on 31 January 2021 subject to certain conditions including the approval of certain matters by shareholders (the "CULS Arrangement");
- Revised contribution schedules have been agreed for the next five years with the Mothercare pension schemes' trustees (the "Revised Pension Arrangement");

As at 25 November 2020, the total secured debt pre-refinancing, including the Group's £24 million revolving credit facility, other guarantees and letters of credit was £11.6 million and these liabilities will be refinanced as a whole by the New Debt Facility. We understand that there remains a further net amount of c£2m to be paid out from the administrators of MUK which is expected to reduce this secured debt further. This remains in line with our previous guidance at around net debt of approximately £10 million including this further amount.

Further details on these three elements are provided below.

The new Mothercare business model and scale

Today and going forward, the Group's revenue principally derives from royalties payable on global franchise partners retail sales, operating through over 1,000 stores, present in the UK and some 40 other countries around the world.

For the current financial year FY21, the Group currently expects net worldwide retail sales of at least £320m and invoiced shipments of £80m. Our partners' retail sales fell very sharply at the beginning of lockdown. As a global brand the impact of Covid-19 has varied enormously by market as the differing countries have addressed the pandemic and associated restrictions. Over the early phases we worked hard with both our franchise and manufacturing partners, whose factories had also been impacted by closures, to ensure the right product and right quantities were produced and shipped to markets on time. Whilst further restrictions could inevitably be introduced we can see an improved picture over the balance of the financial year. In aggregate we estimate these impacts will have reduced Mothercare related revenues by a third in the current financial year as a whole.

Group revenue is expected to return to more normal levels in the short to medium term and has the potential to grow at the at least blended rate of economic growth in our markets reflecting the higher average birth rates in a number of our core markets. The rate of sales growth will be driven by the number of territories we operate in, the aggregate number of store openings and closures in any given year together with online growth, the quality, breadth and appeal of Mothercare product and the like for like performance in a given market which will be driven by local factors including macroeconomic conditions, the birth rate and in market competition amongst other things.

Due to reduced revenues following the impact of Covid-19 and the one off costs associated with the restructuring, the Group expects to make a small EBITDA loss for the full-year. However, as revenue returns to normal levels, the Group expects EBITDA margin for the business to return in line with what has been guided to historically.

We outlined a new asset light way of working with partners in our full year announcement and this has continued to be developed with key franchise partners now operating on a revised model in which manufacturing partners invoice and are paid directly by the franchise partners for products. For these sales the creditors and stock will not be recognised by the Group and whilst the associated revenue will also be excluded there will be no impact on the margin earned, which will still be charged to the franchise partner. The responsibility for design, quality control and choice of manufacturing partner for these products remains with the Group.

Moving forward with the new framework in place and the actions we have taken to reduce our cost base and address legacy issues, the steady state operation of the Company in more normal circumstances should be profitable with Mothercare revenues ahead of the levels for this year and with similar underlying EBITDA margins to historic achieved levels. The reduction in future overheads will support improving cash generation for the business. The Board believes that the Group is on track to fulfil its promise and return to being a profitable and sustainable business.

The New Debt Facility

GBB has agreed to provide the Group with the New Debt Facility, a senior secured term loan facility in the amount of £19.5 million, for the repayment of the existing secured debt and additional working capital purposes. The New Debt Facility is for a four year term at an interest rate of 12.0% per annum over a GB LIBOR floor of not less than 1%. The facility is secured over the assets of the Group as a whole and benefits from a number of customary covenants and early repayment charges if it is refinanced prior to term.

The CULS Arrangement

As a precondition to the provision of the New Debt Facility, the holders of the existing £13.5 million of CULS have conditionally entered into the CULS Arrangement and:

- Committed to convert their entire holdings of CULS into new ordinary shares at 10p per share on 31 January 2021 or such later date as certain conditions have been met;

- Agreed to be subordinated to the New Debt Facility prior to the CULS conversion into new ordinary shares; and

- Conditionally accepted warrants over up to 15 million new ordinary shares, exercisable at 12p per share, pro rata to their interests in the CULS in recognition of the changes above.

The CULS Arrangement is subject to the satisfaction of certain conditions including shareholder approval for various matters including: granting the requisite authorities to issue the relevant new ordinary shares; a waiver under Rule 9 of the City Code on Take-overs & Mergers in relation to Richard Griffiths' (via Blake Holdings) resultant shareholding (which would be up to 33.9% of the Group's enlarged share capital (proforma for the CULS Arrangement); and the relisting of the Company's ordinary shares on the London Stock Exchange's Alternative Investment Market. It is expected that the Company's issued share capital will increase to approximately 563 million ordinary shares upon conversion of the CULS.

The Company has commenced preparations for these arrangements and anticipates the issuance of relevant shareholder documents early in the new year to convene the necessary shareholder meetings in late January 2021 to approve this arrangement. Further announcements will be made in due course in relation to this matter.

The Revised Pension Arrangement

The Board has agreed a schedule of payments to the Mothercare pension schemes, which will reduce the short term cash contributions to the pension schemes whilst protecting their overall position through the improved financial covenant that the Group now represents.

