

# mothercare

Annual Report &  
Accounts 2021



# Contents

## Overview

---

- 2 About us
- 3 Financial highlights

## Strategic report

---

- 4 Chairman's statement
- 10 Growth
- 12 Business model
- 13 Chief Operating Officer's and business review
- 24 Response to COVID-19
- 25 KPIs
- 26 Principal risks and uncertainties
- 30 Section 172 statement
- 31 Financial review
- 41 Non-financial information

## Governance

---

- 42 Board of Directors
- 43 Operating Board
- 44 Corporate governance report
- 48 Directors' report
- 50 Directors' remuneration report

## Financial statements

---

- 56 Directors' responsibilities statement
- 57 Independent auditor's report
- 69 Consolidated income statement
- 70 Consolidated statement of comprehensive income
- 71 Consolidated balance sheet
- 72 Consolidated statement of changes in equity
- 73 Consolidated cash flow statement
- 74 Notes to the consolidated financial statements

## Company financial statements

---

- 120 Company balance sheet
- 121 Company statement of changes in equity
- 122 Notes to the company financial statements
- 127 Shareholder information



## Highlights

During the year under review, and notwithstanding the challenges created by COVID-19, the Group completed its transformation and is en route to rebuild the brand as we enter into new arrangements with franchise partners designed to build the scale, scope and stature of our brand.

**2018**

Fundamental restructuring of the group's operations and associated refinancing commenced.

**2019**

Mothercare UK Limited and Mothercare Business Services Limited entered administration.

Certain liabilities, assets and contracts were transferred to Mothercare Global Brand.

**2020**

COVID-19 begins to impact global franchise and manufacturing partners.

Head office move from Watford to Hemel Hempstead.

10 year franchise agreement with Boots UK for the UK and ROI in stores and via Boots website with option for a further 10 years.

**2020**

10 year franchise agreement renewed with Alshaya with option for a further 10 years.

New debt facilities secured.

Revised pension arrangements.

**2021**

Delisted from Main Market and admission to AIM.

Conversion of all shareholder loans completed.

Conclusion of the final phase of the refinancing and restructuring of Mothercare.

Completion of the transformation process.

# A trusted global brand – designed for the future

Mothercare plc is the owner of Mothercare Global Brand (MGB), a globally franchised brand for parents and young children. MGB designs, sources and supplies products across clothing, equipment and other categories for parents and young children across the world. The Mothercare brand is presented in stores and online through a network of global franchise partners who operate over 700 dedicated Mothercare stores and more than 400 additional stores which carry a selection of product from the brand across some 37 countries around the world.

Completion of the transformation process has opened the way to Mothercare becoming a simplified, profitable, and cash generative franchise business, representing a sea-change in our prospects from the position reached at the end of 2019. These are exciting times as we enter into new arrangements with our franchise partners designed to build the scale, scope and stature of our brand. Without the distractions of the last three years restructuring the business we can accelerate the growth of our franchise base to address large and attractive markets where we currently have no presence.

Our current measure of success, as we strive to be the leading global brand for parents and young children, remains our ability to distribute the Mothercare brand and its products to many more territories around the world through franchising, wholesale & licensing; hence optimising the level of sustainable long-term revenues and profitability going into 2022 and beyond.

	Stores	
1	UK	12
2	Ireland	-
3	Gibraltar	1
4	Malta	5
5	Cyprus	9
6	Lithuania	7
7	Estonia	4
8	Latvia	5
9	Belarus	12
10	Russia	116
11	Kazakhstan	5
12	Azerbaijan	5
13	Georgia	2
14	Greece	26
15	Albania	1
16	Romania	5
17	Serbia	5
18	Macedonia	1
19	India	139
20	Sri Lanka	6
21	UAE	40
22	Saudi Arabia	61
23	Kuwait	33
24	Bahrain	6
25	Oman	5
26	Egypt	5
27	Jordan	5
28	Qatar	14
29	Thailand	12
30	Vietnam	14
31	Malaysia	21
32	Singapore	11
33	Indonesia	50
34	Brunei	3
35	Philippines	17
36	Hong Kong	7
37	China	66

We are a truly global company that caters for many different markets and cultures. We are committed to treating all markets equally and being respectful to differences within local cultures, whilst maintaining brand consistency.

## Financial highlights

Our Group – £m (from continuing operations):	2021	2020
Turnover	85.8	164.7
Adjusted EBITDA	2.2	6.2
Adjusted operating profit/(loss)	0.2	(0.6)
Adjusted loss	(8.6)	(6.4)
Statutory loss	(21.5)	(8.5)
Our Franchise Partners:	2021	2020
Worldwide retail sales £m	358.6	542.1
Online retail sales £m	44.4	31.3
Total number of stores	734	841
Space (k) sq. ft.	1,970	2,345



## Chairman's statement

---

**" I am pleased to report that we have completed our transition to refocus the Mothercare brand on its core competencies of international franchise and brand management coupled with design, development and distribution of product which is sold through our international partners' stores and online."**

---

### A Platform for Growth

**I am pleased to report that we have completed our transition to refocus the Mothercare brand on its core competencies of international franchise and brand management coupled with design, development and distribution of product which is sold through our international partners' stores and online. Today the Group is free of the cost and operational burden associated with a UK store estate and warehousing. Our gross profit is principally derived from royalties payable on global franchise partners' retail sales, operating through over 700 stores, representing some 2 million square feet of retail space.**

The Mothercare brand is represented in 37 countries around the world including the UK through our franchise arrangement with Boots. Yet whilst this reach is impressive, the brand is still not represented in 7 of the top 10 baby markets in the world, when viewed by wealth and birth rate. Hitherto, the Brand's singular route to market today is via franchisees and post the restructuring we are now able to explore the opportunities available to us in wholesale, licensing or online marketplaces.

Accordingly, our current measure of success, as we strive to be the leading global brand for parents and young children, remains our ability to distribute the Mothercare brand and its products to many more territories around the world through franchising, wholesale & licensing as well as growing our existing territories: hence optimising the level of sustainable long-term revenues and profitability going into 2022 and beyond.

Understandably, during this past year our focus has been on our existing franchise partners and their markets, managing both the impact of the pandemic upon them and its effect on our supply chain. However we now have the management time and resource to optimise our operating platform and generate revenues through an asset-light model, both in the UK and other international territories, backed by new debt facilities provided by Gordon Brothers Brands LLC ("GBB").

We look to the future with great optimism and have multiple opportunities to grow the global presence of the Mothercare brand. We are actively pursuing a three-pronged growth strategy encompassing:





### Opportunities for Organic growth

During 2020 we commissioned an in-depth customer survey across many of our major territories to gain greater insight of our customers' views on both the local Mothercare business and the relevant competitors. The analysis of the results has shown strong correlation across the sampled markets and has allowed us to refocus our product strategy both in terms of the specific categories we develop and the level and quality and design. This revised product strategy, which is detailed further in the Chief Operating Officer's review, will be more geared to meet the expectations of our customers in our international markets, rather than majoring on products that were historically designed and developed for the UK market. Our spring/summer 2022 season, which was the first to use these learnings, was presented to our franchise partners recently receiving positive initial feedback.

### Opportunities for growth beyond the existing territories

Secondly, as we noted last year, we estimate that the birth rate around the world is c130 million births per annum, within which we believe that at least 30 million babies are born each year into households where there is a sufficient income level to make this an addressable market for 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 stores 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. An assessment is now underway to identify the right franchise partners and channels to market for these territories.

### Opportunities for step change growth

Thirdly, we are seeking to leverage the intrinsic value liberated by our extensive efforts over the last three years, where in addition to the above:

- we are an AIM listed entity with expectations of an improving trend in operating profitability and being debt free within five years;
- Mothercare is a strong unencumbered core brand, superior in its quality, international footprint and global reach than many peers who are being afforded premium market ratings; and
- we have a transactionally astute PLC Board & senior executive team that has overseen our emergence from both the restructuring and the pandemic in better shape than we entered.

Accordingly, these are exciting times as, without the distractions of the last three years, we are seeking to accelerate the growth of the business to encompass large and attractive markets where we currently have no presence, whilst expanding in our existing territories.

### The Pandemic

As a global brand and franchise operator the impact of Covid-19 has varied enormously by market as the countries in which our franchise partners operate have addressed the pandemic in many different ways including, but not limited to, restrictions on travel, movement and operating hours of retailers. These issues have been compounded by similar restrictions for our manufacturing partners, which coupled with the disruption to the global movement of freight, have caused additional challenges with availability of product for franchise partners further impacting sales for the year.

These circumstances introduced an unprecedented demand shock throughout the first quarter of 2020 which led to the year under review commencing with many of our franchise partners' global retail locations being closed which, alongside significant disruption within our manufacturing base, required extensive efforts to reorganise production to ensure the best possible range availability. Whilst stores have substantially re-opened for customers since then this still equated to an aggregate reduction in worldwide retail sales by our franchise partners of 34 per cent. compared to last year, reflecting the impact of Covid-19 in the various markets in which our franchisees operate around the world. Throughout the pandemic we witnessed substantial online sales growth, however, this in itself was not enough to offset the temporary closure of retail stores.

The contingency plans activated by the Board are detailed elsewhere in this report, however these primarily focused management attention upon the well-being of our colleagues alongside protecting corporate liquidity in order to preserve the businesses of our manufacturing and franchise partners as a prerequisite to returning to longer-term profitability. The Group did not access any of the distress loan facilities proffered by Her Majesty's Government nor did we furlough any direct employees in the continuing business.

### Rebuilding the Group

Last year we finalised the fundamental restructuring of the Company's operations and the associated refinancing of the Group, commenced in the summer of 2018, which ultimately resulted in the placing into administration of the Group's UK retail business in November 2019. This unavoidable step preserved value most notably for our pension fund, our global franchise operations and lending group – who would have otherwise faced significant losses – importantly it cleared a path for the Mothercare brand to emerge as the profitable and cash generative international franchise operation it is today.



As previously stated, the key strategic aim post the restructuring was to further transform the business by creating both a financial structure which supports a sustainable, capital light franchising model with the capacity to secure both future global growth and brand reach, alongside redeveloping the Group's UK retail presence within a Mothercare franchise.

The year under review witnessed substantial progress with all of our goals, notwithstanding the continuing challenges presented by Covid-19, as recorded in detail within the Chief Operating Officer's Review and Financial Review, achieving the Board's objective of preserving significant value for all stakeholders.

### **New ways of working with our Partners**

We continue to work towards our goal of becoming an asset light business, greatly facilitated by the implementation of our new way of stock purchasing, meaning that our franchise partners contract to pay for products directly with our manufacturing partners.

For the autumn/winter 2021 season currently in our supply chain some 55% of the products by value are invoiced directly to franchise partners by our manufacturing partners, thus removing the Group's exposure to the debt and working capital

requirement for these products. Hence for these products the creditors and stock will not be recognised by the Group and whilst the associated revenue will also be excluded the continued receipt of royalty payments will ensure no material impact on the sterling margin earned. The responsibility for design, quality control and choice of manufacturing partner for these products remains with the Group. Also, for the autumn/winter 2021 season, some 70% of the products by value, will be shipped directly from the country of manufacture to our franchise partners without passing through our warehouses, both reducing our cost base and speeding up the supply of product.

As detailed in the Financial Review, we have targeted extending these ways of working to the remainder of our franchise partners and anticipate 80% of our products moving direct by the end of this current financial year and we continue to work to minimise costs for both ourselves and our franchise partners by moving activities further up the supply chain.

### **Updated Financing Requirement**

At the year-end Mothercare had net borrowing of £12.1 million, being cash of £6.9 million against a substantial drawdown of £19.5 million from the new facility announced last November, reflecting both ongoing tight control of cash and the conversion of the total



outstanding £19 million of shareholder loans into new ordinary shares on 17 March 2021.

This represents a significant reduction in the total financing requirement, of around £50 million, anticipated in November 2019 and bears testimony to our accelerated progress to becoming a focused, asset light global franchising business with no directly operated stores and greatly reduced direct costs.

GBB, with whom terms for a new £19.5 million secured four year loan facility, to refinance the Company's outstanding secured senior debt facility and for additional working capital purposes, were agreed in November 2020, is now the Group's sole lender.

These changes are detailed in the Financial Review, including the terms agreed 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.

### Cost Reduction Programme

Last year the Group made substantial progress in addressing its legacy infrastructure and associated cost base which greatly assisted in reducing the total financing requirement the Group refinanced with GBB:

- we surrendered the lease of our former head office in Watford and moved into our new head office in Apsley, Hemel Hempstead, in August 2020 reducing cash occupancy costs for our head office by £900,000 per annum;
- The National Distribution warehouse facility in Daventry, which predominantly serviced the Mothercare UK retail business, which was previously sublet to a third-party on a short-term basis, was fully assigned to a third party with a strong covenant on 1 March 2021. This removed a contingent risk of around £3 million per annum to the Group on a lease that expires in June 2026;
- We are also progressing the development of a new integrated ERP system designed to provide easier, more accurate and cost-effective access to information to benefit our own business and those of our manufacturing and franchise partners. In the year ending March 2023, the first full year to benefit from the new system, our information technology costs would be expected to reduce to close to half of those for the year to March 2021, a direct bottom line improvement of over £2 million. Implementation of the ERP system is also considered on page 29, in the principal risks and uncertainties section.

This continued improvement in overhead recovery and reduced distribution costs, in tandem with the impact of the new ways of working, will support cash generation as highlighted above and is detailed further within the Chief Operating Officer's Review and Financial Review.

