2020

Annual report and accounts

mothercare

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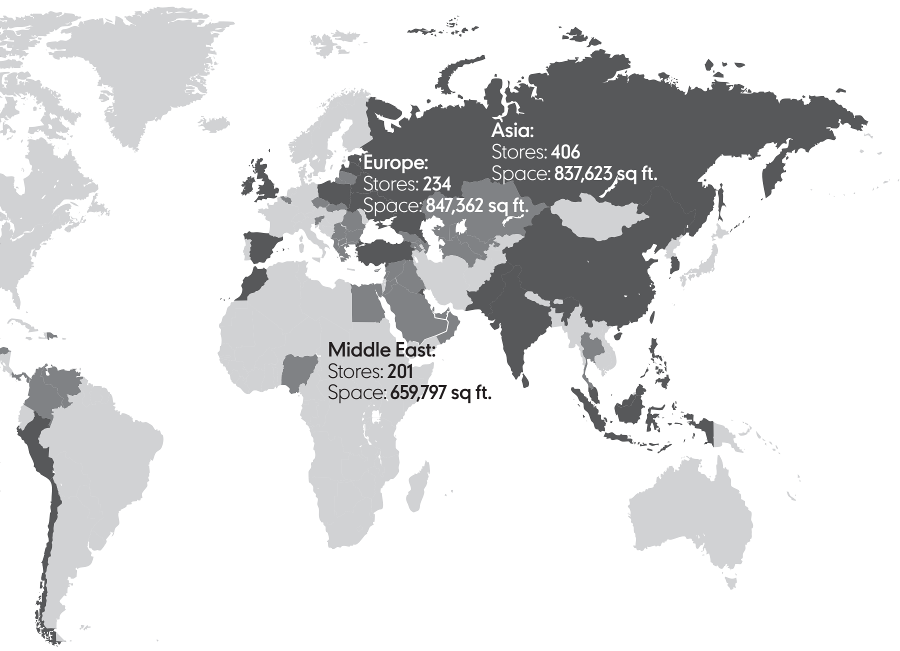
At a glance and financial highlights
(from continuing operations)

	2020	2019
Worldwide sales	**542.1**	604.3
Group Sales	**164.7**	199.8
Adjusted Profit	**(6.4)**	(1.3)
Statutory Profit	**(7.2)**	(21.1)

Worldwide Stores	2020	2019
Stores	**841**	1,010
Space (k) sq. ft.	**2,345**	2,643

Worldwide Sales	2020	2019
Stores	**94.2%**	95.6%
Online	**5.8%**	4.4%

Product Mix	2020	2019
Clothing & Footwear	**78.2%**	65.7%
Home & Travel	**19.8%**	31.1%
Toys	**1.9%**	3.3%



Chairman's Statement

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

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

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

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

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

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

Background to FY2020

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

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

Rebuilding Mothercare

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

Mothercare UK franchise and UK Retail Operations

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

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

Accordingly, MUK and MBS were placed into administration on 5 November 2019. **In the interests of clarity, Mothercare plc and its other subsidiaries (the "Group") were not themselves placed into administration**

and continued to trade in the normal course of business throughout the period under review and today.

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

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

Mothercare Global Brand

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

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

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

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

Revised franchise arrangements

UK franchise

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

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

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

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

Alshaya Group

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

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

Opportunities for growth beyond the existing territories

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

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

Financing

Restructuring Impact on Financing

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

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

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

- £8.7 million of cash raised from the issuance of new equity of £3.2 million and £5.5 million in convertible unsecured loan notes;
- an agreement with Numis for the provision of a standby underwriting commitment in respect of a potential further equity capital raising of up to £20 million, which facility was allowed to lapse at the end of March 2020;
- Gordon Brothers provided the Company with a term sheet for a new

£15 million secured term loan facility, which remains extant;

- a debtor backed facility from a key trade partner, although this has essentially been superseded by the new ways of working outlined below; and
- agreement was reached with the Mothercare pension trustees for a reduction in the planned contributions for 18 months from 5 November 2019.

Outstanding Debt

As at 23 September 2020, the total secured debt, including the Group's £24 million revolving credit facility, other guarantees and of letters of credit was £15.7 million and these liabilities remain secured over the Group as a whole. We understand that there remains a further amount to be paid out from the administrators of MUK which is expected to reduce this secured debt further. This remains in line with our previous guidance and expectations at around a £10 million shortfall.

Updated Financing Requirement

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

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

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

COVID-19

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

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

New ways of working with our Partners

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

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

Cost Reduction Programme

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

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

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

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

UK retail business

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

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

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

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

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

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

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

Management & Board changes

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

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

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

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

Dividend Policy

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

Change of Registered Office

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

Audit Opinion

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

- historical issues, such as not being able to attend a stocktake of inventory with a carrying value of £9.7 million (of which 90% has subsequently been realised in cash); alongside
- current doubts on going concern relating to the non-completion of the existing refinancing term-sheet or that shareholder loans are due for conversion or redemption in June 2021 (notwithstanding that these are also held by equity shareholders whom have expressed their willingness to be supportive at that stage).

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

Strategic Outlook

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

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

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

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

Clive Whiley

Chairman

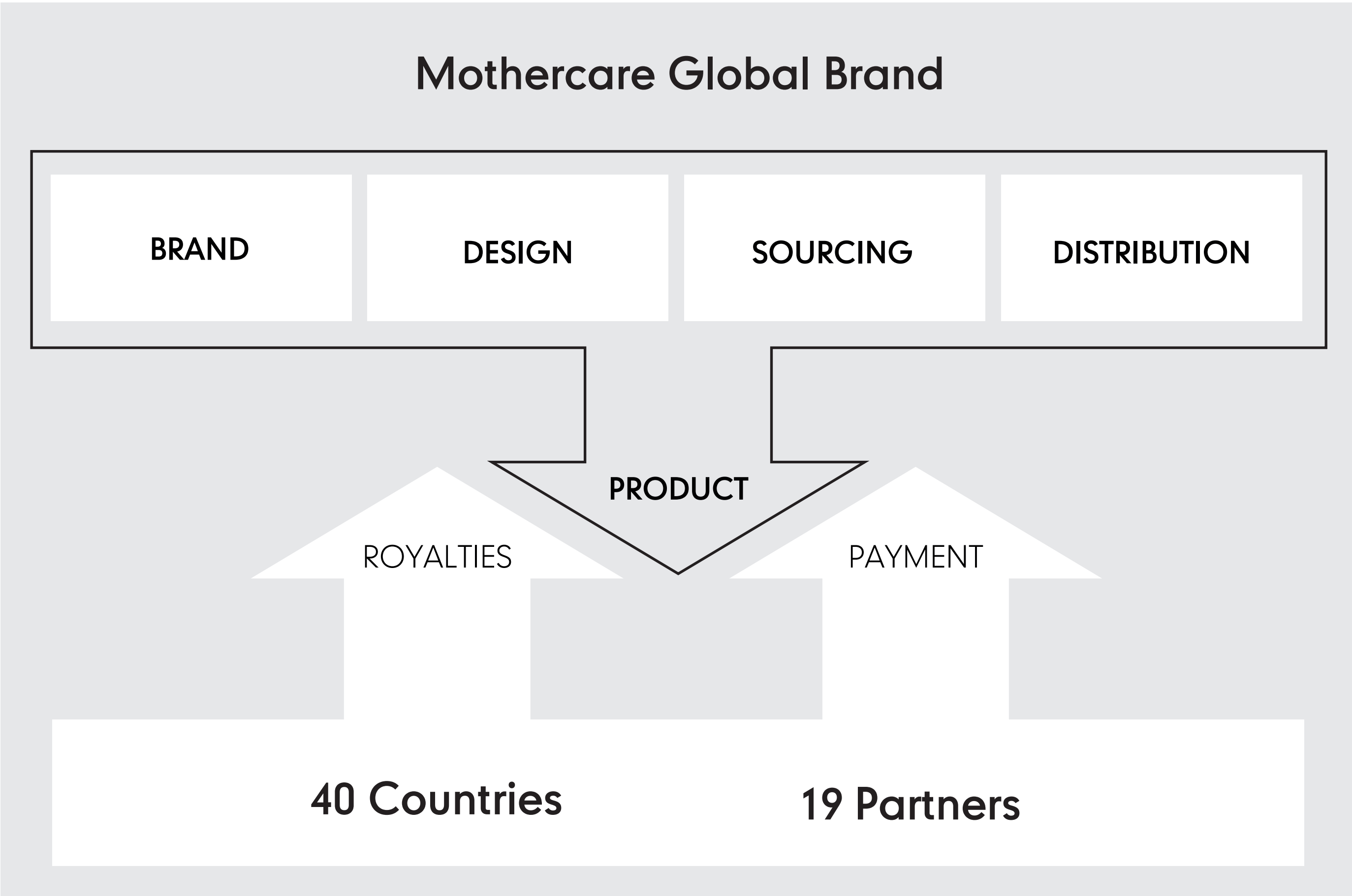
Business model
(total including continuing and discontinuing operations)

Business model

Mothercare has recently launched a more sustainable and less capital-intensive business model with effect from the autumn / winter 2020 season. This followed close discussions with both Mothercare Global Brand's international franchise and manufacturing partners to modernise and improve our commercial relationships to mutual benefit, with the objective of improving pricing and quality for our franchise partners and reducing financial and operational risk for our manufacturing partners.

The new model results in our global franchise partners contracting to pay for products directly to our manufacturing partners, thus removing a timing mismatch we were experiencing and so improving the Group's working capital requirements.

Our new business model is fully integrated across our 40 countries. All our markets operate on a franchise model, which means store operations are managed by our partners who are experienced retailers in their own local territories. Mothercare Global Brand manages the design, procurement and distribution of products from our offices in the UK.



KPIs
Measuring our performance

The Mothercare KPIs are aimed at measuring our performance against strategy.
(from continuing operations)

	2020	2019	2018
Worldwide Sales*			
Online retail sales £m	31.3	26.8	23.8
Total retail sales £m	542.1	604.3	628.8
Stores as a % of total sales	94.2%	95.6%	96.2%
Online as a % of total sales	5.8%	4.4%	3.8%
Worldwide Stores*			
Number of stores	841	1,010	932
Space (k) sq. ft.	2,345	2,643	2,503
International Growth*			
Year on year sales in constant currency	(10.5)%	(2.4)%	(5.7)%
Global Franchises			
Countries with a Mothercare presence	40	50	49
New stores*			
Store openings	75	161	94
Product Mix*			
Clothing & Footwear	78.2%	65.7%	67.5%
Home & Travel	19.8%	31.1%	29.2%
Toys	1.9%	3.3%	3.2%

* Numbers presented relate to stores held by, and sales to end consumers by the Group's franchise partners. See glossary for definitions.

Our approach to risk
Our enterprise risk management framework

Mothercare Global Brand (MGB), now the main operating company within the group, is a global franchisor operating in highly unusual times. Being able to identify and articulate the impact of COVID-19 on our business model to our partners and our colleagues has enabled us to retain their support and manage associated risks effectively.

We have an embedded enterprise risk management (ERM) framework in place that applies to every part of our business operations. ERM is a key discipline embedded throughout MGB empowering departments to identify risks and opportunities and to manage them effectively.

The Board is required to monitor and review the effectiveness of the system of internal control within MGB and has overall responsibility for ERM. They set our risk appetite, as required by the UK Corporate Governance Code and articulate the amount of acceptable risk within which MGB operates. The Board challenges our Executive to continually evolve ERM and governance and annually assesses the effectiveness of risk management.

The Board agrees our risk appetite and tolerance levels annually. Our risk appetite is guided by the following principles:

- That our behaviours are in line with our Global Code of Conduct;
- That our performance should meet the needs of our business model and that of our partners;
- That our products are sustainable and meet the highest safety standards;
- That we operate our business to optimise our working capital position; and
- That we manage our operational and principal risks effectively.

Our risk tolerance reflects the level of risk deemed either acceptable or inevitable in pursuit of our strategic intentions. Risk Tolerance is summarised at a high level below:

Risk Tolerance	Type of Risk
High Tolerance	• Strategic risks • Operational and transformational risks • Key strategic project risks • Macro–economic risks • Financial risk
Medium Tolerance	• Geo–political risks
Low Tolerance	• Health & Safety risks • Manufacturing risks • Bribery & slavery risks • Regulatory and compliance risks • Brand reputational risks

By providing clear risk tolerance levels across our strategic, operational, regulatory and reputational risks, it provides direction and sets boundaries for consistent and measured risk-aware decision making.

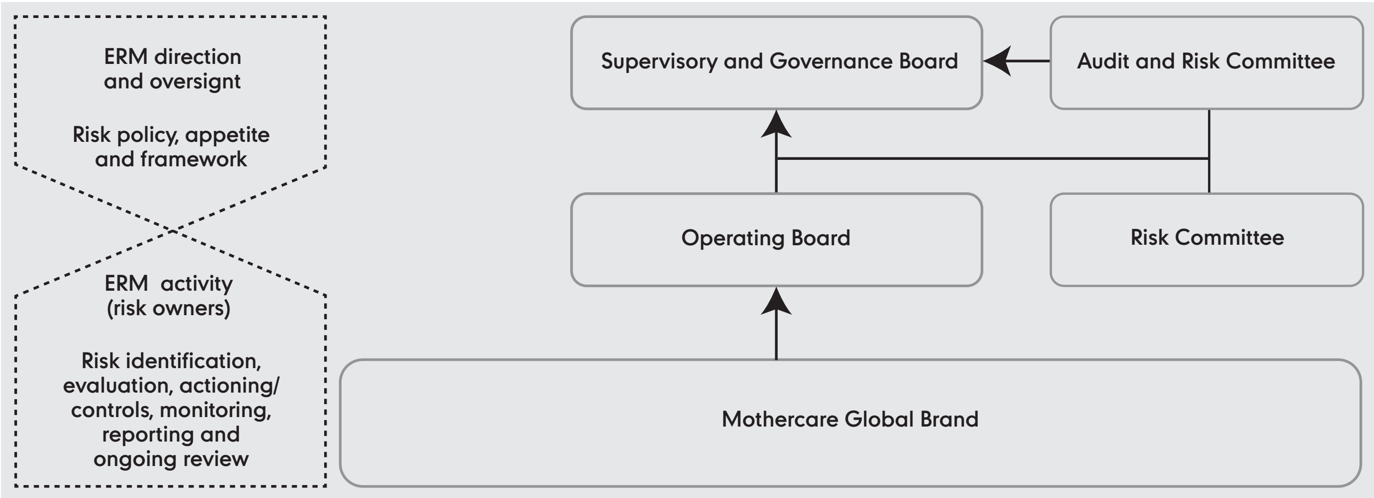
Governance

The Board is assisted in its endeavours by several committees, including the Audit and Risk Committee, Operating Board and Risk Committee (see more on page 25 of this report):

- The **Audit and Risk Committee** oversees the effectiveness of robust ERM and internal control environment. It is accountable to and fully supported by the Board.
- The **Operating Board** is responsible for delivering on our strategy and managing reputational, financial and operational risk. The Operating Board place risk on the agenda to ensure appropriate debate of our principal risks and their management. Any risk not adequately mitigated by management actions is returned to the Risk Committee for further evaluation and allocated to the appropriate senior manager for improvement.
- The **Risk Committee**, comprising Operating Board members, acts as a forum to identify, monitor and manage emerging risks across our global footprint. The Risk Committee meets monthly and calls upon guest experts from around the business to advise on specific matters as required. Having Operating Board members serve as Risk Committee members gives visibility and seniority to the group to discuss key and emerging risks.

The Plc Board challenges our Operating Board to continually evolve ERM and its governance.

The diagram below illustrates MGB's ERM structure.



Enterprise Risk and Internal Audit

MGB has a dedicated in-house Risk and Internal Audit team. The Risk team works continuously to promote risk awareness and understanding whilst providing support and guidance on risk matters. The Internal Audit team provides independent, unbiased assurance on the effectiveness of risk management, governance and internal controls. The combined team's remit includes:

- ***Internal Audit*** – providing lines of defence, our Internal Audit function provides independent, objective assurance across MGB. The team has a group-wide remit, including auditing our global partners
- ***Risk*** – continually seeking to evolve and mature risk management activities within MGB. The team has spent 2019-2020 increasing risk awareness across the business by holding workshops and conducting risk presentations. An increase in risk scenario reporting, deep dives and emerging risk occurred during the year to give greater visibility on risk matters.
- ***Business continuity planning*** – helping departments prepare suitable plans to effectively respond to any unexpected events. The Business Impact Assessment work conducted with departments significantly aided our response to COVID-19 and our ability to respond quickly to the UK government lockdown rules in March.

MGB has an experienced incident management team, supported by business continuity plans to enable the team to react, adapt and respond quickly to an incident.

FY2020 ERM activity

This year brought a confluence of significant internal and external challenges which required a risk focussed view. During this time, we increased risk awareness sessions and publications, including deep dives and risk scenarios. The primary focus of ERM at MGB was to manage our risks and to support management in risk-based decision making that included: head office relocation, COVID-19 impacts, Brexit, and helping keep our global business on track following administration of the UK business.

A business continuity scenario test was held at the end of 2019 to check the robustness of departmental BCP plans. The plans have been updated during the year and, notwithstanding the lockdown measures, further updated since the head office relocation.

While the administration of the UK business brought about significant operational changes it also represented an opportunity to refocus the business as a global franchisor. It was important that during this time risks and opportunities were identified and discussed.

The COVID-19 pandemic presented one of most significant challenges MGB has faced, not only due to timing which was only a few months after the UK business administration but due to its global impact on our franchise partners. Clear actions were put in place and tracked to ensure that Mothercare could continue to operate and support our franchise partners and manage our supply base while protecting our financial stability.

Our approach to risk
Our enterprise risk management framework continued

Head office relocation plans, which commenced in December 2019, saw a cross functional project team work together to identify risks and seek suitable new premises. This included a consideration of IT hardware movement, people impact, continuity of operations and product storage.

Our Brexit working group has played a key role in helping MGB prepare for leaving the EU on 1st January 2021. This has included the creation of an EU entity, consideration of an EU warehouse and product compliance updates.

Principal Risks and uncertainties

As with all global businesses, MGB faces numerous different risks but also many opportunities. Our Principal Risks are those that can materially impact our performance, opportunities or reputation. Our Executive, Audit and Risk Committee, and Operating Board, undertake an assessment of our Principal risks at least annually in relation to achieving our strategy and our future performance. This contributes to our top down ERM approach.

Mothercare has a policy of continuously identifying and reviewing Principal Risks. Workshops are held with department leaders to identify, assess and evaluate Principal Risks, and with the Operating Board to discuss, evaluate, mitigate and own Principal and operational risks. This reflects our combined 'top-down'/'bottom-up' approach.

Principal risks

Principal risks	Potential impact	Key controls and mitigations
Liquidity Global trading challenges resulting from COVID-19 do not deliver cash as forecasted. Failure to control cash management and working capital may result in breaches to banking covenants and a lack of ability to meet our strategic intentions.	The current COVID–19 impact and predicted global trade decline may impact partner sales and result in margin and revenue squeeze. A reduced number of global partners could impact revenue available and limit growth.	• We have governance in place regarding cash management, including Cash Management Committee. • Tri–party agreements in place with franchisees and suppliers significantly improving working capital. • Credit management improvements made to manage timely incoming payments.
Dependency on a small number of partners Since 2019, our partner base has contracted, by design, by a third resulting in a smaller footprint for MGB. Whilst this reduction took out some smaller unprofitable partners, we now have a greater reliance on fewer key partners. Our success is directly dependent upon their success.	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, results of operation or financial condition.	• Collaboration with international partners is underway with the aim of providing support to enable growth. • Revised contracts provide increased transparency, competitive pricing and royalty rates. • Business plans reviewed and discussed quarterly with partners to agree growth plans. • Ongoing identification and risk–based review of potential new partnerships and territories to grow our global business and reduce reliance.
New business model The UK administration and resulting creation of MGB means that our business has substantially changed. Our new business model and purpose may not be clear to all partners and potential partners impacting ability to grow the business and resulting in poor results.	A lack of articulation of our new business model may result in: • Lack of clarity around MGB's purpose and resultant inability to attract new partners • Reduced profit and increased international debt • Pricing challenges • Poor buy–in from existing partners impacting long term profitability.	• Strategic focus on our '5 to drive' markets to grow strategic markets (opportunity). • Identification of different entry points to new markets and new partnerships. • Improved commercial agreement and disciplines are in place. • Relationship management improvements are in place. • Continued audit checks are conducted with consequences in place for any non–compliance issues. • New Brand Guidelines created and due for rollout • New strategy being launched
Legacy technology MGB's dependency on legacy IT systems and potential failure or attack of those could result in the loss of our ability to operate.	A failure of our IT infrastructure could result in the inability to support out Global partners to trade effectively. Any failure or attack relating to our warehousing systems or finance systems, especially would impact operational efficiency.	• Disaster recovery capabilities in place • Additional reliance put in place around core systems • Continual monitoring of our IT landscape against risk factors • Identification of a suitable ERP is underway to replace legacy systems and ensure a new system is fit for purpose

Principal risks	Potential impact	Key controls and mitigations
Regulatory and Legal A failure to comply with increasing regulatory requirements by MGB or any of our partners could result in Brand damage, fines or impact our ability to operate.	• MGB is reliant on manufacturers, suppliers and distributors to comply with employment, environmental and other laws. • Increasing regulatory pressure (GDPR, EUTR, Modern Slavery Act) requires monitoring and reporting. Should any of our partners (franchise or manufacturing partners) breach any regulation Brand damage could occur. Security breach of franchise partner customer data could result in privacy issues (fines etc) and a lack of trust in the Brand.	• Our Global Code of Conduct training is mandatory and required to be completed on an annual basis. • Anti–Bribery and Corruption training has been rolled out to all colleagues and additional training given to those in higher risk areas. • Conflict of Interest self–certification is required. • Cyclical audits are carried out to check compliance with legislation, such as Health and Safety matters. Non–compliance is investigated and will result in disciplinary action.
Challenging 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 enveloping Europe, the Middle East, and those dependant on China could have a material adverse effect on the Group's business. The impacts of COVID–19 on global economies, along with rising tensions could impact our franchise partners ability to operate successfully, therefore impacting on our revenue.	• MGB is working with franchise partners to manage benefits to be gained with international markets given the devaluation of Sterling since the Brexit vote. • Improved products, presentation and service, including exclusivity in branded offerings • Franchise partners have the ability to source product locally impacting their own cost model • A risk–based review of new potential markets is ongoing. • Improved customer service with investment in training of management and store teams to improve the quality and consistency • Our Brexit working group has prepared the business for the UK's departure from the EU from 1 January 2021.
Brand, Reputation and Relationships As a franchisor, our Brand is our key asset. Failure to create a strong and desirable Brand will negatively impact our ability to operate a successful franchisor model. Our franchisor model is built upon successful relationships with our partners. Should these be negatively impacted, our model may not be successful in the longer term.	Our brand could be impacted by: • Product failures and/or ineffective management of product incidents • public scandals relating to any partners • inappropriate behaviours • data breaches. Our relationships could be impacted by global trade deterioration.	• Our Global Code of Conduct training is required to be completed annually by all partners. • Our required high standards communicated throughout supply chain and to all partners via our Operating Model and relevant guidelines • All Mothercare branded suppliers are required to comply with our Responsible Sourcing Handbook – Compliance Standards. • Responsible sourcing audits are completed annually. • MGB participates in the Bangladesh Safety Accord. • Focus on pre–despatch quality checks. • Established product recall process in place. • Group trademarks are formally logged in country of operation. • Proactive enforcement of IP rights.

Financial review

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

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

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

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

GROUP CHANGES

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

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

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

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

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

Whilst the cost base of the ongoing International business is different from the statutory definition of continuing operations, the trading results presented for the segment are however, more reflective of the Group's continuing turnover. Even so, there were inherent judgments, such as how to allocate foreign exchange gains, required throughout the preparation of these results. Full detail of these is provided in note 3.

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

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

TRADING UPDATE

International retail sales in constant currency were down 10.5% from 2019. This was in part due to a particularly challenging second half of the year due to complexities arising following the administration process, as well as trading challenges due to COVID-19.

This temporarily decelerated, or in some instances constrained, the movement of product within the supply chain, which resulted in a lack of availability for franchise partners.

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

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

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

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

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

BALANCE SHEET

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

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

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

Pensions

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

As at 28 March 2020, the Group was in the unusual and temporary position of recognising an accounting surplus under IAS 19 of £29.8 million for these schemes.

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

Post year end, the Group has commenced work on the triennial valuation of these schemes, and market shifts mean that a significant level of deficit is expected. The previous triennial valuation of the pension scheme, as at March 2017, contained a deficit of £139.4 million, and the Group's deficit payments are calculated using this full actuarial valuation as the basis.

The year end IAS 19 accounting valuation is a surplus despite the triennial valuation deficit as a result of a decrease in long term inflation expectations and the use of a lower pre-retirement discount rate.

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

£ million	52 weeks ending 27 March 2021*	52 weeks ending 28 March 2020	53 weeks ended 30 March 2019
Income statement			
Running costs	(3.0)	(2.9)	(3.3)
Past service costs in respect of GMP equalisation (see note 6)	–	–	(0.6)
Past service credit in respect of PIE (see note 6)	–	–	1.6
Net interest on liabilities / return on assets	0.7	(0.6)	(0.9)
Net charge	(2.3)	(3.5)	(3.2)
Cash funding			
Regular contributions	(1.9)	(1.9)	(2.2)
Additional contributions	(2.0)	(1.9)	(6.9)
Deficit contributions	(7.5)	(7.8)	(5.3)
Total cash funding	(11.4)	(11.6)	(14.4)
Balance sheet**			
Fair value of schemes' assets	n/a	401.2	363.7
Present value of defined benefit obligations	n/a	(371.4)	(388.6)
Net liability	n/a	29.8	(24.9)

* Forecast

** The forecast fair value of schemes' assets and present value of defined benefit obligations is dependent upon the movement in external market factors, which have not been forecast by the Group for 2021 and therefore have not been disclosed.

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

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

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

Net debt

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

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

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

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

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

Leases

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

Working capital

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

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

INCOME STATEMENT – on a continuing operations basis

	52 weeks to 28 March 2020 £million	53 weeks to 30 March 2019 Restated £million
Revenue	**164.7**	199.8
Adjusted result before interest and taxation	**(0.6)**	6.2
Adjusted net finance costs	**(4.9)**	(3.5)
Adjusted result before taxation	**(5.5)**	2.7
Adjusted costs	**(0.9)**	(20.7)
Loss before taxation	**(6.4)**	(18.0)
Taxation	**(0.8)**	(3.1)
Profit/(loss) from discontinued operations (note 10)	**21.6**	(75.9)
Total profit/(loss)	**14.4**	(97.0)
EPS – basic (continuing operations)	**(2.0)p**	(7.4)p
Adjusted EPS – basic (continuing operations)	**(1.8)p**	(0.5)p

Foreign exchange

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

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

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

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

Net finance cost

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

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

Discontinued operations

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

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

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

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

Taxation

The tax charge comprises corporation taxes incurred and a deferred tax charge. The total tax charge from continuing operations was £0.6 million (2019: £3.1 million) – (see note 9).

The total tax credit from discontinued operations was £0.1 million (2019: £3.0 million charge) – (see note 10).

Earnings per share

Basic adjusted losses per share from continuing operations were 1.8 pence (2019: 0.5 pence). Continuing statutory losses per share were 2.0 pence (2019: 7.4 pence).

Total basic adjusted losses per share were 4.2 pence (2019: 6.9 pence loss). Total statutory earnings per share were 4.1 pence (2019: 34.2 pence).