The agreed annual contributions to the pension schemes, for the years ending in March, are as follows: 2021 £3.2 million, 2022 £4.1 million, 2023 £9.0million, 2024 £10.5 million, 2025 £12.0 million, 2026 to 2029 £15 million, 2030 £5.7 million

In addition to the above, the Group will pay the missed contribution for FY20 from March 2020 of £0.5 million into the Scheme after the drawdown of the New Debt Facility, increasing the minimum payments in FY21 to £3.7 million. For FY25 of the £12m payable by the Company, £3.4m will be paid in equal instalments from November onwards. Finally the Group will pay up to £1.8 million as an additional

contribution added to the £3.4 million in FY25 and paid on the same basis, subject to the £1.8 million being reduced pound for pound for any amount that the sum of the PPF levy due for the 3 years in September 2022, 2023 & 2024 exceeds £3 million and that when these payments fall due the Group has at least £10 million in its bank accounts after such payment.

The Company has also given the trustees of the Mothercare pension schemes second ranking security over the Group's assets.

The Proposed Delisting and AIM Admission

The Company first listed on the London Stock Exchange in 1972 with its listing on the main market continuing through various different corporate entities to this day. However with the completion of the transformation plan the Board recognises that, commensurate with the Company now being a small-cap company, it should to apply to delist from the Official List and to trading on the Main Market alongside applying to the London Stock Exchange for admission to trading on AIM, which would also have tax benefits for some investors.

The Board has carefully considered the position including the following:

- AIM was launched in 1995 as the London Stock Exchange's market specifically designed for smaller companies, with a more flexible regulatory regime, and has an established reputation with investors and is an internationally recognised market;

- AIM will offer greater flexibility with regard to corporate transactions, enabling the Company to agree and execute certain transactions more quickly and cost effectively than a company on the Official List;

- Companies whose shares trade on AIM are deemed to be unlisted for the purposes of certain areas of UK taxation, including possibly being eligible for relief from inheritance tax. Furthermore stamp duty is not payable on the transfer of shares that are traded on AIM and not listed on any other market;

- In addition to existing institutional investors, given the possible tax benefits, admission to trading on AIM could make the Company's shares more attractive to both to AIM specific funds and certain retail investors where, since 2013, shares traded on AIM can be held in ISAs.

Accordingly, the Board considers that AIM is a more appropriate market for the Company. This is expected to be effected in the first quarter of 2021.

Completion of the transformation process signposts the route to Mothercare becoming a simplified, profitable, and cash generative business, representing a sea-change in our fortunes from the perilous position reached a year ago. These are exciting times as we enter into new arrangements with our franchise partners designed to build the scale, scope and stature of our brand.

Without the distractions of the last three years on the business, we can accelerate the growth of our franchise base to address large and attractive markets where we currently have no presence. As such today's announcement is excellent news for all stakeholders including the millions of Mothercare customers across the globe.

Clive Whiley
Chairman

Condensed consolidated income statement

For the 28 weeks ended 10 October 2020

	28 weeks ended 10 October 2020 (Unaudited)	28 weeks ended 12 October 2019 (Unaudited)	52 weeks ended 28 March 2020 (Audited)

	Note	**Before adjusted items**	**Adjusted items[1]**	**Total**	Before adjusted items *Restated**	Adjusted items [1] *Restated**	Total *Restated**	Total
		£ million	**£ million**	**£ million**	£ million	£ million	£ million	£ million
Continuing operations								
Revenue		**44.4**	–	**44.4**	102.0	–	102.0	164.7
Cost of sales		**(33.5)**	–	**(33.5)**	(77.6)	–	(77.6)	(128.5)
Gross profit		**10.9**	–	**10.9**	24.4	–	24.4	36.2
Administrative expenses		**(12.2)**	**(2.8)**	**(15.0)**	(17.9)	(1.7)	(19.6)	(43.7)
(Loss)/profit from operations		**(1.3)**	**(2.8)**	**(4.1)**	6.5	(1.7)	4.8	(7.5)
Net finance (costs)/income	5	**(3.1)**	**(6.8)**	**(9.9)**	(2.5)	3.4	0.9	1.1
(Loss)/profit before taxation		**(4.4)**	**(9.6)**	**(14.0)**	4.0	1.7	5.7	(6.4)
Taxation	6	**(0.1)**	**–**	**(0.1)**	(0.1)	–	(0.1)	(0.8)
(Loss)/profit for the period from continuing operations		**(4.5)**	**(9.6)**	**(14.1)**	3.9	1.7	5.6	(7.2)
Discontinued operations								
(Loss)/profit for the period from discontinued operations		–	–	–	(8.8)	(16.0)	(24.8)	21.6
Loss for the period attributable to equity holders of the parent		**(4.5)**	**(9.6)**	**(14.1)**	(4.9)	(14.3)	(19.2)	14.4
Earnings per share from continuing and discontinued operations								
Basic	7	**(1.2) p**		**(3.8) p**	(1.4) p		(5.5) p	4.1 p
Diluted	7	**(1.2) p**		**(3.8) p**	(1.4) p		(5.5) p	3.0 p
Earnings per share from continuing operations								
Basic	7	**(1.2) p**		**(3.8) p**	1.1 p		1.6 p	(2.0) p
Diluted	7	**(1.2) p**		**(3.8) p**	1.1 p		1.6 p	(2.0) p

* The comparative numbers have been reclassified for the discontinued operations of the Early Learning Centre and the UK operating segment.

(1) Includes adjusted costs (property costs, restructuring costs and impairment charges), and the fair value movement on embedded derivatives. Adjusted items are considered to be one-off or significant in nature and or /value. Excluding these items from the 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 and Operating Board.

See glossary for definitions.