---

**GBB, with whom terms for a new £19.5 million secured 4 year loan facility, to refinance the Company's outstanding secured senior debt facility and for additional working capital purposes, were agreed in November 2020, is now the Group's sole lender.**

---

### Delisting & AIM Admission

The Company first listed on the London Stock Exchange in 1972 with its listing on the main market continuing throughout via various different corporate entities. However, with the completion of the transformation plan the Board considered, for the reasons highlighted below, that AIM is a more appropriate market for the Company at this stage, commensurate with the Company now being a Small-Cap company. AIM was launched in 1995 as the London Stock Exchange's market specifically designed for smaller companies, with a more flexible regulatory regime, and has an established reputation with investors and is an internationally recognised market:

- AIM will offer greater flexibility with regard to corporate transactions, enabling the Company to agree and execute certain transactions more quickly and cost effectively than a company on the Official List;
- Companies whose shares trade on AIM are deemed to be unlisted for the purposes of certain areas of UK taxation, including possibly being eligible for relief from inheritance tax. Furthermore stamp duty is not payable on the transfer of shares that are traded on AIM and not listed on any other market;
- In addition to existing institutional investors, given the possible tax benefits, admission to trading on AIM could make the Company's shares more attractive to both AIM specific funds and certain retail investors where, since 2013, shares traded on AIM can be held in ISAs.

Accordingly, following shareholder approval, the Company applied to cancel the listing of its Ordinary Shares on the Official List and to trading on the Main Market alongside applying to the London Stock Exchange for admission to trading on AIM which was successfully completed on 12 March 2021.

# Chairman's statement

continued

## Management & Board changes

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

In addition, the Company's management requirements have evolved as we have successfully transitioned the business to become a focused international brand owner and operator. Hence during the year we reinforced the executive team with the appointment of both a Chief Product Officer and Head of Commercial, whose collective expertise has already contributed to our evolving product roadmap as we strive to build closer partner relationships and better serve end customer needs in key markets.

Accordingly, having completed the short-term priorities associated with the refinancing and the transformation plan, alongside continuing to manage through the continuing restrictions imposed upon us by Covid-19, we have recommenced the search for a new Chief Executive Officer: where we are seeking proven global brand and E-commerce experience.

A further announcement will be made when appropriate and, in the interim, the day-to-day management of the Group is being run by the Chief Operating Officer and Chief Financial Officer with oversight from me as Non-Executive Chairman and my fellow Non-Executive Directors.

## Dividend Policy

The Company has not paid a dividend since 3 February 2012. 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 this is possible under the Company's agreements with GBB and the pension trustees and as soon as the Directors believe it is financially prudent for the Group to do so.

## Outlook

First and foremost I would like to thank all of our colleagues across the organisation for their continued diligence in combating the challenges created by the pandemic. Their combined efforts in the face of adversity have been truly inspiring.

Whilst the global outlook remains uncertain and we are not immune to the continued impact of Covid-19 being felt around the world, over 80 per cent. of our franchise partners' global retail locations are now open, which points towards recovery in their sales and consequently our revenues.

Accordingly, based upon reducing impacts on us and our franchise partners' operations as the current year progresses and the implementation of the new operating model, greatly reduced cost structures and the elimination of significant legacy issues, we expect a significant improvement in operating profits for the current year.

Furthermore, we still anticipate that the steady state operation of our existing retail franchise operations, in more normal circumstances, should exceed annual operating profits of £15 million in future years, underwritten by the planned further reduction in overheads. For the first 13 weeks of our current financial year to March 2022 our total retail sales were £94 million, generating an adjusted EBITDA of approximately £2.5 million.



A photograph of a woman with blonde hair, smiling warmly while holding a baby. The woman is wearing a dark blue polka-dot top and a gold necklace with a circular pendant. The baby is wearing a dark blue top with white stars. They are lying on a bed with a blue and white plaid pillow.

“ Hence we expect 2022 to be a year of further progress as we focus upon developing our strategy and future plans to optimise the Mothercare brand globally over the next five years. That is an exciting prospect for all of our staff and stakeholders as we finally exit this most uncertain of times.”

**Clive Whiley,**  
Chairman

With the completion of our transition to refocus the Group on its core competencies of international franchise and brand management and the design, development, sourcing and distribution of product we can now pursue a growth strategy and the management team has the time and resources to evolve, adapt and optimise the operating platform and format.

## Organic Growth

An in-depth customer research programme in our key global markets, together with a detailed review of trading history is informing our product roadmap as outlined in the Chief Operating Officer's report. As a result we have identified a number of initiatives and opportunities to grow our existing sales within the current franchise partner base.

Approximately 30% of our franchise partners' retail sales are generated from products that they have sourced themselves and are not branded as Mothercare. These products are usually where there isn't a Mothercare equivalent and is mostly in the categories of home and travel products or specialist clothing that is for more extreme weather conditions and our approval is required to sell all such products. Part of our product strategy is to review these locally sourced products to identify opportunities for us to design and deliver similar products and thus extend our range. Not only will this increase the sales of Mothercare branded products, which generally make higher margins for our franchise partners but also allow them more defence against becoming a showroom for third party brands, all of which can be purchased online from a competitor.

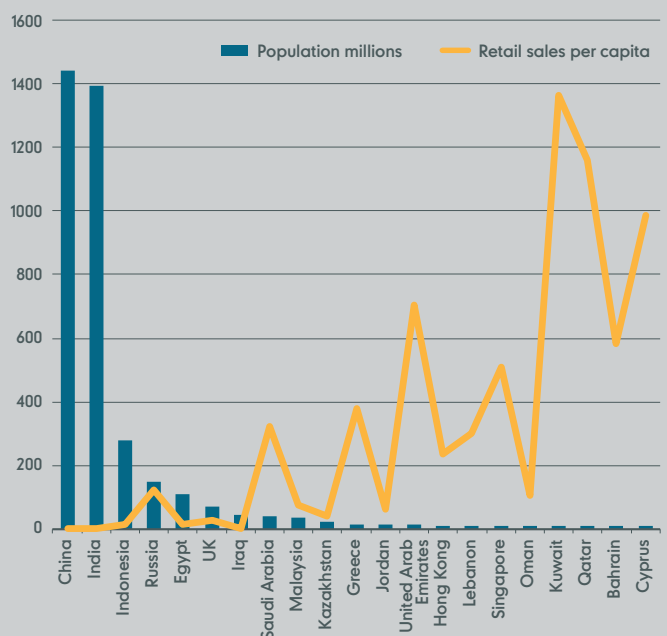
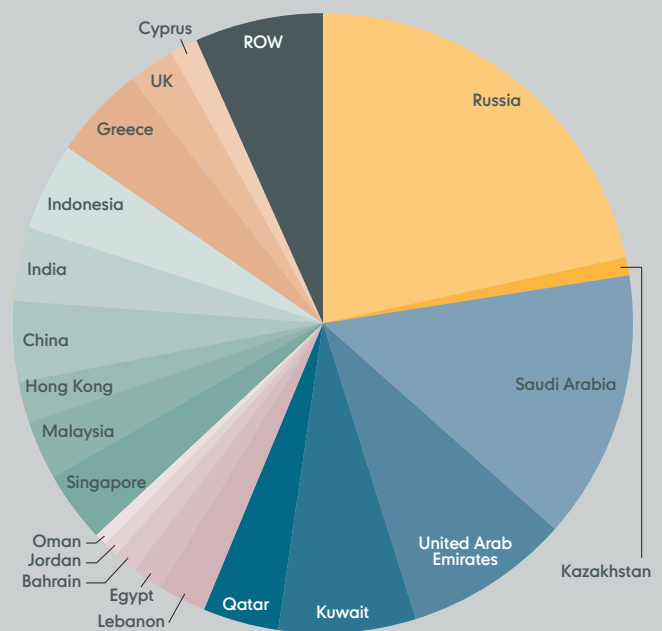
The recent steps taken to change and update the business model, as a direct result of the operational challenges presented by the administration of the Group's former UK retail business and the subsequent pandemic, provide further opportunities. We now expect to ship over 80% of our products direct from country of manufacture to retail, providing an opportunity for better full price sell through and potentially increased orders.

Improving our franchise partners' profitability in these ways will increase their motivation to invest in and grow their Mothercare business.

Whilst our online retail sales more than doubled in share of total sales during the year, it still represents only 12% of our total retail sales. Whilst market by market the percentage share is variable, over time this will inevitably grow and potentially offers our franchise partners an opportunity to grow their businesses with lower capital investment over the longer term. Our increased investment in digital marketing assets coupled with the awareness of the need to evolve as a digital retailer and consequential investment of our partners provides significant headroom for them to grow their businesses.

With our strong franchise partner base we are well positioned to grow market share through a mix of each of the above in our major markets and the chart demonstrates the significant headroom available. In the final year of trading the UK retail estate we achieved sales per capita similar to those of Kuwait and Qatar below. Purely for indicative purposes, excluding India and China, increasing the sales per capita across our existing markets to these levels, would increase our retail sales to twenty times the levels achieved last year.

Retail sales 2021



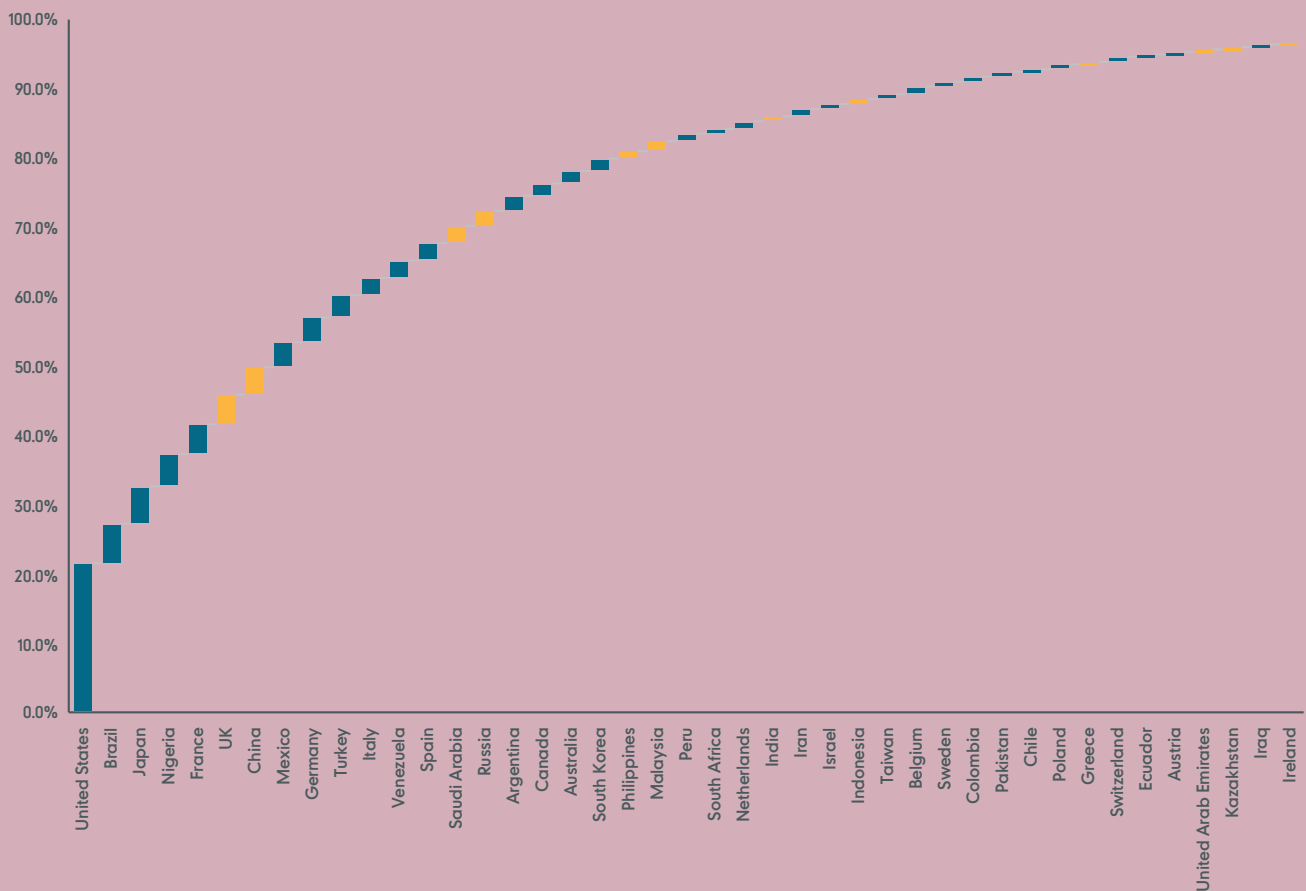
### Growth beyond existing territories

The chart below shows the estimated addressable market for Mothercare, in anticipation of future growth.

We have now commenced an assessment of priority global markets together with a review of the optimal entry and operating model for each new territory. Our new asset light, IP heavy operating model enables us to consider various market entry modes including online only, concession

and wholesale through shop-in-shops together with the traditional franchise model. In fact the new franchise arrangement with Boots UK is a good example of the model of shop-in-shop expansion.

The work currently underway on our brand and updated product roadmap as outlined in the Chief Operating Officer’s report will support in furthering the partnerships we have around the world.



### Step Change Growth

The Mothercare brand is in an almost unparalleled position of being a highly trusted British heritage global brand, that connects with newborn babies and children across multiple product categories, at the beginning of their life as consumers.

We are seeking to leverage the full bandwidth of this intrinsic value through connections with other businesses and the development of the product range and licensing beyond our historic limits. Our product development strategy will provide potential in both existing and new markets, alongside expanded distribution into markets where a full Mothercare offering isn’t currently available.