CASHFLOW

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

Cash outflow from continuing investing activities of £1.5 million (2019: £8.2 million inflow), reflected the reduction in capital expenditure, in particular, in relation to systems development, following the MUK and MBS administrations. The inflow in 2019 included £14.5 million of proceeds received on the sale of the UK Head Office in December 2018.

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

Going concern

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

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

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

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

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

In making the assessment on going concern the Directors have assumed that it is able to mitigate the material uncertainty surrounding the ongoing financial restructuring of the Group, which includes:

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

In addition to the above, the impact of the COVID-19 pandemic on the future prospects of the Group is not fully quantifiable at the reporting date, as the complexity and scale of restrictions in place at a global level is outside of what any business could accurately reflect in a financial forecast. However, we have attempted to capture the impact on both our supply chain and key Franchise Partners based on what is currently known and localised trading activity since the start of the crisis. We have modelled a substantial reduction in global retail sales as a result of store closures and subdued consumer confidence throughout the remainder of FY2021 with recovery expected in FY2022 in addition to lower shipment volumes as our partners seek to reduce their stock intake accordingly.

The sensitised scenario assumes the following additional key assumptions:

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

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

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

Viability Statement

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

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

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

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

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

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

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

Treasury policy and financial risk management

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

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

Foreign currency risk

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

Interest rate risk

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

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

Credit risk

The Group has exposure to credit risk inherent in its trade receivables. The Group has no significant concentration of credit risk. The Group operates effective credit control procedures in order to minimise exposure to overdue debts. Before accepting any new trade customer, the Group obtains a credit check from an external agency to assess the credit quality of the potential customer and then sets credit limits on a customer by customer basis. IFRS 9 'Financial Instruments' has been applied such that receivables balances are held net of a provision calculated using a risk matrix, taking micro and macro-economic factors into consideration as detailed in note 3.

Shareholders' funds

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

The directors' statement in respect of section 172 of the Companies Act 2006 can be found within the Governance section on page 24.

This strategic report was approved by the Board on 24 September 2020 and signed on its behalf by:

Andrew Cook

Chief Financial Officer

Board of Directors and Executive Committees

Committee Memberships key:
A — Audit and Risk Committee
R — Remuneration Committee
N — Nomination Committee
F — Full board member

1. Clive Whiley N F

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Position: Chairman
Appointment: April 2018.
Skills, competencies, experience: Clive Whiley has thirty five years' experience in regulated strategic management positions since becoming a Member of the London Stock Exchange. He has extensive main board executive director experience across a broad range of financial services, engineering, manufacturing, distribution & leisure businesses: encompassing the UK, Europe, North America, Australasia and the People's Republic of China.

Other Directorships: Mr Whiley is currently Chairman of Dignity plc; and also Chairman of China Venture Capital Management Limited, First China Venture Capital Limited and Y-LEE Limited.

2. Andrew Cook F

—

Position: Chief Financial Officer
Appointment: January 2020
Skills, competencies, experience: Andrew has served as Corporate Development Director of Mothercare since April 2019. 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

3. 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 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.

4. 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, Coull Limited and Skadoosh Limited.

Other Directorships: Gillian holds non-executive director roles at National Accident Helpline Group Plc, Ascential Plc, SIG plc, Dignity plc and at three private companies, No Agent Technologies Limited, Theo Topco Limited and Portswigger Limited.

5. 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. Most recently, Brian was the CFO for JD Sports before retiring from corporate life to focus on non-executive roles.

Other Directorships: Non-executive director of Boohoo.com, Pendragon Plc and a Trustee Director for the Retail Trust Charity.

6. Lynne Medini

—

Position: Group Company Secretary
Appointment: May 2018
Skills, competencies, experience: Lynne is an experienced Chartered Governance Professional with a career spanning almost 30 years at Mothercare. Fellow, The Chartered Governance Institute (ICSA)

Board of Directors and Executive Committees

Operating Board

Andrew Cook — Chief Financial Officer. See opposite page for biography.

8. Kevin Rusling

—

Position: Chief Operating Officer
Appointment: April 2017
Skills, competencies, experience: Formerly international director of Monsoon Accessorize; prior to that Kevin ran the international division of Walmart's George at Asda business for five years and was previously international manager at Marks and Spencer for 12 years.

Other Directorships: Trustee of Sue Ryder, the palliative, neurological and bereavement support charity.

9. Karen Tyler

—

Position: Chief Product Officer
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

Dear Shareholder

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 shareholders, customers, staff, franchise partners and other stakeholders. The group delivers this through a corporate governance framework in its activities globally.

We had significant stakeholder engagement during the year and which continues, and I would like to thank all stakeholders whose support has enabled us to be in the position we are today looking forward to a bright and stable future.

You will read throughout this report, how the directors engaged with various stakeholders and continue to do so as part of the group's natural culture.

Clive Whiley
Chairman

General

The Company considers that it has complied throughout the 52-week period ended on 28 March 2020 with the relevant provisions set out in the UK Corporate Governance Code 2018. Further explanation of how the Main Principles have been applied are set out below and in the main committee reports.

Section 172

Section 172 of the Companies Act 2006 imposes a general duty on each director 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.

Your directors take this duty extremely seriously. We have talked throughout this annual report about events culminating in the administrations of two subsidiaries in November 2019 and have published transformation plan updates as they arose. In order to deliver the transformation required for the continued longevity of the brand, and having regard to the need to foster the Company's business relationships with suppliers, customer and others, your Board engaged with its major shareholders, workforce colleague engagement groups, pension trustees and regulators, financing partners, franchise partners, manufacturing partners enabling us to look forward to a bright and stable future. As Mothercare Global Brand, the main operating subsidiary within the group, continues to establish itself and evolve, its policies and procedures, both at workforce and Board level continue to be reviewed with the Section 172 duties in mind.

Engagement with employees is discussed within the Directors' report on page 35.

Engagement with suppliers is discussed in the Chairman's statement on page 3.

Engagement with stakeholders is discussed on pages 3 to 6.

The Board

The leadership of the Mothercare plc business is provided by the Mothercare plc Supervisory and Governance Board. The Board operates on a unitary basis and currently comprises the Chairman, three non-executive directors, two of whom are independent and one executive director (the Chief Financial Officer). The search for a CEO is continuing. Whilst the roles of chairman and CEO are not exercised by the same individual, the current chairman was, until 28 March 2020, in an executive role and therefore not considered to be independent under the UK Corporate Governance Code. Clive Whiley was appointed in 2018 for his experience of restructuring and finance in order to help steer Mothercare through that phase of its transformation.

Mothercare plc Main Board:

As at 28 March 2020
Chairman
Clive Whiley
Non-executive
Gillian Kent
Brian Small
Executive
Glyn Hughes
Andrew Cook
Mark Newton-Jones

Board Changes

During the year under review there were changes to the board structure with the appointment of Brian Small as non-executive director on 10 December 2019 and the resignation of Nick Wharton on 31 December 2019. Further changes were announced on 23 January 2020. These changes were Glyn Hughes being promoted to Interim CEO, Andrew Cook being promoted internally to CFO, Mark Newton-Jones in an executive director role all effective on that date. Clive Whiley served as executive chairman until 28 March and stepped into a non-executive chairman role on 29 March 2020. Since the year end, Glyn Hughes left the business on 30 June (and the search for a permanent CEO continues) and Mark Newton-Jones stepped into a non-executive role.

The Board and its directors

The Board of Mothercare plc meets regularly and maintains overall control of the group's affairs through a schedule of matters reserved for its decision. These include setting the group strategy, the approval of the annual budget and financial statements, major acquisitions and disposals, capital raising, defence and bid approaches, authority limits for capital and other expenditure and material treasury matters.

The Board has approved formally the roles and responsibilities of the Chairman and Chief Executive, with the Chairman responsible for matters such as the leadership and management of the Board (and for dealing with any takeover approach), and the Chief Executive responsible for the leadership of the business and managing it within the authorities delegated by the Board.

Throughout the period the Board has been supplied with information and papers submitted at each Board meeting which ensures that the major aspects of the group's affairs are reviewed regularly in accordance with a rolling agenda and programme of work. All directors, whether executive or non-executive, have unrestricted access to the Group Company Secretary and executives within the group on any matter of concern to them in respect of their duties. In addition, new directors are given appropriate training on appointment to the Board (including meetings with principal advisers to the Company) and have a formal induction process that continues following their appointment.

Key activities of the Board

Regular agenda items:	Key agenda items also considered in the year included:
Group strategy	Renegotiation of the Revolving Credit Facilities
Financing, going concern, viability and liquidity	The administrations of Mothercare UK Limited and Mothercare Business Services Limited
Reports from Board committees	Development of the ongoing business with Mothercare Global Brand
Business performance and financial results	The franchise agreement with Boots UK Limited
Annual budget and financial statements	Brexit planning
Consideration of acquisitions and disposals	Relocation of the Company's head office
Risk management and review	COVID–19
Operational oversight	

Appropriate time is made during the year for continuing training on relevant topics concerning the functioning of the Board and obligations of directors. The Company has undertaken to reimburse legal fees to the directors if circumstances should arise in which it is necessary for them to seek separate, independent, legal advice in furtherance of their duties.

The independent non-executive directors are free from any business or other relationship that could interfere with their judgement. The non-executive directors do not participate in any bonus, share option or pension scheme of the Company.

The business commitments of each member of the Board are set out in the biographical details on page 22. Notwithstanding such commitments, each member of the Board is able to allocate sufficient time to the Company to discharge his or her responsibilities effectively. The Board considers that the balance achieved between executive and non-executive directors during the period was appropriate and effective for the control and direction of the business.

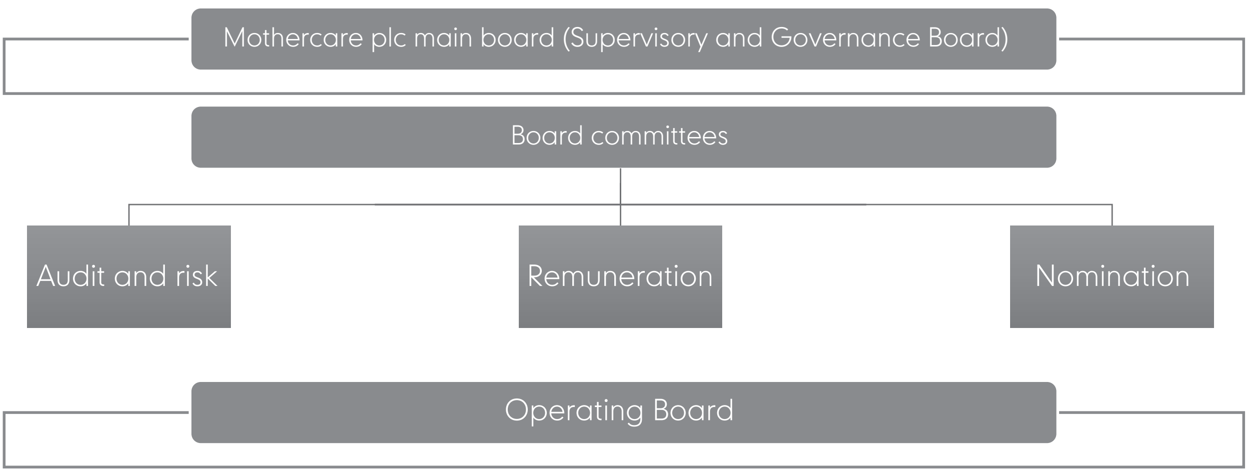
In accordance with the UK Corporate Governance Code 2018 the Board has resolved that all directors should offer themselves for re-election at regular intervals subject to continued satisfactory performance. The Company has applied annual re-elections at its annual general meetings since 2013.

The Board commenced an externally facilitated board evaluation during FY2018, engaging Ian White, an experienced company secretary now focussed on board evaluation. The evaluation exercise extended into FY2019 in order to include the new directors and the output of the evaluation was presented to the Board during the first half of the year and recommendations implemented. Since then, there have been further changes to the Board and the search for a CEO is ongoing. To that end, a further board evaluation will be undertaken at an appropriate time to do so.

Prior to the AGM, the Chairman considered the contributions made by the directors during the year under review, and was of the opinion that the Company's directors continued to give effective counsel and commitment to the Company and accordingly should be reappointed by shareholders at the AGM and the new directors elected. At the Company's AGM held on 23 September 2020 the resolutions for all directors up for election and re-election were passed.

Governance and Committees

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 Board is assisted by committees. There are three main committees of the Board that meet and report on a regular basis: Audit and Risk, Remuneration and Nomination. 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 individual directors is set out on page 28.

A Audit and Risk Committee	R Remuneration Committee	N Nomination Committee
Committee members: Brian Small (Chair), Gillian Kent	Committee members: Gillian Kent (Chair), Brian Small	Committee members: Clive Whiley (Chair), Gillian Kent, Brian Small
Key roles and responsibilities: Review the scope and issues arising from the audit and matters relating to financial control, review of corporate governance, financial statements and accounts, responsibility for risk management, internal and external audit.	Key roles and responsibilities: Establishes the remuneration policy, preparation and approval of the directors' remuneration report, approval of specific arrangements for the Chairman and executive directors, review comment and propose to the Board the proposed arrangements for the executive committee including short– and long–term incentive programmes.	Key roles and responsibilities: Proposals on the size, structure, composition (including diversity) and appointments to the Board, managing the selection process and agreeing to the terms of appointment of non–executive and executive directors of the Board and review succession planning of Board members

Each of the committees has clear terms of reference and reports to the Board on its area of responsibility. Details of the terms of reference of the Board's committees are set out in the corporate governance sections of the Company's website at www.mothercareplc.com.

In addition, the Company's Operating Board reports to the Board through its Chief Operating Officer.

Operating Board

The executive management of the Company (principally through the Operating Board) operates within a structure with defined lines of responsibility and delegations of authority, and within prescribed financial and operational limits. The system of internal control is based on financial, operational, compliance and risk control policies and procedures together with regular reporting of financial performance and measurement of key performance indicators. Risk management, planning, budgeting and forecasting procedures are also in place together with formal capital investment and appraisal arrangements.

The Board has delegated day-to-day and business management control of the group to the Operating Board. As at 28 March 2020 the Operating Board consisted of the Interim CEO, CFO, Chief Operating Officer and Global People and Governance Director. The Operating Board oversees the main trading subsidiary of the group, Mothercare Global Brand.

Board effectiveness and balance

The Board commenced an externally facilitated board evaluation during FY2018, engaging Ian White, an experienced company secretary now focussed on board evaluation. Ian White has no other connection with the Company. The evaluation exercise extended into FY2019 in order to include the new directors. The output of the evaluation was presented to the Board during the first half of that year and recommendations implemented. There have been a number of changes since the last formal board evaluation and the search for a CEO continues.

In the year ahead the Board intends to support the CFO and COO and incoming CEO in the continuing delivery of our strategy, vision and transformation plans and to provide guidance on risk planning and risk management. The Board believes that it has an appropriate range of breadth and expertise to manage the group's activities.

As at 28 March 2020, the Board had two non-executive directors, of whom one is a woman. Details of the experience and background of each director is set out on page 22.

Diversity

The importance of improving the diversity balance (including gender) on boards of UK listed companies is recognised. At the date of this report, the main board (including the chairman and executive directors) comprises one woman and four men, and the Operating Board (excluding the executive directors) has one man. The Company has a senior leadership team that reflects gender diversity, with 50% of the senior management positions (the two grades below Operating Board) being held by women as at 28 March 2020 (2019: 52%). The Company believes it is well positioned to support gender diversity at all senior levels.

Employee gender diversity as at 28 March 2020

	Male	%	Female	%	Total
Directors of the Company (including the Chairman and executive directors)	5	83	1	17	6
Operating Board (excluding executive directors)	1	50	1	50	2
Senior management positions	6	50	6	50	12
Total senior managers other than directors of the Company	7	50	7	50	14
Other head office employees	30	19	125	81	155
Total head office employees	37	22	132	78	169
Total retail employees of the group (Mini Club)	3	1	422	99	425
Grand total employees of the group (head office and Mini Club)	40	7	554	93	594

Going concern

The directors have reviewed the going concern principle according to revised guidance provided by the FRC and details are set out in the financial review on page 14.

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the directors have assessed the prospects and viability of the company and its ability to meet liabilities as they fall due over the medium term. The viability statement is set out on page 20 of the financial review.

Risk management

The effective management of risks within the group is essential to underpin the delivery of its objectives and strategy. The Board is responsible for ensuring that risks are identified and appropriately managed across the group and has delegated responsibility to the Audit and Risk Committee for reviewing the group's internal controls, including the systems established to identity, assess, manage and monitor risks. The Company has an internal audit function which is led by the Head of Risk and Internal Audit and reports through the CFO to the Audit and Risk Committee. In addition, there is an internal Risk Committee, chaired by the CFO, that meets every two months.

The activities of the internal audit function are supplemented by external resources as necessary. The external auditors also report to the Audit and Risk Committee on the efficiency of controls as part of the audit.

The principal risks and uncertainties facing the Company are set out on pages 12 to 13.

The programme of specific risk management activity of the Company's former UK operations continued while the stores were operational. Under this programme, all individual stores were tested against a risk assessment model that emphasised health and safety, fire safety and internal process compliance.

The Board believes that the system of internal control described can provide only reasonable and no absolute assurance against material misstatement or loss. During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

Bribery Act 2010

The Bribery Act 2010, which came into force on 1 July 2011, consolidated previous legislation and introduced (amongst other things) a new corporate offence of "failure to prevent bribery". Non-compliance with this Act could expose the group to unlimited fines and other consequences.

Accordingly, the group introduced additional measures into the business to reinforce its zero tolerance approach to bribery and corruption. The group's position on bribery and corruption has been explained to its suppliers, franchisees and joint venture partners. The group maintains a global 'whistleblower' hotline accessible in many languages.

Shareholder relations

The Company maintains regular dialogue with institutional shareholders following its presentation of the financial performance of the business to the investing communities.

Opportunities for dialogue take place at least twice times a year following the announcement of the half and full year results (in November and ordinarily in May respectively). During such meetings the Company is able to put forward its objectives for the business and discuss performance against those objectives and develop an understanding of the views of major shareholders. The outcome of meetings with major shareholders is reported to the full Board at Board meetings on a periodic basis. In addition, leading investors in the Company have access to the Chief Financial Officer.

The Company seeks to reach a wider audience by the use of its website (www.mothercareplc.com), and, with a view to encouraging full participation of those unable to attend the AGM or other general meetings, provides an opportunity for shareholders to ask questions of their board through its website or by email to investorrelations@mothercare.com. The Company provides electronic voting facilities through www.sharevote.co.uk. The Board encourages the use of both in particular whilst observing social distancing measures. Those shareholders who wish to use this facility should review the notes and procedures set out in the Notice of Meeting.

Directors' interests and indemnity arrangements

At no time during the year did any director hold a material interest in any contract of significance with the Company or any of its subsidiary undertakings other than a third-party indemnity provision between each director and the Company. The Company has purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself and its directors. The directors also have the benefit of the indemnity provision contained in the Company's Articles of Association. These provisions, which are qualifying third-party indemnity provisions as defined by Section 236 of the Companies Act 2006, were in force throughout the year and are currently in force. Details of directors' remuneration, service contracts and interests in the shares of the Company are set out in the directors' remuneration report.

The Company also provides an indemnity for the benefit of each person who was a director of Mothercare Pension Trustees Limited, which was formerly a corporate trustee of the Company's occupational pension schemes, in respect of liabilities that may attach to them in their capacity as directors of that corporate trustee. These provisions, which are qualifying pension scheme indemnity provisions as defined in Section 235 of the Companies Act 2006, were in force throughout the year and are currently in force.

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 not had to deal with any conflict during the period.

Director attendance

Director attendance statistics at meetings for the 52-week period ended 28 March 2020:

			Committee					
	Board		Audit and Risk		Nomination		Remuneration	
Maximum number of meetings	9 formal	17 additional including sub committee	4 formal	2 ad hoc	1 formal	3 ad hoc	4 formal	1 ad hoc
Director:								
Clive Whiley	9/9	15/15			1/1	3/3		
Glyn Hughes	8/9	15/16						
Andrew Cook*	1/2							
Mark Newton-Jones	9/9	13/14						
Gillian Kent	9/9	20/23	4/4	2/2	1/1	3/3	4/4	1/1
Brian Small*	2/2	1/1	1/1	1/1	1/1	1/1	2/2	1/1
Nick Wharton*	7/7	10/12	3/3	2/2		2/2		2/2

Notes:

- 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.
- Glyn Hughes and Andrew Cook attended meetings of the Audit and Risk Committee upon the invitation of the Committee chair.
- The two ad hoc board meetings which approved the interim 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.
- *denotes that the director was appointed or resigned during the year and thus was not eligible to attend all meetings.

Audit and risk committee

Dear Shareholder

I am delighted to have been appointed Chair of the Audit and Risk Committee having joined the Company in December 2019.

On behalf of the Board I am pleased to present my report to shareholders on the key activities and focus of the Committee during the year in addition to its principal and ongoing responsibilities which are to:

- Monitor the integrity of the Group's financial statements and half year report through their review, receiving reports from the Group's auditor and consideration of any significant accounting policies and judgements
- Have oversight of the Company's risk appetite, its risk management process and internal audit controls, risk mitigation and insurance and within that to review the effectiveness of the Group's internal audit function including that it is adequately resourced and oversight of the Company's agreements with its International partners
- Review the Group's controls to ensure compliance with the Bribery Act, the UK Corporate Governance Code, and policies on the use of auditors
- Recommend to the Board the appointment, reappointment and removal of the external auditor, to approve their terms of engagement and remuneration and to monitor their independence

Activities during the year

The Committee met five times during the year and reports were provided to the subsequent Board Meeting. Whilst I was in role for a limited time during the year, having reviewed the papers I am satisfied that the Committee was presented with good quality papers and sufficient time was allowed to enable full and informed debate. At least once a year the Committee meets separately with the external Auditor without management present.

The Committee has a standing agenda, and, in addition, it considers relevant matters as they arise. Specifically, within the financial year the Committee considered the accounting implications from the discontinued operations of Early Learning Centre, the brand and certain assets of which were sold to The Entertainer in March 2019; the administrations of Mothercare UK Limited and Mothercare Business Services Limited and the Group's adoption or preparedness of new accounting standards. Consideration was also given to the presentation of the financial statements and in particular the use and presentation of adjusted items and alternative performance measures. The Committee has also overseen the Group's preparedness for Brexit.

Following an audit tender in FY2019, Grant Thornton UK LLP was formally appointed auditor of the Company by shareholders at the AGM held in July 2019.

In the period since my appointment the paramount risks and issues addressed by the Committee have been:

1. Business continuity risks associated with COVID-19 in the UK and around the world.
2. Business continuity risk associated with the requirement to refinance the business. Progress here is outlined in detail in the Chairman's Report.
3. Restructuring of supplier relationships to avoid any repeat of the disruption caused in the supply chain by the administration and closure of the legacy UK retail business and to create a new capital light business model.
4. Accounting for the closure of the legacy UK retail business and the split of activities between continued and discontinued in the profit and loss account which has been difficult as described in the Auditor's Report and elsewhere through the financial statements.
5. Accounting for the legacy final salary scheme pension as documented in the Auditor's Report and the pension scheme notes to the financial statements.

Brian Small
Audit and Risk Committee Chair

Composition of the Committee

The Committee currently comprises Brian Small as Chairman, and Gillian Kent, non-executive director. The Group Company Secretary acts as secretary to the Committee. Brian Small is a chartered accountant with considerable financial and commercial experience within listed companies. Biographical details of the directors are set out on page 22 of this report.

The Committee meets regularly during the year in line with the financial reporting timetable, and met five times in the period covered by this report. Each member's attendance at these meetings is set out on page 28 of the corporate governance report.

The Committee ordinarily invites the Group's Chief Financial Officer, Head of Internal Audit & Risk and external audit partner to attend its meetings. Other Board directors and executives are invited to attend from time to time.

Activities of the Committee

The remit of the Audit and Risk Committee 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.

The Committee also recognises that following the administration of Mothercare UK Limited and the subsequent closure of the UK store estate, the size of the franchise business within Mothercare Global Brand Limited shifted from having represented approximately two-thirds of worldwide retail space and 60% of worldwide retail sales to 100%. The activity has also shifted away from retailer to international brand franchisor. The Group is more exposed to geopolitical events and the risk of exchange rate fluctuations. This risk is given additional consideration by the Committee, including treasury and hedging policies.

The full terms of reference of the Committee (which were reviewed and amended during the year) are set out under the corporate governance section of the website at www.mothercareplc.com.

The principal matters under consideration during the year are set out below:

Internal control & risk management

The key features of the Group's internal control and risk management systems that ensure the accuracy and reliability of financial reporting include clearly defined lines of accountability and delegation of authority, policies and procedures that cover financial planning and reporting, preparing consolidated accounts, capital expenditure, project governance and information security.

Under the overall supervision of the Audit and Risk Committee, there are several sub-committees and work groups that oversee and manage risk within the Company and the Group. The Company has a formally established Risk Committee, chaired by the CFO, to provide more regular oversight of risk matters, evaluate emerging risks that may affect the business, and design and oversee a compliance and sub-committee framework that ensures the necessary actions are carried out to mitigate risk.

The Company, like other retail businesses, continues to face unexpected but material risks on a daily basis. The Company seeks to manage risk in its operations and it has its own business continuity plans in other areas of the business.

Information technology and security

The Committee continues to focus on the development of the information technology control environment.

The Group has taken external advice on cyber risks that may affect the business and undertook further cyber security business continuity scenario sessions during the year which included members of the Executive Committee and the group's information technology department.

The General Data Protection Regulations ("GDPR") required compliance by May 2018. The Group developed clear policies and procedures in this area and adopted appropriate measures to be compliant. Ongoing compliance is monitored as part of the annual internal audit agenda.

Whistleblowing

The Group has a policy and process in place for whistleblowing and the Committee is satisfied that colleagues have the opportunity to raise concerns in confidence and that arrangements are in place for independent investigation of such matters.

Controls and procedures are also in place to ensure compliance with the Bribery Act 2010. The Committee receives an annual report on the Group's gift register which includes any gifts and hospitality above an agreed threshold received from external partners.

Areas of significant financial judgement considered by the Committee during the year

During the year the Committee considered a number of significant issues, taking into account in all instances the views of the Company's external auditor. The issues and how they were addressed by the Committee are detailed below:

Classification and presentation of adjusted items

The Committee gave consideration to the presentation of the financial statements and in particular the use of alternative performance measures and the presentation of adjusted items in accordance with the group accounting policy. This policy states that adjustments are only made to reported profit before tax where income and charges are one-off in nature and significant in value and/or nature.

The Committee received detailed reports from management outlining the judgements applied in relation to the disclosure of adjusted items, which in the current year are:

- cost associated with restructuring, redundancies and refinancing;
- finance costs, including the fair value movement on embedded derivatives in the shareholder loans; and
- loss on disposal of the UK business.

This was an area of focus for the Committee during the year due to the number and value of these items (£0.9m charge) and the guidelines on the use of alternative performance measures issued by the European Securities and Markets Authority. Following detailed review and active discussion with management, the

Committee has concluded that the presentation of the financial statements is appropriate.

Fair, balanced and understandable

The Committee has evaluated all of the available information and the assurances provided by management. In particular, the review of items identified as adjusted items ensured that equal prominence was given to statutory measures as the adjusted items. The Committee has reviewed the contents of this year's Annual Report and Accounts and advised the Board that, in its view, taken as a whole, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

Going concern & viability statement

The Committee reviewed management's assessment of going concern and long-term viability with consideration of forecast cash flows, including sensitivity to trading and expenditure plans and potential mitigation actions. The Committee also considered the Group's financing facilities and future funding plans.