Condensed consolidated statement of comprehensive income

For the 28 weeks ended 10 October 2020

	28 weeks ended 10 October 2020 (Unaudited)	28 weeks ended 12 October 2019 (Unaudited)	52 weeks ended 28 March 2020 (Audited)
	£ million	£ million	£ million
(Loss)/profit for the period	**(14.1)**	(19.2)	14.4
Items that will not be reclassified subsequently to the income statement:			
Actuarial (loss)/gain on defined benefit pension schemes	**(57.8)**	7.7	46.6
Income tax relating to items not reclassified	**5.4**	–	(5.4)
	(52.4)	7.7	41.2
Items that may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations	**0.9**	(0.4)	(1.9)
Cash flow hedges: losses arising in the period	**–**	(1.5)	(1.5)
Deferred tax on cash flow hedges	**–**	–	–
	0.9	(1.9)	(3.4)
Other comprehensive (expense)/income for the period	**(51.5)**	5.8	37.8
Total comprehensive expense for the period wholly attributable to equity holders of the parent	**(65.6)**	(13.4)	52.2

Condensed consolidated balance sheet

As at 10 October 2020

	Note	**10 October 2020 (Unaudited) £ million**	**12 October 2019 (Unaudited) £ million**	28 March 2020 (Audited) £ million
Non-current assets				
Intangible assets	8	**0.5**	14.6	0.6
Property, plant and equipment	8	**0.5**	17.4	0.7
Right-of-use assets		**8.5**	48.7	7.9
Retirement benefit obligations	10	**–**	–	29.8
		9.5	80.7	39.0
Current assets				
Inventories		**6.7**	65.3	9.7
Trade and other receivables		**14.3**	44.0	15.6
Derivative financial instruments	11	**11.0**	–	21.0
Cash and cash equivalents		**4.6**	–	6.1
		36.6	109.3	52.4
Total assets		**46.1**	190.0	91.4
Current liabilities				
Trade and other payables		**(24.3)**	(94.2)	(29.5)
Borrowings	9	**(33.1)**	–	(28.0)
Lease liabilities		**(1.3)**	(20.5)	–
Bank overdrafts		**–**	(3.3)	–
Current tax liabilities		**–**	(0.3)	(0.3)
Derivative financial instruments	11	**(7.1)**	–	–
Provisions		**(4.0)**	(8.0)	(2.3)
		(69.8)	(126.3)	(60.1)
Non-current liabilities				
Borrowings	9	–	(21.2)	(12.8)
Lease liabilities		**(8.0)**	(88.9)	(8.4)
Derivative financial instruments	11	**–**	(1.3)	(0.3)
Retirement benefit obligations	10	**(28.8)**	(11.2)	-
Provisions		**(2.4)**	(3.3)	(2.1)
Deferred tax liability		**–**	–	(5.4)
		(39.2)	(125.9)	(29.0)
Total liabilities		**(109.0)**	(252.2)	(89.1)
Net (liabilities)/assets		**(62.9)**	(62.2)	2.3
Equity attributable to equity holders of the parent				
Share capital		**87.4**	87.1	87.4
Share premium account		**91.7**	88.9	91.7
Own shares		**(1.0)**	(1.1)	(1.0)
Translation reserve		**(2.8)**	(2.2)	(3.7)
Hedging reserve		**–**	–	–
Retained deficit		**(238.2)**	(234.9)	(172.1)
Total equity		**(62.9)**	(62.2)	2.3

Condensed consolidated statement of changes in equity

For the 28 weeks ended 10 October 2020 (unaudited)

	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Hedging reserve £ million	Retained deficit £ million	**Total equity £ million**
Balance at 28 March 2020	87.4	91.7	(1.0)	(3.7)	–	(172.1)	2.3
Other comprehensive income/(expense) for the period	–	–	–	0.9	–	(52.4)	(51.5)
Loss for the period	–	–	–	-	–	(14.1)	(14.1)
Total comprehensive expense for the period	–	–	–	**0.9**	–	**(66.5)**	**(65.6)**
Charge to equity for equity-settled share-based payments	–	–	–	–	–	0.4	0.4
Balance at 10 October 2020 (unaudited)	**87.4**	**91.7**	**(1.0)**	**(2.8)**	–	**(238.2)**	**(62.9)**

For the 28 weeks ended 12 October 2019 (unaudited)

	Share capital	Share premium account	Own shares	Translation reserve	Hedging reserve	Retained deficit	**Total equity**
	£ million	£ million	£ million	£ million	£ million	£ million	**£ million**
Balance at 30 March 2019 as previously reported	87.1	88.9	(1.1)	(1.8)	1.3	(223.8)	(49.4)
Other comprehensive (expense)/income for the period	–	–	–	(0.4)	(1.5)	7.7	5.8
Loss for the period	–	–	–	–	–	(19.2)	(19.2)
Total comprehensive (expense)/income for the period	**–**	**–**	**–**	**(0.4)**	**(1.5)**	**(11.5)**	**(13.4)**
(Charge)/credit to equity for equity-settled share-based payments	–	–	–	–	–	0.6	0.6
Deferred tax on share-based payments	–	–	–	–	0.2	(0.2)	-
Balance at 12 October 2019 (unaudited)	**87.1**	**88.9**	**(1.1)**	**(2.2)**	**–**	**(234.9)**	**(62.2)**

For the 52 weeks ended 28 March 2020 (audited)