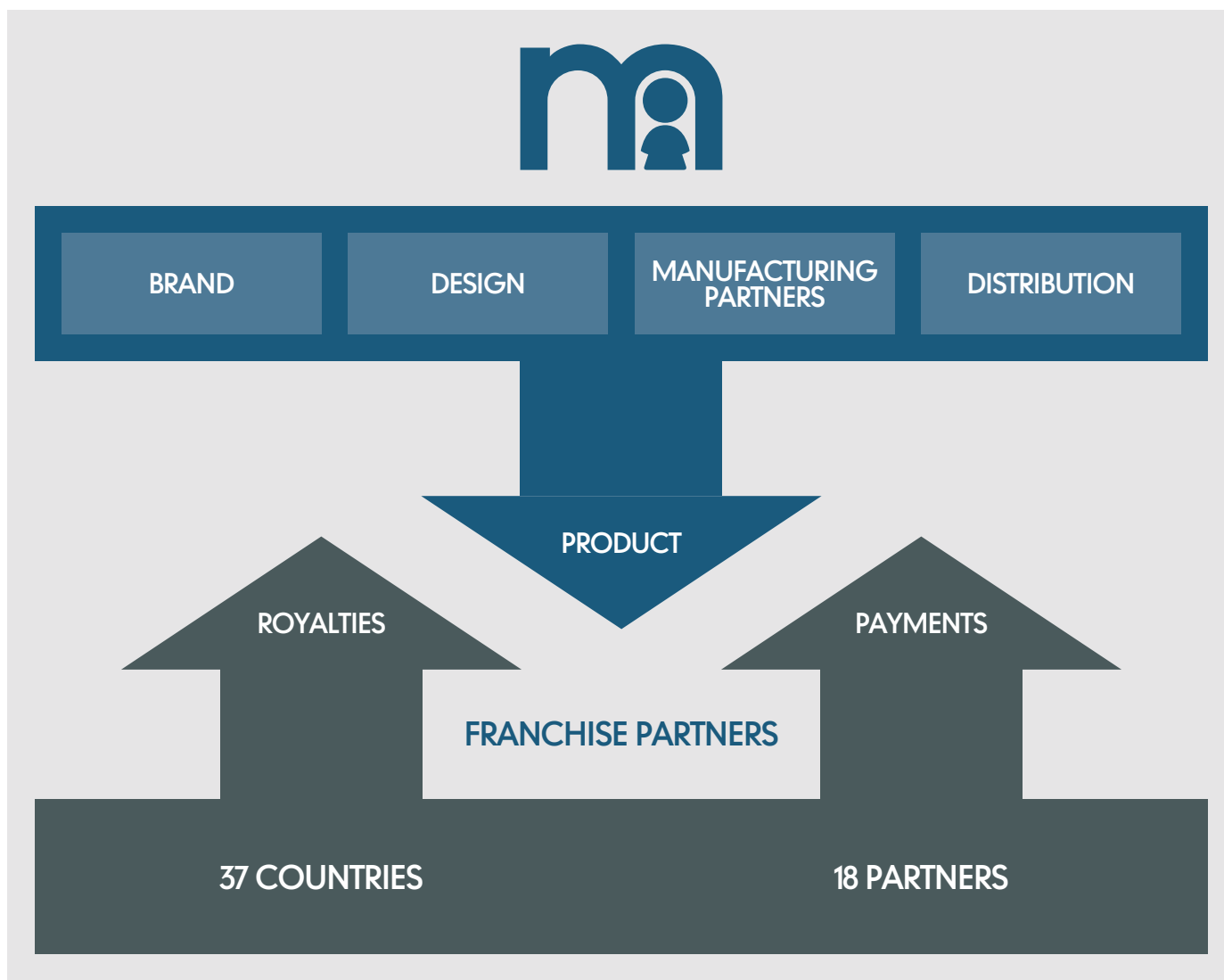
There are also numerous natural product synergies into associated non-clothing and home categories like health and beauty or outdoor children’s activities that provide increased sales opportunities for the brand. We are actively reviewing these category opportunities and all routes to market based upon the stable, capital light, international model we now have established.

Moreover, we are aware that there are many opportunities, not least as a result of the pandemic, that we could explore to bring synergistic benefits or open up new territories and channels for our existing products.

## Business model

Mothercare is a leading global parenting brand with operations in 37 countries through global franchise partnerships. The brand has a strong heritage and trusted reputation.

Our core competencies are that of Brand management, product design and development, sourcing and distribution of product. Our revenue is principally driven from royalty on sales.



# Chief Operating Officer's and business review

## Overview

- In August 2020 we completed a new 10 year franchise agreement with an option to extend for another 10 years, with both Alshaya Group, our largest franchise partner, and Boots UK Limited for the UK and Republic of Ireland. Subsequently we have advanced new agreements with our franchise partners in Indonesia, Malaysia, Singapore and Hong Kong.
- We commissioned a comprehensive research programme to better understand our global consumers and markets.
- Significant investment in increased digital assets and content.
- Overhaul of the product offering, enhancing the design, fabrications and construction of the ranges.
- Continued investment in developing our core competencies and complementing the existing team with key new hires.

Our principal route to market is via our global franchise network of over 700 Mothercare stores in 37 countries, together with shop-in-shop formats and an increasing online presence. We trade from many of the world's best shopping malls and continue to invest in our online presentation and content.



Kevin Rusling,  
Chief Operating  
Officer

ASIA 26% / EUROPE 37% / M.EAST 37% MIX



# Chief Operating Officer's and business review

continued

## Strong and well-established partnerships

We are privileged to have strong and long-standing relationships with our key partners, many of whom we have traded with for over 20 years.

### Alshaya MENA

Brands: 90

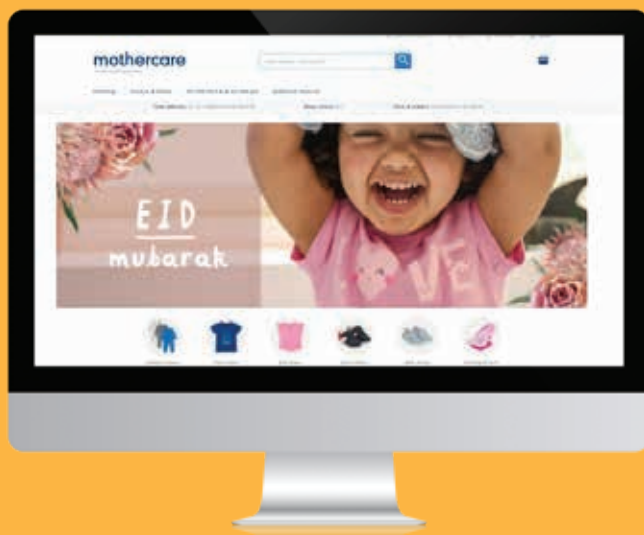
Alshaya Group is a leading international franchise operator with 90 global brands and over 4000 stores in its portfolio including retail, dining, leisure and hospitality across the Middle East & North Africa, Russia, Turkey and Europe.

Stores: **168 Mothercare stores**

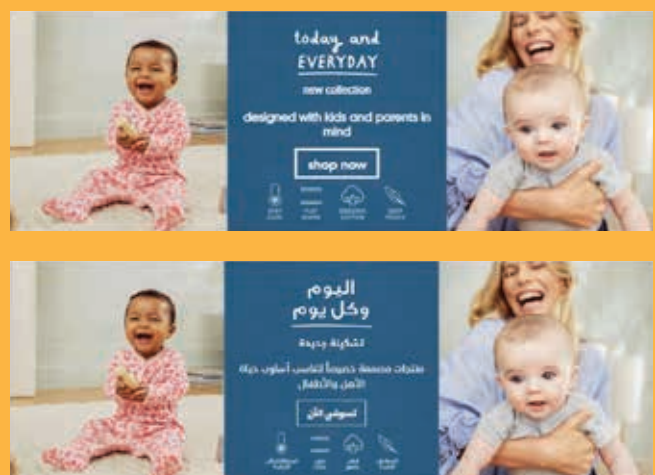
- Over 40+ years of market experience
- Market leadership in Baby & Kids segment
- Host to biggest Mothercare store globally
- First franchise partner of Mothercare
- Alshaya group turnover in excess of \$1bn.



Mothercare Men – UAE homepage



SS21 digital implementation





# Our partners trade online in 15 countries through dedicated Mothercare sites and also through over 22 marketplaces.

## Alshaya Russia

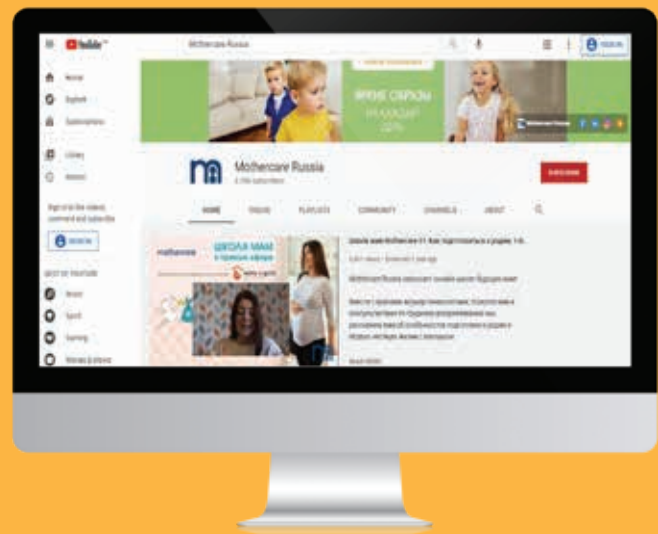
Brands: 3

Mothercare Russia is operated by the Alshaya Group and is the largest territory in the Mothercare portfolio.

Stores: 116 Mothercare stores

- Russia operates our strongest online presence through a dedicated website
- Significant loyalty database through the “Privilege Card” providing detailed insights into shopping patterns
- Mothercare mobile app launching later this year
- Re-launched Mothercare in Kazakhstan.

Mothercare Russia: Instagram



Mothercare Russia: YouTube

## Reliance India

Brands: 45

Reliance Retail has a portfolio of over 45 international brands that spans across the entire spectrum of luxury, bridge to luxury, high-premium and high street lifestyle. Reliance Retail operates over 777 stores.

Stores: 139 Mothercare stores

- Reliance Retail (turnover \$21 billion) is a division of Reliance Industries Limited with annual turnover of \$87 billion
- RBL Group is #1 Indian Company by Profit Fortune Global 500 ranking India's largest retailer and 6th largest globally
- Operates standalone, shop in shop and concession stores together with a wholesale model of certain categories.



Mothercare India: Instagram

# Chief Operating Officer's and business review

continued

## Kanmo Indonesia

Brands: 16

Kanmo group's first retail operation was Mothercare and today operates over 260 stores through 16 brands. It has a market leadership position in the kids and baby segment and operates in over 50 cities across Indonesia. Alongside the retail operation it has over 800 touchpoints through its distributor business channel.

Stores: 50 Mothercare stores

- The number One baby and kids retail leader in Indonesia
- Over 15 years experience as a turn-key omni-channel operator with vast distribution, retail and wholesale capabilities.



**Store Opening – Mothercare at SKA Mal**  
Pekanbaru, Indonesia – with more than 2000 visitors in one day!



**President of Indonesia**  
In 2019, President of Indonesia, Mr Joko Widodo was also spotted shopping at Mothercare store by media.

## Kim Hin Group (Singapore, Malaysia and Hong Kong)

Countries: 3

Mothercare's second franchise partner, Kim Hin started trading in Singapore in 1984. Part of the larger Kim Kin Group and now operates stores in Malaysia and Hong Kong. Kim Hin Group is also distributor to many of the best know Childrenswear brands.

Stores: 39 Mothercare stores

- In 2018 Malaysia was converted to a public company; Singapore and Hong Kong remain privately owned
- Kim Hin Group is a leading player in Childrenswear across the markets.



### Singapore's Harbour Front Experience Store

It's home to a host of incredible services to parents and expecting families, they even offer a personal car seat cleaning service when you can take in your car seat and have it professionally cleaned in store.

## KLMSA Group Greece

Countries: 5

KLMSA Group primarily focuses on retail business by offering high quality products at the best price to a retail client base through a number of well-known brands, specialising in Mother and baby.

Stores: 26 Mothercare stores

- It became a Mothercare franchise partner in 1999 and now operates 37 stores, the first Mothercare store in Greece opened in 1987.



Hello Magazine  
Re-Opening event Elliniko store

## Boots

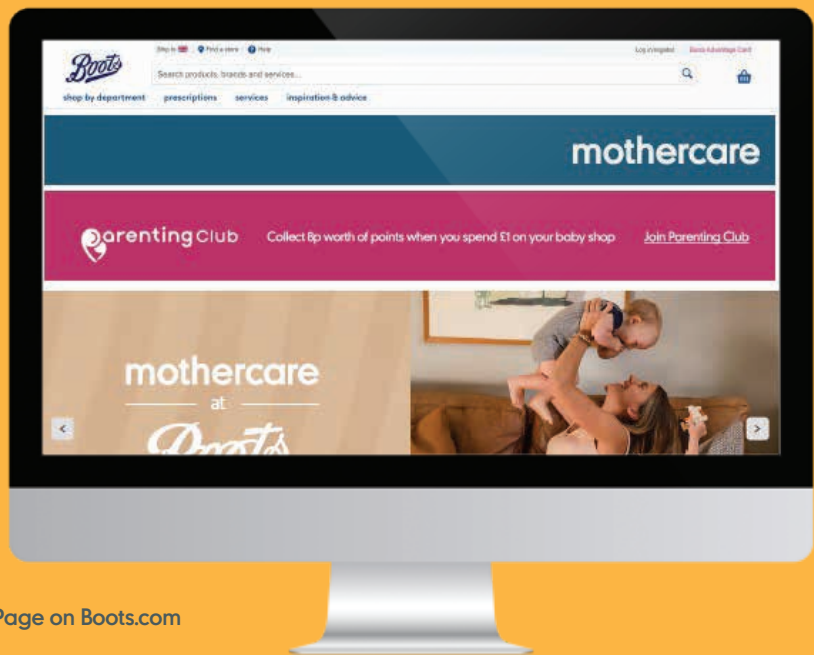
Stores: 416 inc 10 shop in shop Mothercare stores

Boots UK is owned by Wallgreens Boots Alliance which operate over 21,000 stores and turnover in excess of \$139b. WBA is the largest retail pharmacy in the US and Europe. Boots has a strong parenting heritage in the UK and operated an alliance with Mothercare for over 10 years before becoming the exclusive franchise partner in 2020.

- Boots has 2500 stores in the UK
- Mothercare had a joint partnership with Boots UK to design, manufacture and deliver Mini Club – a Boots exclusive clothing brand since 2010, and also supplied Boots with elements of home and travel products within a wholesale model
- In October 2020 Mothercare and Boots entered into a new agreement to franchise the Mothercare range in the UK and ROI.