Based on this, the Committee confirmed that the application of the going concern basis for the preparation of the financial statements continued to be appropriate and recommended the approval of the viability statement. The Board's confidence in the Group's Base Case forecast, which indicates the Group will operate within the terms of the borrowing facilities it expects to secure, and the Group's proven cash management capability supports our preparation of the financial statements on a going concern basis. The financial position of the Group, its cashflows, liquidity position and borrowing facilities are set out in the Financial Review on pages 14 to 21.

Defined benefit pension schemes

The Committee has reviewed the actuarial assumptions such as discount rate, inflation rate, expected return of scheme assets and mortality, which determine the pension cost and the UK defined benefit scheme valuation, and has concluded that they are appropriate. The valuation of the schemes' liabilities involves significant estimation and the assumptions used in valuing these, which are disclosed in note 31 to the financial statements, are relatively sensitive to small changes so can result in a material difference in the net surplus. At the year end, a defined benefit scheme pension surplus has been recognised of £29.8 million; this IAS 19 valuation is different from the triennial review valuation, which shows that deficit payments still need to be made – these are also disclosed in note 31.

It is important to note that, despite the valuation on a technical provisions basis, the deficit remains on a buy out basis. During the COVID-19 lockdown period, deficit payments were suspended but these are expected to resume next month.

Accuracy of the Inventory obsolescence provision relating to seasonal stock

Inventory provisions include obsolete stock, net realisable value below cost and stock loss provisions. The Committee has examined management papers outlining the judgements made regarding provisioning for inventory balances and is satisfied that a sufficiently robust process was followed to confirm quantities of inventory and that net realisable value of inventory exceeds its cost at year end.

Accounting treatment for the administrations of MUK and MBS

The Committee reviewed technical papers in relation to the common control accounting treatment adopted on the administrations of MUK and MBS, and subsequent purchase of trade, assets and liabilities from the administrators, before concluding that the treatment and accounting policy adopted were appropriate.

Discontinued operations and continuing operations

The Committee gave consideration to the judgments inherent in compiling the results presented as continuing operations and necessary restatement of the comparative results for discontinued operations. Technical papers were provided by management outlining any areas where assumptions were required.

The Committee has concluded that the presentation in the financial statements is appropriate.

As a result of a lack of access to ex-employees of MUK and MBS, who left the business as a result of the administration and were necessary to provide the detailed explanations needed to give the auditors sufficient comfort over the balance sheet at the point of the administrations on 5 November 2019 the fact that the auditors did not attend to count stock at the point of administration, as well as subsequent issues with the ability to access certain retail store systems, a disclaimer of opinion has been issued. The Committee considered the situation giving rise to this and agree this was unavoidable.

Recognition of financial asset

Technical papers were presented to the Committee to explain why management considered it appropriate to recognise a financial asset on the administration of MUK to represent the inflow of funds from the administrators to the secured creditors, thereby reducing the amount of the Group's borrowing facility which will be repaid. The Committee are in agreement with management as to the appropriate accounting treatment.

Supervision and independence of the external auditor

The Committee oversees the external Auditor by reviewing and approving the audit plan, ensuring it is consistent with the scope of the audit engagement.

The Committee reviews at least once a year the independence of the external audit firm and the individuals carrying out the audit by receiving assurances from, and assessing, the audit firm against best practice principles. The Committee seeks to balance the benefits of continuity of audit personnel and the need to assure independence through change of audit personnel by agreeing with the audit firm staff rotation policies. The Committee's review of the independence of its external auditors was by enquiry of them, reviewing the report issued by the auditors regarding their independence, and considering the policy on non-audit services provided by them, and it concluded that Grant Thornton UK LLP was independent.

Appointment

As highlighted on page 29, the external audit relationship was tendered during the previous year and Grant Thornton UK LLP formally appointed at the Company's AGM held in July 2019 for the 2020 financial year onwards.

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.

	2020	2019
Audit Fees	**£430,265**	£445,000
Non-Audit Fees		
– Audit related assurance services	**£nil**	£100,000
– Other	**£257,911**	£924,000
– Total	**£257,911**	£1,024,000
Non Audit Fees as a percentage of audit fees	**60%**	230%
Total Auditor's Remuneration	**£688,176**	£1,469,000

Non-audit fees incurred in the year totalling £257,911 were incurred in respect of the preparation of a working capital report.

The Audit and Risk Committee has considered the fees in light of the audit fee and independence requirement however, acknowledges that Grant Thornton UK LLP was best placed to do the work given the time frame, increasing knowledge of the Group and independence.

Effectiveness

Due to the exceptional circumstances during the year combined with a change of committee chair, the next evaluation of the effectiveness of the Committee's own performance will be undertaken during FY2021.

Audit and Risk Committee

It was considered that the work of the Audit and Risk Committee during the year was effective when measured against its terms of reference and general audit committee practice. The Committee was satisfied that the quality of the papers and information presented to its meetings, and the advice received from its external and internal auditors, was of sufficient detail and quality that enabled it to consider matters appropriately, to take decisions and to make recommendations to the Board as appropriate.

External audit

The Committee reviewed the effectiveness of its external audit and considered that Grant Thornton UK LLP had carried out its obligations in an effective and appropriate manner. The review considered factors such as the quality and expertise of the personnel leading and working on the account (including the strength and performance of the lead audit partner), the quality of the audit papers and presentations, the competence with which questions relating to key accounting judgements were answered.

Conclusion

As a result of its work during the year, the Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence of the external auditors during the year.

The Chair of the Committee would ordinarily be available at the AGM to answer any questions on the work of the Committee. For this year, shareholders are asked to submit questions via email to investorrelations@mothercare.com.

Brian Small
Chair, Audit and Risk Committee

Nomination committee

Dear Shareholder

During FY2020 there were further changes to the board overseen by this Committee as detailed later in this report.

I completed my second year as Executive Chairman and have, since the beginning of the new financial year, stepped into a non-executive chairman role and continued as Committee chair. I would like to thank my fellow and former Committee members for their work over the year.

The work of the Nomination Committee

The full terms of reference of the Committee (which are reviewed and, if necessary, amended during the year) are set out in the corporate governance section of the website at www.mothercareplc.com. As a matter of process, the Committee makes recommendations to the Board, which are then considered by the Board in conjunction with any advice or recommendation from the Remuneration Committee.

Composition of the Committee

The Committee currently comprises the Chairman and the two non-executive directors of the Company. When required, the Group Company Secretary provides support. The Committee's key roles and responsibilities are set out in the Corporate Governance report on page 26.

Activities of the Committee

The Committee met formally during the year supported by interviews and other conversations between Committee members.

In December 2019 Brian Small was appointed as non-executive director and chair of the audit and risk committee. An external search consultancy, Veracity Search was used; Veracity Search has no other connections with the Company.

In January, I was delighted to appoint Andrew Cook to the role of CFO. As set out in last year's annual report, Andrew was appointed as Corporate Development Director and was a constituent of the Operating Board, which he remains. As this was an internal promotion, no search agency was used.

As announced on the same day, Glyn Hughes was promoted to Interim CEO. As announced on 22 June 2020, Glyn ruled himself out of the process and left the business on 30 June. An external search is underway for a permanent CEO and details of the search agency used will be disclosed when appropriate.

Gillian and I offered ourselves for re-election and Andrew, Brian, Mark (in his role as non-executive director) offered themselves for election at the AGM held on 23 September 2020. Our biographies can be found on page 22.

Performance evaluation

The recommendations from the externally facilitated board evaluation carried out in FY2018 were implemented during FY2019. FY2020 was an exceptional year as described elsewhere in this report and there have been further board changes as already outlined. The output from the FY2018 exercise continued to be followed and a further external evaluation is planned once the new CEO is on board.

Diversity

The importance of improving the diversity balance (including gender) on boards of UK listed companies is recognised and forms part of Mothercare's Diversity, Inclusion and Equality Policy. Details of the Company's gender diversity are set out in the Corporate Governance report on page 26.

Finally, I would like to thank all my fellow directors for their considerable hard work and support to the business during another year of so much change.

Approval

On behalf of the Nomination Committee

Clive Whiley

Chairman of the Nomination Committee

24 September 2020

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 28 March 2020. The corporate governance statement set out on pages 24 to 28 forms part of this report. The Chairman's statement at page 3 gives further information on the work of the Board during the period.

The principal activity of the group has changed considerably since last year's report. Following the administration of Mothercare UK Limited on 5 November 2019, we now, through our subsidiary, Mothercare Global Brand, specialise in designing and sourcing Mothercare products and licensing and franchising the brand. The group now operates in the UK and Republic of Ireland via a franchise agreement with Boots UK Limited, and globally in a further 40 countries and three continents through its extensive franchise network.

The Companies Act 2006 requires the strategic report to contain a review of the business and a description of the principal risks and uncertainties facing the group. The business review is presented in this Directors' report.

The directors' report is prepared for the members of the Company and should not be relied upon by any other party or for any other purpose. Where the directors' report (including the strategic report) contains forward-looking statements these are made by the directors in good faith based on the information available to them at the time of their approval of this report. These statements will not be updated or reported upon further during the year unless the Company is under a legal obligation to do so. Consequently, such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking statements or information.

Business review

The principal companies within the Mothercare group for the period under review were Mothercare plc (the 'Company'), Mothercare UK Limited (in administration) to its administration on 5 November 2019 and Mothercare Global Brand Limited, the licensor and franchisor of the Mothercare brand. Mothercare plc is the group holding company and is listed on the London Stock Exchange.

A review of the business strategy and a commentary on the performance of the group is set out in the Overview and Strategic Report sections of this report on pages 3 to 21. The principal risks and uncertainties facing the business are detailed in the Strategic Report at page 11 and the section on risks at page 27. These disclosures form part of this report.

The group's use of financial instruments, the risk management objectives and exposures are set out in the notes to the financial statements and the Strategic Report.

Going concern

The financial position of the group, its cashflows, liquidity position and borrowing facilities are set out in Financial Review on pages 14 to 21. The group's going concern position is also set out in the Financial Review.

Viability statement

The viability statement is set out in the Financial Review on page 20.

Dividend

The directors are not recommending the payment of a final dividend for the year and no interim dividend was paid during the year (FY2019: nil).

Capital structure

As at 22 September 2020, the Company's issued share capital was 374,192,494 ordinary shares of 1p each all carrying voting rights. The details of the Company's issued share capital as at 28 March 2020 are set out in note 6 to the financial statements. No shares were held in Treasury.

The Company has one class of ordinary shares. Each share carries the right to one vote at general meetings of the Company. There are no specific restrictions on the size of a holding in the Company nor on the transfer of shares, which are both governed by the general provisions of the Company's Articles of Association and legislation. The directors are not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

Details of the Company's employee share schemes are set out in the remuneration report. The Trustees of the Mothercare employee trusts abstain from voting their shareholdings in the Company.

Substantial shareholdings

In accordance with The Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 and the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority, as at 28 March 2020, the Company had been advised by or was aware of the following interests above 3% in the Company's ordinary share capital:

Holder	Number of shares	Percentage of issued share capital
Mr Richard Griffiths	76,978,800	20.57
M&G Investment Management	71,260,935	19.04
Lombard Odier Asset Management	44,788,186	11.97
Jupiter Asset Management	36,400,000	9.73
UBS Global Asset Management	29,089,383	7.77
DC Thomson Pensions	27,169,375	7.26
Teviot Partners	17,051,196	4.56
Majedie Asset Management	14,926,000	3.99

During the period from 29 March 2020 to 22 September 2020 no further notifications had been received.

Acquisition of own shares

The Company was given a general approval at the AGM in July 2019 to purchase up to 10 per cent of its shares in the market. This authority expired the earlier of 26 October 2020 and the conclusion of the AGM of the Company held in 2020. The authority was not used during the year under review and was renewed at the AGM held on 23 September 2020.

Significant agreements and change of control

There are a number of agreements that alter or terminate upon a change of control such as commercial contracts, bank loan agreements and employee share plans. The only one of these which is considered to be significant in terms of likely impact on the business of the group as a whole is the outstanding credit facility agreement entered into by the group with HSBC Bank PLC and Gordon Brothers, who on 31 October 2019 purchased the outstanding debt under the credit facility agreement held by Barclays Bank PLC. Under the terms of the credit facility agreement, a change of control of the Company would entitle the banks to cancel the facility and require the repayment of all outstanding amounts on a minimum of 30 days' notice.

Other than early vesting under the Group's long-term incentive plans, the directors are not aware of any agreements between the Company and its directors or employees that provide for compensation for loss of office or employment that would occur because of a takeover bid whether successful or not. As at the date of this report, there are no special contractual payments associated with a change of control of the Company.

Directors

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. 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 28 March 2020:

Name	Appointment
Clive Whiley	Executive Chairman and chair of the Nomination Committee
Glyn Hughes	Executive director
Andrew Cook	Executive director
Mark Newton-Jones	Executive director
Gillian Kent	Independent non–executive director and chair of the Remuneration Committee
Brian Small	Independent and non–executive director and chair of the Audit and Risk Committee (from 10 December 2019)
Nick Wharton	Independent non–executive director and chairman of the Audit and Risk Committee (to 31 December 2019)

In accordance with the requirement of the UK Corporate Governance Code, at the Annual General Meeting of the Company held on 23 September 2020 all the directors currently appointed retired and offered themselves for re-election. The directors appointed since the last AGM offered themselves for election.

Details of directors' service arrangements are set out in the remuneration report on page 51.

A statement of directors' interests in the shares of Mothercare plc and of their remuneration is set out on pages 44 and 48 respectively. A statement of directors' interests in contracts and indemnity arrangements is set out on page 27.

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 FY2020 as set out in more detail in the section 172 statement within the Governance report at page 24.

Employees

The Company involves all of its employees in the delivery of its strategy. It regularly discusses with all its employees its corporate objectives, trading results and performance, as well as the economic environments in which the Company trades through its business sectors. This is achieved through the Company employee intranet, GlobalHub, the colleague engagement groups (CEGs), briefings by the Executive Directors and other Operating Board members and senior management within Mothercare Global Brand. The CEG is a forum for the exchange of information and views on matters that affect Mothercare employees and serve as consultative bodies where required. They are made up of elected representatives and several meetings were attended by the Chairman. The CEGs were consulted on the restructuring of the store estate and head office during the year under review. In recent weeks during the lockdown we have held regular video calls and meetings via web-enabled platforms and expect that to continue.

The Company aspires to develop a loyal and high performing team through the development of its culture and values. Regular performance reviews are carried out with all employees and objectives are set that align with business strategy. In addition, we offer a variety of development opportunities and training interventions to enable employees to improve their skills.

The group's remuneration strategy is set out in the remuneration report which includes details of the various incentive schemes and share plans operated by the group.

Disabled employees

The group is an equal opportunities employer and ensures that recruitment and promotion decisions in all of its companies are made solely on the basis of suitability for the job. Disabled people are given due consideration for employment opportunities and, if employees become disabled, every effort is made to retain them by providing relevant support.

Pensions

The Mothercare Staff Pension Scheme and the Mothercare Executive Pension Scheme were both closed to future accrual with effect from 30 March 2013. The Company continues to make deficit contribution payments to each pension scheme and details of the pension charge are set out in note 31 to the financial statements. During the COVID-19 pandemic the Company made a request to the Trustees for the temporary deferral of the contributions it makes to the schemes which was granted.

A defined contribution scheme, the Legal & General WorkSave Mastertrust, was made available to all employees with effect from 31 March 2013 and is the designated scheme used for auto-enrolment of workers since 1 May 2013 (the 'auto-enrolment staging date' for the Mothercare group).

Corporate citizenship

The group's corporate responsibility ethos remains as in previous years notwithstanding the changes to the organisational structure globally. Responsible sourcing is the cornerstone of our global responsible business programmes. Mothercare Global Brand 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. Mothercare Global Brand will continue to evolve and strengthen the group Code of Practice as it develops its global relationships.

Charitable giving

The partnership with Bliss continued during FY2020 with a donation of £25,000 made since the year end. This brings the total donations since 2017 to over £125,000.

Greenhouse Gas emissions

The group's performance for greenhouse gas emissions is set out in the table below.

	2019 Performance	2020 Performance
Total CO_2e emissions (tonnes)	9,514	4,243
Scope 1 (tonnes)	3,135	1,531
Scope 2 Location Based (tonnes)	6,379	2,712
CO_2e emissions (per £m Group revenue)	46.85	26.05
Total Energy Consumption (m kWh)	36.58	17.48

Methodology: Emissions fall within the activities for which we have operational control. There are no material exclusions from this data. Where energy usage data for 2020 cannot be obtained for Mothercare UK Limited (in administration), estimates based on direct comparisons and pro-rata extrapolations have been applied, accounting for 32% of emissions. The data has been prepared in accordance with the UK Government's Streamlined Energy and Carbon Reporting guidance 2019 and is given voluntarily as the guidance came into effect post the period we are reporting on, and may not comply with the guidance.

In 2020 our overall CO_2e emissions reduced, in absolute terms, by 55% versus 2019, as a direct consequence of Mothercare UK Limited entering administration, resulting in store closures from November onwards. No energy efficiency actions were implemented in 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 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.

Following a formal tender process, Grant Thornton UK LLP was appointed as the Company's new auditor with effect from the 28 March 2020 financial year. Their re-appointment is subject to approval by shareholders which for this year will be at a General Meeting of the Company to be held prior to the end of December 2020.

Political donations

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

Post balance sheet events

Post balance sheet events are disclosed in note 35 to the financial statements.

Annual General Meeting

A combination of factors including the discontinued businesses and COVID-19 complicated the audit process meaning that more time was necessary in order to finalise the audit and financial statements. As a result, the standard shareholder resolutions relating to receiving the audited financial statements and the auditor's and directors' reports, approving the directors' remuneration report and the re-appointment and remuneration of the auditors will be tabled at a separate "accounts meeting" of shareholders. This accounts meeting will be held prior to the end of December 2020.

The 2020 Annual General Meeting was held on 23 September 2020 at 11.00 am at the Company's new head office. Due to the restrictions on group gatherings shareholders were not permitted to attend in person and were requested to submit votes by proxy.

The notice of the general meeting at which these accounts will be laid (GM) and a prepaid form of proxy for the use of shareholders unable to come to the GM but who wish to vote or to put any questions to the board of directors will be enclosed with the annual report for those shareholders who elected to receive paper copies. The Company wishes to encourage as many shareholders as possible to vote electronically, particularly whilst practicing social distancing measures. Those shareholders who have elected to, or now wish to participate in electronic voting may register their vote in respect of resolutions to be proposed to the GM at www.sharevote.co.uk. To use the facility shareholders will need their voting ID, task ID and shareholder reference number from their proxy form and register at www.shareview.co.uk. For full details on how to use this facility please see the Notice of Meeting once issued.

Shareholders may also submit questions via email to investorrelations@mothercare.com. The Chairman will respond in writing to questions received.

As in previous years a copy of the Chairman's opening statement to the meeting, together with a summary of questions and answers given at the meeting, will be prepared following the AGM and accounts meeting respectively. This will be made available to shareholders on request to the Group Company Secretary at the Company's head office.

The notice of meeting will give explanatory notes on the business to be proposed at the meeting.

By order of the Board

Lynne Medini
Group Company Secretary

24 September 2020

Directors' remuneration report

REMUNERATION REPORT

STATEMENT FROM THE CHAIR

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 28 March 2020 on behalf of the board.

This report contains the following parts:

- The Remuneration Committee's Annual Statement, which provides an overview of the key developments and remuneration decisions made during the financial year and sets the context for the remuneration outcomes for the financial year under review;
- An Annual Report on Remuneration, which provides shareholders with details of the remuneration paid to the Executive Directors for the performance delivered in FY2020 and a summary of the work of the Remuneration Committee in the year.

The Annual Report on Remuneration including the Annual Statement will be subject to an advisory vote at the forthcoming general meeting to be held prior to the end of December 2020; and

- The Directors' Remuneration Policy was approved by shareholders at a general meeting of the company held on Friday 29 March 2019 with 84.5% of votes in favour and can be found in full on our website.

Review of the 2020 financial year

Fiscal year 2020 has been another very challenging and significant year of transformation for Mothercare in which the executive and operating boards demonstrated exceptional leadership and resilience. By the end of December 2019 we had: completed our transformation of the Group into a capital light international franchise business, which should be both profitable and cash generative; announced that Mothercare Global Brand had agreed heads of terms for Boots UK Limited to become our exclusive franchisee for the Mothercare brand in the UK; and successfully completed both the placing of new equity and the issuance of additional convertible unsecured loan notes, all of which put the business on a much sounder footing. As we were consolidating and establishing our new operating model, COVID-19 had a further impact to our global trading for the team to contend with. In the UK the temporary closure of the Boots stores led to the furloughing of our Mini Club colleagues. We ensured they received their full pay during the period of furlough through the utilisation of the UK Government's Coronavirus Job Retention Scheme topped up by the company.

Directorate changes

After six years Nick Wharton stepped down as Non-Executive Director and Chair of the Audit Committee on 31 December 2019. Brian Small was appointed as Nick's successor as Non-Executive Director and Chair of the Audit Committee on 10 December 2019. Brian's fees are a base of £40,000 and £7,500 for Chair of Audit Committee.

On 23 January 2020 we made changes to right size the Company's management needs and costs in line with the new shape and requirements of the business, making a number of Executive Director changes:

Mark Newton-Jones stepped down as Chief Executive Officer, remaining as an Executive Director through to 23 July 2020, receiving his salary and benefits during this period and becoming a Non-Executive Director from 24 July 2020 with a fee of £40,000 per annum thereafter.

Glyn Hughes, Chief Financial Officer, became Interim Chief Executive Officer with immediate effect. His base salary of £325,000 remained unchanged. Glyn subsequently ruled himself out of the CEO search and he left the business at 30 June 2020.

Andrew Cook, Corporate Development Director, joined the main Board as Chief Financial Officer with a base salary of £259,000, and a rebased pension contribution of 6% in line with the wider workforce average.

In line with previous communications, Clive Whiley moved from Executive Chairman to Non-Executive Chairman from 29 March 2020. Clive's remuneration reduced from a base salary of £480,000 to a fee of £130,000 per annum and in line with this move to non-executive is no longer eligible to receive an annual bonus.

Annual bonus – STIP

For the year ended 28 March 2020, the annual bonus was dependent on achieving underlying operating profit performance targets as regards 50% of the awards and the balance based on a mix of strategic financial and non-financial objectives. Profit targets were not achieved and this portion of the annual bonus therefore lapsed. The remaining 50% of the annual bonus award kept the Executive Directors focused on the key strategic milestones required to deliver the transformation. Overall execution has been strong on these elements, however, the timing of the decision with regards the FY2020 bonus came during the first week of the COVID-19 lockdown period. The Committee, cognisant of the shareholder experience and the wider uncertainty facing the business, took the decision to defer any pay out. The bonus payments were reviewed again in June when the board made the decision that it was not appropriate for these payments to be made. This decision was supported by the executive team.

For completeness we provide a breakdown of the assessment of performance for each element of the Executive Bonus scheme. Full details can be found on page 37.

Long-term incentives

The 2016 LTIP 5 award performance conditions were not met and as a result the award lapsed.

Likewise the VCP did not meet its performance criteria and this also lapsed with no vesting.

Other remuneration decisions

The group's third Gender Pay Gap report was published and is available to view at www.mothercareplc.com/who-we-are/gender-pay-gap-report. As noted elsewhere in this report, our group is markedly different today than it was at the snapshot date of 5 April 2019. Our pay gap remained largely unchanged as at that date, but the work of the Committee has continued to reposition executive remuneration commensurate with that of a FTSE small cap company.

Outlook for the 2021 financial year

Details in relation to the application of the Directors' Remuneration Policy for FY2021 are set out on page 51, however, the key elements are as follows:

- With recent realignment and appointment into role, base salary for serving Executive Directors will remain unchanged.
- The CEO and CFO annual bonus opportunity will be subject to a maximum of 100% of base salary. The bonus will be subject to the same mix of profit (50%), with the balance split between strategic financial objectives, and strategic non-financial objectives.
- The CEO and CFO pension contribution is now 6% in line with the wider workforce average.
- It is our intention to grant LTIP awards under the Remuneration Policy, however in light of the uncertainty of the impact of COVID-19 we have delayed our usual grant timing. Details of the awards will be announced at the time they are made.
- Non-Executive Directors' basic fees remain unchanged for FY2021.

Conclusion

I hope that you find the information in this report helpful. We believe that our approach to executive remuneration supports the delivery of a more sustainable and profitable global franchise business and reflects best practice in corporate governance. The Annual Report on Remuneration and this Annual Statement will be subject to an advisory vote at the forthcoming general meeting. We continue to value any feedback from Shareholders and hope to receive your support at the forthcoming general meeting.

Gillian Kent

Chair of the Remuneration Committee

24 September 2020

REMUNERATION PHILOSOPHY

The key principles underpinning the Committee's approach to executive remuneration are:

- To be transparent and aligned to the delivery of strategic objectives at a Company and individual level.
- To be flexible enough to take into account changes to the business or remuneration environment.
- To ensure failure at Company or individual level is not rewarded.
- To ensure that exceptional performance is appropriately rewarded.

THE REMUNERATION POLICY

The Remuneration Policy was approved at a General Meeting of the Company on 29 March 2019 and the Company is therefore not seeking approval for a new Policy this year. The Remuneration Policy can be found on the Company's website (www.mothercareplc.com).

The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 apply to companies reporting on financial years starting on or after 10 June 2019. The year under review commenced on 31 March 2019 and therefore, the Regulations will be adopted in full for the next reporting year.

Annual report on remuneration

This section reports on the activities of the Remuneration Committee for the financial year ended 28 March 2020. It sets out the details of remuneration during the reporting period, information required by the Regulations and plans for the next financial year. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("the Regulations") as amended in August 2013. The Annual Report on Remuneration and the Annual Statement will be put to an advisory shareholder vote at the forthcoming General Meeting in 2020.

Remuneration in FY2020

Single total figure remuneration table (audited)

The table below shows the single total figure remuneration for qualifying services in FY2020 with comparative figures for FY2019.

	Salary and fees		Benefits		Pension		Annual bonus		Long Term Incentives		Total fixed remuneration		Total variable remuneration		Total	
Director	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Executive																
Clive Whiley[1]	480	456	1	–	–	–	0	240			481	456		240	481	696
Glyn Hughes[2]	325	318	13	12	33	35	0	163	0	0	370	365		163	371	528
Andrew Cook[3]	47	–	2	–	3	–	0	N/A			52	–		–	52	
Mark Newton-Jones[4]	480	433	14	11	48	58	0	158	9	0	542	502		158	551	660
Non Executive																
Gillian Kent	47.5	44	0	0	–	–	–	–	–	–		44	–	–	47.5	44
Nick Wharton[5]	37	44	1	5	–	–	–	–	–	–		49	–	–	38	49
Brian Small[6]	15	–		–	–	–	–	–	–	–		–	–	–	15	–

1 Clive Whiley's remuneration relates to his time as Executive Chairman. From the start of FY2021, Clive has become Non-Executive Chairman.

2 Glyn Hughes was promoted to interim CEO on 23 January 2020, amounts shown in FY2020 includes remuneration for time both as interim CEO and CFO. His salary was unchanged on his promotion.

3 Andrew Cook was promoted to CFO on 23 January 2020. His salary, benefits and pension represent the actual amounts paid in respect of qualifying services during the financial year.

4 Mark Newton-Jones stepped down as CEO on 23 January 2020 and remained with the Company in the role of Executive Director. Amounts paid in FY2020 are in respect of qualifying services during the year.

5 Nick Wharton resigned on 31 December 2019. His fee represents the actual amounts paid in respect of qualifying services during the financial year.

6 Brian Small was appointed on 10 December 2019. His fee represents the actual amounts paid in respect of qualifying services during the financial year.