	Share capital	Share premium account	Own shares	Translation reserve	Hedging reserve	Retained deficit	**Total equity**
	£ million	£ million	£ million	£ million	£ million	£ million	**£ million**
Balance at 30 March 2019 as previously reported	87.1	88.9	(1.1)	(1.8)	1.3	(228.6)	(54.2)
Items that will not be reclassified subsequently to the income statement	-	-	-	-	-	41.2	41.2
Items that will be reclassified subsequently to the income statement	-	-	-	(1.9)	-	-	(1.9)
Other comprehensive (expense)/income for the period	-	-	-	(1.9)	(1.5)	41.2	37.8
Profit for the period	-	-	-	-	-	14.4	14.4
Total comprehensive (expense)/income for the period	**-**	**-**	**-**	**(1.9)**	**(1.5)**	**55.6**	**52.2**
Issue of new shares	0.3	2.9	0.1	-	-	-	3.3
Expenses of issue of equity shares	-	(0.1)	-	-	-	-	(0.1)
Transfer to equity from inventories during the period	-	-	-	-	0.2	-	0.2
Adjustment to equity for equity-settled share-based payments	-	-	-	-	-	0.9	0.9
Balance at 28 March 2020 (audited)	**87.4**	**91.7**	**(1.0)**	**(3.7)**	**-**	**(172.1)**	**2.3**

Condensed consolidated cash flow statement

For the 28 weeks ended 10 October 2020

	Note	**28 weeks ended 10 October 2020 (Unaudited)**	28 weeks ended 12 October 2019 (Unaudited)*	52 weeks ended 28 March 2020 (Audited)
		£ million	£ million	£ million
Net cash flow from operating activities – continuing operations	13	**0.4**	(4.1)	(2.9)
Net cash flow from operating activities – discontinued operations		**–**	(1.4)	3.4
Cash flows from investing activities				
Purchase of property, plant and equipment		**(0.2)**	(0.4)	(0.4)
Purchase of intangibles – software		**–**	(1.4)	(1.4)
Proceeds from sale of property, plant and equipment		**–**	–	–
Interest received		**–**	0.2	0.3
Net cash used in investing activities – continuing operations		**(0.2)**	(1.6)	(1.5)

Net cash generated from investing activities – discontinued operations	**–**	7.0	7.0
Cash flows from financing activities			
Issue of share capital	**–**	–	3.2
Expenses of share issue	**–**	–	(0.1)
Shareholder loans	**–**	–	5.5
Interest paid	**(1.1)**	(1.0)	(2.5)
Repayments of obligations under leases	**(0.5)**	(1.8)	(1.8)
Repayment of facility	**–**	(6.0)	(13.0)
Drawdown of facility	**–**	3.0	6.0
Payment of facility fee	**–**	–	(0.2)
Net cash raised in financing activities – continuing operations	**(1.6)**	(5.8)	(2.9)
Net cash raised in financing activities – discontinued operations	**-**	(13.0)	(12.9)
Net decrease in cash and cash equivalents	**(1.4)**	(18.9)	(9.8)
Cash and cash equivalents at beginning of period	**6.1**	16.3	16.3
Effect of foreign exchange rate changes	**(0.1)**	(0.7)	(0.4)
Net cash and cash equivalents/(overdraft) at end of period	**4.6**	(3.3)	6.1

* The comparative numbers have been reclassified for the discontinued operations of the Early Learning Centre and the UK operating segment. Cashflows for the disposal proceeds have been classified as cash generated from investing activities.

Notes to the condensed consolidated financial statements

1 General information

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Chief Executive's review and the Financial review.

The results for the 28 weeks ended 10 October 2020 are unaudited.

These unaudited condensed consolidated interim financial statements for the current period and prior financial periods do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the 2019 financial year has been filed with the Registrar of Companies. The 2020 financial statements are available on the Group's website (www.mothercareplc.com). The auditor has reported on these: their report was qualified.

2 Accounting Policies and Standards

Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority, and with IAS 34 'Interim Financial Reporting', as adopted by the European Union. Unless otherwise stated, the accounting policies applied, and the judgements, estimates and assumptions made in applying these policies, are consistent with those described in the Annual Report and Financial Statements 2019. The financial period represents the 28 weeks ended 10 October 2020. The comparative periods are the 28 weeks ended 12 October 2019 and the 52 weeks ended 28 March 2020.

Going concern

As at the date of this announcement, the Group has completed a significant refinancing, with the following highlights:

- A loan of £19.5 million secured with the Group's bankers Gordon Brothers;
- A commitment from the holders of the Group's shareholder loans that the option to convert these to equity will be exercised;
- Revised deficit repayments on the Group's defined benefit pension schemes.

The £19.5 million loan has a four year duration, will be secured on the Group's assets, and will be used to repay the Group's revolving credit facility ('RCF'). The administrators of Mothercare UK Limited will use funds raised from the wind-up of the UK stores to repay the RCF, and the Group will be liable for any remaining balance. At the interim date of 10 October 2020, £10.0 million had been repaid and the secured borrowings amount was £18.0 million. A further £6.4 million has since been repaid, leaving £11.6 million still due. After settling related costs, the surplus will be used by the Group as working capital.

The Group holds shareholder loans, which at 28 October 2020 amounted to loan capital of £15.1 million and an embedded derivative reflecting the option to cover to equity of £7.1 million (28 March 2020: loan capital of £12.8 million and option to convert to equity of £0.3 million).

Agreement has been reached with the lenders to confirm that the option to convert their entire holdings into equity will be exercised on 31 January 2021, subject to certain conditions including the approval of certain matters by shareholders.