Mothercare launched an exciting partnership with Boots back in September 2020. These photos are from the Trafford Centre store in Manchester. We have 10 unique shop in shop concessions with Boots and this was one of the first to open. Overall, Mothercare is present in around 400 Boots stores.



Mothercare Home Page on Boots.com

# Chief Operating Officer's and business review

continued

## Markets and channels

Our core competencies are that of brand management, product design and development, sourcing and distribution of product with the objective of growing the existing Mothercare business with our global franchise partners and to extend the reach into new categories, markets and channels. Our gross profit is principally driven by royalty on retail sales.

We created a new more balanced version of our franchise agreement which also works in conjunction with the new business model and in August 2020 we completed a new 10 year franchise agreement with an option to extend for another 10 years, with Alshaya Group, our largest franchise partner, and Boots UK for the UK and Republic of Ireland. Subsequently we have advanced new agreements with our franchise partners in Indonesia, Malaysia, Singapore and Hong Kong.

## The Mothercare Brand

A key focus for us is strengthening our brand consistency around the world and reconnecting with our customers as a global brand. We have recently embarked on a comprehensive research programme to gain a deeper understanding of the consumer and their needs by global market. From this work we shall create a clear brand direction and guidelines for our team and all our partners ensuring the Mothercare brand is represented in a consistent fashion.

Within e-commerce, we have set new standards for our digital photography and copy, ensuring we are more in line with global competitors. Alongside this, we are delivering a new set of web design templates and social media guidelines to further drive consistency and support our partners in becoming more digitally focused.



### Example desktop banner ads (above)

Digital assets are created for partners to use across web and social media, our models are real families enabling us to capture those precious moments authentically.



### Babywear – today and everyday

All of our web collateral is designed mobile first to ensure we offer the best experience across mobile, web and app.

We provide our franchise partners with assets and campaigns for use online, social and in store and are increasing the level of digital assets to match the elevated product offer.

**Product**

Our in-house design team, working closely with the buying and merchandising teams, create all of the products sold under the Mothercare brand worldwide. We principally work with manufacturing partners across Bangladesh, India, China and Turkey to produce our ranges and will continue to evolve the mix of locations and factories to ensure that we maintain the high standards of quality and design that our partners and customers around the globe have come to expect.

Our global end consumer research also enabled us to re-build the product roadmap under the leadership of our Chief Product Officer who joined the business in September.

The product roadmap will evolve over the next couple of years and identifies categories and key age stages on which we will focus allowing us to create market leading products. The strength of the Mothercare brand is its heritage and the trust placed in it by consumers. Our new ranges build upon this to create unique and differentiated products across a wide range of categories.

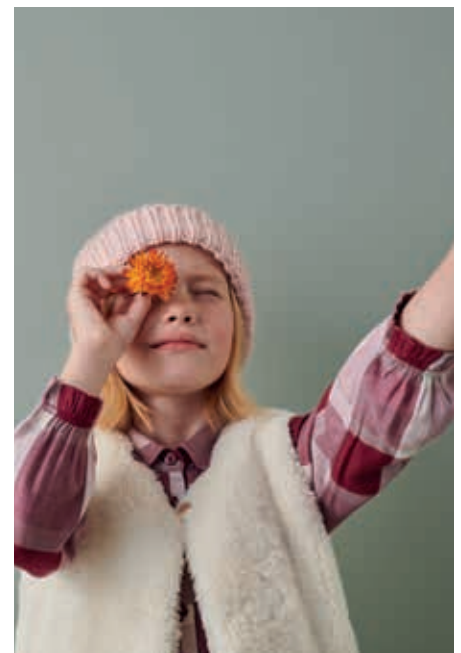
Our newly constructed ranges have a clear product positioning and handwriting, where we have made significant changes to the design, fabrics and garment construction and introduced some new manufacturing partners to help elevate the product offer and our quality.

Our focus on the needs of parents in the two clusters of Baby and Child, together with an understanding of the global critical occasions and attributes required by parents will deliver an enhanced offer from Spring 22.

Since the financial year closed we have rebuilt and refreshed our range offering to our partners and this has been extremely well received.

**Attention to detail**

Our products are designed inhouse enabling us to concentrate on the little things that matter and make the product fun for children and give peace of mind to parents.



# Chief Operating Officer's and business review

continued



## Operational Review

I am extremely proud of how the team responded to the pandemic. We acted swiftly to ensure that our colleagues and partners were safe and then adapted and accelerated the business to not only face the challenges of the pandemic but also complete the Transformation Programme we had embarked upon.

Throughout the year we continued to build our core competencies and the team to deliver it. Several new colleagues have joined since the start of the pandemic and the team as a whole has shown great dedication whilst working from home and balancing the challenges this brings. I would like to thank them for their unwavering commitment.



During Covid we evolved our business model and introduced a new tripartite purchase order contract which is designed to reduce working capital requirements and provide further security and financial support for our manufacturing partners and security of stock for our franchise partners. We continue to evolve this model as outlined in the Financial Review.

Our partnerships around the world are supported by a first class retail team, led by the Head of Commercial. The retail team's role is to build ever closer relationships enabling us to understand the global markets and customer need in more detail, thus further enhancing our product development roadmap and business model. We have taken the learnings from the pandemic and the significant shift to online to review the development of the store of the future together with looking at new business and market opportunities.

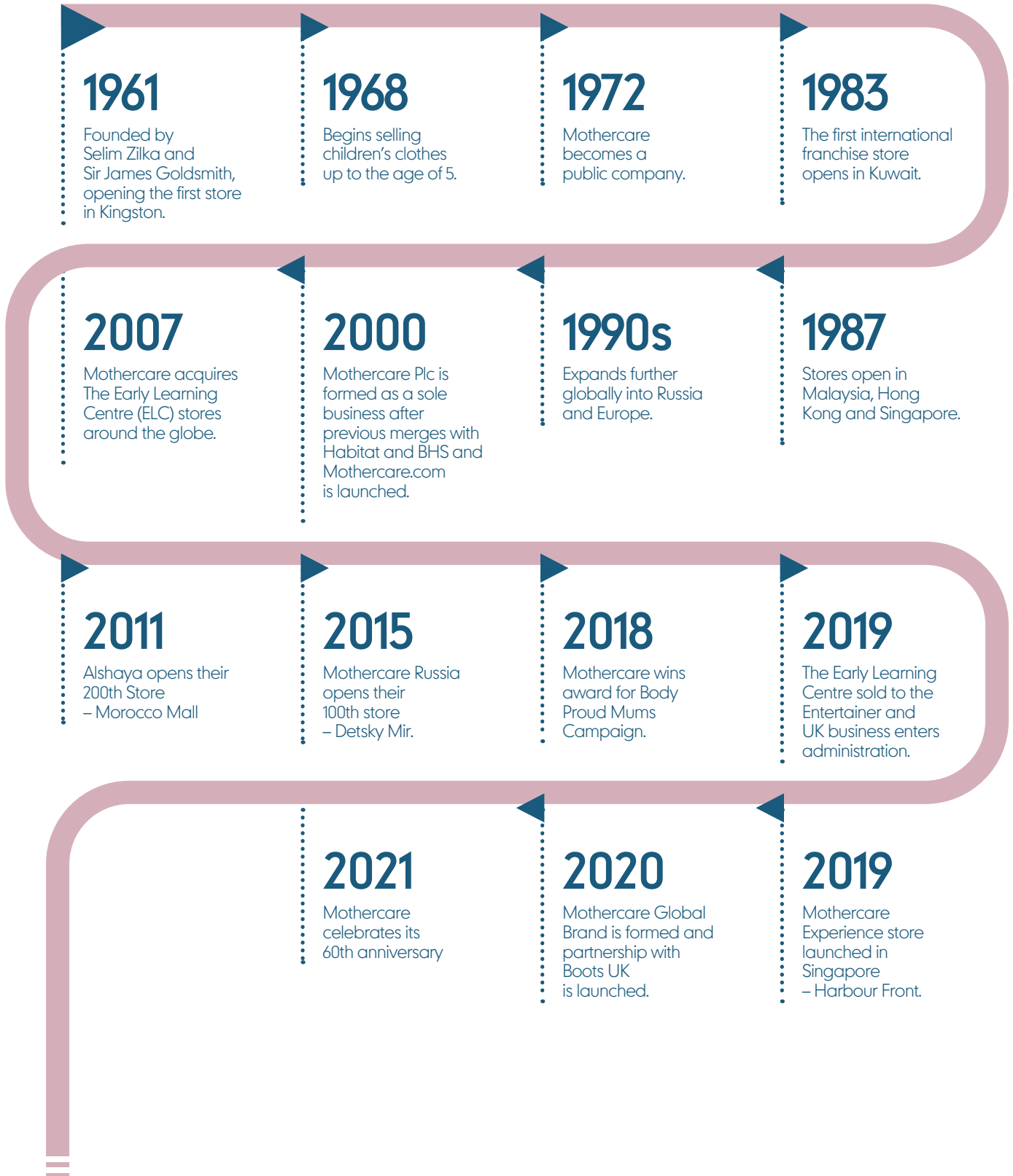


Covid 19 will continue to impact both our retail and manufacturing locations in the near-term and this will require us to continue to flex our operations to manage the pandemic. This itself brings new opportunities and ways of doing business that will, over the medium-term, bring further benefits.

As we enter the new financial year we move into our next phase "rebuild" where we will implement the product and brand updates together with focus on new routes to deliver the Mothercare brand.



## Our History

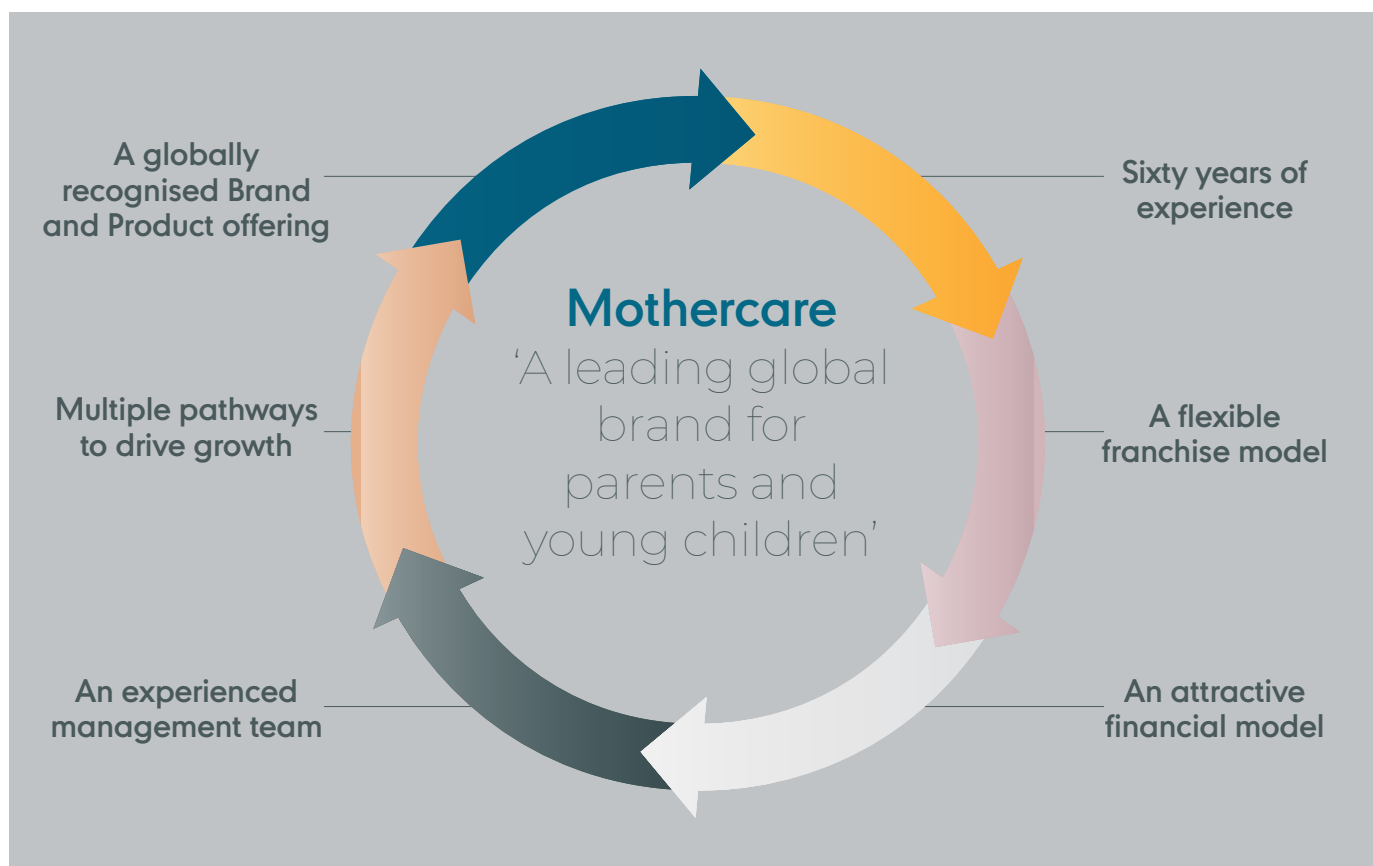


# Chief Operating Officer's and business review

continued

## Our Strengths

We have six core strengths that give Mothercare an enduring competitive advantage:



### A globally recognised Brand and Product offering

We have established a distinctive brand in a number of global markets, the broad appeal of the product offering from Mothercare and crucially, often first to market franchise model has given us a noticeable presence in many of the world's leading shopping malls.

We continue to focus on enhancing the design, construction and fabrications of all of our product ranges through the complete ownership of design. We choose our manufacturing partners to ensure that our global customers get the consistent high standard of products specifically in relation to both quality and ethics that they have come to expect.

### Sixty years of experience

Mothercare has been designing and developing products for babies, young children and parents for 60 years, the last 37 on a global basis. Our long-standing manufacturing and franchise partners' businesses often started with the Mothercare brand and we therefore benefit from a deep understanding of the brand.