Executive Director base salary (auditable)

Clive Whiley's annual salary as Executive Chairman was £480,000.

Glyn Hughes's annual salary as CFO was £325,000 and was unchanged following his promotion to Interim CEO.

Andrew Cook was appointed as CFO by way of an internal promotion on 23 January 2020. His annual salary as CFO is £259,000.

Mark Newton-Jones's annual salary as CEO was £480,000 and was unchanged following stepping down as CEO and remaining as an Executive Director on 23 January 2020.

Non-Executive Director fees (audited)

The Non-Executive Directors' fees remained unchanged in the year. Further information is available on page 52.

Taxable benefits (audited)

Benefits for Executive Directors typically include a company car, medical insurance and other similar benefits. For Non-Executive Directors, reimbursement of certain expenses relating to the performance of such a director's duties in carrying out activities such as travel to and from Company meetings, are classified as taxable benefits. In such cases, the Company ensures that the director is not out of pocket by settling the related tax via a PAYE Settlement Agreement (PSA). In line with current regulations, these taxable benefits have been disclosed and the gross figures are shown in the taxable benefits column in the single total figure remuneration table on page 39.

Total pension entitlements (audited)

Base salary is the only element of remuneration included in pensionable earnings. During the year, Glyn Hughes and Mark Newton-Jones received pension contributions of 10% of base salary. CFO Andrew Cook receives a pension contribution of 6% of base salary (in line with the average wider workforce).

None of the directors have a prospective entitlement to a defined benefit pension by reason of qualifying services. Clive Whiley does not receive a pension contribution.

Annual Bonus Plan (audited)

In the table below, we summarise the achievement of each performance measure.

		Achievement (% of maximum)				
	Maximum (% of salary)	Group PBT	Financially based strategic measures	Non–financial strategic measures	Formulaic outcome (£000)	Actual pay–out
Clive Whiley	100%	0%	0%	30%	£144,000	£0
Mark Newton-Jones[1]	100%	0%	0%	0%	£0	£0
Glyn Hughes	100%	0%	20%	30%	£162,500	£0

1 Since announcing his intention to step down as CEO, Mark Newton-Jones was no longer entitled to an annual bonus, thus no assessment was made in respect of FY2020.

The Committee continues to acknowledge the importance of the contributions of the Executive Directors, in particular their unrelenting work on the financing and restructuring of the group which will be pivotal to Mothercare's long-term success.

In recognition of their significant contributions, the Committee considered a bonus payment to the executive directors based on the achievement of strategic performance metrics. However, the timing of the end of the performance period for the FY2020 award came during the onset of the COVID-19 crisis. The Committee, cognisant of the greater uncertainty facing the business at this time, determined that it was not appropriate to pay a bonus for the year and therefore exercised its discretion to override the formulaic outcome. As Mark Newton-Jones announced his intention to step down from an executive director position, he was not considered for an annual bonus for FY2020.

A breakdown of the assessment of performance for each element of the Annual Bonus award is shown below. It should be noted that each of the elements of the award operate independently of each other, for example the financial strategic objectives can vest without the Group PBT objective being met and vice versa. It should also be noted that the financial strategic objectives and non-financial strategic objectives comprise of multiple measures and each individual measure can also vest independently of other measures.

Group PBT objective (50% of total award) for FY2020

Measure	Detail	Assessment	Total Score (%)
Group PBT	Achieve target of £3.6m	Not met	0%

Strategic financial objectives (50% of total award for the Chairman and 20% of total award for Glyn Hughes and Mark Newton-Jones) for FY2020. The strategic financial objectives were set individually for each Executive Director.

Clive Whiley

Measure	Detail	Assessment	Total Score (%)
Share price	Increase in share price from 1 April 2019 (22p). For every increase of 1p in the share price, 5% of the maximum opportunity will vest up to the 20% maximum.	This objective was not achieved.	0%

Mark Newton-Jones

Measure	Detail	Assessment	Total Score (%)
UK operations	1 Reduce UK stockholding 2 Improve retail operations and deliver cost savings 3 Achieve budgeted gross margin for UK retail 4 Improve the performance of the e–commerce channel to achieve budgeted growth	Mark Newton–Jones stepped down as CEO on 23 January 2020 and was deemed no longer eligible for a pay out under the annual bonus scheme.	0%

Glyn Hughes

Measure	Detail	Assessment	Total Score (%)
Finance	1 Ensure that the Company's financing arrangements are sufficient to meet its short–to medium–term liquidity needs. 2 Secure a year on year reduction in the Company's working capital position by >£10mn	1 Achieved funding round of £8.7m from existing investors, securing a temporary revised payment schedule with pension scheme trustees, with a further £50m in funding options secured including a £10m trade partner facility, a £20m secured term loan and a £20m standby equity facility. This objective was achieved in full resulting in the maximum 20% vesting of the total annual bonus.	20%

Governance

The non-financial strategic objectives were set individually for the Chairman, Mark Newton-Jones and Glyn Hughes and the table below outlines each Executive Director's performance against the set targets.

Clive Whiley

Measure	Detail	Assessment	Total Score (30% maximum) (%)
Transformation plan	Deliver the strategic transformation plan, ensuring the medium–term stability of the group through the delivery of key projects.	Successfully led the assessment of Group funding options through to the conclusion. Other key commercial workstreams during the year included: • Root and branch review to understand all aspects of the business and establish a new operating and resource model. • Rebuilding and increasing the effectiveness of the executive and operating board to lead and manage the business and deliver against the key projects to timescales. • The establishment of the Mothercare Global brand and survival of the business. • New international franchise partners agreements. • UK franchise partner options resulting in a head of terms with Boots. After assessment it was deemed that this objective was achieved in full.	30%

Mark Newton-Jones

Measure	Detail	Assessment	Total Score (30% maximum) (%)
Customer experience	Improve the customer experience in–store and online. Deliver the objectives of the ELC sale and improve the toys proposition	Mark Newton–Jones stepped down as CEO on 23 January 2020 and was deemed no longer eligible for a pay out under the annual bonus scheme.	0%

Glyn Hughes

Measure	Detail	Assessment	Total Score (30% maximum) (%)
Transformation plan	Through appropriate project management expertise, recommend and deliver a successful transformation plan to safeguard the future of the group. Deliver a sustainable global brand through ensuring that key franchise agreements are renewed with key commercial implications. Secure appropriate pension stakeholder support	Led and achieved the delivery of a transformation plan that safeguarded the group through the creation of Mothercare Global Brand. Negotiated key franchise agreements. Delays in the signing of agreements were out of the individual's control. Gained pension stakeholder support for the transfer of the group pension into Mothercare Global Brand and in devising revised payment schedules. After assessment it was deemed that this objective was achieved in full.	30%

In the FY2019 remuneration report, it was stated that the intention was to set the Chairman's 2020 annual bonus to be based on 50% Group PBT and 50% financially based strategic measures. However, in light of the importance of the successful execution of the

Company's transformation plan the Remuneration Committee decided to set the annual bonus to be based on 20% Group PBT, 50% financially based strategic measures and 30% non-financially based strategic measures. This approach remains within the approved Remuneration Policy.

The Committee remains committed to transparent reporting on all aspects within the framework of operating in a highly competitive international market. The Committee will continue to assess the commercial sensitivity of measures and targets with the aim of disclosing wherever possible.

In line with the Remuneration Policy approved in 2019, the maximum opportunity is 100% with up to 75% of salary payable in cash. Any bonus payable in excess of this is delivered in shares vesting after three years subject to the participant's continued employment. The annual bonus theoretical payments for FY2020 did not exceed 75% of salary and so there will be no award of shares under the FY2020 Annual Bonus.

Long term incentive plans (audited)

LTIP 5

As reported in 2019, the LTIP 5 award granted in August 2016 was subject to two performance measures - an underlying EPS growth target, accounting for 50% of the award and relative TSR accounting for the balance. Half of any awards vesting under LTIP 5 are released after the end of the three-year performance period with the remaining half subject a further holding of one year.

The EPS performance period concluded at the end of FY2019 and performance was below threshold leading to this element lapsing.

The TSR performance period concluded in August 2019, and, as anticipated, there was no vesting under this element. Consequently, all conditional awards under LTIP 5 have lapsed.

Measure	Weighting (% of total award)	Threshold[1] (25% vesting)	Maximum[1] (100% vesting)	Outcome	Vesting of this element
Relative TSR against FTSE All Share Retailers	50%	Median	Upper quartile	Below Median	0%[1]
EPS	50%	25% CAGR	35% CAGR	Below Threshold	0%

1 Straight line vesting between threshold and maximum

New LTIP 2019 (audited)

The LTIP 2019 was awarded on 29 March 2019 and is subject to a relative TSR performance measure with a share price underpin of 30p. Vesting occurs on the third anniversary subject to the testing of the performance conditions. For Executive Directors all awards vesting will be subject to an additional two-year holding period.

Measure	Weighting (% of total award)	Threshold1 (25% vesting)	Maximum1 (100% vesting
Relative TSR against bespoke FTSE Retailers with 30p share price underpin	100%	Median	Upper quartile

1 Straight line vesting between threshold and maximum

The LTIP 2019 performance period concludes at the end of FY2022.

There were no further plan interests awarded during the year.

Existing awards:

Director	Plan	Basis of award	Face value	% vesting at threshold performance	Number of shares	Performance period end
Mark Newton-Jones	LTIP 2019	70%	£336,000	25%	1,806,257	FY2022
Glyn Hughes	LTIP 2019	70%	£227,500	25%	1,222,987	FY2022
Andrew Cook	LTIP 2019	60%	£132,000	25%	709,601	FY2022

The number of share options were calculated using an average share price of £0.186 per share. This was calculated by reference to the average closing share price over a period of the 30 business days ended 28 March 2019.

Upon stepping down from an Executive Director role the LTIP award made to Mark Newton-Jones was pro rated for time served during the performance measurement period.

Annual report on remuneration
continued

Chairman's award

During FY2019, a one-off award of restricted shares was made to Clive Whiley. There are no performance conditions attached to the award and vesting is dependent on Clive's continued employment with the Company. This award is due to vest at the end of FY2022 and all vested awards are subject to a further two year holding period. The change of Clive's role during FY2020 from Executive Chairman to Non-Executive Chairman will not affect the vesting schedule of the restricted share awards.

Director	Plan	Basis of award	Face value	Number of shares	Vesting Date
Clive Whiley	LTIP 2019: Chairman's award	30%	£144,000	774,110	29 March 2022

The number of conditional share award options were calculated using an average share price of £0.186 per share. This was calculated by reference to the average closing share price over a period of the 30 business days ended 28 March 2019.

Value Creation Plan (VCP)

The performance period for the VCP ended at the end of FY2020. The value of the VCP award was subject to the Company's share price growth (adjusted for dividends) from grant to the end of FY2020. The Company did not meet the performance criteria under the VCP and the award lapsed in full at the end of FY2020.

Payments to past directors (audited)

There were no payments made to past Directors.

Payments for loss of office (audited)

There were no payments for loss of office.

Statement of shareholding and share interests (audited)

Executive Directors are expected to build up a shareholding in the Company. After five years, the CEO and CFO are expected to hold shares in the Company equal to 200% of base salary. There was no requirement for the Chairman in his former executive role to build up a shareholding in the Company.

The Executive Directors remain committed to building up their shareholding in Mothercare.

Since their appointments in 2014 and 2017 respectively, Mark Newton-Jones and Glyn Hughes have purchased 2,278,552 and 553,204 shares at an average price of 33.4p and 26.98p per share representing 192% and 45.9% of their gross salaries. Andrew Cook was appointed on 23 January 2020.

The levels of share ownership as at 28 March 2020 are shown below:

			Shares held directly		Other Shares		Options			
Director	Shareholding requirement (% salary)[1]	Current shareholding (% salary)[2]	Legally owned as at 28 March 2020	Legally owned as at 30 March 2019	Subject to performance conditions	Not Subject to performance conditions	Vested but unexercised	Unvested LTIP interests	Unvested SAYE options	Shareholding requirement met?
Executive Directors										
Clive Whiley	n/a	n/a	1,000,000	500,000				774,110	–	n/a
Glyn Hughes	200%	45.9%	553,204	353,204	–	–	–	1,222,987	–	No
Andrew Cook	200%	0	0	–				709,601	–	No
Mark Newton-Jones	200%	192%	2,796,710	2,296,710	–	–	–	1,806,257	130,984	No
Non-Executive Directors										
Gillian Kent	n/a	n/a	–	–	n/a	n/a	n/a	n/a	n/a	n/a
Brian Small	n/a	n/a	–	–	n/a	n/a	n/a	n/a	n/a	n/a
Nick Wharton[3,4]	n/a	n/a	14,5924	14,592	n/a	n/a	n/a	n/a	n/a	n/a

1 Executive Director shareholding to be built up within five years of joining the Company.

2 Shareholding percentage was calculated by reference to the average mid-market quoted share price over the 30 days to the balance sheet date.

3 Nick Wharton's interest was held by his spouse, a person closely associated.

4 Holding as at termination date.

There were no movements in the shareholding of current directors since the year end and the date of finalising this report, 24 September 2020.

The outstanding awards as at 28 March 2020 under the LTIP, deferred annual bonuses and SAYE are set out in the table below.

Director	Plan	Date of award	Number of awards at 30.03.19	Awards granted	Awards vested	Awards lapsed	Number of awards at 28.03.20	Exercise price	Date at which award vests	Expiry date of awards
Clive Whiley	LTIP 2019 Chairman's award	29.03.19	774,110	–	–	–	774,110	Nil	29.03.2022	29.03.2029
Glyn Hughes	SAYE	–	–	–	–	–	–	–	–	–
	LTIP 2019	29.03.19	1,222,987	–	–	–	1,222,987	Nil	29.03.2022	29.03.2029
Andrew Cook	SAYE									
	LTIP2019	29.03.2019	709,601	–	–		709,601	Nil	29.03.2022	29.03.2029
Mark Newton-Jones	SAYE	03.01.19	–	130,984	–	–	130,984	13p	01.03.22	30.08.22
	LTIP 2019	29.03.19	–	1,806,257	–	–	1,806,257	Nil	29.03.2022	29.03.2029

The table above shows the maximum number of shares that could have been released if awards were to vest in full.

Mothercare Employees' Share Trustee Limited

The Mothercare Employees' Share Trustee Limited, held 5,986 Mothercare plc shares in trust on 28 March 2020 (30 March 2019: 5,986 shares). A separate trust, the Mothercare Employee Trust, held 925,342 shares on 28 March 2020 (30 March 2019: 988,022 shares).

The Executive Directors are also deemed to have an interest in shares held by Mothercare Employees' Share Trustee Limited and the Mothercare Employee Trust as potential beneficiaries.

Fairness, diversity and wider workforce considerations

Remuneration principles

Our reward strategy is designed to support and reinforce the Company's purpose, vision, culture and behaviours and to reward all of our employees for delivering against our strategic objectives. The principles that we have developed apply across all areas of the Company and are cascaded throughout the organisation.

Rewarding contribution and performance

In action

Performance is assessed against the behaviours required to support our commitment culture.

Incentive plans reward the delivery of our business strategy, targets are appropriately stretching, and objectives are focused on value creation.

Performance measures are reviewed regularly, personal and strategic objectives are accurately assessed, and targets are set relative to strategic priorities.

Transparency and participation

In action

The Committee communicates remuneration decisions through stakeholder engagement.

Incentive and benefits plans are clear, simple and understood by participants to maximise engagement.

The 2018 UK Corporate Governance Code requires the Committee to determine the Policy and practices for Executive Directors in line with the factors set out in Provision 40, and further details on our remuneration principles and how we have addressed the requirements are set out below:

Provision element	Company actions
Clarity	Performance metrics used for incentives are well disclosed and simple to understand. This provides clarity to all stakeholders on the relationship between the successful implementation of the Company's strategy and the remuneration paid.
Simplicity	The Company operates a UK market standard approach to remuneration for its Executive Directors which is familiar to all stakeholders.
Risk	The Policy includes the following: • Setting defined limits on the maximum awards which can be earned; • Requiring the deferral of a substantial proportion of the incentives in shares for a material period of time, helping to ensure that the performance earning the award was sustainable, and thereby discouraging short–term behaviours; • Aligning the performance conditions with the agreed strategy of the Company; • Ensuring a focus on long–term sustainable performance through the LTIP; and • Ensuring there is sufficient flexibility to adjust payments through malus and clawback and an overriding discretion to depart from formulaic outcomes, especially if it appears that the behaviours giving rise to the awards are inappropriate or that the criteria on which the award was based do not reflect the underlying performance of the Company.
Predictability	Shareholders were given full information on the potential values which could be earned under the Plans on their approval. In addition, all the checks and balances set out above under 'Risk' were disclosed at the time of shareholder approval.
Proportionality	The Company's incentive plans reward the successful implementation of the strategy, and through deferral and measurement of performance over a number of years ensure that the Executive Directors have a strong drive to ensure that the performance is sustainable over the long term. Poor performance will not be rewarded due to the Committee's overriding discretion to depart from the formulaic outcomes under the incentive plans if they do not reflect underlying business performance.
Alignment to culture	The focus on ownership and long–term sustainable performance is also a key part of the Company's culture, this is reflected in the level of deferral required on incentives. In addition, the measures used for the incentive plans are measures used to determine the success of the implementation of the strategy.

Wider workforce pay conditions

Delivery of our strategy depends on our success in attracting and recruiting an engaged workforce that have the right skills and demonstrate the right behaviours to make a valuable contribution to our business. The Board as a whole is focused on workforce engagement and the Remuneration Committee specifically has oversight of workforce pay, policies and incentives to ensure that they are aligned to remuneration policy.

Overall, for FY2020 we observed a structured and balanced approach to reward. Clearly the levels of remuneration and the types offered will vary across the Company depending on the employee's level of seniority and role. The Committee is not looking for a homogeneous approach; however, when conducting its review, it is paying particular attention to:

- Whether the element of remuneration is consistent with the Company Remuneration Principles;
- If there are differences, they are objectively justifiable;
- If the approach seems fair and equitable in the context of other employees.

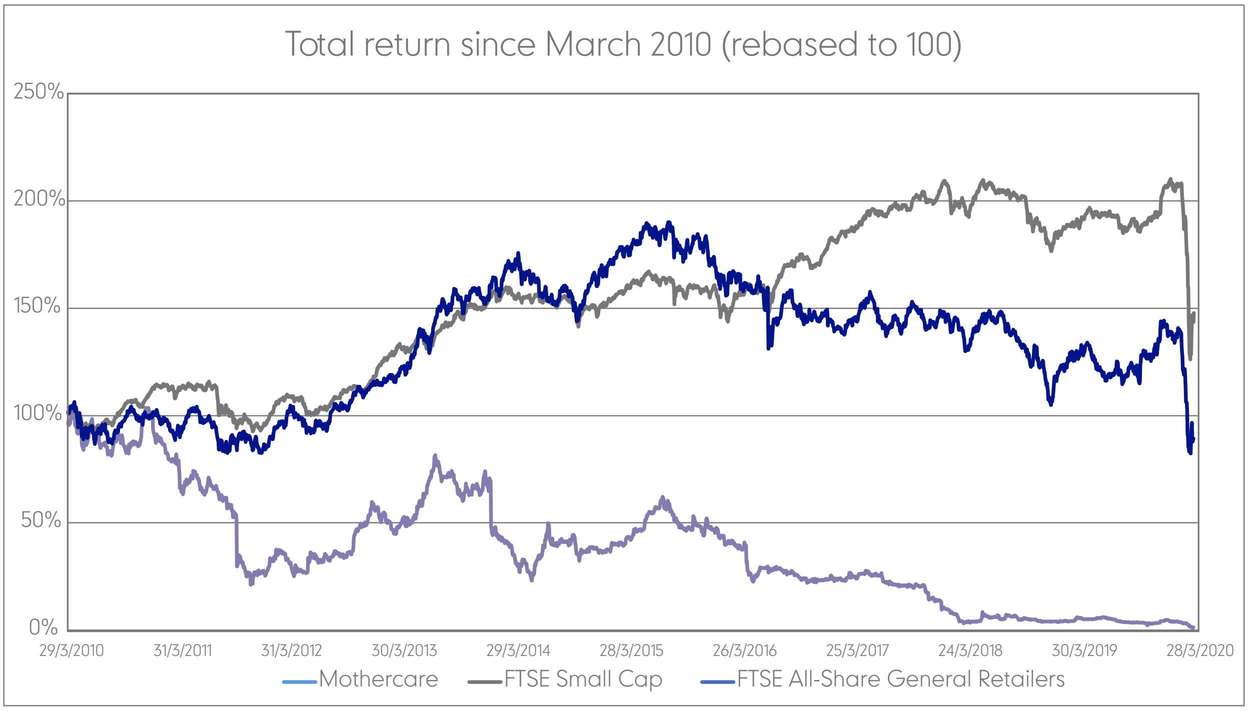
Summary of the remuneration structure for employees:

Pay Element	Pay Element	Executive Directors
Salary	We conduct an annual pay review for all employees. In setting the budget consider many factors such as market rates, economic context, business performance and affordability.	Salary increases are considered in the context of the wider workforce review and performance of the Company.
Pensions and benefits	We offer market–aligned benefits packages reflecting normal practice in each country in which we operate. Where appropriate, we offer benefit choices to our employees.	When recruiting or promoting new Executive Directors the Committee aligns the pension contribution to be at the level in line with all employees. Benefits are aligned to the Senior Leadership Team in the country of operation.
Annual bonus	Our workforce is eligible to participate in a cash bonus. The performance factors differ depending on the role, level and country of operation.	Maximum opportunity of 100% of base salary. Up to 75% is payable in cash with the remainder deferred in shares for 3 years.
Long Term Incentive Plan	No LTIPs in operation for wider workforce.	Maximum Initial Award 100% of salary. 3–year performance period. 2 year holding period.
SAYE plan	All UK employees are invited to participate in the SAYE plan	Executive Directors are invited to participate in the SAYE plan.

Performance graph

The performance graph below shows the Group's TSR against the return achieved by the FTSE Small Cap index. Given the Company's share price and market capitalisation, the Committee believes that the FTSE Small Cap represents the most appropriate index for comparison.

The graph also shows performance against the FTSE All Share General Retailers Index, given the Company is a constituent of this index. The graph shows the ten financial years to 28 March 2020.



Governance

CEO remuneration table

The table below sets out the details for the director undertaking the role of Chief Executive Officer over the past ten years.

Year	CEO	CEO single figure of total remuneration (£000s)	Annual bonus pay–out against maximum (%)	Long term incentive vesting against maximum opportunity (%)
2020[1]	Glyn Hughes (23.01.2020 – 28.03.2020)	68	0	0
2020[1]	Mark Newton–Jones (31.03.2020 – 22.01.2020)	453	0	0
2019[1]	Mark Newton–Jones[1]	622	33	0
2019[1]	David Wood[1]	274	0	0
2018	Mark Newton–Jones	727	0	0
2017	Mark Newton–Jones	718	0	0
2016	Mark Newton–Jones	814	0	0
2015	Mark Newton–Jones	774	46	0
2014	Simon Calver	587	0	0
2013	Simon Calver	611	11	0
2012	Ben Gordon	5,038	0	65.5
2011	Ben Gordon	5,231	0	99.5

1 The figures in the table above represent the value received for the time for the individuals served in the role of CEO during the year.

On 23 January 2020 Glyn Hughes was appointed Interim CEO and Mark Newton-Jones remained on the Board as an Executive Director.

Mark Newton-Jones was appointed CEO on 17 July 2014 and stepped down from that position on 4 April 2018 and was reappointed on 18 May 2018. David Wood was appointed as CEO on 4 April 2018 and became Group Managing Director on 18 May 2018. His salary for the period as CEO was £274,000. He resigned from the board on 21 November 2018. Simon Calver was appointed on 30 April 2012, resigned from the Board on 24 February 2014 and was employed by the Group until 28 March 2014. Ben Gordon resigned from the Board with effect from 17 November 2011.

Percentage change in remuneration of Director remuneration

The table shows a comparison of the percentage change in remuneration of each of the Company's directors compared with the average percentage change in remuneration of the employees (excluding directors) of the parent company between FY2019 and FY2020. Mothercare UK Limited was placed in administration on 5 November which resulted in a significant change in the structure of the business and number of employees within the group. Consequently, for FY2020, the Remuneration Committee considered it appropriate to adopt the 2019 Regulations and change the comparator group of employees as stated above. As such, percentage changes from 2018 are not shown as these do not present a like for like comparison. The Committee is committed however to build up a 5 year rolling illustration of changes in this metric from FY2020 onwards.

	Salary			Taxable benefits			Annual Bonus		
	2020	2019	% Change	2020	2019	% Change	2020	2019	% Change
CEO – Glyn Hughes (from 23/1/20)	325	325	0%	13	12	8.3%	0	163	–100%
CFO – Andy Cook	259	n/a	0%	2	–	n/a	–	–	n/a
ED – Mark Newton-Jones (to 22/1/20)	480	480	0%	14	11	27.3%	–	158	–100%
Chairman – Clive Whiley	480	480	0%	1	0	100%	0	240	–100%
NED – Gillian Kent	47.5	47.5	0%	0	0	0%	–	–	n/a
NED – Brian Small	47.5	–	n/a	–	–	n/a	–	–	n/a
Average % change for the parent company workforce from FY2019 to FY2020			0%			0%			–75%

Pay ratio information in relation to total remuneration of CEO

With effect from financial periods commencing on or after 1 January 2019, listed companies with an average in a year of more than 250 employees must publish and explain details of the pay ratio of the CEO's Single Figure to the median, lower quartile and upper quartile remuneration of its UK FTE employees.

CEO pay ratio

Year	Method	25th percentile pay ratio (X/Y25):1	Median pay ratio (X/Y50):1	75th percentile pay ratio (X/Y75):1
2020	Option C	30:1	30:1	19:1
	Salary	17,264	17,264	25,500
	Total pay and benefits	17,264	17,264	27,030

The CEO pay ratio compares the CEO's total remuneration for the year ended 28 March 2020, as set out in the "single figure of remuneration" table on page 39, to the full time equivalent total figure of pay and benefits of each of three colleagues who are positioned at the lower quartile, median and upper quartile percentile in the remuneration of our UK colleagues.

We have chosen Option C as the preferred method for identifying the relevant colleagues and have identified the three colleagues based on the full-time equivalent salaries and wages of all our colleagues as at 28 March 2020. The total pay and benefits and salaries set out in the table above of the three individuals placed at the 25th, 50th and 75th percentiles are an accurate reflection of their pay at that date. The Remuneration Committee believes it is appropriate to assess the three colleagues based on the 28 March 2020 population, rather than the population for the year as a whole, due to the significant change in employee numbers caused by Mothercare UK Limited being placed into administration on 5 November 2019. As a result of this reduced population, the colleagues placed at the 25th and 50th percentiles conduct similar roles and are remunerated on the same basis.

The median pay ratio is consistent with the pay, reward and progression policies for the group's store based colleagues, who are predominantly part time and currently form approximately two thirds of our total workforce. Whilst all colleagues are eligible to participate in the pension scheme, colleagues based in stores often choose not to participate due to their part time working hours and consequent level of total pay.

Relative importance of spend on pay

The following table sets out the percentage change in dividends and overall spend on pay in FY2020 compared to FY2019.

	FY2020	FY2019	% Change
Dividend	Nil	Nil	0
Employee Remuneration	£22.1m	£63.4m	-65%

FY2020 employee remuneration taken from note 7 on page 81 includes the wages and salaries, social security costs, pension costs and share-based payments charge for continuing operations and excludes MUK and MBSL discontinued operations.

FY2019 employee remuneration taken from note 7 on page 105 of the 2019 annual report and accounts, included hourly paid employees and excluded ELC discontinued operations.