Notes to the condensed consolidated financial statements

2 Accounting Policies and Standards (continued)

Going concern (continued)

Deficit payments under the defined pension schemes have been agreed as follows:

	Staff scheme £ million	Executive scheme £ million	Total £ million
Year ending March 2021	2.4	1.3	3.7
Year ending March 2022	3.6	0.5	4.1
Year ending March 2023	8.0	1.0	9.0
Year ending March 2024	9.3	1.2	10.5
Year ending March 2025	10.6	1.4	12.0
Total	33.9	5.4	39.3

This revised schedule provides a significant improvement to the Group's future cash outflows.

The Directors have reviewed the Group's latest forecasts and projections, which have been prepared on the basis of the revised financing as detailed, and sensitivity-tested for reasonably possible adverse variations in performance - reflecting the volatility in our key International markets and any potential disruption which could be caused to the supply chain as a result of COVID-19. This indicates that the Group will generate sufficient operational cash flow to meet all its contractual financial commitments for the duration of the Going Concern review period.

The Board's confidence in the Group's forecast and reasonableness of downside projections and proven cash management capability supports our preparation of the financial statements on a going concern basis.

Adoption of new IFRSs

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

Standard issued but not yet effective

There are no standards issued but not yet effective that have been identified as expected to have a material impact on the disclosures or the amounts reported in these financial statements.

Foreign currency adjustments

Foreign currency monetary assets and liabilities are revalued to the closing balance sheet rate under IAS21 "The Effects of Changes in Foreign Exchange Rates".

Taxation

The taxation charge for the 28 week period is calculated by applying the best estimate of the average annual effective tax rate expected for the full year to the profit/loss for the period after adjusting for any significant one-off items, and a tax credit is recognised only to the extent that the resulting tax asset is more than likely not to reverse.

Notes to the condensed consolidated financial statements

2 Accounting Policies and Standards (continued)

Retirement benefits

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

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

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

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

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

Discontinued operations

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

Alternative performance measures (APMs)

In the reporting of financial information, the Directors have adopted various APMs of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS).

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

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

Purpose

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

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

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

Notes to the condensed consolidated financial statements

2 Accounting Policies and Standards (continued)

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

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

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

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

Notes to the condensed consolidated financial statements

3 Segmental information

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

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

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

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

4 Adjusted items

Due to their significance or one-off nature, certain items have been classified as adjusted items as follows:

	28 weeks ended 10 October 2020 (Unaudited)	28 weeks ended 12 October 2019 (Unaudited) Restated	52 weeks ended 28 March 2020 (Audited)
	£ million	£ million	£ million
Adjusted costs: from continuing operations:			
Property related costs included in administrative expenses	**3.1**	–	1.3
Other restructuring costs included in administrative expenses	**(0.3)**	1.7	5.6
Restructuring costs/(income) included in finance costs	**6.8**	(3.4)	(6.0)
Adjusted items before tax	**9.6**	(1.7)	0.9

Property related costs included in administrative expenses

During the 28 weeks ended 10 October 2020, costs of £3.1m were recognised. This comprised:

£2.1 million of provisions in relation to onerous contracts signed prior to the administration of Mothercare UK Limited, where the contracts are no longer being used by the Group. This amount represents management's best estimate of the amounts which will payable in order to exit the contracts.

£0.5 million of costs in relation to the relocation of IT servers and legal fees incurred due to the change in Head Office location.

£0.5 million of costs in relation to the Group's warehouse facility, which is currently sublet – including legal costs, utilities, and dilapidations.

Notes to the condensed consolidated financial statements

4 Adjusted items (continued)

Other restructuring costs included in administrative expenses

During the 28 weeks ended 10 October 2020, a credit of £0.3m was recognised. This comprised:

The Group previously made a specific pay provision for the potential costs of complying with the National Minimum Wage (NMW) Regulations of £0.5 million. The liability arose due to time off in lieu payments timing not meeting the requirements of the NMW regulations, and incidences of colleagues purchasing items of uniform that take the average pay below that required by NMW threshold. The provision is based on detailed workings for one year, extrapolated for the six-year review period, however, has been trued up based on the settlement made for one year, and as a result, a credit of £0.3m has been taken to adjusted items. These discussions with HMRC are ongoing and the final settlement may differ to the provision held.

The 28 weeks ended 12 October 2019 saw £1.7 million of advisor fees being incurred in relation to the strategic transformation programme, which culminated with the administrations of Mothercare UK Limited and Mothercare Business Services Limited on 5 November 2019.

Restructuring costs included in finance costs

In May 2018 the Group entered a refinancing and funding review, resulting in an equity raise, four Shareholder loans, two CVAs (Mothercare and ELC), and the amendment to the Group's banking facilities. In November 2019 following the cessation of the UK operating segment, there was a further equity raise and four additional Shareholder loans undertaken to raise finance for the continuing operations of the business. The terms of the Shareholder loans allow for these loans to be converted into new ordinary shares of the Company at specific dates. The lenders' option to

convert represents an embedded derivative that is fair valued using a Black Scholes model at each balance sheet date.

The increase in the embedded derivatives of £6.8 million (2019: £3.4 million decrease) is recognised as finance cost (2019: a finance income) in adjusted items. The increase in the liability reflects the fact that the conversion options now relate to eight loans (2019: four loans), and also a reduction in the conversion price of the original four shareholder loans as a result of the issue of the second batch. In the comparative period, a reduction in the share price since the 2018 year end had led to a reduction in the embedded derivative value.