We believe that we are the only global parenting brand of scale. Although we face direct competition from regional players our recent consumer research shows that Mothercare scores the highest in trust, a highly desirable attribute for any brand but in particular a childrenswear brand.

### An attractive financial model

We have established a new financial model that is now applied to the majority of our franchise partners. This involves us only placing orders for products that match the orders from our franchise partners and are covered by the three-way contractual agreement that they will pay for them, usually also being invoiced direct by the manufacturing partner. We therefore do not hold stock that is not covered by a sales order and are generally not exposed to the related working capital requirement and risk. The product is generally shipped direct from our manufacturing partners to our franchise partners, largely removing the need for us to use warehouses.

We earn the majority of our gross profit from the royalties we charge as a percentage of our franchise partners' net retail sales.



### An experienced management team

Our management team brings considerable and diverse experience gained from senior roles in retail, franchising, licensing, hospitality, digital and financial industries.

Our aim is to build a world class team in each of our core competencies and seek to build upon this with the appointment of a chief executive officer with digital and brand experience.

### Multiple pathways to drive growth

We are currently present in over 37 countries demonstrating our strong track record of international expansion. As outlined in our Growth section there is still significant runway for further geographies. We are also able to expand our addressable market through new routes and additional synergistic product offerings.

The trust and heritage we have established in our brand is critical to us. Where necessary we vigorously defend our trademarks, copyrights and know-how to protect our intellectual property both in existing and new territories.

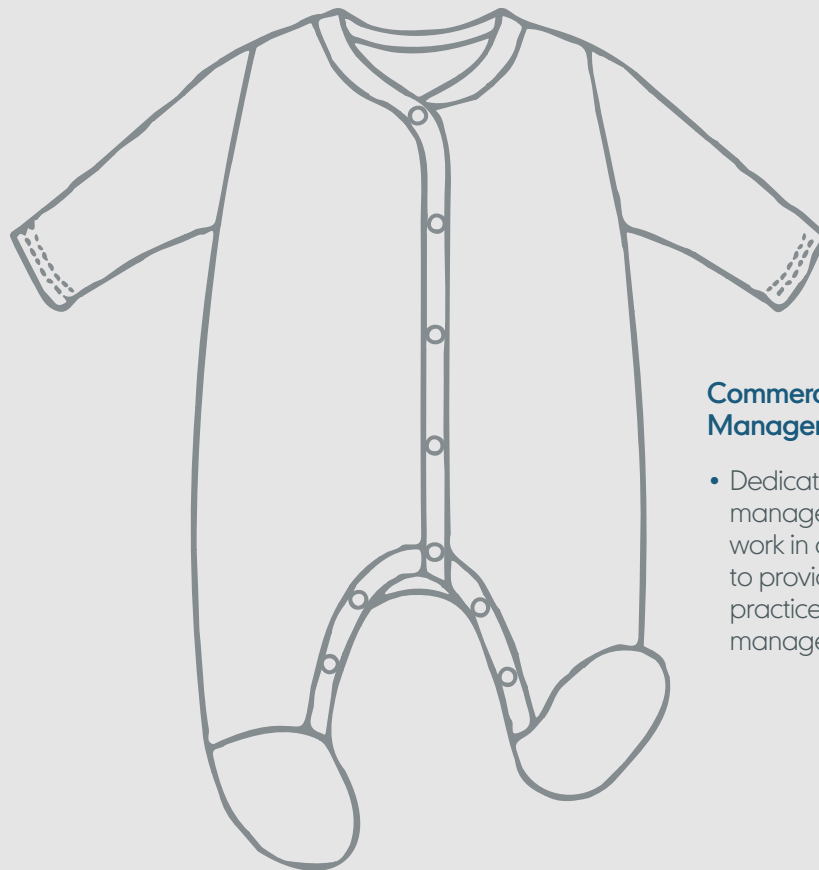
### A flexible franchise model

#### Brand

- Strong brand identity across the globe that's trusted and reliable.
- Legal maintenance of IP and domain names.

#### Market Relevant Design

- End consumer focussed product development.
- from pre birth to child driving strong consumer lifetime value.
- technically compliant & certified.
- high level of product newness engaging return purchasing & brand loyalty.
- strongly co-ordinated cross category offer encouraging higher basket spend.
- unique cross category ranging for hard and soft goods.



#### Exclusive Partnership

- Full multichannel agreement for use of the brand.
- Pull model, allowing partners to select and maximise product based upon local trading needs.
- Selected use of third party brands to compliment the Mothercare offer.

#### Commercial Management Team

- Dedicated commercial management team who work in close partnership to provide best practice and general management support.

#### Online, Marketing and Store Assets

- Full photographic and copy assets for online.
- Wire frame and social media guidelines.
- Stop Motion video, YouTube and social media content.
- Window designs.
- Seasonal and brand photography and video content.
- Content for key global and local events, e.g. Ramadan, Diwali.

#### Supply Chain Management

- Flexible model providing direct to market product deliveries.

## The Company's response to COVID-19

The experience we gained at the time of the administration of the UK retail business in November 2019 proved invaluable in helping us – with the support of our franchise and manufacturing partners – to manage and mitigate the overall impact on both our and their businesses. We felt the impact of an unprecedented demand shock which led to a low point in April 2020 of only 27 per cent. of our franchise partners' global retail locations being open. We have continued to track this on a weekly basis with around 87 per cent. of locations open by the year end.

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

At the headquarters, plans were already afoot to move servers and to test remote working ahead of a planned office move in the summer of 2020. This served us well for the stay-at-home measures introduced at the end of March 2020 with all teams enabled to access the network simultaneously from home. Our product teams and photography teams were more challenged to work from home and, as soon as practicable, they were categorised as essential teams and were able to attend the new headquarters in Hemel Hempstead in a risk-controlled way.

As we were unable to host our selling events in person, we adapted them to be virtual selling events, online, with greater attention to detail on CAD files zooming in on design detail and with the essential teams in HQ showcasing products via video link. Whilst clearly not quite the same as being able to see and touch product physically, it afforded our franchise partners the best alternative to make their buying decisions for forthcoming seasons.

The Group did not make use of any government loans nor did it furlough any employees in the continuing business. Some former Mini Club employees who were based within Boots stores prior to the cessation of the Mini Club business were furloughed under the CJRS Furlough scheme. The amounts received in relation to these employees were immediately passed through to Boots.

At the time of writing, plans are being considered for reintroducing teams to the physical headquarters and ways of working going forward including accommodating requests for more flexible working arrangements.

We are looking forward to meeting our colleagues and manufacturing and franchise partners around the globe in person in 2021.

be  
everyday  
real.

We are looking forward to meeting our colleagues and manufacturing and franchise partners around the globe in person in 2021.

# KPIs

## Measuring our performance

	2021	2020	2019
<b>Worldwide Sales*</b>			
Online retail sales £m	44.4	31.3	26.8
Total retail sales £m	358.6	542.1	604.3
Stores as a % of total sales	87.6%	94.2%	95.6%
Online as a % of total sales	12.4%	5.8%	4.4%
<b>Worldwide Stores*</b>			
Number of stores	734	841	1,010
Space (k) sq. ft.	1,970	2,345	2,643
<b>International Growth*</b>			
Year on year sales in constant currency	(30.5)%	(10.5)%	(2.4)%
<b>Global Franchises</b>			
Countries with a Mothercare presence	37	40	50
<b>Product Mix*</b>			
Clothing & Footwear	86.8%	78.2%	65.7%
Home & Travel	11.2%	19.8%	31.1%
Toys	2.0%	1.9%	3.3%

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

# Principal risks and uncertainties

## Our enterprise risk management framework

Mothercare Global Brand (MGB), 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 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
<b>High Tolerance</b>	<ul style="list-style-type: none"> <li>• Strategic risks</li> <li>• Operational and transformational risks</li> <li>• Key strategic project risks</li> <li>• Macro-economic risks</li> <li>• Financial risk</li> </ul>
<b>Medium Tolerance</b>	Geo-political risks
<b>Low Tolerance</b>	<ul style="list-style-type: none"> <li>• Health &amp; Safety risks</li> <li>• Manufacturing risks</li> <li>• Bribery &amp; slavery risks</li> <li>• Regulatory and compliance risks</li> <li>• Brand reputational risks</li> </ul>

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.

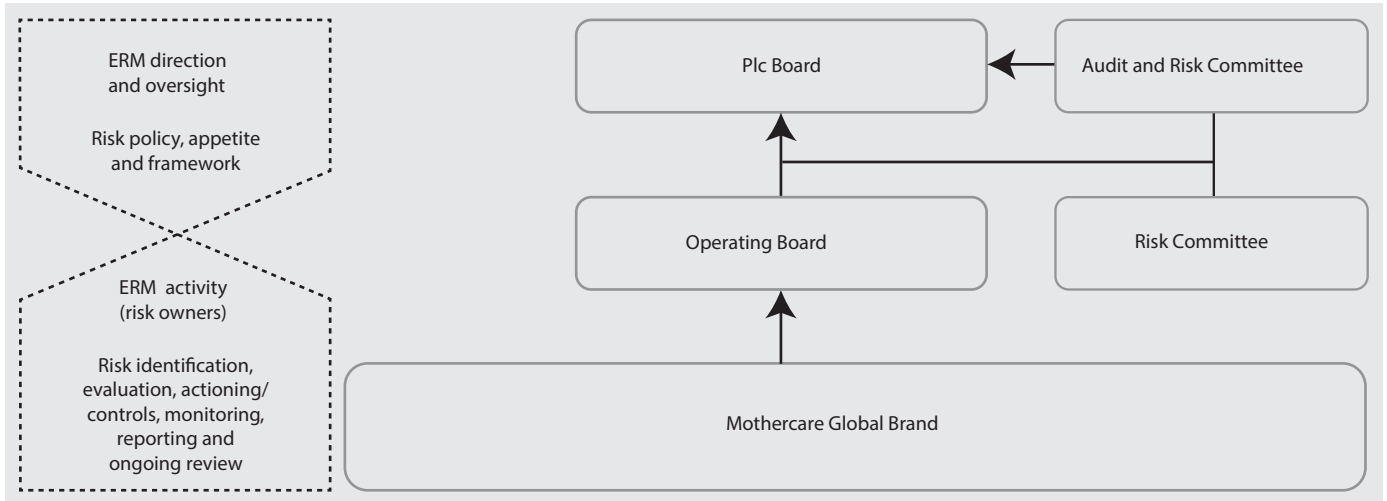
### Governance

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 47 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.



#### FY2021 ERM activity

The primary focus of ERM at MGB was to manage the principle and emerging risks to the business and to support management in risk-based decision making. The global impact of the COVID-19 pandemic continues to present a significant challenge for MGB and its franchise and manufacturing partners. The prolongation of the pandemic has resulted in a year of continual, tactical risk management activities which our staff have responded to and successfully executed. Supply chain disruption has been anticipated and mitigating actions have been put into place to ensure that Mothercare can continue to operate and support its franchise partners and manage the supply base while protecting our financial stability.

Alongside managing the risks presented by Covid, the Operating Board has worked throughout the year to embed the new operating model with our partners and have continued to enhance the contractual agreements and protecting the MGB brand.

The risks presented by Brexit and compliance to the changing export regulations continue to be managed by the Operating Board.

#### 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 and uncertainties

## Our enterprise risk management framework continued

Principal risks	Potential impact	Key controls and mitigations	Change on LY
<p><b>Liquidity</b></p> <p>Failure to control cash management and working capital resulting in breaches to banking covenants. Not meeting commitments to our pension schemes and inability to meet our strategic intentions.</p>	<p>The ongoing impact of COVID-19 and expected disruption to global trade may impact partner sales and result in margin and revenue squeeze.</p> <p>Disruption to global supply chain may also put pressure on stock availability and further hamper trade in our global markets.</p>	<ul style="list-style-type: none"> <li>• We have strong cash management governance in place, including Cash Management Committee.</li> <li>• Tri-partite agreements in place with franchisees and suppliers significantly improving working capital.</li> <li>• Credit management improvements made to manage timely incoming payments.</li> </ul>	
<p><b>Dependency on a small number of partners</b></p> <p>Our partner base has contracted, by design since 2019, resulting in a smaller footprint for MGB. Whilst this reduction removed some smaller unprofitable partners, we now have a greater reliance on fewer key partners. Our success is directly dependent upon their success.</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>• Ongoing identification and risk-based review of potential new business channels, partnerships and territories to grow our global business and reduce reliance.</li> <li>• Collaboration with international partners continues with the aim of providing support to enable growth.</li> <li>• Revised contracts provide increased transparency, competitive pricing and royalty rates.</li> <li>• Business plans reviewed and discussed quarterly with partners to agree growth plans.</li> </ul>	
<p><b>New business model</b></p> <p>Post-administration of the UK business, the new business model and purpose may not be clear or adhered to by all partners and potential partners impacting ability to grow the business and resulting in poor results.</p>	<p>A lack of articulation, understanding or adherence to our new business model may result in:</p> <ul style="list-style-type: none"> <li>• Lack of clarity around MGB's purpose and resultant inability to attract new partners</li> <li>• Perception of high risk, reduced profit and increased international debt</li> <li>• Pricing challenges</li> <li>• Poor buy-in from existing partners impacting long term profitability.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic focus on our top 7 franchise partners.</li> <li>• Ensuring changes are mutually beneficial for both MGB and partners.</li> <li>• Relationship management improvements are in place.</li> <li>• Clear product architecture developed and launched to help partners understand the product hierarchy and pricing.</li> <li>• Improved commercial agreements and disciplines are in place for both franchise partners and suppliers.</li> <li>• Continued audit checks are conducted with consequences in place for any non-compliance issues.</li> </ul>	
<p><b>COVID-19</b></p> <p>The resultant impact on our revenues as a result of limitations on store opening, customers' shopping habits and our ability to source and distribute product in a timely manner.</p>	<p>The impacts of COVID-19 on global economies, along with rising tensions could impact both our franchise partners and manufacturing partners ability to operate successfully, therefore impacting on our revenue.</p>	<ul style="list-style-type: none"> <li>• Our numerous franchise territories coupled with the spread of our manufacturing base reduces the restrictions imposed by an individual country or region</li> <li>• Management team will continue with the rigour and agility they have demonstrated in reaction to the pandemic to date</li> <li>• Use of flexible and innovative business model</li> </ul>	
<p><b>Challenging global economic and political conditions</b></p> <p>MGB may be negatively affected by challenging economic conditions and political developments affecting the international markets in which it operates.</p>	<p>Economic and political uncertainty impacting Europe, the Middle East, and those dependant on China could have a material adverse effect on the Group's business.</p>	<ul style="list-style-type: none"> <li>• MGB works closely with individual franchise partners to optimise benefits and mitigate risks to be gained from changing conditions.</li> <li>• Improved products, presentation and service, with clarity of the products on offer and where they sit in the product and pricing hierarchy.</li> <li>• Franchise partners have the ability to source product locally impacting their own cost model</li> <li>• A risk-based review of new potential markets is ongoing.</li> </ul>	