Composition, remit and activity of the Remuneration Committee

The Remuneration Committee currently comprises two independent Non-Executive Directors – Gillian Kent (Remuneration Committee Chair) and Brian Small. The Chairman and Executive Directors will only attend Remuneration Committee meetings as and when invited by the Remuneration Committee Chair. The Group Company Secretary acts as secretary to the Committee.

The Committee's principal duty is the determination of the remuneration for the Executive Directors, approval of the pay and benefits of the members of the Operating Board and oversight of remuneration policy for senior management below Executive Director and Operating Board member level and workforce as a whole, to ensure that such remuneration is consistent with the delivery of the business strategy and value creation for shareholders. The Committee sets the fee to be paid to the Chairman.

The Committee held four formal meetings during the year and one ad hoc meeting. Each member's attendance at the meetings is set out on page 28 of the corporate governance report. The table below lists the detail and scope of actions arising from those meetings. The Committee's detailed terms of reference are available on the Company's website at www.mothercareplc.com.

Remuneration Committee Activity

The Committee considered the following matters during the financial year:

	Duties	Action
Strategy and policy	To set the remuneration policy for all Executive Directors and the Company Chairman and senior management. To ensure compliance with the Remuneration Policy.	The current Directors' Remuneration Policy was approved at a General Meeting on 29 March 2019. The Policy took effect for a period of up to three years from that date. It was developed taking into account the principles of the UK Corporate Governance Code 2018 and the latest guidelines from investor groups and no revision is proposed.
Directorial changes and recruitment		On 23 January 2020 Glyn Hughes was promoted to Interim CEO, Andrew Cook appointed as CFO (an internal promotion) and Mark Newton–Jones stepped down as CEO remaining as an Executive Director with immediate effect. Mark Newton–Jones remained in the role of executive director until 23 July and with effect from 24 July 2020 he became a Non–Executive Director. Clive Whiley became Non–Executive Chairman on 29 March 2020. The Committee approved the remuneration packages in line with the Policy.
Salary	To recommend to the Board the remuneration for all Executive Directors, the Chairman and the Company Secretary, and consider the levels and structure of remuneration for Executive Committee members and other members of senior management having oversight of the workforce as a whole. Approval of any pay awards to the Executive Directors or Executive Committee.	In line with the Remuneration Policy an annual review of salaries was undertaken and no further changes were applied save as set out below. No change was applied to Glyn Hughes' salary of £325,000. Andrew Cook's salary was set at £259,000. No change was applied to Mark Newton–Jones's salary. His fee as Non–Executive director was set at £40,000 post–year end. Clive Whiley's Non–Executive Chairman fee effective from 29 March 2020 was set at £130,000. No salary increases were made for the Operating Board at the review in March 2020. In addition, the Committee also considered the pay review of the wider population of salaried employees which remained on hold. For Mini Club employees the Committee endorsed the increase of the Mothercare minimum wage to £8.80/hour (from age 21) with effect from 1 April 2020 which means the Company continues to pay above the national living wage. The Mini Club employees were placed in the UK Government's Coronavirus Job Retention Scheme with Mini Club UK Limited topping up the 80% furlough payment to 100% under the JV arrangements with Boots.
Annual bonus - STIP	To determine targets and monitor performance against those targets for any performance–related pay schemes operated by the Company, and approve the total annual payments made under such schemes.	Approved the full year FY2020 targets and weightings for Clive Whiley, Mark Newton–Jones, and Glyn Hughes. Approved the achievement of objectives in respect of the FY2020 Annual bonus awards for Clive Whiley, Mark Newton–Jones and Glyn Hughes as reported on page 37.
Long term incentives	To review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors and other designated senior executives and the performance targets to be used.	The current long–term incentive plan (LTIP) was approved at a General Meeting on 29 March 2019. No LTIP awards were made during FY2020 and plans are in place for an award during FY2021.
Benefits	To recommend to the Board the remuneration for all Executive Directors, the Chairman and the Company Secretary, and consider the levels and structure of remuneration for Executive Committee members and other members of senior management.	As a result of the changes announced on 23 January 2020, Glyn Hughes received an augmented car allowance; with effect from 29 March 2020 the chairman only receives his fee and no benefits. There were no other changes made to Executive Director or Executive Committee benefits during the year.

Advisors to the Committee

The Committee retains external suppliers to provide advice on specific topics during the year, some of whom attend Committee meetings at the invitation of the Chair. The Committee has also consulted with the CEO, CFO, People and Governance Director and Group Company Secretary. No Executive has been present for discussions in relation to their own remuneration.

People or Organisation	Scope	Fees
PricewaterhouseCoopers LLP (PwC)	Advice in relation to executive remuneration including and attendance at various Committee meetings.	£40,600 excluding VAT, calculated based on both hourly rates and fixed fee bases. (FY2019 £59,600).

The appointment of external independent remuneration consultants is the responsibility of the Committee. PwC were appointed as the Committee's independent advisers in 2012 following a selection process and their appointment was reviewed during FY2020. PwC also provides certain other advice and non-audit services to the Group (including VAT advice). The Committee is satisfied that this does not compromise the independence of the advice provided. PwC is a member of the Remuneration Consultants Group and adheres to the voluntary Code of Practice in relation to the advice it provides to the Company.

Statement of voting at General Meeting

The FY2019 Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) was approved at the Annual General Meeting held on 26 July 2019. The revised Directors' Remuneration Policy was approved at a General Meeting held on 29 March 2019. Having passed a binding vote at that General Meeting, the Policy is next subject to a binding vote in 2022.

The resolutions were passed on a show of hands at the meetings. The following proxy votes were received in advance.

Meeting	Resolution	Votes For (including Discretion)	% of Votes For (including discretion)	Votes Against	% of Votes Against	Total votes cast (excluding withheld)	Votes Withheld*	% of votes withheld
AGM 26.07.19	To approve the Directors' remuneration report (2019)	205,972,725	87.38	29,729,692	12.62	235,522,417	47,396	0.02
GM 29.03.19	To approve the Directors' Remuneration Policy (2019)	230,313,298	84.52	42,185,076	15.48	272,498,374	59,811	0.02

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

As at 26 July 2019, the Company's issued share capital and total voting rights consisted of 341,798,346 ordinary shares each carrying voting rights.

There are no shares in treasury. As a result, proxy votes representing approximately 68.9% of the voting capital were cast for the 2019 AGM.

The Committee remain committed to continuing to engage with shareholders and their advisory bodies on an ongoing basis as appropriate.

Statement of implementation in FY2021

Executive Directors

Base pay

Executive Director salaries are normally reviewed in March each year. In light of the uncertainty in relation to COVID-19, it was decided not to increase base salaries for FY2021. Base salaries will be reviewed again in March 2021. Clive Whiley stepped into a Non-Executive Chairman role with effect from 29 March 2020 and is therefore not included in this table.

Job Title	Name	FY2021	FY2020	Increase
Interim CEO	Glyn Hughes[1]	£325,000	£325,000	0%
CFO	Andrew Cook[2]	£259,000	£259,000	0%
Executive Director	Mark Newton–Jones[3]	£480,000	£480,000	0%

1. From 23 January 2020 Glyn Hughes became Interim CEO with no increase to base salary.
2. Andrew Cook was appointed CFO on 23 January 2020 on a base salary of £259,000.
3. Mark Newton-Jones stepped down as CEO and remained on the Board as an Executive Director on 23 January 2020. With effect from 24 July 2020 Mr Newton-Jones stepped into a Non-Executive Director role subject to approval at the forthcoming general meeting. Details of his Non-Executive Director fee are set out at page 52. The salary for FY2021 is a full year equivalent number and remains unchanged from FY2020.

Annual report on remuneration
continued

Annual bonus (STIP)

All Executive Directors' FY2021 maximum bonus opportunity is 100%. In line with the new Remuneration Policy any award up to 75% of salary will be payable in cash. Any bonus payable in excess of this will be delivered in shares vesting after three years subject to continued employment.

The performance weightings for the CEO and CFO for FY2021 are outlined below:

Measure	Weighting CEO	Weighting CFO
Group PBT	50% minimum	50% minimum
Financially based strategic measures	20%	20%
Non-financial strategic measures	30% maximum	30% maximum

Due to the potential impact on our commercial interests, annual bonus targets are considered commercially sensitive and therefore will be disclosed in the FY2021 Remuneration Report following completion of the financial year.

Measures and targets will be set taking into account the Company's current financial position and the imperative to focus on the delivery of a successful plan to improve performance.

Long term incentive awards

The award made under the LTIP at the end of FY2019 carries a performance period that spans FY2020 to FY2022. This award was granted within the terms as set out in the new Remuneration Policy. Details of this grant can be found on page 43 of this report.

No awards were made during FY2020 and being cognisant of the impact of COVID-19 on target setting and the share price at the time of writing, the Committee has determined that it shall delay granting the awards until later in 2020. The quantum and performance measures of any potential awards for FY2021 will be subject to careful consideration by the Committee taking into factors such as the share price and strategic imperatives at the time.

In line with the Policy, any awards made under the LTIP will be limited to a maximum opportunity of 100% of salary. All Executive Directors' awards carry a performance period of three years and vested awards are subject to an additional two-year holding period. Performance conditions will be decided by the Remuneration Committee and be aligned to the Company's strategic objectives.

Pensions and benefits

There are no changes proposed for pensions and benefits, and these will be provided in line with the Policy. The Executive Directors currently receive a pension contribution of 6% of salary which is in line with the wider workforce. Furthermore, as per the approved Policy, any newly appointed Executive Director will receive a pension in line with the wider workforce.

Non-Executive Director Fees

There has been no change to the Non-Executive Directors' annual fees since the voluntary fee reduction in February 2018. Expenses incurred are reimbursed in accordance with the normal business expense policy.

Job Title	Name	FY2021	FY2020	Change	Notes
Chairman	Clive Whiley	£130,000	–	–	Non–Executive with effect from 29 March 2020
NED	Gillian Kent	£47,500	£47,500	0%	Includes supplementary fee of £7,500 as Chair of the Remuneration Committee
NED	Brian Small	£47,500	£47,500	0%	Includes supplementary fee of £7,500 as Chair of the Audit and Risk Committees
NED	Mark Newton–Jones	£40,000[1]	–	–	Non–Executive Director with effect from 24 July 2020

1. Fees shown for Mark Newton-Jones represent full year fee.

APPROVAL

This report was approved by the Board of Directors on 24 September 2020 and signed on its behalf by Gillian Kent, Chair of the Remuneration Committee.

Financial statements

Financials

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report, the Directors' Remuneration 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 are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and Article 4 of IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the company's performance, business model and strategy and is fair, balanced and understandable.

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

This responsibility statement was approved by the board of directors on 24 September 2020 and is signed on its behalf by:

Clive Whiley
Chairman

Andrew Cook
Chief Financial Officer

Independent auditor's report to the members of Mothercare plc

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of Mothercare Plc (the 'parent company') and its subsidiaries (the 'group') for the period ended 28 March 2020 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement and the related 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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).

We do not express an opinion on the accompanying financial statements of the parent company and the group. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Going concern

In forming their assessment on the appropriateness of preparing the parent company and the group financial statements on the going concern basis the Directors have identified multiple uncertainties, including the following:

- The refinancing of the Revolving Credit debt facility which, due to covenant breaches, is currently repayable on demand;
- Clarifying the form and timing of the settlement of the shareholder loans, which expire in June 2021 and may be settled in equity or cash at the shareholders' discretion, and
- The renegotiation of a reduction in the defined benefit pension scheme contributions with the scheme Trustees.

These activities which form part of the Group's planned financial restructuring, are in progress but have not been concluded at the date of approval of the financial statements.

The forecasts prepared by the Directors in forming their assessment consider a reasonable worst case scenario to model the potential ongoing impact of COVID-19 on the business and are highly sensitive to the assumptions made in respect of the potential impact of a second wave. These forecasts are based on projections for the restructured business, for which there is limited like for like historical data.

The Directors have concluded that these events or conditions indicate that material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern

Due to the potential interaction of the individual material uncertainties and their possible cumulative effect on the financial statements we are unable to form an opinion on the financial statements.

Administration of the UK retail operations

On the 5th November 2019, two of the Group's UK trading subsidiaries, Mothercare UK Limited and Mothercare Business Services Limited, were put into administration. Accordingly, the results of the UK retail operations, including directly attributable overhead costs, and a profit on disposal, have been presented in the discontinued operations line item in the Consolidated Income Statement.

The UK operations finance team were made redundant after the date of administration and were not available to provide supporting information and explanations in respect of the UK retail operations. As a result of this we have been unable to obtain sufficient appropriate audit evidence concerning the discontinued operations included in the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement for the 52 weeks ended 28 March 2020.

Furthermore, given the limited information available on the results included in the discontinued operations line item as noted above, we have also not been able to obtain sufficient appropriate audit evidence concerning the classification of the Consolidated Income Statement items between continuing and discontinued and whether any adjustments were necessary in respect of this classification. As such we have been unable to obtain sufficient appropriate audit evidence concerning both the loss and cash flows for the 52 weeks ended 28 March 2020.

Due to the significance of the matters described above, and the potential interaction of the individual uncertainties and their possible cumulative effect on the financial statements, we have not been able to form an opinion on the financial statements.

Inventories

In respect of the inventory balance, which has a carrying value of £9.7m, a stocktake was not performed due to the outbreak of COVID-19. We were therefore unable to observe the counting of the physical inventories and the audit evidence available to us was limited.

We were therefore unable to obtain sufficient appropriate audit evidence concerning the existence and condition of inventories and consequently we were unable to determine whether any adjustment to the carrying value of inventory was necessary.

Had we not disclaimed our audit opinion, this matter would have required a modification to the opinion.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law.

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

Conclusions relating to principal risks, going concern and viability statement

Due to the matter described in the basis for disclaimer of opinion section of our report, we are unable to conclude whether we have anything to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report and Accounts on pages 10 to 13 that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated (including the impact of Brexit);
- the directors' confirmation, set out on pages 10 to 13 of the annual report that they have completed a robust assessment of the principal and emerging risks facing the group (including the impact of Brexit), including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement, set out on pages 19 of the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statements relating to going concern and the prospects of the group required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on pages 19 and 20 of the annual report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions

Grant Thornton

Overview of our audit approach

- Overall materiality: £885,000, which represents 0.5% of the group's revenue from continuing operations.
- Key audit matters were identified as
  - Going concern; and
  - The impact and accounting for the administration of Mothercare UK Limited and Mothercare Business Services Limited.
- We performed audit procedures over five reporting components in the Group, including all financially significant components. Audit procedures were performed over the parent Company financial statements and the consolidation adjustments.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that we identified. These matters included those that 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. In addition to the matters described in the basis for disclaimer of opinion section we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
The impact of and accounting for the administration of Mothercare UK Limited and Mothercare Business Services Limited On 5 November 2019, two trading subsidiaries of the Group, Mothercare UK Limited and Mothercare Business Services Limited, entered into administration. On the same day, the administrators entered into an agreement with Mothercare Global Brand Limited, a separate subsidiary of the Group, for certain assets and liabilities to be transferred to Mothercare Global Brand Limited from Mothercare UK Limited (the Agreement). Management considered the accounting for this transaction, specifically whether it fell within the definition of a Business Combination under IFRS 3 'Business Combinations' and whether the assets and liabilities set out in the agreement were effectively disposed of and then reacquired, or whether in substance, no loss of control had occurred. Management concluded that no loss of control had occurred and accordingly transferred the assets and liabilities at book value. Management also considered the accounting treatment of the administration proceeds due from the administrators to the Group's secured lenders and concluded that a financial asset should be recognised in respect of these proceeds. The UK operations finance team were made redundant after the date of administration and so were not available to provide audit evidence in respect of the entities in administration. Further, the loss of key personnel increases the risk of fraud and error at the financial statement level. We therefore identified the impact of and the accounting for the administration of Mothercare UK Limited and Mothercare Business Services Limited as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work in relation to the accounting for the Transaction included, but was not restricted to: • reading and obtaining an understanding of the terms and conditions of the Asset Sale Agreement and determining whether the transfer of the assets and liabilities to Mothercare Global Brand Limited was in accordance with the agreement; • assessing management's rationale and challenging the conclusion that the Transaction did not meet the definition of a business combination and was therefore outside of the scope of IFRS 3; • challenging against the financial reporting framework, the specific treatment of the administration proceeds from Mothercare UK Limited towards the third party secured debt, which is held by Mothercare plc but which has Mothercare UK Limited as a guarantor and obligor; The group's accounting policy on the Administration of Mothercare UK Limited is shown in Note 2 to the consolidated financial statements and related disclosures are included in Note 10. The Audit and Risk Committee identified the administration of Mothercare UK Limited as a significant issue in its report on page 31. *Key observations* Based on the audit work performed, we are satisfied that management has appropriately accounted for the transfer of assets and liabilities from Mothercare UK Limited to Mothercare Global Brand Limited and for the administration proceeds received. However, as referenced in the basis for disclaimer of opinion section of our audit report. we have not been able to obtain sufficient appropriate audit evidence concerning the results included within discontinued operations, or to conclude on whether the allocation between continuing operations and discontinued operations is accurate. The significance of these matters has contributed to our inability to form an opinion on the financial statements.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

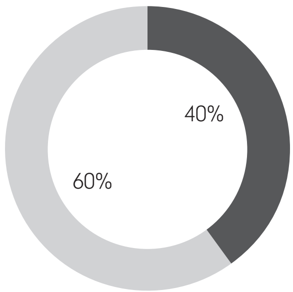
Materiality was determined as follows:

Materiality measure	Group	Parent company
Financial statements as a whole	£885,000, which is 0.5% of the group's revenue from continuing operations. This benchmark is considered the most appropriate because it represents the continuing performance of the business post restructuring.	£531,000 which is 0.3% of the parent company's net liabilities, capped at 60% of group materiality. This benchmark is considered the most appropriate because the parent company is primarily non-trading and,in a net liability position.
Performance materiality used to drive the extent of our testing	60% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as related party transactions.
Communication of misstatements to the audit committee	£44,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£27,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

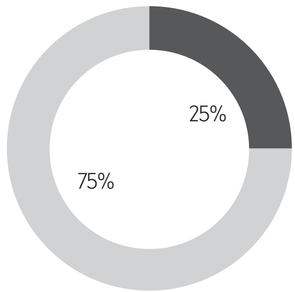
Independent auditor's report to the members of Mothercare plc continued

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent company



● Tolerance for potential uncorrected mis-statements ● Performance materiality

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular:

- We evaluated the identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. We measured significance based on the percentage of the group's total assets, revenues and profit before taxation.
- We determined that the most effective way to scope the audit was to perform full scope audit procedures on the 5 main reporting components, which were all UK based. These components included the Parent Company entity.
- For any remaining entities, not in scope for full audit procedures, these were either dormant companies, holding companies or intercompany trading entities and we performed analytical review over these components at the year end.
- All of the work was carried out by the Group audit team. Work was planned and performed during both interim and year end visits. Planning work also included a detailed assessment of the group's internal control environment, including the IT systems and controls.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

Whilst in planning the audit we identified and assessed risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we were unable to form an opinion on the financial statements, as set out in basis for disclaimer of opinion.

Other information

Because of the matters described in the basis for disclaimer of opinion we are unable to conclude whether, in respect of:

Fair, balanced and understandable, set out on page 54 – the statement by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit.

Except for the possible effects of the matters described above, we have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Audit committee reporting, set out on pages 29 to 32 – The section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee is materially inconsistent with our knowledge obtained in the audit; or
- Directors' statement of compliance with the UK Corporate Governance Code, set out on page 24 - the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion whether, 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 those reports have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report under the Companies Act 2006

Due to the matter described in the basis for disclaimer of opinion section of our report, we are unable to conclude whether or not the strategic report or the directors' report may be materially misstated.

Matters on which we are required to report by exception

Arising from the matters described in the basis for disclaimer of opinion referred to above:

- we have not received all the information and explanations that we considered necessary for the purpose of our audit;
- 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 and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or a corporate governance statement has not been prepared by the parent company.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 54, 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 the 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 for the audit of the financial statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with International Standards on Auditing and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

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.

Other matters which we are required to address

We were appointed as auditors at the Annual General Meeting on 26 July 2019. The period of total uninterrupted engagement is 1 year, covering the year ended 28 March 2020.

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.

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

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.

Wendy Russell
Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Milton Keynes

24 September 2020

Consolidated income statement

For the 52 weeks ended 28 March 2020

		52 weeks ended 28 March 2020			53 weeks ended 30 March 2019 Restated*		
	Note	Before adjusted items £ million	Adjusted items[1] £ million	Total £ million	Before adjusted items £ million	Adjusted items £ million	Total £ million
Continuing operations							
Revenue	4	**164.7**	**–**	**164.7**	199.8	–	199.8
Cost of sales		**(128.5)**	**–**	**(128.5)**	(147.0)	(0.9)	(147.9)
Gross profit		**36.2**	**–**	**36.2**	52.8	(0.9)	51.9
Administrative expenses	6	**(34.8)**	**(6.9)**	**(41.5)**	(42.7)	(17.7)	(60.4)
Impairment losses on receivables	19	**(2.2)**	**–**	**(2.2)**	(3.9)	–	(3.9)
(Loss)/profit from operations	7	**(0.6)**	**(6.9)**	**(7.5)**	6.2	(18.6)	(12.4)
Net finance costs	8	**(4.9)**	**6.0**	**1.1**	(3.5)	(2.1)	(5.6)
(Loss)/profit before taxation		**(5.5)**	**(0.9)**	**(6.4)**	2.7	(20.7)	(18.0)
Taxation	9	**(0.9)**	**0.1**	**(0.8)**	(4.0)	0.9	(3.1)
Loss for the period from continuing operations		**(6.4)**	**(0.8)**	**(7.2)**	(1.3)	(19.8)	(21.1)
Discontinued operations							
(Loss)/profit for the year from discontinued operations	10	**(8.4)**	**30.0**	**21.6**	(18.3)	(57.6)	(75.9)
(Loss)/profit for the period attributable to equity holders of the parent		**(14.8)**	**29.2**	**14.4**	(19.6)	(77.4)	(97.0)
(Loss)/profit per share from continuing and discontinued operations							
Basic	12	**(4.2)p**		**4.1p**	(6.9)p		(34.2)p
Diluted	12	**(4.2)p**		**3.0p**	(6.9)p		(34.2)p
Loss per share from continuing operations							
Basic	12	**(1.8)p**		**(2.0)p**	(0.5)p		(7.4)p
Diluted	12	**(1.8)p**		**(2.0)p**	(0.5)p		(7.4)p

1 Includes adjusted costs (property costs, restructuring costs and impairment charges), the fair value movement on embedded derivatives, profit/loss on disposal of the UK operating segment and ELC business, and the impact of non-cash foreign currency adjustments as set out in note 6 to the consolidated financial statements. Adjusted items are considered to be one-off or significant in nature and /or value. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across the periods because it is consistent with how the business performance is reviewed by the Board and the Operating Board.

* Results for the prior year have been reclassified for the discontinuation of the ELC business and the UK operating segment (see note 10), and restated for the impact of prior year adjustments (note 32).

Consolidated statement of comprehensive income

For the 52 weeks ended 28 March 2020

	Note	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 Restated £ million
Profit/(loss) for the period		**14.4**	(97.0)
Items that will not be reclassified subsequently to the income statement:			
Remeasurement of net defined benefit liability:			
Actuarial gain on defined benefit pension schemes	31	**46.6**	1.6
Deferred tax relating to items not reclassified	17	**(5.4)**	0.2
		41.2	1.8
Items that may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations	27	**(1.9)**	0.1
Cash flow hedges: gains arising in the period	27	**–**	12.9
Deferred tax relating to items reclassified	17	**–**	(0.6)
		(1.9)	12.4
Other comprehensive income for the period		**39.3**	14.2
Total comprehensive expense for the period wholly attributable to equity holders of the parent		**53.7**	(82.8)

Consolidated balance sheet
As at 28 March 2020

	Note	30 March 2020 £ million	30 March 2019 Restated £ million	24 March 2018 Restated £ million
Non-current assets				
Goodwill		**–**	–	26.8
Intangible assets	14	**0.6**	16.3	39.6
Property, plant and equipment	15	**0.7**	27.7	55.0
Long-term receivables		**–**	–	0.1
Deferred tax asset		**–**	–	3.6
Right-of-use leasehold assets	16	**7.9**	–	–
Retirement benefit obligations	31	**29.8**	–	–
		39.0	44.0	125.1
Current assets				
Inventories	18	**9.7**	66.8	87.0
Trade and other receivables	19	**15.6**	45.9	64.5
Derivative financial instruments	22	**21.0**	1.5	0.1
Cash and cash equivalents	20	**6.1**	16.3	–
Assets classified as held for sale		**–**	0.5	–
		52.4	131.0	151.6
Total assets		**91.4**	175.0	276.7
Current liabilities				
Trade and other payables	23	**(29.5)**	(101.2)	(105.5)
Borrowings	21	**(28.0)**	(11.5)	(1.6)
Current tax liabilities		**(0.3)**	(0.7)	(0.3)
Provisions	24	**(2.3)**	(22.4)	(9.4)
		(60.1)	(135.8)	(16.8)
Non-current liabilities				
Trade and other payables	23	**–**	(16.8)	(21.5)
Borrowings	21	**(12.8)**	(11.7)	(42.5)
Lease liabilities	16	**(8.4)**	–	–
Derivative financial instruments	22	**(0.3)**	(4.8)	(0.6)
Retirement benefit obligations	31	**–**	(24.9)	(37.7)
Provisions	24	**(2.1)**	(35.2)	(37.4)
Deferred tax liability	17	**(5.4)**	–	–
		(29.0)	(93.4)	(133.6)
Total liabilities		**(89.1)**	(229.2)	(273.3)
Net assets/(liabilities)		**2.3**	(54.2)	3.4
Equity attributable to equity holders of the parent				
Share capital	25	**87.4**	87.1	85.4
Share premium account	26	**91.7**	88.9	61.0
Own shares	25	**(1.0)**	(1.1)	(1.1)
Translation reserve	27	**(3.7)**	(1.8)	(1.9)
Hedging reserve	27	**–**	1.3	(9.4)
Retained loss		**(172.1)**	(228.6)	(130.6)
Total equity		**2.3**	(54.2)	3.4

Approved by the board and authorised for issue on 24 September 2020 and signed on its behalf by:

Andrew Cook
Chief Financial Officer

Company Registration Number: 1950509

Financials

Consolidated statement of changes in equity

For the 52 weeks ended 28 March 2020

	Note	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Hedging reserve £ million	Retained earnings £ million	Total equity £ million
Balance at 30 March 2019 as restated		**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	27	–	–	–	(1.9)	–	–	(1.9)
Other comprehensive (expense)/income		–	–	–	(1.9)	–	41.2	39.3
Profit for the period		–	–	–	–	–	14.4	14.4
Total comprehensive (expense)/income		**–**	**–**	**–**	**(1.9)**	**–**	**55.6**	**53.7**
Issue of new shares	25,26	0.3	2.9	0.1	–	–	–	3.3
Expenses of issue of equity shares	26	–	(0.1)	–	–	–	–	(0.1)
Transfer from equity to inventories during the period	27	–	–	–	–	(1.3)	–	(1.3)
Adjustment to equity for equity-settled share-based payments	30	–	–	–	–	–	0.9	0.9
Balance at 28 March 2020		**87.4**	**91.7**	**(1.0)**	**(3.7)**	**–**	**(172.1)**	**2.3**

For the 53 weeks ended 30 March 2019

	Note	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Hedging reserve £ million	Retained Earnings £ million	Total equity £ million
Balance at 25 March 2018 as previously reported		**85.4**	**61.0**	**(1.1)**	**(1.9)**	**(9.4)**	**(129.4)**	**4.6**
Cumulative adjustment to opening balances from the application of IFRS 15		–	–	–	–	–	(0.8)	(0.8)
Cumulative adjustment to opening balances from the application of IFRS 9		–	–	–	–	–	(2.0)	(2.0)
Prior year adjustments	2	–	–	–	–	–	(1.2)	(1.2)
Balance at 25 March 2018 as restated		**85.4**	**61.0**	**(1.1)**	**(1.9)**	**(9.4)**	**(133.4)**	**0.6**
Items that will not be reclassified subsequently to the income statement		–	–	–	–	–	1.8	1.8
Items that will be reclassified subsequently to the income statement	27	–	–	–	0.1	12.3	–	12.4
Other comprehensive income		–	–	–	0.1	12.3	1.8	14.2
Loss for the period		–	–	–	–	–	(97.0)	(97.0)
Total comprehensive income/(expense)		**–**	**–**	**–**	**0.1**	**12.3**	**(95.2)**	**(82.8)**
Issue of new shares	25,26	1.7	30.8	–	–	–	–	32.5
Expenses of issue of equity shares	26	–	(2.9)	–	–	–	–	(2.9)
Transfer from equity to inventories during the period	27	–	–	–	–	(1.6)	–	(1.6)
Adjustment to equity for equity-settled share-based payments	30	–	–	–	–	–	–	–
Balance at 30 March 2019 as restated		**87.1**	**88.9**	**(1.1)**	**(1.8)**	**1.3**	**(228.6)**	**(54.2)**

Consolidated cash flow statement

For the 52 weeks ended 28 March 2020

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

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 123. The nature of the Group's operations and its principal activities are set out in note 5 and in the business review on page 34.