The restructure and refinancing activities are considered one-off and significant in value. As a result, they are not considered to be normal operating costs of the business.

Adjusted items in relation to discontinued operations - £nil (2019: £16.0 million charge)

During the 28 weeks ended 12 October 2019, there were £16.0 million of adjusted items in relation to discontinued operations.

UK store impairment – £14.8 million

Following the decline in performance of the store estate, the Group estimated the net present value of future cash flows to be below the carrying value of the store assets. The impairment provision was calculated using discounted cash flows based on the reasonable worst-case strategic plan. The charges associated with the impairment of stores and onerous leases have been classified as adjusted items on the basis of the significant value of the charge in the period to the results of the Group.

Onerous lease provision – £1.1 million

Provisions for onerous leases are recognised when the Group believes that the unavoidable costs of meeting or exiting the lease obligations exceed the economic benefits expected to be received under the lease.

Notes to the condensed consolidated financial statements

4 Adjusted items (continued)

The movement reflected costs of rates and service charges for onerous UK stores, with an onerous lease provision for rent at only the handful of stores where there was less than a year remaining on the lease at the date of transition to IFRS 16. The provision was calculated using cashflows discounted on a pre-tax basis using a risk-free rate return.

The charges associated with onerous leases and the impairment of store assets have been classified as adjusted items on the basis of the significance of the value of the charge in the period to the results of the Group.

Store closure provision – £1.1 million

Following the approval of the company voluntary arrangements (“CVA”) for Mothercare and ELC and the administration of Childrens World Limited, the closure programme reduced the estate to less than 80 stores. 16 stores closed in the 28 weeks ended 12 October 2019, and 43 stores were closed during the year ended 24 March 2018. The associated cost of closing these stores included redundancy, agent fees, and dilapidations costs.

Whilst costs associated with the closure of the UK store estate have recurred across financial periods, the Group considered that they should be treated as an adjusted item given they were part of a strategic programme and were significant in value to the results of the Group.

Adjusted items on discontinued operations also include a £1.1m credit relating to the true-up of stock on the cessation of trade under the ELC brand.

5 Net finance costs

	28 weeks ended 10 October 2020	28 weeks ended 12 October 2019	52 weeks ended 28 March 2020

	(Unaudited) £ million	(Unaudited) Restated £ million	(Audited) £ million
Interest on pension liabilities/return on assets	**(0.3)**	0.3	0.6
Interest expense on lease liabilities	**0.5**	0.5	0.8
Fair value movement on embedded derivatives	**6.8**	(3.4)	(6.0)
Other net interest	**2.9**	1.7	3.5
Net finance costs	**9.9**	(0.9)	(1.1)

6 Taxation

	28 weeks ended 10 October 2020 (Unaudited) £ million	28 weeks ended 12 October 2019 (Unaudited) £ million	52 weeks ended 28 March 2020 (Audited) £ million
Current tax - Overseas tax and UK corporation tax	**0.1**	–	0.8
Deferred tax - UK tax charge for temporary differences	**–**	0.1	–
Total tax charge	**0.1**	0.1	0.8

A deferred tax asset of £nil million (H1 FY19/20: £0.1 million) has been recognised in the financial statements at the balance sheet date, reflecting the extent to which the realisation of the related tax benefit is probable.

Notes to the condensed consolidated financial statements

7 Earnings per share

	28 weeks ended 10 October 2020 (Unaudited) million	28 weeks ended 12 October 2019 (Unaudited) million	52 weeks ended 28 March 2020 (Audited) million
Weighted average number of shares in issue for the purpose of basic earnings per share	**373.2**	340.8	352.5
Dilution – option schemes	**141.5**	3.7	120.5
Weighted average number of shares in issue for the purpose of diluted earnings per share	**514.7**	344.5	473.0

	(Unaudited) £ million	(Unaudited) Restated £ million	(Audited) £ million
Loss for basic and diluted earnings per share	**(14.1)**	5.6	(7.2)
Adjusted items (note 4)	**9.6**	(1.7)	0.9
Tax effect of adjusted items	**–**	–	(0.1)
Adjusted losses from continuing operations	**(4.5)**	3.9	(6.4)

	(Unaudited) £ million	(Unaudited) £ million	(Audited) £ million
Loss for basic and diluted earnings per share	**(14.1)**	(19.2)	14.4
Adjusted items (note 4)	**9.6**	14.3	(29.1)
Tax effect of adjusted items	**–**	–	(0.1)
Adjusted losses from continuing and discontinued operations	**(4.5)**	(4.9)	(14.8)

From continuing operations	**(Unaudited) Pence**	(Unaudited) Pence Restated	(Audited) Pence
Basic losses per share	**(3.8)**	1.6	(2.0)
Basic adjusted losses per share	**(1.2)**	1.1	(1.8)
Diluted losses per share	**(3.8)**	1.6	(2.0)
Diluted adjusted losses per share	**(1.2)**	1.1	(1.8)

From continuing and discontinued operations	**(Unaudited) Pence**	(Unaudited) Pence	(Audited) Pence
Basic losses per share	**(3.8)**	(5.5)	4.1
Basic adjusted losses per share	**(1.2)**	(1.4)	(4.2)
Diluted losses per share	**(3.8)**	(5.5)	3.0
Diluted adjusted losses per share	**(1.2)**	(1.4)	(4.2)

The total dividend for the period is nil pence per share (H1 FY19/20: nil pence per share).