Principal risks	Potential impact	Key controls and mitigations	Change on LY
<p><b>ERP System</b></p> <p>MGB legacy IT systems are being replaced by a world class ERP system however this presents a risk of design failure and implementation delay leading to the loss of our ability to operate.</p>	<p>A failure of our IT infrastructure could result in the inability to support our Global partners to trade effectively.</p> <p>Any failure or attack relating to our warehousing systems or finance systems, especially would impact operational efficiency.</p>	<ul style="list-style-type: none"> <li>• An ERP Steering Committee has been established including representatives from all departments and to ensure that the system is appropriately scoped and planned.</li> <li>• Disaster recovery capabilities in place.</li> <li>• Additional reliance put in place around core systems</li> <li>• Continual monitoring of our IT landscape against risk factors</li> </ul>	
<p><b>Regulatory and Legal</b></p> <p>A failure to comply with increasing regulatory requirements or introduction of new regulations impacting MGB or any of our partners could result in brand damage, fines or impact our ability to operate profitably.</p>	<p>MGB is reliant on manufacturers, suppliers and distributors to comply with employment, environmental and other laws.</p> <p>Increasing regulatory pressure (GDPR, EUTR, Modern Slavery Act, CCO) requires monitoring and reporting to avoid damage to the Mothercare brand.</p> <p>Changes to regulations or onerous import restrictions and taxes could significantly impact profitability of our partners.</p>	<ul style="list-style-type: none"> <li>• Our Global Code of Conduct training is mandatory and required to be completed on an annual basis.</li> <li>• Anti-Bribery and Corruption training has been rolled out to all colleagues and additional training given to those in higher risk areas.</li> <li>• Conflict of Interest self-certification is required.</li> <li>• 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.</li> <li>• MGB has continued to develop its sourcing strategy to allow for greater flexibility in moving suppliers in response to supply interruptions and regulation changes.</li> </ul>	
<p><b>Brand, Reputation and Relationships</b></p> <p>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.</p> <p>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.</p>	<p>Our brand could be impacted by:</p> <ul style="list-style-type: none"> <li>• Product failures and/or ineffective management of product incidents</li> <li>• public scandals relating to any partners</li> <li>• inappropriate behaviours</li> <li>• data breaches.</li> <li>• Our relationships could be impacted by global trade deterioration.</li> </ul>	<ul style="list-style-type: none"> <li>• Our Global Code of Conduct training is required to be completed annually by all partners.</li> <li>• Our required high standards communicated throughout supply chain and to all partners via our Operating Model and relevant guidelines</li> <li>• All Mothercare branded suppliers are required to comply with our Responsible Sourcing Handbook – Compliance Standards.</li> <li>• Responsible sourcing audits are completed annually.</li> <li>• MGB participates in the Bangladesh Safety Accord.</li> <li>• Focus on pre-despatch quality checks.</li> <li>• Established product recall process in place.</li> <li>• Group trademarks are formally logged in country of operation.</li> <li>• Proactive enforcement of IP rights.</li> </ul>	

-  Risk has increased
-  Risk has decreased
-  No change
-  New emerging risk

## Section 172 statement

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

Mothercare's stakeholders include its shareholders, employees, franchise partners, manufacturing partners, the trustees of the pension scheme and its lenders. Key board decisions throughout the year considered the key stakeholder groups and, in particular given the circumstances we found ourselves in during the pandemic, methods of engagement with those groups.

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

### Shareholders

Agreement was reached with the holders of the convertible unsecured loans issued in 2018 and 2019 (CULS) who committed to convert them to equity around 31 January 2021. The CULS conversion was completed on 19 March 2021 following the Company's admission to AIM on 12 March 2021.

### Employees

To facilitate working from home, colleagues were provided with office equipment and weekly virtual coffee mornings held for all employees to join. There was an emphasis on wellbeing with access to support for an array of matters.

Annual bonus for executive directors for FY20, whilst technically achieved, were not paid out and there was no increase to base salaries.

### Lenders

Recapitalisation of the business - The board kept the financial needs and available resources of the Group under close review and planned to recapitalise the Group with the minimum possible dilution for shareholders. In November 2020 it completed the refinancing with GB Europe Management Services Limited. The Group also moved its headquarters during the year reducing occupancy costs by c£900,000 per annum and it sub-let then subsequently assigned the Daventry warehouse lease during the year further reducing cash occupancy costs.

### Pension trustees

Both our pensioners and the Trustees of our pension schemes are reliant on good management and governance to facilitate our continued success.

Detailed discussions were held with the trustees of the defined benefit pension schemes and agreement was reached on revised deficit payments to 2024.

### Franchise and manufacturing partners

We held close discussions with both our 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. As a result of those constructive discussions we successfully launched during the year our innovative and more sustainable and less capital-intensive business model. The teams created virtual selling events and the commercial business partners held quarterly business reviews with franchise partners online.

### Other relevant information

The Board also takes into consideration the long term consequences for both the Company and its stakeholders when making these decisions, making sure the Company conducts its business in a fair way, protecting its reputation and external relationships. The dividend policy has been provided on page 8 of the Chairman's statement. Obligations to pension trustees are also forefront in any decision making with regular communication driving a strong working relationship.

The Company regularly considers the welfare of the local community in which it operates and continues to build strong links through engagement with local initiatives and fundraising for charities. Overseas, the Group considers the choice of which manufacturing partners to work with to be a key decision.

The Company strives to maintain a reputation for high standards of business conduct through its internal culture and values. It has regard to relevant legislation such as modern slavery, human rights and ensures tax policies are up to date. A non financial information statement has been provided on page 41.

Stakeholders are regularly engaged with to ensure conflicts of interest, if any, are identified at an early stage and managed. The risk identification process undertaken by the Group's risk committee furthers this aim.



---

**“In addition to the significant progress we have made around our product and brand strategy the last year has also seen a radical change in the way the business is now financed and in our new operating model. The result has been the emergence of a profitable and cash generative international business, with reduced risk, lower overheads and an asset-light model.”**

---



**Andrew Cook,**  
Chief Financial Officer

After a period of significant change and restructuring of the Group in 2020, the year ended 27 March 2021 was a relative return to stability for Mothercare – albeit with international uncertainties over COVID-19 continuing to impact trading levels.

International retail sales by our franchise partners of £358.6 million (2020: £542.1 million) showed a 34% decrease year on year. This trend reflects the impact of the COVID-19 pandemic, which has affected each market across the world in many different ways. During the current year, the percentage of retail stores open globally varied between 23% and 95% of the total portfolio. The most significant impact was felt in the first quarter; for the rest of the year the percentage of retail stores open globally varied between 81% and 95%. At 27 March 2021, the Group's franchise partners had 92% of stores open (2020: 58%).

The loss from operations in the year was £2.4 million (2020: loss of £8.8 million) reflecting the significant impact of COVID-19 on our business. The Group uses a non-statutory reporting measure of adjusted profit, to show results before any one-off significant non-trading items, adding back the adjusted items which relate to the restructuring and reorganisation costs and are non-recurring of £2.6 million together with depreciation and amortisation of £2.0 million gives an adjusted EBITDA profit for the year of £2.2 million (2020: £6.2 million).

The Group recorded a loss from continuing operations for the 52 weeks to 27 March 2021 of £215 million (2020: £8.5 million loss). The adjusted loss for the year from continuing operations was £8.6 million (2020: £6.4 million loss). Continuing operations represent the Global operation of the business; all operations for the 2021 financial year were continuing, however, the UK operational segment ceased during the comparative year and was previously categorised as a discontinued operation. Continuing operations reported reflected accounting guidelines and therefore included some expenditure which ceased following the administration process, and as such, the comparative period does not necessarily reflect the result achieved by the standalone international business.

Total loss for the year of £215 million (2020: £13.1 million profit) was the same as the loss from continuing operations. However, the prior year also 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.

Retail space at the end of the year was 2.0 million sq. ft. from 734 stores (2020: 2.3 million sq. ft. from 841 stores – continuing operations).

There was also COVID-19 induced disruption in the supply chain, impacting both the current and previous financial years. 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.

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.

Each of the Group's key markets – including the Middle East, Russia, China, India, Indonesia and Singapore saw a decline in trading year on year – driven by the aforementioned stock availability limitations and store closures.

# Financial review

continued

The year ended 28 March 2020 saw two subsidiaries of the Group, Mothercare UK Limited (MUK) and Mothercare Business Services Limited (MBS), enter administration. 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 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 was 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 in the comparative period do not necessarily reflect the ongoing corporate cost base of the business. There were no discontinued operations in the current period.

## COMPLETION OF REFINANCING

As initially announced last November, there were three main achievements connected with the refinancing –

- A new £195 million four year term loan to refinance the Company's previous debt that was repayable on demand due to covenant breaches.
- The holders of the £190 million of Convertible Unsecured Loan Notes that were potentially due for repayment on 30 June 2021, have converted their entire holdings into equity, increasing the number of ordinary shares in issue from 374.2 million to 563.8 million.
- Revised contribution schedules have been agreed for the next five years with the Mothercare pension schemes' trustees that will enable us to generate sufficient cash over that period to repay the term loan in full whilst still meeting the reduced deficit reduction contributions. The value of the deficit under the full actuarial valuation at 31 March 2020 was £123.4 million; the Group's deficit payments are calculated using this as the basis. The agreed annual contributions to the pension schemes, for the years ending in March, are as follows: 2022 – £4.1 million; 2023 – £9.0 million; 2024 – £10.5 million; 2025 – £12.0 million; 2026 to 2029 – £15 million; 2030 – £5.7 million.

Whilst COVID-19 is still having a negative short term impact on the Group's profitability and cash generation our forecasts show that we are able to comply with our commitments to our lender and the pension schemes for the foreseeable future. As at the balance sheet date the Group had net borrowings of £12.1m, being cash of £6.9 million against a substantial drawdown of £195 million from the new facility, reflecting an ongoing tight control of cash.

In March 2021 the Group transitioned stock exchanges by simultaneously being admitted to AIM and cancelling its listing on the Main Market.

## OPERATING MODEL

The Group continues to work towards its goal of becoming an asset light business. At the beginning of the COVID-19 pandemic with supply chains being stretched, it was clear that our existing operating model would put excessive demands on our limited working capital. At that time product was often shipped to our warehouse to be picked and repacked and shipped back to franchise partners, resulting in our manufacturing partners frequently being paid well before our franchise paid us, due to the time the stock was inside our supply chain. We launched the new tripartite agreement ('TPA') at the beginning of COVID-19, whereby the franchise partners commit to paying the manufacturing partners for the product when due. And as a result the manufacturing partners were generally willing to re-extend credit terms that had sometimes been lost because of the UK retail administration, thereby limiting the impact on our franchise partners' working capital. The TPA process has resulted in a substantial reduction in our working capital requirement and has been an instrumental element of our successful navigation through the impact of COVID-19.

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

For the autumn/winter 2021 season, recently in our supply chain some 55% of the products by value are invoiced directly to franchise partners by our manufacturing partners. The direct invoicing to franchise partners by manufacturing partners for products is a condition in recent franchise agreements highlighted below, which will mean that within the next year this figure should increase to around 70%.

The second major change to the operating model was within our supply chain. As mentioned above we previously contracted warehouse space and associated labour to accept and unpack products from manufacturing partners then pick and repack to send to our franchise partners. Clearly it is more cost effective to do things once so from our spring/ summer 2022 season due to ship later this year, where volumes allow, our manufacturing partners will individually pack orders for each franchise partner and then they will be shipped direct to our franchise partners, eliminating the need for us to use our warehouses. For the spring/ summer 2022 season we anticipate 80% of our products will be moving direct and we continue to work to minimise costs for both ourselves and our franchise partners by moving activities further up the supply chain.

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

Another change that is currently underway is the development of a new integrated ERP system, expected to go live early in 2022. In the year ending March 2023, the first full year to benefit from the new system, our information technology costs would be expected to be reduced to close to half of those for the year to March 2021, which would result in a direct bottom line improvement of over £2 million. This system will allow us to automate much of our ordering process with both our franchise partners and manufacturing partners accessing the system through portals. It will also provide easier, more accurate and cost-effective access to information, including our ability to analyse our franchise partners' sales data to ensure we are optimising our product designs.

#### **PARTNERSHIP AGREEMENTS**

In addition to the TPAs above we have also been rolling out a new more balanced version of our franchise partner agreement. In the past there was sometimes limited consistency between the agreements which makes them more difficult to manage and increases our legal costs. In August 2020 we completed new 10 year franchise agreements with an option to extend for another 10 years, with both Alshaya Group, our largest franchise partner, and Boots UK Limited for the UK and Republic of Ireland. Subsequently we have now finalised new agreements with our franchise partners in Indonesia, Malaysia, Singapore and Hong Kong. These new agreements are all based on the same standard version and contain the commitments to the TPA, direct shipping and direct invoicing. We intend to extend these new standard agreements to other franchise partners when appropriate in relation to their existing agreements.