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 28 March 2020. The comparative period covered the 53 weeks ended 30 March 2019.

Basis of accounting

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') adopted for use in the European Union, International Financial Reporting Interpretations Committee ('IFRIC') interpretations, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. These financial statements therefore comply with Article 4 of the EU IAS Regulation.

Adoption of new and revised Standards

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

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

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

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

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

New standards not affecting the reported results nor the financial position

In the current year, in addition to IFRS 16, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New Standards in issue but not yet effective

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

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

These standards which have been issued but are not yet effective are not expected to have a material impact on the disclosures or the amounts reported in these financial statements.

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). Assets held for sale are presented separately in the Group balance sheet.

Going concern

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

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

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

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

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

In making the assessment on going concern the Directors have assumed that it is able to mitigate the material uncertainty surrounding the ongoing financial restructuring of the Group, which includes:

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

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

The sensitised scenario assumes the following additional key assumptions:

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

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

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

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 28 March 2020. 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.

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

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

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

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

By applying merger accounting principles, the group has reflected the commercial substance of the transaction and has accounted for this by:

- Derecognising the assets and liabilities of MUK retained by the administrator;
- Recognising the payments made/to be made and liabilities to be assumed by the group under the terms of the sale and purchase agreement agreed with the administrator; and
- Recognising the resulting difference as a gain on disposal of the UK retail business in the consolidated income statement.

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 fair value of the consideration 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 the individual performance obligations have been identified. Two separate performance obligations have been identified in relation to income received from franchise partners:

The first distinct 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.

The second distinct 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.

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.

Revenue recognition – discontinued operations

Sales of goods are recognised when goods are delivered and title has passed. For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail store, at which time payment of the transaction price is due immediately. Revenue from online sales is recognised when control passes to the customer, on receipt of the goods.

Under the Group's standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods as an asset and a corresponding adjustment to cost of sales. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

Gift card breakage is recognised in proportion to its usage pattern to the extent it is recoverable.

Supplier funding income

The Company receives income from its suppliers, primarily in the form of early settlement discounts and volume based rebates, and recognises these as a reduction in cost of sales in the year to which they relate. Any supplier funding income received in respect of unsold stock at the period end is accounted for as deferred income on the balance sheet. The Group accrues for supplier income due from annual agreements for volume rebates.

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.

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 12.

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.

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 provision for onerous leases, impairment charges, and restructuring costs can have a material impact on the trend in the 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:

Continuing operations

- costs associated with restructuring, redundancies and refinancing;

- finance costs, including the fair value movement on embedded derivatives in the shareholder loans;
- loss on disposal of the UK business;
- FY19: profit arising on the sale of the Head office freehold;
- FY19: loss on disposal of the ELC business;

Discontinued operations

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

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

Foreign currency transactions

Foreign currency adjustments include within the underlying income statement:

- Current and prior year: the retranslation of foreign currency denominated cash and debtor balances (predominantly USD) to closing spot rate.
- Current year only: the retranslation of foreign currency denominated creditor balances (predominantly USD) to closing spot rate.

The Group ceased hedging during the year, however there were open hedging contracts at the end of the prior comparative period. As a result the following foreign currency revaluation amounts have been included within adjusted costs in the prior year results:

- the retranslation of foreign currency denominated creditor balances and stock (predominantly USD) to closing spot rate.
- the revaluation of outstanding forward contracts which have not yet been matched to the purchase of stock.

Leasing

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

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

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

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

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

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

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

The Group as lessor

Rental income from operating leases which are less than twelve months in duration is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the term of the leases. The Group does not act as a lessor on any leases which are longer than twelve months in duration.

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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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.

Hedge accounting

In order to hedge its exposure to certain foreign exchange risks, the Group has previously entered into forward contracts. During the current financial year, the Group ceased hedging, and there are no open forward contracts at 28 March 2020.

The Group designates its forward currency contracts as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Changes in the fair value of financial instruments designated as effective are recognised in other comprehensive income and any ineffective portion is recognised immediately in the income statement. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit and loss in the periods when the hedged item is recognised in profit or loss, categorised in the income statement for consistency with the recognised hedged item; when the underlying hedged item results in recognition of a non-financial asset, an adjustment is made to take it to inventory. Movements in the hedging reserve in equity are detailed in note 27.

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 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 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.

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). 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. 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.

Investment property

Investment property is initially measured at cost, and subsequently at cost less accumulated depreciation and any accumulated impairment losses, with changes in the carrying value recognised in the consolidated statement of comprehensive income. Rent receivable is recognised on a straight-line basis over the period of the lease. Where an incentive (such as a rent free period) is given to a tenant, the carrying value of the investment property excludes any amount reported as a separate asset as a result of recognising rental income on this basis.

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.

Whilst the Group engages in hedge accounting (no new contracts were taken out in the current financial period ended 28 March 2020), inventory is adjusted on recognition by transferring amounts from the hedging reserve.

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 £21.0 million (2019: £nil) 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 have to repay.

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.

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 uses forward foreign currency contracts to mitigate the transactional impact of foreign currencies on the Group's performance. 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.

Forward foreign currency contracts are recognised initially at fair value, which is updated at each balance sheet date. Changes in the fair values are recognised either in the income statement or through reserves depending on whether the contract is designated as a hedging instrument.

Forward contracts in place are considered an effective cash flow hedge and are accounted for by recognising the gain/loss on the hedge through reserves rather than the income statement, removing volatility within the income statement.

The Group has continued to apply IAS 39 for the purposes of hedge accounting.

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.

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 has applied the requirements of IFRS 2 '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 fair value is updated at each balance sheet date for the Group's estimate 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 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 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 (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.

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

Group worldwide sales:
Group worldwide sales are total International sales plus total UK sales. Total International sales are International retail sales plus International Wholesale sales. Total Group revenue is a statutory number and is made up of total UK sales and receipts from International franchise partners, which includes royalty payments and the cost of goods dispatched to international franchise partners. A reconciliation is included within the Financial Review on pages 14 to 21.

Like-for-like sales:
This is a widely used indicator of a retailer's current trading performance. This is defined as sales from stores that have been trading continuously from the same selling space for at least a year and include website sales and sales taken on iPads in store. International retail sales are the estimated retail sales of overseas franchise and joint venture partners to their customers. International like-for-like sales are the estimated franchisee retail sales from stores that have been trading continuously from the same selling space for at least a year. The Group reports some financial measures on both a reported and constant currency basis. Sales in constant currency exclude the impact of movements in foreign exchange translation. The constant currency basis retranslates the previous year revenues at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the year on year reported results. Further details are disclosed within the Financial Review on pages 14 to 21.

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 28 March 2020:

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

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

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

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 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.

Accounting for the administration of Mothercare UK Limited and Mothercare Business Services Limited
Judgement was required with regard to the chosen method of accounting for the loss of control of Mothercare UK Limited. Whilst factually and legally, the Group lost control of the continuing International segment for a short period of time between the administrators taking control of Mothercare UK Limited, and the administrators signing an agreement to sell trade and assets to Mothercare Global Brand Limited, acquisition accounting has not been considered to appropriately reflect the substance of the transaction. Mothercare PLC retained control of the International operating segment, which continued operating in the way it had done previously.

Refer to the accounting policy on the administration of Mothercare UK Limited and transfer of its international franchise business to the group for full details.

Discontinued operations
In the preparation of these results, certain judgements have been required around the categorisation of activities as continuing or discontinued.

The UK segment which has been discontinued and the continuing International segment were managed using the same supply and cost base.

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

For some income and expenditure, judgement was required around the method of allocation between the segments:

- The overarching principle which has been followed for is that unless costs were clearly identifiable as solely relating to the discontinued operating segment, then that cost has been treated as continuing. Therefore, even costs which clearly ceased as a result of the administration have been treated as continuing costs if that particular overhead was being used by the International basis and there is no clear split between the amount relating to the International operating segment as opposed to the discontinued UK operating segment.
- Cost of sales includes judgments in relation to the split between continuing and discontinued operations; some costs have been pro-rated where they were in relation to matters not specific to individual products.
- IFRS 5 does not allow the allocation of corporate overheads to discontinued operations, therefore only costs directly and solely related to the UK operating segment have been included. The overarching principle which has been followed is that unless costs were clearly identifiable as solely relating to the discontinued operating segment, then that cost has been treated as continuing. Wages and salaries have been split such that only employees solely working on the UK operating segment have been treated as discontinued; therefore there were some employees that left as a result of the administration process, due to their company of employment, whose costs have been treated as continuing for statutory accounting purposes.
- In splitting out depreciation expenditure, depreciation and impairment in relation to assets at UK stores has been treated as discontinued; amortisation and impairment on intangible software assets has been treated as continuing as these were predominantly in use by head office or the logistics operation.
- Share based payment charges, and the administrative cost of the defined benefit pension schemes have been treated as entirely continuing on the basis that the schemes are continuing, even though the employees under these could have been employees of the UK operating segment.
- Adjusted costs specifically in relation to the UK business have been categorised as discontinued – in particular, any impairment, closure costs, or onerous lease provision movements in relation to the UK store estate. The legal and professional costs in relation to the UK administration as well as the head office restructure in the previous comparative period have been treated as continuing costs for the reason that there is not clear cut way of segmenting these.
- Regarding the tax payable, estimates have had to be made to split out the corporation tax between the UK and International operating segments; these estimates have been made based on the estimates included in the remainder of the income statement.

Regarding the balance sheet position at the point of administration, judgement was required as follows:

- Although a period-end close was done at the point of administration, meaning that the reported results from 31 March 2019 to 5 November 2019 reflect the trading income and expenditure for that period, on 5 November 2019 a number of employees of Mothercare UK Limited and Mothercare Business Services Limited moved under the control of the administrators. In effect, a full true-up of accruals and consideration of balance sheet provisions had been at 10 October 2010, four weeks earlier.
- Judgement was involved in how to treat accruals for the UK operating segment; these accruals may never now materialise however they remained as a creditor at the point of administration.
- No supplier funding income was accrued after the half year date, but at the point of administration there was an unrecoverable debtor reflecting supplier funding income accrued; this was treated as a debtor at the point of administration rather than the income statement accrual being reversed.
- Stock records were updated daily and therefore the position was accurately known as to what was in transit or in warehouses at the point of administration however no physical stock count was done; this meant there could have been shrinkage in UK stores or the warehouse which was included in the 'loss of control of stock' rather than in cost of sales for discontinued operations.
- The value of the property plant and equipment disposal at the point of administration has been estimated by reviewing the fixed asset register for software still in use, and in the case of hardware, making a judgement on the value of the hardware which would continue to be used in the business, then disposing of any other assets previously recognised.

Judgements were also required in the preparation of the cashflow statements:

- Trade payables relating to the UK operating segment were not separately identifiable due to the operations of Mothercare UK Limited having been managed on a combined ledger; the trade payable movement in the cashflow statement therefore represents the total group working capital movement in trade payables for the year or for the prior year as applicable.
- Depreciation has been added back to the operating profit according to the split of discontinued/continuing operations in the income statement.
- Pensions costs and share based payments have been treated as continuing expenses for the cashflow statement, consistent with the income statement disclosures.

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 judgement 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 19) 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 28 March 2020, the loss allowance on trade receivables would have been £0.5 million higher (2019: £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 18).

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 £0.8 million. A 5% change in the level of markdown applied to the selling price would impact the value of inventories by £0.2 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.

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 31 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 judgement. The assumptions adopted are based on prior experience, market conditions and the advice of plan actuaries.

At 28 March 2020, the Group's pension surplus was £29.8 million (2019: £24.9 million liability). 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 31.

Deferred taxation

The Directors have to consider the recoverability of the deferred tax assets based on forecast profits. There are no deferred tax assets recognised by the Group at 28 March 2020.

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 judgement.

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 Group holds the lease at a warehouse facility, previously used primarily for the UK operating segment, for the purpose of receiving rental income and this IFRS 16 right-of-use asset has therefore been classified as investment property. In order to assess the appropriate carrying value of this investment property, the net present value of future cashflows has been estimated. This includes judgments over the value of future cashflows, the appropriate discount rate for these cashflows, and the ability of the Group to contract with sub-tenants or re-assign the lease. A 1% decrease/increase in the discount rate would increase/reduce the impairment made to this investment property by £0.2 million.

Measurement of lease liabilities

The discount rate used to calculate the lease liability is the rate implicit in the lease, if it can be readily determined, or the lessee's incremental borrowing rate if not. Incremental borrowing rates are determined at the outset of a lease and depend on the term, location, currency and start date of the lease. The incremental borrowing rate is determined based on a series of inputs including: the risk-free rate based on government bond rates; property yields in the lease location; and the interest rates at which the Group is able to borrow funds. 1% decrease/increase in the discount rate would increase/reduce the value of the Group's lease liabilities by £0.2 million.

A provision for dilapidations is recognised such that:

- the costs of any damage incurred are provided for at the point the damage is incurred;
- the cost relating to any wear and tear of the asset are provided for over the time the wear and tear takes place;
- where there is a requirement to return the asset to its original structure, the costs of changing that structure are provided for in the dilapidations provision at the point the structural changes are instigated; and
- the costs of returning the asset to the lessor, such as cleaning costs at cessation of the lease, are spread over the life of the lease.

Estimation is required in calculating the expected outflows in relation to each of these.

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.

4. Revenue

	52 weeks ended 30 March 2020 £ million	53 weeks ended 30 March 2019 Restated £ million
Continuing operations:		
Sale of goods to franchise partners	**140.6**	174.2
Royalties income	**24.1**	25.6
Total revenue	**164.7**	199.8

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 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.

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

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

6. Adjusted items

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

	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 Restated £ million
Adjusted costs from continuing operations:		
Property related costs included in administrative expenses	**1.3**	5.6
Restructuring costs included in administrative expenses	**5.6**	12.1
Restructuring costs included in finance costs	**(6.0)**	2.1
Total adjusted costs:	**0.9**	19.8
Other adjusted items:		
Non-cash foreign currency adjustments under IFRS 9 and IAS 21 included in cost of sales	–	0.9
Adjusted items before tax *	**0.9**	20.7

* Tax on adjusted items was at 19% (2019: 19%).

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

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

The prior year charge of £5.6 million included:

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

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

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

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

The prior year charge of £12.1 million included:

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

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

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

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

Guaranteed minimum pensions – £0.6 million. On 26 October 2018 a High Court judgement was handed down regarding the Lloyds Banking Group's defined benefit pension scheme which affects many pension schemes in the UK, including the Group's UK schemes.

6. Adjusted items (continued)

The judgement concluded that schemes should be amended to ensure that members who have guaranteed minimum pensions (GMP) receive the same benefits regardless of their gender. This change impacted GMP benefits accrued between 1990 and 1997. In consultation with independent actuaries, the Group estimated the financial effect of equalising benefits to be an increase in the Group's accounting pension deficit of £0.6 million. This was recognised as a past service cost, and as this is one-off in nature therefore has been presented as an adjusted item.

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

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

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

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

Other adjusted items

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

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

Adjusted items – discontinued operations

The adjustments made to reported loss before tax to arrive at adjusted loss from discontinued operations are:

	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 Restated £ million
Adjusted costs from discontinued operations:		
ELC discontinued operations	**(0.8)**	30.5
Profit on disposal of the UK segment discontinued operations	**(46.2)**	–
Property related costs	**17.0**	26.2
Restructuring costs	**–**	0.6
Finance costs	**–**	0.6
Adjusted items before tax	**(30.0)**	57.9

Loss on disposal of the ELC discontinued operations – £0.8 million gain (2019: £30.4 million cost).

The current year amount reflects a final true-up of the ELC operations once trading had fully ceased.

The prior year comparative cost comprises the loss on disposal - see Note 10

Profit on disposal of the UK segment discontinued operations – £46.2 million gain (2019: £nil); see Note 10.

Property related costs – £17.0 million (2019: £26.0 million)

UK store impairment – £14.8 million (2019: £15.4 million)

Following the decline in performance of the store estate, the Group has 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.

6. Adjusted items (continued)

Onerous lease provision – £1.1 million (2019: £13.3 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.

The current year 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 prior year included a significant charge taken to the onerous lease provision due to the continued declining performance of stores. The provision has been calculated using cashflows discounted on a pre-tax basis using a risk-free rate return. The unwind of this discount rate is charged to finance costs.

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

Store closure provision – £1.1 million (2019: £2.5 million credit)

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 current year and 43 stores were closed during the prior year. The associated cost of closing these stores in the period include costs of redundancy, agent fees, and dilapidations costs.

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

Restructuring costs – £nil million (2019: £0.5 million)

National Minimum Wage – (2019: £0.5 million)

The Group has made a specific pay provision for the potential costs of complying with the National Minimum Wage (NMW) Regulations of £0.5 million. The liability has arisen 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. These discussions with HMRC are ongoing and the final settlement may differ to the provision held.

This provision, which is considered one-off and significant in value, relates to the catch up of historical liabilities, and as a result, is not considered to be within normal operating costs of the business.

There were also store restructuring costs of £nil million (2019: £0.1 million) incurred alongside the prior year head office restructure.

Finance costs – £nil million (2019: £0.6 million)

Finance costs include £nil million (2019: £0.6 million) in relation to the unwind of the discount on the onerous lease provision.

6. Adjusted items (continued)

Cashflows arising on adjusted items

	Cash flows from operating activities		Cash flows from investing activities	
	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 £ million	**52 weeks ended 28 March 2020 £ million**	53 weeks ended 30 March 2019 £ million
Continuing operations				
Property related costs	**–**	–	**–**	14.5
Restructuring costs in administrative expenses	**(5.6)**	(15.3)	**–**	–
Restructuring costs in financing costs	**–**	–	**–**	–
Total	**(5.6)**	(15.3)	**–**	14.5
Discontinued operations				
Restructuring costs in cost of sales	**–**	–	**–**	–
Property related costs:				
Store closure costs	**(4.2)**	(4.6)	**–**	–
Utilisation of onerous lease provisions	**–**	(7.6)	**–**	–
Proceeds from the sale of freehold properties	**–**	–	**0.5**	–
Proceeds from the sale of ELC	**–**	–	**–**	6.0
Other property costs	**–**	(0.3)	**–**	–
Non-property related costs in administrative expenses	**–**	–	**–**	–
Non-property related costs in finance costs	**–**	–	**–**	–
Adjusted cashflows from discontinued operations	**(4.2)**	(12.5)	**0.5**	6.0

7. Loss from operations

Loss from continuing operations (except where specifically stated) has been arrived at after (crediting)/charging:

	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 Restated £ million
Continuing operations		
Net total foreign exchange (gains) / loss	**(1.2)**	5.5
Cost of inventories recognised as an expense	**122.6**	163.1
Write down of inventories to net realisable value	**–**	–
Depreciation of property, plant and equipment	**3.6**	4.2
Amortisation of intangible assets – software	**3.2**	8.9
Impairment of intangible assets – software	**–**	14.5
Impairment of Right-of-use asset – investment property	**0.5**	–
Gain on disposal of property, plant and equipment	**–**	(8.9)
Net rent of properties (see note 29)	**2.7**	2.1
Loss allowance on trade receivables (see note 19)	**2.2**	3.9
Staff costs (including directors):		
Wages and salaries (including cash bonuses, excluding share-based payment charges)	**15.8**	19.0
Social security costs	**1.9**	2.4
Pension costs	**3.5**	3.9
Share-based payments charge /(credit) (see note 30)	**0.9**	(0.8)

Financials

7. Loss from operations (continued)

An analysis of the average monthly number of full and part-time employees throughout the Group in respect of continuing operations, including executive directors, is as follows:

	52 weeks ended 28 March 2020 Number	53 weeks ended 30 March 2019 Restated Number
Number of employees comprising:		
UK stores	**210**	430
Head Office	**189**	211
Overseas	**9**	28
	408	669

Details of Directors' emoluments, share options and beneficial interests are provided within the remuneration report on pages 37 to 52.

The analysis of auditor's remuneration is as follows:

	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 £ million
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.1**	0.1
Fees payable to the Company's auditor for other services to the group:		
The audit of the Company's subsidiaries pursuant to legislation	**0.3**	0.4
Total audit fees	**0.4**	0.5
Total non-audit fees	**0.3**	1.0

The policy for the approval of non-audit fees is set out on pages 31 to 37, in the corporate governance report.

Grant Thornton UK LLP were engaged in December 2019 to perform another assurance engagement, being the preparation of a working capital report; Deloitte LLP were engaged to prepare a similar working capital report in the prior year.

8. Net finance costs

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

9. Taxation

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

	52 weeks ended 28 March 2020 £ million	53 weeks Ended 30 March 2019 Restated £ million
Current tax:		
Current year	**0.8**	3.0
Adjustment in respect of prior periods	–	–
	0.8	3.0
Deferred tax: (see note 17)		
Current year	–	0.1
Adjustment in respect of prior periods	–	–
	–	0.1
Charge/(credit) for taxation on loss for the period	**0.8**	3.1

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

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

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

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

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

The Group has a specific pay provision for the potential costs of complying with the National Minimum Wage (NMW) Regulations of £0.5 million (2019: £0.5 million) which has been accounted for as an adjusted item (see note 6). The liability has arisen 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. The discussions with HMRC are ongoing and the final settlement may differ to the provision held.

10. Discontinued operations

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

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

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

Financial performance and cash flow information

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

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

	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 Restated £ million
Net cash outflow from operating activities	**3.4**	(8.9)
Net cash inflow from investing activities	**7.0**	0.1
Net cash outflow from financing activities	**(12.9)**	(1.8)
Net reduction in cash generated by discontinued operations	**(2.5)**	(10.6)

Adjusted item - Profit on disposal of the UK operating segment; £46.2 million

Administration of Mothercare UK Limited (MUK) and Mothercare Business Services Limited (MBS)

On 4 November 2019, Mothercare plc announced a Notice of Intent to appoint Administrators to MUK, the main trading subsidiary of the Mothercare plc Group.

On 5 November 2019, administrators were appointed for MUK and MBS - the shared services operation for the Mothercare plc Group.

Transfer to Mothercare Global Brand Limited (MGB)

On 4 October 2019, MGB, a fully-owned subsidiary of Mothercare plc, was incorporated in the United Kingdom.

On 5 November 2019, after Mothercare PLC had appointed administrators for MUK and MBS, an agreement was entered into such that MGB, purchased the 'Mothercare' brand, contracts MUK held with its incumbent franchise partners, and certain assets from the administrators in exchange for certain liabilities including, but not limited to, two s75 defined benefit pension scheme liabilities.

As a condition of this transfer there were conditions contained in the transfer agreement which stipulate that cash generated through the administration process would be used to repay the Group's Revolving Credit Facility; at the point of administration, secured creditors totalled £28.0 million. The Group has a commitment to repay any shortfall otherwise preventing the administrators from repaying the secured creditors in full – this has been valued at £7.0 million. The Group therefore has a financial asset of £21.0 million to reflect the portion of the secured creditors expected to be repaid by the administrators.

10. Discontinued operations (continued)

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

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

Adjusted item – ELC loss on disposal recognised in 2019; £30.1 million (£30.5 million pre-tax)

The comparative period includes an adjusted item of £30.5 million (pre-tax: £30.1 million -note 6) comprises the write-off of the goodwill and remaining intangible assets (trade name and customer relationships) relating to the Early Learning Centre acquisition in 2007, amortisation of the intangible assets and non-cash currency adjustments. 2019 comprises amortisation, costs relating to stock provisioning and non-cash currency adjustments.

Details of the sale of ELC trading activities

	53 weeks ended 30 March 2019 £ million
Consideration received or receivable:	
Cash	6.0
Deferred cash consideration	5.5
Total disposal consideration*	11.5
Legal expenses	(1.2)
Total net consideration	10.3
Write off of goodwill and intangible assets	(30.8)
Write off of property, plant and equipment	(1.4)
Write down of inventory	(2.3)
Write down of other assets	(0.8)
Transfer of inventory to TEAL	(5.5)
Loss before taxation	(30.5)
Attributable tax	0.4
Loss on sale of ELC	(30.1)

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

The balance sheet includes £nil (2019: £5.5 million) of inventories which have been sold to TEAL Brands Limited since the year end.

There are no other held for sale assets or liabilities in relation to this discontinued operation.

11. Dividends

The directors are not recommending the payment of a final dividend for the period (2019: £nil) and no interim dividend was paid during the period (2019: £nil).