8 Property, plant and equipment

There were also £1.5 million of additions to Right-of-use assets in the period.
Capital additions of £0.2 million were made during the period (H1 FY19/20: £1.8 million).

Disposals in the period were £nil million net book value (H1 FY19/20: £nil million net book value).

9 Borrowings

The Group had outstanding borrowings at 10 October 2020 of £33.1 million (28 March 2020: £40.8 million).

The revolving credit facility of £18.0 million (28 March 2020: £28.0 million) is secured on the shares of specified obligor subsidiaries and the assets of the group not already pledged. This loan was in breach of the covenant requirements and therefore repayable on demand. The Group also holds a financial asset of £11.0 million (28 March 2020: £21.0 million) reflecting the expected proceeds from the wind-down of the UK operations by the administrators of Mothercare UK Limited, and therefore the total expected repayment due at 28 March 2020 is £7.0 million. Interest amounts payable on this facility are not materially sensitive to changes in LIBOR.

9 Borrowings (continued)

The Group also holds shareholder loans which attract a monthly compound interest rate of 0.83%, and have a termination date of June 2021. These shareholder loans provide an opportunity for the lender to convert the loan into ordinary shares of the Company at specified dates of either 31 May or 30 November each year. They are accounted for at an amortised cost of £15.1 million (28 March 2020: £12.8 million), with the option to convert fair valued and treated as an embedded derivative liability of £7.1 million (28 March 2020: £0.3 million). The conversion option forms a liability rather than equity due to the terms of the lending agreements through which the conversion price may be reduced should the Group issue shares. The significant increase in the carrying value of this embedded derivative since the year end valuation is driven by the Group's comparatively higher share price at 10 October 2020 than it had been 28 March 2020.

10 Retirement benefit schemes

The Group has calculated the value of its pension liability under IAS 19 as at 10 October 2020. The FY19/20 year end assumptions have been rolled forward and updated for changes in market rates over the current interim period.

For the two schemes, based on the actuarial assumptions from the last full actuarial valuations carried out as of March 2017 and using the rolled forward assumptions referred to above, a net liability of £28.8 million (H1 FY19/20: £11.2 million) has been recognised. This represents a material decrease year-on-year, primarily as a result of a fall in the discount rate assumption.

11 Financial instruments: fair value disclosures

The Group held the following financial instruments at fair value at 10 October 2020.

	Fair value measurements at 10 October 2020 (Unaudited) £ million	Fair value measurements at 12 October 2019 (Unaudited) £ million	Fair value measurements at 28 March 2020 (Audited) £ million
Non-current financial liabilities:			
Derivative financial instruments:			
Embedded derivative arising on shareholder loans	**(7.1)**	(1.3)	(0.3)
Current financial assets:			
Derivative financial instruments:			
Financial asset	**11.0**	–	21.0
	3.9	(1.3)	20.7

The Group holds certain shareholder loans which provide an opportunity for conversion to equity of the Company at specified dates they are accounted for at amortised cost (£15.1 million at 10 October 2020; £7.2 million at 12 October 2019), and the option to convert is fair valued and treated as an

embedded derivative. The fair value of embedded derivatives arising on shareholder loans has been measured using the Black-Scholes model and is based on quoted prices, and also falls under level 2 of IFRS 7's fair value hierarchy.

The derivative financial assets and liabilities, whose fair values include the use of level 2 inputs are obtained from the banks and financial institutions with which the derivatives have been transacted, subject to adjustment for credit risk if necessary. The value of these is therefore categorised within level 2 of the fair value hierarchy set out in IFRS 7.

Notes to the condensed consolidated financial statements

11 Financial instruments: fair value disclosures (continued)

The valuations incorporate the following inputs:

- interest rates and yield curves at commonly quoted intervals;
- observable credit spreads;
- share price; and
- interpolated zero coupon LIBOR rates.

The Group's financial asset (Level 3 within the IFRS 7 hierarchy) 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. It has been estimated by the administrators that the Group will be required to pay amounts within the range of £6.1 million to £7.0 million, and the financial asset valuation has been calculated by using the worst case scenario, i.e. that the Group is required to repay £7.0 million (out of the total secured borrowings of £18.0 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.

The Directors consider that the carrying value amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values.

12 Share-based payments

A charge is recognised for share-based payments based on the fair value of the awards at the date of grant, the estimated number of shares that will vest and the vesting period of each award. The total net charge for share-based payments under IFRS 2 is £(0.4) million (H1 FY19/20: £(0.6) million).

13 Notes to the cash flow statement

	28 weeks ended 10 October 20 (Unaudited) £ million	28 weeks ended 12 October 2019 (Unaudited) *Restated** £ million	52 weeks ended 28 March 2020 (Audited) £ million
Loss from continuing operations	**(4.1)**	4.8	(7.5)
Adjustments for:			
Depreciation of property, plant and equipment and right of use assets	**1.1**	2.7	3.6
Amortisation of intangible assets	**0.1**	2.7	3.2
Impairment of property, plant and equipment, right to use and intangible assets	**–**	–	0.5
(Profit)/loss on non-cash foreign currency adjustments	**–**	(1.4)	(1.3)
Share-based payments	**0.4**	0.6	0.9
Movement in provisions	**2.0**	(0.7)	0.2
Amortisation of lease incentives	**–**	(0.1)	–
Payments to retirement benefit schemes	**(0.4)**	(8.2)	(11.6)
Charge in respect of retirement benefit schemes	**1.6**	1.9	2.9
Operating cash flow before movement in working capital	**0.7**	2.3	(9.1)
(Increase)/decrease in inventories	**2.2**	(3.7)	62.6
Decrease in receivables	**2.5**	6.7	30.9
(Decrease)/increase in payables	**(4.7)**	(8.6)	(86.6)
Foreign exchange gains arising on working capital	**0.3**	(0.7)	(0.6)
Cash generated/(used in) from operations	**1.0**	(4.0)	(2.8)
Income taxes (paid)/received	**(0.6)**	(0.1)	(0.1)