We have also launched a new manufacturing partner agreement, which is common to all our manufacturing partners and again is more balanced and replaces relationships in the past that were often more informal and lacked the clarity that we now have. All our manufacturing partners receiving future orders, commencing with the spring/ summer 2022 season now being placed, will be required to sign up to this agreement.

#### **LEGACY ISSUES FROM THE ADMINISTRATION OF THE UK RETAIL BUSINESS**

The National Distribution Centre ('NDC') warehouse facility in Daventry, which predominantly serviced the Mothercare UK retail business and was previously sublet to a third-party on a short-term basis, has now been fully assigned to a third party. This has removed a potential risk of around £3 million per annum to the Group on a lease that expires in June 2026.

In addition to the NDC lease above after issuing our results for the year ended March 2020, we were approached by the landlord of a previous UK retail store, where a cross guarantee existed that we were not aware of. The resultant provision, which needed to be made as a prior year adjustment, as detailed in note 32, was £1.3m.

#### **BALANCE SHEET**

Total equity at 27 March 2021 was a deficit of £43.0 million, a worsening on the deficit position of £4.0 million at 27 March 2020. This was driven by the temporary defined pension scheme moving from a surplus of £298 million to a deficit of £25.6 million. There was also the conversion of the shareholder loans from borrowings to equity during the year – these were carried at a borrowings amount of £12.8 million and embedded derivatives of £0.3 million at the comparative period end.

# Financial review

continued

The Group has moved to a net current asset position of £1.6 million. In the comparative period, 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.

	27 March 2021 £ million	28 March 2020 Restated £ million
Intangible fixed assets	1.1	0.6
Property, plant and equipment	1.7	8.6
Retirement benefit obligations (liability)/asset (net of deferred tax)	(25.6)	19.4
Net borrowings (excluding IFRS 16 lease liabilities)	(12.1)	(34.7)
Derivative financial instruments	0.8	20.6
Other net liabilities	(8.9)	(18.5)
<b>Net liabilities</b>	<b>(43.0)</b>	<b>(4.0)</b>
Share capital and premium	198.1	179.1
Reserves	(241.1)	(183.1)
<b>Total equity</b>	<b>(43.0)</b>	<b>(4.0)</b>

## Pensions

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

The pension deficit at 27 March 2021 was £25.6 million, whereas 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 – arising as a result of a decrease in long term inflation expectations and the use of a lower pre-retirement discount rate – was 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. During the current year, therefore, the scheme has returned to a deficit of a level similar to the value it was held at in 2019.

The Group's deficit payments are calculated using the full triennial actuarial valuation as the basis rather than the accounting deficit / surplus. The value of the deficit under the full actuarial valuation at 31 March 2020 was £123.4 million.

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

£ million	52 weeks ending 26 March 2022*	52 weeks ending 27 March 2021	52 weeks ending 28 March 2020
<b>Income statement</b>			
Running costs	(2.5)	(3.4)	(2.9)
Net (expense) / income for interest on liabilities / return on assets	(0.5)	0.2	(0.6)
Net charge	(3.0)	(3.2)	(3.5)
<b>Cash funding</b>			
Regular contributions	(1.0)	(1.3)	(1.9)
Additional contributions	–	–	(1.9)
Deficit contributions	(4.1)	(3.2)	(7.8)
Total cash funding	(5.1)	(4.5)	(11.6)
<b>Balance sheet**</b>			
Fair value of schemes' assets	n/a	403.4	401.2
Present value of defined benefit obligations	n/a	(429.0)	(371.4)
Net (liability)/surplus	n/a	(25.6)	29.8

\* 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 2022 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:

	2021	2020	2021 Sensitivity	2021 Sensitivity £ million
Discount rate	2.0%	2.3%	+/- 0.1%	-7.3 / +7.5
Inflation – RPI	3.1%	2.5%	+/- 0.1%	+4.5 / -5.7
Inflation – CPI	2.4%	1.7%	+/- 0.1%	+1.8 / -1.8

The Group has a deferred tax liability of £nil (2020: £10.4 million). In 2021, no deferred tax asset was recognised as there was not considered to be enough certainty over the recoverability. In the comparative period, the deferred tax liability arose as a temporary difference due to the surplus on the pension scheme.

### Net debt

Net debt of £13.5 million, which includes net borrowings, related financial assets and IFRS 16 lease liabilities represents an improvement on the 2020 position of £221 million.

The Group's IFRS 16 lease liabilities significantly reduced to £1.4 million (2020: £8.4 million) as a result of the assignment of the warehouse facility lease, which had been vacated since the administration of the UK business.

In March 2021, the Group's shareholder loans were converted to equity. At the 2021 year end, the net debt amount in relation to these was therefore £nil. At the 2020 year end, £12.8 million in relation to these was included within net debt; £6.2 million of interest accrued up to the point of conversion.

During the year, the Group agreed a £195 million secured four year term loan, which was drawn down in November 2020; the carrying value of this at 27 March 2021 is £190 million (£195 million gross of unamortised facility fee).

At the point of the administration of Mothercare UK Ltd and Mothercare Business Services Ltd, the Group's secured Revolving Credit Facility (RCF) crystallised at £28.0 million, and this £28.0 million was shown as a current liability at 28 March 2020. Linked to this debt was a financial asset. Under the sales purchase agreement with the administrators, the proceeds of the wind up of the UK business were first be used to repay the secured creditor i.e. the RCF. Monies of £21.0 million were expected to be generated towards this, and therefore in addition to the debt of £28.0 million, a financial asset of £21.0 million was recognised gross of the debt to reflect this. During the current year, the outstanding balance on the RCF was settled through distributions received from the administrators, with the remaining balance settled at the point of drawdown of the Group's new term loan. The Group still holds a financial asset of £2.6 million, reflecting expected future distributions from the administrators, however as at the current year end this financial asset is no longer linked to the Group's borrowings.

Also included within net debt is £6.9 million (2020: £6.1 million) of cash funds, the increase being driven by cash received under the term loan facility during the year.

### Leases

Right-of-Use assets of £12 million (2020: £79 million) and lease liabilities of £14 million (2020: £8.4 million) represented the Group's head office leases. The comparative period included an investment property asset relating to the NDC warehouse facility in Daventry which the Group ceased to use for supply of goods from the point at which Mothercare UK Ltd went into administration; this lease was assigned in March 2021 and therefore the carrying value was disposed of in the period.

### Working capital

The Group only purchases stock directly needed to fulfil franchise partner orders. Of the £5.9 million (2020: £9.7 million) year-end inventories balance, £2.6 million (2020: £4.5 million) of this related to stock in transit, i.e. was on a boat on its way to one of the Group's two distribution centres, at the year end date.

Trade receivables have remained consistent year on year, being £11.6 million at 27 March 2021 (2020: £11.2 million). Similarly, trade payables have also remained fairly constant, being £11.8 million at 27 March 2021 (2020: £12.0 million).

# Financial review

continued

## INCOME STATEMENT – on a continuing operations basis

	52 weeks to 27 March 2021 £million	52 weeks to 28 March 2020 Restated £million
<b>Revenue</b>	<b>85.8</b>	164.7
<b>Adjusted EBITDA (EBITDA before exceptionals)</b>	<b>2.2</b>	6.2
Depreciation and amortisation (note 7)	(2.0)	(6.8)
<b>Adjusted result before interest and taxation</b>	<b>0.2</b>	(0.6)
Adjusted net finance costs	(8.7)	(4.9)
<b>Adjusted result before taxation</b>	<b>(8.5)</b>	(5.5)
Adjusted costs	(12.9)	(2.2)
<b>Loss before taxation</b>	<b>(21.4)</b>	(7.7)
Taxation	(0.1)	(0.8)
Profit from discontinued operations (note 10)	–	21.6
<b>Total (loss)/profit</b>	<b>(21.5)</b>	13.1
EPS – basic (continuing operations)	(5.7)p	(2.4)p
Adjusted EPS – basic (continuing operations)	(2.3)p	(1.8)p

### Foreign exchange

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

	52 weeks ended 27 March 2021	52 weeks ended 28 March 2020
<b>Average:</b>		
Euro	1.1	1.1
Russian rouble	96.9	82.4
Chinese Renminbi	8.8	8.9
Kuwaiti dinar	0.4	0.4
Saudi riyal	4.9	4.8
Emirati dirham	4.8	4.7
Indonesian rupiah	18,954	17,968
Indian rupee	96.9	90.1
<b>Closing:</b>		
Euro	1.1	1.1
Russian rouble	102.9	93.9
Chinese Renminbi	9.0	8.3
Kuwaiti dinar	0.4	0.4
Saudi riyal	5.2	4.4
Emirati dirham	5.1	4.3
Indonesian rupiah	19,965	19,576
Indian rupee	100.5	88.5

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 decrease by £26.1 million (2020: increase by £14.4 million) and £1.4 million (2020: increase by £0.9 million) respectively as shown below:

	Worldwide sales £ million	Adjusted Profit/(loss) £ million
Euro	1.4	–
Russian rouble	(18.9)	(1.1)
Chinese Renminbi	–	–
Kuwaiti dinar	(0.7)	–
Saudi riyal	(0.8)	–
Emirati dirham	(0.7)	–
Indonesian rupiah	(1.5)	(0.1)
Indian rupee	(1.8)	(0.1)
Other currencies	(3.1)	(0.1)
	(26.1)	(1.4)

#### Net finance costs

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

Year-on-year finance costs have increased due to the compounding interest on the convertible shareholder loans. Whilst interest of £2.6 million accrued in the prior period, the current year saw an interest accrual of £6.2 million – the increase partly as a result of the effect of compounding, but also due to an acceleration of interest on early conversion to include interest up to what would have been the conversion date (three months later).

There was also a swing in interest income/costs on the pension scheme, with a £0.2 million income in the current year compared to a £0.6 million cost in 2020.

£10.3 million of finance costs (2020: £6.0 million of finance income) are included in adjusted items. £91 million of costs arose on the fair value movements of the shareholder loan embedded derivatives (2020: income of £6.0 million). This £91 million was driven by fluctuations in the Group's share price – in March 2020 there was a high level of uncertainty in the UK market – driven by COVID-19, which caused the fair value of these instruments to plummet; during 2021 the value returned to pre-March 2020 levels. The shareholder loans converted in March 2021 and were fair valued immediately prior to their transfer to share capital and share premium. Also included in adjusted finance costs is the recognition of 15.0 million of warrants issued in March 2021, as well as the fair value movements on these to the year end date, totalling £12 million (2020: £nil).

#### Discontinued operations

There were no discontinued operations presented for the current financial 52 week period ended 27 March 2021.

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, in the comparative period, the UK operating segment was presented as a discontinued operation, and a profit on the loss of control of £46.2 million subsequently recognised. This profit reflected 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.

The profit from discontinued operations for the period is £nil (2020: £21.6 million).

The total statutory loss after tax for the Group is £215 million (2020: £13.1 million profit).

#### Taxation

The tax charge comprises corporation taxes incurred and a deferred tax charge. The total tax charge from continuing operations was £0.1 million (2020: £0.8 million) – (see note 9).

The total tax credit from discontinued operations was £nil million (2020: £0.1 million) – (see note 10).

#### Earnings per share

Basic adjusted losses per share from continuing operations were 2.3 pence (2020: 1.8 pence). Continuing statutory losses per share were 5.7 pence (2020: 2.4 pence).

# Financial review

continued

Total basic adjusted losses per share were 2.3 pence (2020: 4.2 pence). Total statutory losses per share were 5.7 pence (2020: 3.7 pence earnings).

Some of the comparative disclosures for earnings per share have been restated – see note 12.

## CASHFLOW

Statutory net cash outflow from continuing operating activities was an outflow of £2.6 million, compared with an outflow of £2.9 million in the prior year; this was driven by trading in the year and refinancing/ restructuring costs.

Cash outflow from investing activities of £0.4 million (2020: £1.5 million – from continuing operations), reflects a reduction in capital expenditure.

Cash inflows from financing activities netted to £3.8 million (2020: £2.9 million outflow – from continuing operations). The income was driven by the cash receipt of £7.3 million on the Group's new four year term loan. The outflow in the comparative period was as a result of repayments of the Group's RCF.

## Going concern

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

The consolidated financial information has been prepared on a going concern basis. Despite the current global retail sector challenges, 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. 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:

- 1) A Base Case forecast, which is built up at franchise partner level and incorporates key assumptions specific to each partner and the impact of Covid 19 in each jurisdiction. This base case forecasts that the sales for the financial year to March 2022 increase to levels similar to those achieved immediately before the impact of COVID 19 and the sales for the year to March 2023 show a more modest increase.
- 2) 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. This assumes the following additional key assumptions:
  - A delayed recovery that assumes that retail sales remain subdued throughout the majority of the forecast period as a result of continued restrictions on both our franchise and manufacturing partners as a result of COVID 19.
  - The potential for subsequent reintroduction or imposition of new measures to control COVID 19 in areas that will restrict both our franchise and manufacturing partners and consequentially impact our retail sales.

The sensitised forecast shows a decrease in sales of 7% as compared to the Base Case in the financial years to March 2022 and 2023, with the net working capital and the overhead costs assumed to remain constant. Despite showing a decrease against the Base Case, the assumptions still assume an increase in revenue from the financial years 2021 to 2022. The four debt covenants are also not forecast to be breached under this scenario; and

- 3) A Reverse Stress Test which assumes an overall increase in net sales in the financial year to March 2022 of around half that used in the Base Case.

Based on the sales to date in the current financial year to March 2022, the Group is significantly behind the Base Case forecast due to the adverse impact of Covid 19 in certain jurisdictions. This post year end performance could extend throughout the going concern assessment period as a result of the ongoing Covid 19 restrictions and had therefore already demonstrated that the base case scenario is challenging.

The Board's confidence that the Group will operate within the terms of the borrowing facilities, and the Group's proven cash management capability supports our preparation of the financial statements on a going concern basis. We have modelled a substantial reduction in global retail sales in our sensitised case and reverse stress test as a result of possible future store closures and subdued consumer confidence or as a result of reduced availability due to restrictions in our manufacturing partners to maintain production and supply chain constraints throughout the remainder of FY22 with recovery in FY23.