12. Earnings per share

	52 weeks ended 28 March 2020 million	53 weeks ended 30 March 2019 Restated million
Weighted average number of shares in issue	**352.5**	283.5
Dilution – option schemes	**120.5**	28.0
Diluted weighted average number of shares in issue	**473.0**	311.5
Number of shares at period end	**374.2**	341.7

Continuing operations	£ million	£ million
Loss for basic and diluted earnings per share	**(7.2)**	(21.1)
Adjusted items (note 6)	**0.9**	20.7
Tax effect of above items	**(0.1)**	(0.9)
Adjusted losses from continuing operations	**(6.4)**	(1.3)

Discontinued operations	£ million	£ million
Profit/(loss) for basic and diluted earnings per share	**21.6**	(75.9)
Adjusted items (note 6)	**(30.0)**	57.9
Tax effect of above items	**–**	(0.3)
Adjusted earnings from discontinued operations	**(8.4)**	(18.3)

Continuing and discontinued operations	£ million	£ million
Profit/(loss) for basic and diluted earnings per share	**14.4**	(97.0)
Adjusted items (note 6)	**(29.1)**	77.7
Tax effect of above items	**(0.1)**	(0.3)
Adjusted losses for continuing and discontinued operations	**(14.8)**	(19.6)

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

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

From discontinued operations	Pence	Pence
Basic earnings/(losses) per share	**6.1**	(26.8)
Basic adjusted losses per share	**(2.4)**	(6.5)
Diluted earnings/(losses) per share	**4.6**	(26.8)
Diluted adjusted losses per share	**(2.4)**	(6.5)

13. 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%	Trading	Indirect
Mothercare Toys 3 Limited	UK(1)	100%	Property Company	Indirect
Mothercare Group Sourcing Limited	Hong Kong(2)	100%	Trading	Indirect
Mothercare Toys 2 Limited	UK(1)	100%	Dormant	Indirect
TCR Properties Limited	UK(1)	100%	Dormant	Direct
Mothercare (Jersey) Limited	Jersey(3)	100%	Non Trading	Direct
Mothercare Finance Limited	UK(1)	100%	Holding Company	Direct
Mothercare Sourcing Division (Bangladesh) Private Limited	Bangladesh(4)	100%	Trading	Indirect
Mothercare Finance Overseas Limited	Cayman Islands(5)	100%	Dormant	Direct
Mothercare Group Limited (The)	UK(1)	100%	Investment Holding Company	Direct
Mini Club UK Limited	UK(1)	100%	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(6)	100%	Trading	Indirect
Mothercare Inc	USA(7)	100%	Non Trading	Indirect
Princess Products Limited	UK(1)	100%	Dormant	Direct
Mothercare Procurement Limited	Hong Kong(2)	100%	Trading	Direct
Mothercare Sourcing Limited	UK(1)	100%	Dormant	Direct
Mothercare Trademarks AG	Switzerland(8)	100%	Trading	Direct
Clothing Retailers Limited	UK(1)	100%	Non Trading/Dormant	Indirect
Retail Clothing Limited	UK(1)	100%	Dormant	Indirect
Strobe (2) Investments Limited	Jersey(3)	100%	Non Trading	Direct
Strobe Investments Limited	Jersey(3)	100%	Trading	Direct
Mothercare Commercial (Shanghai) Co Limited	China(9)	100%	Trading	Indirect
Mothercare Global Brand Limited	UK(1)	100%	Trading	Direct
Mothercare Europe Global Brand Ltd	ROI(10)	100%	Dormant	Indirect

Investment in joint ventures	Place of incorporation	Proportion of ownership interest %	Proportion of voting power held %
Wadicare Limited	Cyprus	30	30
Mothercare Pension Trustees Limited	UK	40	40
Mothercare Combined Pension Schemes Limited	UK	27	27
Mothercare Combined Pension Funds Limited	UK	27	27

Registered office address;

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

(2) 18 Floor Edinburgh Tower, The Landmark, 15 Queen's Road, Central, Hong Kong

(3) Sanne Secretaries Limited, 13 Castle Street, St Helier, JE4 5UT, Jersey

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

(5) Maples & Calder, PO Box 309, Grand Cayman, Cayman Islands

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

(7) 1209 Orange Street, Wilmington, Delaware, 1980, USA

(8) Haldenstrasse 5, 6340 Baar, Switzerland

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

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

14. Goodwill and intangible assets

					Intangible assets	
	Goodwill £ million	Trade name £ million	Customer relationships £ million	Software £ million	Software under development £ million	Total Intangibles £ million
Cost						
As at 24 March 2018	68.6	29.0	5.7	71.8	1.8	108.3
Additions	–	–	–	4.5	1.9	6.4
Derecognised on disposals	(68.6)	(25.0)	(5.5)	(2.3)	–	(32.8)
Transfers	–	–	–	1.8	(1.8)	–
Exchange differences	–	0.1	–	–	–	0.1
As at 30 March 2019	–	4.1	0.2	75.8	1.9	82.0
Additions	–	–	–	1.5	–	1.5
Derecognised on disposals	–	(4.1)	(0.2)	(77.1)	(0.7)	(82.1)
Transfers	–	–	–	1.2	(1.2)	–
Exchange differences	–	–	–	–	–	–
As at 28 March 2020	**–**	**–**	**–**	1.4	–	1.4
Amortisation and impairment						
As at 24 March 2018	41.8	24.7	5.7	38.3	–	68.7
Amortisation	–	0.5	–	10.5	–	11.0
Eliminated on disposal	(41.8)	(21.2)	(5.5)	(1.9)	–	(28.6)
Impairment	–	–	–	14.5	–	14.5
Exchange differences	–	0.1	–	–	–	0.1
As at 30 March 2019	–	4.1	0.2	61.4	–	65.7
Amortisation	–	–	–	3.2	–	3.2
Derecognised on disposals	–	(4.1)	(0.2)	(63.8)	–	(68.1)
Exchange differences	–	–	–	–	–	–
As at 28 March 2020	**–**	**–**	**–**	**0.8**	**–**	**0.8**
Net book value						
As at 24 March 2018	26.8	4.3	–	33.5	1.8	39.6
As at 30 March 2019	–	–	–	14.4	1.9	16.3
As at 28 March 2020	**–**	**–**	**–**	**0.6**	**–**	**0.6**

Goodwill, trade name and customer relationships related to the acquisition of Early Learning Centre on 19 June 2007, Gurgle Limited on 8 September 2009 and Blooming Marvellous on 7 July 2010. Trade name and customer relationships were amortised over a useful life of 10-20 and 5-10 years respectively.

Following the agreement to sell ELC trading activities to TEAL Brands Limited on 22 March 2019, the goodwill and intangible assets relating to the ELC business were disposed of.

Following the administration of Mothercare UK limited, all assets relating to what was previously the UK segment of the Group have been disposed of.

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). 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.

14. Goodwill and intangible assets (continued)

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 13%.

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 (2019: £14.5 million) already booked.

Software additions include £1.5 million (2019: £4.5 million) of internally generated intangible assets.

At 28 March 2020, the Group had entered into contractual commitments for the acquisition of software amounting to £nil million (2019: £0.5 million).

15. Property, plant and equipment

	Freehold £ million	Leasehold £ million	Fixtures, fittings, equipment £ million	Assets in course of construction £ million	Total £ million
Cost					
As at 24 March 2018	6.9	95.8	142.1	1.8	246.6
Transfers	–	–	1.8	(1.8)	–
Additions	–	2.6	1.5	1.8	5.9
Disposals	(3.5)	(22.7)	(23.2)	–	(49.4)
Exchange differences	(3.4)	–	–	–	(3.4)
As at 30 March 2019	–	75.7	122.2	1.8	199.7
Transfers	–	–	1.4	(1.4)	–
Additions	–	0.4	–	–	0.4
Disposals	–	–	(0.8)	–	(0.8)
Derecognised on disposals	–	(76.1)	(120.4)	(0.4)	(196.9)
As at 28 March 2020	**–**	**–**	**2.4**	**–**	**2.4**
Accumulated depreciation and impairment					
As at 24 March 2018	2.7	74.7	114.2	–	191.6
Charge for period	–	4.1	6.7	–	10.8
Impairment	1.4	5.3	8.7	–	15.4
Disposals	(1.2)	(20.7)	(21.0)	–	(42.9)
Transfer to assets held for sale	(2.9)	–	–	–	(2.9)
As at 30 March 2019	–	63.4	108.6	–	172.0
Charge for period	–	1.5	3.3	–	4.8
Impairment	–	3.3	3.5	–	6.8
Disposals	–	–	(0.8)	–	(0.8)
Eliminated on disposals	–	(68.2)	(112.9)	–	(181.1)
As at 28 March 2020	**–**	**–**	**1.7**	**–**	**1.7**
Net book value					
As at 24 March 2018	4.2	21.1	27.9	1.8	55.0
As at 30 March 2019	–	12.3	13.6	1.8	27.7
As at 28 March 2020	**–**	**–**	**0.7**	**–**	**0.7**

The net book value of leasehold properties includes £nil million (2019: £12.3 million) in respect of short leasehold properties.

Within discontinued operations, there is a £6.8 million charge (2019: £15.4 million charge) for the impairment of property, plant and equipment, which has been included within adjusted items – administrative expenses, as impairment testing during the period identified a number of stores where the current and anticipated future performance did not support the carrying value of the stores. Following the administration of Mothercare UK limited, all assets relating to what was previously the UK segment of the Group have been disposed of.

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.

At 28 March 2020, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £nil million (2019: £nil million).

16. Leases
Right-of-use Assets

	Investment property Land and buildings £ million	Property, Plant and Equipment Land and buildings £ million	Property, Plant and Equipment IT equipment £ million	Total £ million
At 31 March 2019	–	62.3	0.2	62.5
Effects of modification to lease terms	–	0.2	–	0.2
Transfer to investment property	8.7	(8.7)	–	–
Impairment	(0.5)	(8.0)	–	(8.5)
Disposals	–	(39.1)	–	(39.1)
Amortisation	(0.4)	(6.7)	(0.1)	(7.2)
Balance at 28 March 2020	**7.8**	**–**	**0.1**	**7.9**

Within discontinued operations, there is an £8.0 million charge for the impairment of Right-of-use assets, which has been included within adjusted items – administrative expenses, as impairment testing during the period identified a number of stores where the current and anticipated future performance did not support the carrying value of the stores. Following the administration of Mothercare UK limited, all assets relating to what was previously the UK segment of the Group have been disposed of.

An impairment review of investment property was completed and based on the net present value of the expected cashflows, a further impairment charge of £0.5 million has been made.

Lease liabilities

	Land and buildings £ million	IT equipment £ million	Total £ million
At 31 March 2019	(118.9)	(0.2)	(119.1)
Modifications	(0.2)	–	(0.2)
Disposals	101.1	–	101.1
Interest expense	(5.3)	–	(5.3)
Lease payments	15.0	0.1	15.1
Balance at 28 March 2020	**(8.3)**	**(0.1)**	**(8.4)**

17. 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 £ million	Share-based payments £ million	Intangible assets £ million	Losses £ million	Total £ million
At 24 March 2018	4.0	0.4	–	–	(0.8)	–	3.6
Charge/(credit) to income	(3.9)	(0.1)	–	–	0.8	–	(3.2)
Credit/(charge) to other comprehensive income	–	(0.6)	0.2	–	–	–	(0.4)
At 30 March 2019	0.1	(0.3)	0.2	–	–	–	–
(Charge)/credit to income	–	–	–	–	–	–	–
Credit/(charge) to other comprehensive income	–	–	(5.4)	–	–	–	(5.4)
At 28 March 2020	**0.1**	**(0.3)**	**(5.2)**	**–**	**–**	**–**	**(5.4)**

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:

	28 March 2020 £ million	30 March 2019 £ million
Deferred tax assets	**0.6**	0.3
Deferred tax liabilities	**(6.0)**	(0.3)
	(5.4)	–

17. Deferred tax assets and liabilities (continued)

At 28 March 2020, the Group has unused capital losses of £642.1 million (2019: £629.5 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 £0.1 million on accelerated depreciation, and £1.0 million on short-term timing differences have not been recognised. The Group also has unrelieved tax losses of £31.2 million (2019: £109.6 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 (2019: £1.2 million) relating to withholding taxes have not been provided for in respect of the aggregate amount of unremitted earnings of £22.5 million (2019: £18.3 million) in respect of subsidiaries and joint ventures. 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.

18. Inventories

	28 March 2020 £ million	30 March 2019 £ million
Gross value	**13.6**	72.5
Allowance against carrying value of inventories	**(3.9)**	(5.7)
Finished goods and goods for resale	**9.7**	66.8

The cost of inventories recognised as an expense during the year in respect of continuing operations was £122.6 million (2019: £163.1 million). The amount of write down of inventories to net realisable value recognised within net income in the period is a charge of £nil million (2019: £7.3 million charge for total operations). All inventories (2019: All) are expected to be recovered within the year.

19. Trade and other receivables

	28 March 2020 £ million	30 March 2019 £ million
Trade receivables gross	**19.7**	34.8
Expected credit losses (ECL) under IFRS 9	**(8.5)**	(7.7)
Trade receivables net	**11.2**	27.1
Prepayments	**3.1**	11.2
Accrued income	**1.3**	5.6
Prepaid facility fees	**–**	0.2
Other receivables	**–**	1.8
Trade and other receivables due within one year	**15.6**	45.9

19. Trade and other receivables (continued)

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)	18%	3%	7%	100%	100%	95%	43%
Estimated total gross carrying amount at default	6.1	3.5	2.7	0.8	0.4	6.2	19.7
Lifetime ECL	(1.1)	(0.1)	(0.2)	(0.8)	(0.4)	(5.9)	(8.5)
At 28 March 2020	**5.0**	**3.4**	**2.5**	**–**	**–**	**0.3**	**11.2**

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)	11%	30%	13%	33%	14%	55%	22%
Estimated total gross carrying amount at default	21.0	2.0	1.6	0.9	2.2	7.1	34.8
Lifetime ECL	(2.4)	(0.6)	(0.2)	(0.3)	(0.3)	(3.9)	(7.7)
At 30 March 2019	**18.6**	**1.4**	**1.4**	**0.6**	**1.9**	**3.2**	**27.1**

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 28 March 2020 £ million	53 weeks ended 30 March 2019 £ million
Balance at beginning of period	**(7.7)**	(2.7)
Adjustment upon application of IFRS 9	**–**	(2.0)
Balance as restated at 30 March 2019	**(7.7)**	(4.7)
Amounts written off during the period as uncollectable	**0.7**	0.3
Amounts recovered in the period	**0.7**	0.6
Charged in the period	**(2.2)**	(3.9)
Balance at end of period	**(8.5)**	(7.7)

The Group's exposure to credit risk inherent in its trade receivables is discussed in note 22. 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 22. 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.

20. 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.

21. Borrowings

The Group had outstanding borrowings at 28 March 2020 of £40.8 million (2019: £23.2 million). The revolving credit facility of £28.0 million (2019: £17 million) is secured on the shares of specified obligor subsidiaries and the assets of the group not already pledged. This loan was in breach of the covenant requirements and therefore repayable on demand. The Group also holds a financial asset of £21.0 million reflecting the expected proceeds from the wind-down of the UK operations by the administrators of Mothercare UK Limited, and therefore the total expected repayment due at 28 March 2020 is £7.0 million. Post year end, £10.0 million of the £21.0 million has so far been paid down by the administrators. Interest amounts payable on this facility are not materially sensitive to changes in LIBOR.

The Group has also raised shareholder loans of £5.5 million (2019: £8.0 million) during the period, which attract a monthly compound interest rate of 0.83%, and have a termination date of June 2021. These shareholder loans provide an opportunity for the lender to convert the loan into ordinary shares of the Company at specified dates of either 31 May or 30 November each year. They are accounted for at an amortised cost of £12.8 million (2019: £6.2 million), with the option to convert fair valued and treated as an embedded derivative liability of £0.3 million (2019: £4.8 million) - see note 22. 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.

Borrowing facilities

	28 March 2020 £ million	30 March 2019 £ million
Borrowings:		
Secured borrowings at amortised cost:		
Bank overdraft	–	–
Revolving credit facility	**28.0**	17.0
Shareholder loans	**12.8**	6.2
Total Borrowings	**40.8**	23.2
Amount due for settlement within one year	**28.0**	11.5
Amount due for settlement after one year	**12.8**	11.7
Weighted average interest rate paid (for when borrowings in place)	**12.8%**	7.4%

22. Financial risk management

A. The classes and categories of the Groups financial instruments are categorised as follows:

Financial Instruments: Categories

	Fair value level	28 March 2020 £ million	30 March 2019 £ million
Financial assets			
Derivatives designated as hedging instruments	1	–	1.5
Customer and other receivables at amortised cost*		**12.5**	32.9
Cash and short-term deposits		**6.1**	16.3
Financial assets	3	**21.0**	–
Total		**39.6**	50.7
Financial liabilities			
Derivatives not designated as hedging instruments	2	**0.3**	4.8
Trade and other payables at amortised cost**		**28.0**	96.1
Interest bearing loans and borrowings:			
Bank overdraft		–	–
Revolving credit facility		**28.0**	17.0
Shareholder loans		**12.8**	6.2
Total		**69.1**	124.1

* Prepayments of £3.1 million (2019: £11.2 million) and other debtors of £nil (2019: £1.8 million) do not meet the definition of a financial instrument.

** Property lease incentives of £nil million (2019: £18.0 million), and other creditors (including payroll creditors and deferred income) of £1.5 million (2019: £1.8 million) do not meet the definition of a financial instrument.

22. Financial risk management (continued)

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.

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.

The following valuation techniques are used for instruments categorised in Levels 2 and 3:

Derivatives not designated as hedging instruments (Level 2) – The embedded derivatives on the Group's shareholder loans are not traded on an active market, however the inputs used in the valuation are all observable inputs: volatility has been calculated using the Group's share price trends; the risk free rate is based on government data; and the share price used is the stock exchange listing price as at the reporting date. The valuation of these inputs is predominantly sensitive to the share price, which is not judgmental. A change in the risk free rate and/or volatility percentage would have no notable effect on the valuation.

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. 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 £28.0 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.

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 2.

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 holding derivative financial instruments and through the natural offset of sales and purchases denominated in foreign currency.

The Group has historically used forward foreign currency contracts to reduce its cash flow exposure to exchange rate movements, primarily on the US dollar. The Group has applied hedge accounting and the contracts are considered effective cash flow hedges and are accounted for by recognising the gain/loss on the hedge through reserves. There were no contracts outstanding at the year end date; contracts outstanding at the prior year end date matured between March 2019 and May 2019. 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, these have been hedged in the past and hedge accounting has been applied for the contracts and the gain / loss on the hedge has been recognised through reserves.

22. 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 also used forward contracts and options, primarily in US dollars and Russian roubles.

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 continuing sales, 38% (2019: 32.4%) were invoiced in foreign currency. The Group purchases product in foreign currencies, representing approximately 46% (2019: 66%) of purchases.

The following table provides an overview of the notional value of derivative financial instruments outstanding at year end by maturity profile:

	28 March 2020 £ million	30 March 2019 £ million
Foreign currency forward exchange contracts:		
Less than one year	**–**	21.5
After one year but not more than five years	**–**	–
	–	21.5

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

	Liabilities		Assets	
	28 March 2020 £ million	30 March 2019 Restated £ million	**28 March 2020 £ million**	30 March 2019 £ million
US dollar	**(8.1)**	(20.6)	**2.9**	38.2
Euro	**(0.1)**	(0.8)	**0.2**	–
Hong Kong dollar	**–**	(1.8)	**–**	1.1
Indian rupee	**(0.7)**	(0.9)	**1.4**	1.6
Chinese renminbi	**(0.2)**	(0.3)	**0.1**	0.4
Bangladeshi taka	**–**	–	**0.1**	0.1
	(9.1)	(24.4)	**4.7**	41.4

The total amounts of outstanding forward foreign currency contracts to which the Group has committed is as follows:

	28 March 2020 £ million	30 March 2019 £ million
At notional value	**–**	21.5
At fair value – less than one year	**–**	1.5
At fair value – more than one year	**–**	–
Total fair value	**–**	1.5

The fair value of forward foreign currency contracts due in less than one year is £nil million (2019: asset of £1.5 million).

The fair value of foreign currency forward contracts is measured using quoted foreign exchange rates and yield curves from quoted rates matching the maturities of the contracts, and they therefore are categorised within level 2 of the fair value hierarchy set out in IFRS 7.

22. Financial risk management (continued)

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	
	28 March 2020 £ million	30 March 2019 £ million	**28 March 2020 £ million**	30 March 2019 £ million
US dollar impact	**0.5**	(1.7)	**(0.1)**	0.7

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 19, 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 International gross trade receivables based on International revenue was 44 days (2019: 61 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. Included in note 21 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows (including interest) 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	28.0	19.0	–	–	47.0
Trade and other payables	28.0	–	–	–	28.0
Derivatives	–	0.3	–	–	0.3
At 28 March 2020	**56.0**	**19.3**	**–**	**–**	**75.3**

Financial liabilities	Less than 1 year £ million	1–2 years £ million	2–5 years £ million	Over 5 years £ million	Total £ million
Borrowings	11.5	5.5	11.9	–	28.9
Trade and other payables	96.1	–	–	–	96.1
Derivatives	–	–	4.8	–	4.8
At 30 March 2019	**107.6**	**5.5**	**16.7**	**–**	**129.8**

F. Interest rate risk

The principal interest rate risk of the group arises in respect of the drawdown of the revolving credit facility. This facility is at a fixed rate plus LIBOR, it exposes the group to cashflow interest rate risk. The interest exposure is monitored by management but due to low interest rate levels during the period the risk is believed to be minimal and no interest rate hedging has been undertaken.

22. Financial risk management (continued)

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. The Group only sells existing assets or enters into transactions and future transactions (in the case of anticipatory hedges) that it confidently expects it will have in the future, based on past experience. The Group expects that any loss in value for these instruments generally would be offset by increases in the value of the underlying transactions.

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.

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23. Trade and other payables

	28 March 2020 £ million	30 March 2019 Restated £ million
Current liabilities		
Trade payables	**12.0**	48.4
Payroll and other taxes including social security	**1.5**	1.4
Accruals	**16.0**	44.5
Deferred income	–	0.4
Lease incentives	–	3.2
VAT payable	–	3.3
	29.5	101.2
Non-current liabilities		
Other creditors	–	2.0
Lease incentives	–	14.8
Lease incentives	–	16.8

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 34 days (2019: 44 days). The group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The directors consider that the carrying amount of trade payables approximates to their fair value.

24. Provisions

	28 March 2020 £ million	30 March 2019 Restated £ million
Current liabilities		
Property provisions	**1.7**	22.4
Other provisions	**0.6**	–
Short-term provisions	**2.3**	22.4
Non-current liabilities		
Property provisions	**–**	31.3
Other provisions	**2.1**	3.9
Long-term provisions	**2.1**	35.2
Property provisions	**1.7**	53.7
Other provisions	**2.7**	3.9
Total provisions	**4.4**	57.6

The movement on total provisions is as follows:

	Property provisions £ million	Other provisions £ million	Total provisions £ million
Balance at 30 March 2019 restated	53.7	3.9	57.6
Utilised in period	(4.9)	(0.6)	(5.5)
Transferred to right-of-use asset	(39.2)	–	(39.2)
Charged in period – continuing operations	0.8	–	0.8
Charged in period – discontinued operations	2.0	–	2.0
Disposals	(10.7)	(0.6)	(11.3)
Balance at 28 March 2020	**1.7**	**2.7**	**4.4**

Property provisions in the current year represent provision for dilapidations; in the prior year they principally represent the costs of store disposals or closures relating to the UK portfolio including the closure of Mothercare stores following the CVA activity in May 2018 and provisions for onerous lease costs (which were transferred to the IFRS 16 right of use asset in the current year before their disposal). Provisions for onerous leases was made for vacant, partly let and trading stores for the shorter of the remaining period of the lease and the period until the group would be able to exit the lease commitment. For trading stores the amount provided was based on the shortfall in contribution required to cover future rental obligations together with other fixed outgoings.

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.

25. Share capital

	52 weeks ended 28 March 2020 Number of shares	53 weeks ended 30 March 2019 Number of Shares	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 £ million
Issued and fully paid				
Ordinary shares of 50 pence each				
Balance at beginning of period	–	170,871,885	–	85.4
Issued under the Mothercare Sharesave Scheme	–	–	–	–
Conversion of shares to 1 pence ordinary and 49 pence deferred shares	–	(170,871,885)	–	(85.4)
Balance at end of period	–	–	–	–
Ordinary shares of 1 pence each				
Balance at beginning of period	**341,743,770**	–	**3.4**	–
Conversion from ordinary shares of 50 pence	–	170,871,885	–	1.7
Issue of shares in the period	**32,448,724**	170,871,885	**0.3**	1.7
Balance at the end of period	**374,192,494**	341,743,770	**3.7**	3.4
Deferred shares of 49 pence each				
Balance at beginning of period	**170,871,885**	–	**83.7**	–
Conversion of shares from ordinary shares	–	170,871,885	–	83.7
Balance at end of period	**170,871,885**	170,871,885	**83.7**	83.7
Total share capital at end of period			**87.4**	87.1

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

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 £1.0 million (2019: £1.1 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 30). The total shareholding is 925,342 (2019: 998,022) with a market value at 28 March 2020 of £0.1 million (2019: £0.2 million).

26. Share premium

	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 £ million
Balance at beginning of period	**88.9**	61.0
Premium arising on issue of new shares	**2.9**	30.8
Share issue costs	**(0.1)**	(2.9)
Balance at end of period	**91.7**	88.9

See note 25 above for further details.

27. Translation and hedging reserves

	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 £ million
Translation reserve		
Balance at beginning of period	**(1.8)**	(1.9)
Exchange differences on translation of foreign operations	**(1.9)**	0.1
Balance at end of period	**(3.7)**	(1.8)
Hedging reserve		
Balance at beginning of period	**(1.3)**	(9.4)
Cash flow hedges: gains/(losses) arising in the period	**–**	12.9
(Removal)/additions to equity to/from inventory during the period	**1.3**	(1.6)
Deferred tax on cash flow hedges	**–**	(0.6)
Balance at end of period	**–**	1.3

28. Reconciliation of cash flow from operating activities

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

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.

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

Analysis of net debt

	Note	30 March 2019 £ million	Cash flow £ million	Foreign exchange £ million	Other non–cash movements[1] £ million	**28 March 2020 £ million**
Shareholder loans	21	(6.2)	(5.5)	–	(1.1)	**(12.8)**
Revolving credit facility	21	(17.0)	(11.0)	–	21.0	**(7.0)**
Cash at bank /overdraft *	19/21	16.3	(7.4)	(0.9)	(1.9)	**6.1**
Net debt		(6.9)	(23.9)	(0.9)	18.0	**(13.7)**

1. Non-cash movements comprise

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

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

29. 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 28 March 2020 £ million	**Other 28 March 2020 £ million**
Not later than one year	**1.9**	**0.1**
After one year but not more than five years	**7.2**	**0.1**
After five years	**2.3**	**–**
Total undiscounted cashflows	**11.4**	**0.2**

Operating lease note to lease liability reconciliation

	£ million
Minimum operating lease commitment at 31 March 2019	150.1
Less effect of discounting using the incremental borrowing rate	(31.0)
Lease liability at inception of IFRS 16	119.1

The Group's weighted average incremental borrowing rate for all leases is 7%; 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 Group has elected to rely on its assessment on whether a lease is onerous under IAS37: Provisions, Contingent Assets, and Contingent Liabilities immediately before the date of initial application, and included an adjustment to the right-of-use asset in accordance with this.

The weighted average incremental borrowing rate for leases included in continuing operations is 10%.

Operating lease commitments consisted of total future minimum lease payments of £nil for leases which were not accounted for under IFRS 16 'Leases'. In 2019, future minimum lease payments totalled £150.1 million, of which; £26.4 million was due within one year; £81.9 million was due in two to five years; and £41.8 million was due after five years.

30. 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 £0.9 million (2019: £0.8 million credit) including national insurance. At 28 March 2020 there is a balance sheet liability of £0.2 million related to the expected national insurance charge when share-based payment schemes vest (2019: £0.2 million).

These charges relate to the following schemes:

A. Save As You Earn Schemes

B. Long Term Incentive Plans – LTIP 2012

C. Long term Incentive Plans – LTIP 2019

D. Retention Share Plan

E. Value Creation Plan

F. Senior Management Incentive Plan and Management Incentive Plan

Details of the share schemes that the Group operates are provided in the directors' remuneration report on page 43.

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 28 March 2020 Number of shares**	53 weeks ended 30 March 2019 Number of Shares
Balance at beginning of period	22p	**6,891,298**	2,051,816
Granted during period	–	**–**	6,497,914
Forfeited during period	15p	**(614,882)**	(117,704)
Exercised during period	13p	**(89,274)**	–
Cancelled in the period	19p	**(3,759,071)**	(920,591)
Expired during period	101p	**(349,987)**	(620,137)
Balance at end of period	17p	**2,078,084**	6,891,298

The shares outstanding at 28 March 2020 had a weighted average remaining contractual life of 1.7 years and held a price of 13p.

Financials

30. 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 2018
Number of options granted	6,497,914
Share price at grant date	18p
Exercise price	13p
Expected volatility	58.0%
Risk free rate	1.33%
Expected dividend yield	Nil
Time to expiry	3 years
Fair value of option	8.9p

The resulting fair value is expensed over the service period of three years on the assumption that 25% of options will lapse over the service period as employees leave the Group.