Net cash inflow/(outflow) from operating activities – continuing operations	**0.4**	(4.1)	(2.9)
Net cash (outflow)/inflow from operating activities – discontinued operations	**–**	(1.4)	3.4

* The comparative numbers have been reclassified for the discontinued operations of the Early Learning Centre and the UK operating segment.

Notes to the condensed consolidated financial statements

13 Notes to the cash flow statement (continued)

Analysis of net debt

	28 March 2020 £ million	Cash flow £ million	Foreign exchange £ million	Non–cash movements[1.] £ million	**10 October 2020 £ million**
Cash and cash equivalents	6.1	(1.4)	(0.1)	–	4.6
Revolving credit facility	(7.0)	–	–	–	(7.0)
Shareholder loans	(12.8)	–	–	(2.3)	(15.1)
Net debt	**(13.7)**	**(1.4)**	**(0.1)**	**(2.3)**	**(17.5)**

1. Non-cash movements comprise £2.3 million of interest accrued on the shareholder loans.

Net debt excludes IFRS 16 lease liabilities of £9.3 million (28 March 2020: £8.4 million).

14 Related party transactions

Transactions between the Group 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 and associates are disclosed below.

Trading transactions:

Joint ventures and associates	**Revenue from related parties - continuing £ million**	**Revenue from related parties - discontinued £ million**	**Amounts owed by related parties (net of provisions) £ million**
28 weeks ended 10 October 2020 (unaudited)	0.2	–	–
28 weeks ended 12 October 2019 (unaudited)	0.2	–	–
52 weeks ended 28 March 2020 (audited)	0.3	–	–

Revenue earned from related parties includes royalty income on retail sales of related parties to their customers, plus sales of goods to related parties made at the Group's usual list price.

The net amounts owed by related parties relates to the Ukraine joint venture. A provision of £2.0 million (H1 FY19/20: £2.0 million) exists for doubtful debts in respect of the amounts owed by Ukraine.

The amounts outstanding are unsecured and will be settled in cash.

15 Post balance sheet events

As at the date of this announcement, the Group has completed a significant refinancing, with the following highlights:

- A loan of £19.5 million secured with the Group's bankers Gordon Brothers Brands LLC;
- Revised deficit repayments on the Group's defined benefit pension schemes;
- A commitment from the holders of the Group's shareholder loans that the amounts will be converted to equity.

There are also ongoing uncertainties as a result of worldwide COVID-19 lockdowns. The Group trades with many partners in different countries, and the effect has been different for each. Although the Group feels well placed to adapt to the circumstances, it is difficult to predict what the full impact is likely to be.

Additional Disclosures

Principal risks and uncertainties

The significant change to the Mothercare plc business and creation of Mothercare Global Brand Limited (MBG), has necessitated a complete refresh of our principal risks. This refresh has been conducted with the Operating Board who will continually assess and monitor risks faced by MGB. Operating Board monitoring will facilitate effective risk management and achievement of MGB's strategy. The following new risks have been agreed:

- Liquidity
- Dependence on a small number of partners
- New business model
- Legacy technology
- Regulatory and legal
- Challenging global economic and political conditions
- Brand, reputation and relationships

Directors' Responsibility statement

The Directors are responsible for preparing the Interim Results for the 28 week period ended 10 October 2020 in accordance with applicable law, regulations and accounting standards. The Directors confirm that to the best of their knowledge the condensed consolidated interim financial statements have been prepared in accordance with IAS 34: 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of the important events that have occurred during the first 28 weeks of the financial year and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining 24 weeks of the financial year; and
- material related party transactions in the first 28 weeks of the year and any material changes in the related party transactions described in the last annual report.

The Directors of Mothercare plc are listed on page 35 of the Mothercare plc Annual Report and Financial Statements 2020. A list of directors is maintained on the Mothercare plc website at: www.mothercareplc.com. With the exception of today's announcement, there have been no changes since the publication of the Annual Report.

By order of the Board

Clive Whiley
Chairman

Andrew Cook
Chief Financial Officer

26 November 2020

Glossary – Alternative Performance Measures (APMs)

Introduction

In the reporting of financial information, the Directors have adopted various APMs of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS).

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

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

Purpose

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

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

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

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

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

International like-for-like sales

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

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

Shareholder information

Financial calendar

	2021
Preliminary announcement of results for the 52 weeks ending 27 March 2021	May
Issue of report and accounts	June
Annual General Meeting	July
Announcement of interim results for the 28 weeks ending 9 October 2021	November

Registered office and head office
Westside 1, London Road, Hemel Hempstead, Hertfordshire HP3 9TD
Telephone 01923 241000
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
Overseas +44 (0)121 415 7042
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, Overseas +44(0)121 415 7042.

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 9.00 am to 5.00pm, Monday to Friday).

The Company's stockbrokers are:

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT
Telephone 020 7260 1000

finnCap Limited
60 New Broad Street
London EC2M 1JJ
Telephone 020 7220 0500

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.