B. Long Term Incentive Plans- LTIP 2012

The initial awards granted under the Mothercare plc 2012 Long Term Incentive Plan, in June 2015, December 2015 and February 2016 have expired. In August 2016 the Group granted further awards under the Mothercare plc 2012 Long Term Incentive Plan. The performance conditions relate to Group adjusted basic earnings per share and relative total shareholder return weighted equally 50:50. The conditions were not met in relation to the financial year ending March 2019, being three years from the date of award respectively, and the shares did not vest. No consideration is payable for the grant of these awards.

Grant date	August 2016 EPS awards	August 2016 TSR awards
Number of shares awarded	2,269,692	2,269,692
Share price at date of grant	131p	131p
Exercise price	Nil	Nil
Expected volatility	46.5%	46.5%
Risk-free rate	0.09%	0.09%
Expected dividend yield	Nil	Nil
Fair value of shares granted	131p	87p
Average time to expiry	3.5 years	3.5 years

C. 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.

Grant date	March 2019 Nil cost options	March 2019 Conditional shares
Number of shares awarded	7,608,053	774,110
Share price at date of grant	22.5p	22.5p
Exercise price	Nil	Nil
Expected volatility	58.3%	58.3%
Risk-free rate	0.63%	0.63%
Expected dividend yield	Nil	Nil
Fair value of shares granted	13.1p	22.5p
Average time to expiry	3.0 years	3.0 years

30. Share-based payments (continued)

D. Retention Share Plan

In August 2016 the Group granted awards under the Retention share plan. The performance conditions were directly linked to the long term incentive plan awarded in December 2014 and March 2015. The retention share plan has vested and some participants are still to exercise. No consideration was payable for the grant of these awards.

Grant date	August 2016 PBT awards	August 2016 TSR awards
Number of shares awarded	131,072	131,072
Share price at date of grant	135p	135p
Exercise price	Nil	Nil
Expected volatility	56.3%	49.0%
Risk-free rate	0.92%	0.18%
Expected dividend yield	Nil	Nil
Fair value of shares granted	184p	131p
Average time to expiry	1.8 years	1.8 years

E. Value Creation Plan

In August 2017 the Group granted awards under the Value Creation Plan (VCP) with the grant of an additional award in September 2017 for the incoming Chief Financial Officer. The VCP grants nil cost options to selected participants based on Total Shareholder Return over a three year period to March 2020. The awards are exercisable in three equal tranches from March 2020 through to March 2022. The fair value at the date of grant was calculated using a Monte Carlo model as the VCP carries a share price based performance condition. The volatility was based on share price information. The fair value of the allocated VCP thus far is £1.2 million to be spread over a five year period. A charge of £0.3 million was recognised in the financial year. The VCP lapsed with no shares vesting

F. Senior Management Incentive Plan and Management Incentive Plan

In August 2017 the group granted awards under the Senior Management Incentive Plan ("SMIP") and Management Incentive Plan ("MIP"). The performance conditions relate to the total shareholder return ("TSR") over the period from grant to March 2020. The incentive schemes are cash settled with values dependant on a share price over £2.00. To the extent that TSR meets or exceeds £2.00, participants in the plan will receive a cash bonus based on a percentage of base salary. A Monte Carlo model has been used to calculate the fair value of awards. The volatility was based on share price information. The fair value of this award at year end was immaterial with an average time to expiry of 2.01 years.

31. 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 £0.6 million (2019: £1.0 million) represents contributions due and paid to these schemes by the Group at rates specified in the rules of the plan for the Group's continuing operations. Defined contribution scheme costs for continuing and discontinued operations totalled £1.4million (2019: £1.8 million)

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 30 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 most recent full actuarial valuation was carried out as of 31 March 2017 and was updated for the purpose of these disclosures with the advice of professionally qualified actuaries. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit method.

The value of the deficit under the full actuarial valuation at 31 March 2017 was £139.4 million; the Group's deficit payments are calculated using this as the basis.

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

31. 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. There is a strategic allocation of 24% to diversified growth funds for both Schemes. The Staff Scheme also has a 13% strategic allocation to a leveraged global synthetic equity mandate (offering c31% asset exposure to global equity markets). 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 give the UK Pension Schemes' long–term objectives.	Over the year, the Company and Trustee strategic allocation to growth assets, bond and bond–like assets remained unchanged. However, in December 2019, the Trustees removed the 13% allocation to the global synthetic equity mandate within the Staff scheme temporarily on a tactical basis and invested the sale proceeds in a cash fund in order to reduce short term asset and funding volatility. As at the end of the year, the Staff Scheme had a strategic allocation to bond and bond–like assets of 63% (unchanged from last year) and the Executive Scheme had a strategic allocation to bond and bond–like assets of 76% (also unchanged from last year) In October 2019, the Trustee and Company increased the target interest rate and inflation hedge ratios within the leveraged liability driven investment portfolio from c.56% to c.63% for the Staff Scheme, and from c.55% to c.62% for the Executive Scheme (all on an ongoing technical provisions basis). This is designed to reduce funding level volatility by investing in assets which more closely match the characteristics of the liabilities.
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.	The Staff and Executive Schemes have a proportion of their strategic allocation (33% and 25% 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). 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.

31. Retirement benefit schemes (continued)

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 Trustees' strategic allocation to growth assets, bond and bond-like assets remained unchanged.

However, in December 2019, the Trustees removed the 13% allocation to the global synthetic equity mandate within the Staff scheme temporarily on a tactical basis and invested the sale proceeds in a cash fund in order to reduce short term asset and funding volatility.

As at the end of the year, the Staff Scheme had a strategic allocation to bond and bond-like assets of 63% (unchanged from last year) and the Executive Scheme had a strategic allocation to bond and bond-like assets of 76% (also unchanged from last year).

In October 2019, the Trustee and Company increased the target interest rate and inflation hedge ratios within the leveraged liability driven investment portfolio from c.56% to c.63% for the Staff Scheme, and from c.55% to c.62% for the Executive Scheme (all on an ongoing technical provisions basis).

The IAS 19 valuation conducted for the period ending 28 March 2020 disclosed a net defined pension surplus of £29.8 million (2019: £24.9 million deficit).

The major assumptions used in the updated actuarial valuations were:

	28 March 2020	30 March 2019
Discount rate	**2.3%**	2.6%
Inflation rate – RPI	**2.5%**	3.2%
Inflation rate – CPI	**1.7%**	2.1%
Future pension increases	**2.5%**	3.1%
Male life expectancy at age 65	**21.4 years**	21.3 years
Male life expectancy at age 65 (currently aged 45)	**22.7 years**	22.6 years
Female life expectancy at age 65	**23.7 years**	23.5 years
Female life expectancy at age 65 (currently aged 45)	**25.2 years**	25.0 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 2018 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.

In the prior year the Company's basis for setting the discount rate was amended to a to a 'single agency' yield curve approach. 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.

31. Retirement benefit schemes (continued)

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%	–7.2 /+7.4
Rate of RPI inflation	+/– 0.1%	+7.0 /–6.8
Rate of CPI inflation	+/– 0.1%	+2.9 /–3.1
Life expectancy (age 65)	+ 1 year	+ 13.8
Discount rate	+/– 0.5%	–34.2 /+39.2
Rate of RPI inflation	+/– 0.5%	+33.7 /– 30.9

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 28 March 2020 £ million	53 weeks ended 30 March 2019 £ million
Running costs	**2.9**	3.3
Past service costs in respect of GMP equalisation (see note 6 – adjusted items)	**–**	0.6
Past service credit in respect of PIE (see note 6 – adjusted items)	**–**	(1.6)
Net interest on liabilities/return on assets	**0.6**	0.9
	3.5	3.2

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 ending 28 March 2020 is a gain of £46.6 million (2019: £1.6 million gain).

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

	28 March 2020 £ million	30 March 2019 £ million
Present value of defined benefit obligations	**(371.4)**	(388.6)
Fair value of schemes' assets	**401.2**	363.7
Asset/(liability) recognised in balance sheet	**29.8**	(24.9)

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

	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 £ million
At beginning of period	**(388.6)**	(389.2)
Past service cost in respect of GMP equalisation	**–**	(0.6)
Past service cost in respect of PIE	**–**	1.6
Interest expense	**(9.8)**	(10.3)
Actuarial (losses)/gains arising from changes in demographic assumptions	**(1.2)**	9.0
Actuarial gains/(losses) arising from changes in financial assumptions	**15.8**	(15.8)
Experience gains on liabilities	**–**	–
Benefits paid	**12.4**	16.7
At end of period	**(371.4)**	(388.6)

31. Retirement benefit schemes (continued)

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

	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 £ million
At beginning of period	**363.7**	351.5
Interest income	**9.2**	9.4
Scheme administration expenses	**(2.9)**	(3.3)
Return on scheme assets excluding interest income	**32.0**	8.4
Company contributions	**11.6**	14.4
Benefits paid	**(12.4)**	(16.7)
At end of period	**401.2**	363.7

The major categories of scheme assets are as follows:

	28 March 2020 £ million	28 March 2020 £ million	30 March 2019 £ million	30 March 2019 £ 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
UK equities	–	–	–	–
Overseas equities	–	–	29.9	–
Corporate bonds	**119.9**	–	126.3	–
Index-linked government bonds	**96.5**	–	86.3	–
Government bonds	**54.3**	–	30.7	–
Diversified growth funds	**85.5**	–	79.1	–
Cash and cash equivalents	**45.0**	–	11.4	–
	401.2	–	363.7	–

The percentage split of the scheme assets between sterling and non-sterling are as follows as at 28 March 2020:

	Sterling	Non–sterling
Overseas equities	**100%**	**–**
Corporate bonds	**100%**	**–**
Secured Finance	**100%**	**–**
Liability driven investments	**100%**	**–**
Diversified growth funds	**73%**	**27%**
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.

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

Exec Scheme year ending March	Amount	Staff Scheme year ending March	Amount
2021	£2.60 million	2021	£2.92 million
2022	£3.12 million	2022	£11.54 million
2023	£3.39 million	2023	£13.01 million
2024	£3.59 million	2024	£13.81 million

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.

31. Retirement benefit schemes (continued)

The weighted average duration of the defined benefit obligation at 28 March 2020 is approximately 20 years (2019: 20 years).

The defined benefit obligation at 28 March 2020 can be approximately attributed to the scheme members as follows:

- Active members: 0% (2019: 0%)
- Deferred members: 72% (2019: 69%)
- Pensioner members: 28% (2019: 31%)

All benefits are vested at 28 March 2020 (unchanged from 30 March 2019).

32. Restatements for the year ended 30 March 2019

	30 March 2019 reported £ million	Lease dilapidations £ million	Rebate provision £ million	Rebate creditor £ million	Interest £ million	30 March 2019 restated £ million	24 March 2018 Restated £ million
Non-current assets							
Goodwill	–	–	–	–	–	–	26.8
Long-term receivables	–	–	–	–		–	0.1
Deferred tax asset	–	–	–	–	–	–	3.6
Intangible assets	16.3	–	–	–	–	16.3	39.6
Property, plant and equipment	27.7	–	–	–	–	27.7	55.0
	44.0	–	–	–	–	44.0	125.1
Current assets							
Inventories	66.8	–	–	–	–	66.8	87.0
Trade and other receivables	45.9	–	–	–	–	45.9	64.5
Derivative financial instruments	1.5	–	–	–	–	1.5	0.1
Cash and cash equivalents	16.3	–	–	–	–	16.3	–
Assets classified as held for sale	0.5	–	–	–	–	0.5	–
	131.0	–	–	–	–	131.0	151.6
Total assets	175.0	–	–	–	–	175.0	276.7
Current liabilities							
Trade and other payables	(102.6)	–	–	–	1.4	(101.2)	(105.5)
Borrowings	(11.5)	–	–	–	–	(11.5)	(1.6)
Current tax liabilities	(0.7)	–	–	–	–	(0.7)	(0.3)
Derivative financial instruments	–	–	–	–	–	–	(9.4)
Provisions	(21.8)	–	(0.6)	–	–	(22.4)	(16.8)
	(136.6)	–	(0.6)	–	1.4	(135.8)	(133.6)
Non-current liabilities							
Trade and other payables	(14.8)	–	–	(2.0)	–	(16.8)	(21.5)
Borrowings	(11.7)	–	–	–	–	(11.7)	(42.5)
Derivative financial instruments	(4.8)	–	–	–	–	(4.8)	(0.6)
Retirement benefit obligations	(24.9)	–	–	–	–	(24.9)	(37.7)
Provisions	(31.6)	(0.9)	(2.7)	–	–	(35.2)	(37.4)
Deferred tax liability	–	–	–	–	–	–	–
	(87.8)	(0.9)	(2.7)	(2.0)	–	(93.4)	(139.7)
Total liabilities	(224.4)	(0.9)	(3.3)	(2.0)	1.4	(229.2)	(273.3)
Net liabilities	(49.4)	(0.9)	(3.3)	(2.0)	1.4	(54.2)	3.4
Equity attributable to equity holders of the parent							
Share capital	87.1	–	–	–	–	87.1	85.4
Share premium account	88.9	–	–	–	–	88.9	61.0
Own shares	(1.1)	–	–	–	–	(1.1)	(1.1)
Translation reserve	(1.8)	–	–	–	–	(1.8)	(1.9)
Hedging reserve	1.3	–	–	–	–	1.3	(9.4)
Retained loss	(223.8)	(0.9)	(3.3)	(2.0)	1.4	(228.6)	(130.6)
Total equity	(49.4)	(0.9)	(3.3)	(2.0)	1.4	(54.2)	3.4

32. Restatements for the year ended 30 March 2019 (continued)

	53 weeks ended 30 March 2019 reported £ million	Discontinued operations £ million	Lease dilapidations £ million	Credit note provision £ million	Rebate creditor £ million	Interest £ million	53 weeks ended 30 March 2019 restated £ million
Revenue	513.8	(310.7)	–	(3.3)	–	–	199.8
Cost of sales	(495.5)	347.6	–	–	–	–	(147.9)
Gross profit	18.3	36.9	–	(3.3)	–	–	51.9
Administrative expenses	(76.9)	13.5	(0.3)	–	(0.6)	–	(64.3)
(Loss)/profit from operations	(58.6)	50.4	(0.3)	(3.3)	(0.6)	–	(12.4)
Net finance costs	(8.0)	1.8	–	–	–	0.6	(5.6)
(Loss)/profit before taxation	(66.6)	52.2	(0.3)	(3.3)	(0.6)	0.6	(18.0)
Taxation	(0.9)	(2.2)	–	–	–	–	(3.1)
Loss for the period from continuing operations	(67.5)	50.0	(0.3)	(3.3)	(0.6)	0.6	(21.1)
Loss for the year from discontinued operations	(25.9)	(50.0)	–	–	–	–	(75.9)
(Loss)/profit for the period attributable to equity holders of the parent	(93.4)	–	(0.3)	(3.3)	(0.6)	0.6	(97.0)

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

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

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

The numbers above correspond to the additional discontinued operations; whereas note 10 shows total discontinued operations for the 53 weeks to 30 March 2019 – the difference being the ELC results, which were already shown as discontinued in the 2019 Annual Report.

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

These adjustments include:

1) Lease dilapidations

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

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

2) And 3) Rebate liabilities

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

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

32. Restatements for the year ended 30 March 2019 (continued)

3) Finance costs

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

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

33. Contingent liability

The Group has 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. One week prior to the year end date, factories and ports were closed due to COVID-19, effectively cutting off supply routes, and manufacturers were prevented from being able to guarantee the on time delivery of goods (as is a requirement of stock purchase orders). As a result, the Group took the decision to request the cancellation of orders that had not yet been delivered. Post year end, discussions are being held and agreements made with manufacturers and franchise partners to re-commence the supply of any finished stock items and although there was a contingent liability at year end in relation to these cancelled orders, many of the items of stock have been purchased on renewed terms and the Group is close to resolution of the matter with all suppliers. At the date of signing this report, the value of any remaining liability still under negotiation is considered to be £0.2 million.

There is an additional contingent liability in respect of raw materials that suppliers had pre-ordered for the cancelled stock orders and which will now need to be used in the production of goods in a future season. 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 these raw materials is currently £0.5 million, with the possibility of this arising being remote.

34. 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 year, group companies entered into the following transactions with related parties who are not members of the Group:

52 weeks ended 28 March 2020	Sales of goods £ million	Purchases of goods £ million	Amounts owed by related parties £ million	Amounts owed to related parties £ million
Joint ventures	**0.3**	**–**	**2.0**	**–**

52 weeks ended 30 March 2019	Sales of goods £ million	Purchases of goods £ million	Amounts owed by related parties £ million	Amounts owed to related parties £ million
Joint ventures	1.4	–	2.1	–

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 £2.0 million (2019: £1.1 million) has been made for doubtful debts.

34. Related party transactions (continued)

Remuneration of key management personnel

The remuneration of the operating board (including executive and non-executive directors), 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 43 to 45.

	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 £ million
Short-term employee benefits	**4.3**	4.6
Post-employment benefits	**0.2**	0.3
Compensation for loss of office	**–**	0.1
	4.5	5.0

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.

35. Events after the balance sheet date

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

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

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

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

Company financial statements

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Company balance sheet
As at 28 March 2020

	Note	28 March 2020 £ million	30 March 2019 Restated £ million
Fixed assets			
Investments in subsidiary undertakings	3	**0.3**	29.1
		0.3	29.1
Current assets			
Debtors – amounts falling due within one year	4	**0.5**	0.3
Financial assets		**21.0**	–
Cash and cash equivalents		**1.0**	11.8
		22.5	12.1
Creditors – amounts falling due within one year	5	**(188.3)**	(188.1)
Net current liabilities		**(165.8)**	(176.0)
Total assets less current liabilities		**(165.5)**	(146.9)
Creditors – amounts falling due after more than one year	5	**(12.8)**	(11.7)
Derivative financial instruments		**(0.3)**	(4.8)
Net (liabilities)/assets		**(178.6)**	(163.4)
Equity			
Called up share capital	6	**87.4**	87.1
Share premium	7	**91.7**	88.9
Own shares	7	**(1.0)**	(1.1)
Profit and loss account	7	**(356.7)**	(338.3)
Total Equity		**(178.6)**	(163.4)

For the 52 weeks ended 28 March 2020

The Company has taken advantage of the disclosure exemption permitted by s408 of the Companies Act 2006 and has not produced a profit and loss account. The Company reported a loss for the financial period ended 28 March 2020 of £18.4 million (2019: loss of £229.3 million).

Approved by the board on 24 September 2020 and signed on its behalf by:

Andrew Cook
Chief Financial Officer

Company Registration Number: 1950509

Company statement of changes in equity

	Note	Share capital £ million	Share premium account £ million	Own share reserve £ million	Profit and loss account £ million	**Total £ million**
Balance at 24 March 2018		85.4	61.0	(1.1)	(109.8)	35.5
Prior year adjustments		–	–	–	0.8	0.8
Balance at 24 March 2018 as restated		85.4	61.0	(1.1)	(109.0)	36.3
Loss for the period		–	–	–	(229.3)	(229.3)
Other comprehensive income for the period		–	–	–	–	–
Total comprehensive income for the period		–	–	–	(229.3)	(229.3)
Issue of shares		1.7	30.8	–	–	32.5
Expenses of issue of new shares		–	(2.9)	–	–	(2.9)
Balance at 30 March 2019		**87.1**	**88.9**	**(1.1)**	**(338.3)**	**(163.4)**
Balance at 30 March 2019		87.1	88.9	(1.1)	(338.3)	(163.4)
Loss for the period	7	–	–	–	(18.4)	(18.4)
Other comprehensive income for the period		–	–	–	–	–
Total comprehensive income for the period		–	–	–	(18.4)	(18.4)
Issue of shares	6	0.3	2.9	0.1	–	3.3
Expenses of issue of new shares	6	–	(0.1)	–	–	(0.1)
Balance at 28 March 2020		**87.4**	**91.7**	**(1.0)**	**(356.7)**	**(178.6)**

Notes to the company financial statements

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 123. Mothercare plc acts as a holding company for a group of companies operating as a specialist franchisor of products for mothers-to-be and children under the Mothercare brand.

1. Significant accounting policies

The Company's accounting period covers the 52 weeks ended 28 March 2020. The comparative period covered the 53 weeks ended 30 March 2019.

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 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 14. The Directors have reviewed the latest forecasts and projections which have been sensitivity tested for reasonably possible adverse variations in performance. These are outlined in the Viability Statement on page 20.

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

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

Interest rate risk

The principal interest rate risk of the Company arises in respect of the drawdown of the revolving credit facility. This facility is at a fixed rate plus LIBOR, it exposes the Company to cashflow interest rate risk. The interest exposure is monitored by management but due to low interest rate levels during the period the risk is believed to be minimal and no interest rate hedging has been undertaken.

Credit risk

The Company has exposure to credit risk inherent in its receivables due from its subsidiary undertakings.

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 and Company'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. Included in note 20 of the consolidated financial statements is a description of facilities that the Group has at its disposal.

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 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, 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 judgement.

Key sources of estimation uncertainty

Allowances against the carrying value of investment 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 13.0% (2019: 12.6%) which reflects the time value of money and risks related to the cash generating units. During the year, investments in the holding company of MUK were impaired by £29.7 million due to the loss of control of MUK and MBS (2019: £49.1 million) as the fair value of less cost to sell and value in use of this investment was considered to be £nil.

Cash flow projections are based on the Group's four 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%.

2. Profit and loss account

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented for the Company. The Company's loss for the 52 weeks ended 28 March 2020 was £18.4 million (2019: loss of £229.3 million). The auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

3. 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:

	28 March 2020 £ million	30 March 2019 £ million
Investment in subsidiaries - net book value	**0.3**	29.1

	£ million
Cost	
At 30 March 2019	453.1
Disposal	–
Share-based payments to employees of subsidiaries	0.9
At 28 March 2020	454.0
Impairment	
At 30 March 2019	(424.0)
Charged during the period	(29.7)
At 28 March 2020	(453.7)
Net book value	**0.3**

Impairment of investments in the year of £29.7 million related to a holding company which previously (indirectly) controlled MUK and are as a result of the loss of control of MUK, the fair value of less cost to sell and value in use of this investment was considered to be £nil.

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 13.0% (2019: 12.6%) 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 four year period. No growth rate has been applied.

4. Debtors

	28 March 2020 £ million	30 March 2019 £ million
Other debtors	**0.5**	0.3

5. Creditors

Creditors: amounts due within one year	28 March 2020 £ million	30 March 2019 Restated £ million
Amounts due to subsidiary undertakings	**157.3**	176.5
Borrowings and bank overdraft (secured)	**28.0**	11.5
Accruals and other creditors	**3.0**	0.1
	188.3	188.1
Creditors: amounts due after one year		
Borrowings and bank overdraft (secured)	–	5.5
Shareholder loans	**12.8**	6.2
Derivative financial instruments	**0.3**	4.8
	13.1	16.5

Amounts due to subsidiary undertakings are repayable on demand. No interest is payable on the outstanding balances.

The Group had outstanding borrowings at 28 March 2020 of £28.0 million (2019: £23.2 million). The revolving credit facility is secured on the shares of specified obligor subsidiaries and the assets of the group not already pledged. The Group also holds a financial asset of £21.0 million reflecting the expected proceeds from the wind-down of the UK operations by the administrators and therefore the total debt amount at 28 March 2020 is £7.0 million; since the year end, £10 million of the £21.0 million has so far been received.

The Group has also raised shareholder loans of £5.5 million (2019: £8.0 million) during the period, which attract a monthly compound interest rate of 0.83%, and have a termination date of June 2021. These shareholder loans provide an opportunity for the lender to convert the loan into ordinary shares of the Company at specified dates. They are accounted for at an amortised cost of £12.8 million (2019: £6.2 million), with the option to convert fair valued and treated as an embedded derivative liability of £0.3 million (2019: £4.8 million) - see note 22 to the consolidated financial statements.

6. Called up share capital

	52 weeks ended 28 March 2020 Number of shares	53 weeks ended 30 March 2019 Number of Shares	52 weeks ended 28 March 2020 £ million	53 weeks ended 30 March 2019 £ million
Issued and fully paid				
Ordinary shares of 50 pence each				
Balance at beginning of period	–	170,871,885	–	85.4
Issued under the Mothercare Sharesave Scheme	–	–	–	–
Conversion of shares to 1 pence ordinary and 49 pence deferred shares	–	(170,871,885)	–	(85.4)
Balance at end of period	–	–	–	–
Ordinary shares of 1 pence each				
Balance at beginning of period	**341,743,770**	–	**3.4**	–
Conversion from ordinary shares of 50 pence	–	170,871,885	–	1.7
Issue of shares in the period	**32,448,724**	170,871,885	**0.3**	1.7
Balance at the end of period	**374,192,494**	341,743,770	**3.7**	3.4
Deferred shares of 49 pence each				
Balance at beginning of period	**170,871,885**	–	**83.7**	–
Conversion of shares from ordinary shares	–	170,871,885	–	83.7
Balance at end of period	**170,871,885**	170,871,885	**83.7**	–
Total share capital at end of period			**87.4**	87.1

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

The deferred shares do not carry any voting rights.

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 30 March 2019	88.9	(1.1)	(338.3)
Vesting of shares	–	0.1	–
Issue of new shares	2.9	–	–
Share issue expenses	(0.1)	–	–
Loss for the financial year	–	–	(18.4)
Balance at 28 March 2020	**91.7**	**(1.0)**	**(356.7)**

The own shares reserve of £1.0 million (2019: £1.1 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 30). The total shareholding is 925,342 (2019: 998,022) with a market value at 28 March 2020 of £0.1 million (2019: £0.2 million).

The Company has no distributable reserves and has made no distribution during this or the prior year.

8. Prior year adjustments

Finance costs

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

The impact on the financial results for the comparative period were as follows:

Retained earnings

- Retained earnings brought forward at 30 March 2019 were increased by £0.8 million.

Balance sheet

- Creditors at 30 March 2019 were reduced by £1.4 million.

Income statement

- Finance costs were reduced by £0.6 million.

9. Events after the balance sheet date

Details on events after the balance sheet date are shown in note 35 to the consolidated financial statements.

Glossary

Alternative Performance Measures (APMs)

Introduction

In the reporting of financial information, the Directors have adopted various APMs of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS). These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry.

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

Purpose

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

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

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

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

Group worldwide sales

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

Like-for-like sales

This is a widely used indicator of a retailer's current trading performance. This is defined as sales from stores that have been trading continuously from the same selling space for at least a year and include website sales and sales taken on iPads in store.

International retail sales

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

International like-for-like sales

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

Profit/(loss) before adjusted items

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

Shareholder information

Shareholder information (unaudited)

Shareholder analysis

A summary of holdings as at 28 March 2020 is as follows:

	Mothercare ordinary shares	
	Number of shares	Number of shareholders
Banks, insurance companies and pension funds	1,161	3
Nominee companies	366,874,611	263
Other corporate holders	2,412,385	71
Individuals	4,904,337	18,644
	374,192,494	**18,981**

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

	2020	2019
Share price at 28 March 2020 (30 March 2019)	**4.81p**	22.5p
Market capitalisation	**£18.0m**	£76.7m
Share price movement during the year:		
High	**24.00p**	33.37p
Low	**4.77p**	13.88p

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.

Shareholder information
continued

Registrars and transfer office
Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

Financial calendar

	2020
Annual General Meeting	23 September
Announcement of interim results	November
	2020
Preliminary announcement of results for the 52 weeks ending 27 March 2021	May
Issue of report and accounts	June
Annual General Meeting	July

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).

Stockbrokers
The Company's stockbrokers are:

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

Numis Securities Limited, The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
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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