The impact of the 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, 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 lender in order to secure waivers to potential covenant breaches and consequential cash remedies or 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.

### 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. Under the tripartite agreements, there has been an increased level of currency matching between purchases and sales, improving the Group's ability to hedge naturally.

### Interest rate risk

The principal interest rate risk of the Group arises in respect of the drawdown of the £195 million term loan. These borrowings are at a fixed rate of 12% 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.

In the comparative period, the Group was exposed to interest rate risk from the Revolving Credit Facility ('RCF') and shareholder loans.

The convertible shareholder loans attracted a monthly compound interest rate of 0.83%. These loan agreements contained an option to convert to equity which is treated as an embedded derivative and fair valued. This fair value was calculated using the Black Scholes model and is therefore sensitive to the relevant inputs, particularly share price. These loans were converted to equity in March 2021.

The RCF facility was at a fixed rate of 5.5% plus LIBOR. The interest exposure was monitored by management but, similarly to in the current year, low interest rate levels during the period meant the risk was considered to be minimal. At 28 March 2020, the debt due under the RCF was £28.0 million.

### Credit risk

The Group has exposure to credit risk inherent in its trade receivables.

The Group has no significant concentrations 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.

# Financial review

continued

## Shareholders' funds

Shareholders' funds amount to a deficit of £43.0 million, a worsening from the deficit of £4.0 million achieved in the comparative period. This was driven by actuarial losses of £56.7 million on the Group's defined benefit pension scheme, with £10.2 million of deferred tax liability being released as result of the scheme returning to a deficit position – overall giving £46.5 million of movement driven solely by the pension scheme. Another significant movement in the year related to the conversion of the Group's shareholder loans to equity, resulting in a £28.5 million increase in share capital, share premium and distributable reserves.

The directors' statement in respect of section 172 of the Companies Act 2006 can be found within the Governance section on page 30.

This strategic report was approved by the Board on 28 July 2021 and signed on its behalf by:

**Andrew Cook**

Chief Financial Officer

# Non-financial information

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

Section 414CB non-financial matters	Impacts	Further details
<b>Environmental matters</b>		
Employees	Weekly 'all hands' coffee mornings have continued to be held throughout the pandemic albeit virtually. We are mindful that, at the time of writing, a number of new starters hired during the pandemic have yet to meet their colleagues in person and we look forward to greeting them face to face. Well-being and mental health have been a particular focus with access to confidential professional support provided.	
<b>Social matters</b>		
Respect for human rights	Modern Slavery encompasses the offences of slavery, servitude, forced or compulsory labour and human trafficking and is a grave violation of human rights. As employers and providers of goods and services, Mothercare seeks to ensure that such offences do not take place in our operations or our supply chain. We respect internationally recognised human rights, as outlined in the United Nations Guiding Principles on Business and Human Rights (UNGPs) and work with partners to understand and enhance the role we can play in this.	The Group's Modern Slavery Statement is set out in full on the Company's website at <a href="http://www.mothercareplc.com/corporate-citizenship">www.mothercareplc.com/corporate-citizenship</a>
Anti-corruption and anti-bribery	The Bribery Act 2010, which came into force on 1 July 2011, consolidated previous legislation and introduced, amongst other things, a corporate offence of "failure to prevent bribery". This is an offence in the UK wherever the offence takes place. Failure to comply with the act could expose the Group to unlimited fines and other consequences.	The Group has a zero-tolerance approach to bribery and corruption and its position has been explained to its franchise and manufacturing partners. Employees undertake annual anti-bribery and corruption training.

# Board of Directors and Operating Board

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



1. Clive Whiley N F

**Position:** Chairman

**Appointment:** April 2018.

**Skills, competencies, experience:** Clive Whiley has over 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, retail & leisure businesses: encompassing the UK, Europe, North America, Australasia, the Middle East and the People's Republic of China.

**Other Directorships:** Mr Whiley is currently Chairman of China Venture Capital Management Limited, First China Venture Capital Limited and Y-LEE Limited. Formerly Chairman of Dignity plc and a Non-Executive Director of Grand Harbour Marina plc.



2. Andrew Cook F

**Position:** Chief Financial Officer

**Appointment:** January 2020

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

**Other Directorships:** None



3. 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 including being Chief Executive of real estate portal Propertyfinder until its acquisition by Zoopla, and 15 years with Microsoft including three years as Managing Director of MSN UK. Gillian also held positions of Director of Strategy and Business Development and Director of Marketing MSN UK. Formerly a non-executive director at Pendragon Plc, Dignity plc, Coull Limited and Skadoosh Limited.

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



4. 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.



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 30 years at Mothercare. Fellow, The Chartered Governance Institute.

# Operating Board

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



7. Kevin Rusling

**Position:** Chief Operating Officer, Mothercare Global Brand

**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.



8. Karen Tyler

**Position:** Chief Product Officer, Mothercare Global Brand

**Appointment:** September 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.



9. Harriet Poppleton

**Position:** Head of Commercial, Mothercare Global Brand

**Appointment:** January 2021

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

# Corporate governance

The Board believes that establishing and maintaining high standards of corporate governance are critical to the successful delivery of the Group's strategy and to safeguard the interests of its shareholders, franchise partners, manufacturing partners, staff and other stakeholders. Ahead of the proposed delisting from the main market and admission to AIM, the Board considered under Rule 26 of the AIM Rules, which recognised corporate governance code it would apply. Having reviewed both the UK Corporate Governance Code 2018 and The Quoted Companies Alliance Corporate Governance Code, it considered that The Quoted Companies Alliance Corporate Governance Code (the QCA Code) was appropriate for the reshaped size and complexity of the Mothercare Group. We set out how we have complied with the QCA Code at page 45.

The directors as at the date of this report and as at the year end along with their biographical details and committee memberships are shown on the preceding pages. Their attendance at meetings for the year ended 27 March 2021 is set out in the table below. The table sets out for each director both the number of meetings attended and the maximum number of meetings that could have been attended. Only the attendance of members of the committees is shown in the table although other directors have also attended at the invitation of the respective committee chair.

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

	Committee					
	Board	Audit and Risk	Nomination	Remuneration		
Maximum no of meetings	10 formal	4 additional including sub-committee	5 formal	3 ad hoc	1 formal	5 formal
Director						
Clive Whiley	10/10	4/4			1/1	
Andrew Cook	10/10	4/4				
Gillian Kent	10/10	3/4	5/5	3/3	1/1	5/5
Mark Newton-Jones	10/10	3/4				
Brian Small	10/10	3/4	5/5	3/3	1/1	5/5
Glyn Hughes*	2/2	-				

\* Denotes that the director resigned during the year and thus was not eligible to attend all meetings.

## 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.

## Board evaluation

An internal board evaluation was undertaken during FY21. This involved each director completing a questionnaire. The outcome of each was then collated into an anonymised summary followed by open discussion on the results led by the Chairman. Unsurprisingly, given the continued focus on survival throughout the pandemic, a requirement was noted for an improvement in the timeliness

and content of routine board papers alongside a need for future strategic direction in order to continue to grow the brand worldwide.

The search for a CEO had been paused whilst the final elements of the restructuring were completed alongside managing through the restrictions imposed by COVID-19. An announcement will be made when the recruitment process is concluded.

In the interim, the day-to-day management of the Group is being run by the Chief Operating Officer and Chief Financial Officer with oversight from the non-executive Chairman. Furthermore, the Group has reinforced the executive team with the addition of relevant skills and expertise, including the recent appointment of a Head of Commercial Business, in anticipation of a new Chief Executive Officer bringing proven global brand and e-commerce experience.

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

	QCA Corporate Governance Code:	Mothercare plc application
	10 principles and related disclosures	
Principle	DELIVER GROWTH	
1	Establish a strategy and business model which promote long-term value for shareholders	The Group's business model is set out on page 12. The Group's revenue principally derives from royalties payable on global franchise partners' retail sales, operating through over 700 stores and 37 countries around the world, including the UK. Since 2020 we have been working with MGB's franchise partners on an asset-light model in which manufacturing partners invoice and are paid directly by franchise partners for products. Moving forward this new operating model, together with changes in associated cost structures, would result in a reduction in future overheads and supports improving cash generation for the business.
2	Seek to understand and meet shareholder needs and expectations	The Company maintained a close dialogue with its major investors, particularly during the period of restructuring which is now complete. Looking forward, and subject to COVID-19 restrictions, it intends to continue to hold investor roadshows on a regular basis. The Company maintains an investor relations inbox that all shareholders are invited to use and, specifically to ask questions that they might ordinarily ask at general meetings of the company.
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	See section 172 statement on page 30 The main stakeholders in the business include its people, franchise partners, manufacturing partners and pension trustees. Regular dialogue is maintained with them all.
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	See our Principal risks and uncertainties on pages 26 to 29
	MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK	
5	Maintain the board as a well-functioning, balanced team led by the chair	See our governance statement on pages 44 to 47
6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	See our governance statement on pages 44 to 47
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	See our governance statement on pages 44 to 47
8	Promote a corporate culture that is based on ethical values and behaviours	The Company believes that establishing and maintaining high standards of corporate governance are critical to the successful delivery of the Group's strategy and to safeguard the interests of its stakeholders. The Group is committed to respecting internationally recognised human rights and partnering with suppliers that: provide decent, safe and fair working conditions for their employees with dignity and respect; reduce the environmental impact of their operations; and demonstrate a strong commitment to business ethics. MGB will continue to evolve and strengthen the Group as it develops its global relationships.
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	A key element of the Board's responsibility is monitoring and reviewing the effectiveness of the company's system of internal control, and the non-executive directors challenge and scrutinise its effectiveness and integrity. The roles and responsibilities of the Directors, eg where they sit on and / or chair a specific committee are set out at page 42. The terms of reference and matters reserved for the board are available on the Company's website, <a href="http://www.mothercareplc.com">www.mothercareplc.com</a>

# Corporate governance

continued

BUILD TRUST		
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Reports of the work of the Board and its committees are set out in the Annual Report 2021: Board: corporate governance pages 44 – 47 and Directors' report pages 48 – 49 Audit and Risk Committee: page 47 Nomination Committee – page 47 Remuneration Committee – pages 50 – 55 Shareholder notices of meetings and voting at general meetings is available on the regulatory information service at <a href="http://www.mothercareplc.com">www.mothercareplc.com</a> . There have been no significant votes cast against since 2018 Copies of previous annual reports are available on the same URL

## Governance and Committees

The Board is assisted by three main committees that meet and report on a regular basis. At the year end the members of the committees were as set out below. A record of the meetings held during the year of the Board and its principal committees and the attendance by each director is set out on page 44.

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



### Audit and Risk Committee

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

The Committee meets regularly during the year with attendance noted at page 44 of the Governance report.

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

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

During its scheduled meetings the Committee considered accounting judgements including the IFRS16 lease rate on the former distribution centre and sought legal advice on the recognition of the pension valuation as an asset on a technical provisions basis whilst the deficit remained on a buy-out basis. The Committee also considered whether to continue with voluntary quarterly reporting and concluded that, as the business was no longer UK focussed so the impact of UK holidays was less important, the Company would publish interim and full year reports going forward with trading updates as required.

The Committee further considered the timing of the FY20 results as a result of the pandemic and the extensions enabled by the Corporate Insolvency and Governance Act 2020. In the event, a separate accounts meeting was held to approve the FY2020 annual report and accounts.

In addition to the scheduled meetings, the Committee met to consider the engagement of Grant Thornton, on a non-audit basis, and associated fee in respect of the working capital report ahead of the AIM admission.

### Financial Reporting Council ("FRC") review of annual report and accounts to 28 March 2020

The FRC reviewed the Company's annual report and accounts for the year ended 28 March 2020 in accordance with the FRC's Conduct Committee's Operating Procedures. The Company complied with its request for information and in this report we expand on the accounting policy around revenue recognition, have restated the FY2020 diluted EPS, and acknowledge that Mr Richard Griffiths be considered a related party.

### Nomination Committee

The Committee comprises Clive Whiley as Chair and Brian Small and Gillian Kent. The terms of reference are available on the Company's website, [mothercareplc.com](http://mothercareplc.com).

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

During the year, the search for a CEO was put on hold and the business continued to be run by the CFO and COO.

Remuneration Committee – see page 50

# 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 27 March 2021. The corporate governance statement set out on pages 44 to 47 forms part of this report. The Chairman's statement on page 4 gives further information on the work of the Board during the period.

The principal activity of the Group is undertaken by its subsidiary and owner of the Mothercare intellectual property, Mothercare Global Brand (MGB). MGB specialises in designing and sourcing Mothercare products and licensing and franchising the brand. The Group's headquarters is in the UK and it operates in some 37 countries through its network of franchise partners.

An overview of future developments can be found in 'Growth' on page 10.

## Directors

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

The following directors served during the 52-week period ended 27 March 2021:

Name	Appointment
Clive Whiley	Non-executive chairman and chair of the nomination committee
Andrew Cook	Executive director
Glyn Hughes	Executive director to 30 June 2020
Mark Newton-Jones	Executive director to 23 July 2020, non-executive director from 24 July 2020
Gillian Kent	Non-executive director and chair of the remuneration committee
Brian Small	Non-executive director and chair of the audit and risk committee

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

The directors have had regard to the need to foster the Company's business relationship with suppliers, customers and others, and the effect of that regard, including the principal decisions taken by the Company during FY2021 are as set out in more detail in the section 172 statement on page 30.

## Dividend

The directors are not recommending the payment of a final dividend for the year and no interim dividend was paid during the year (2020: nil). Dividend policy is set out on page 8 of the Chairman's statement.

## Capital structure

As at 28 July 2021, the Company's issued ordinary share capital was 563,836,626 ordinary shares of 1p each all carrying voting rights. The details of the Company's issued share capital as at 27 March 2021

are set out in note 25 to the financial statements. No shares were held in Treasury.

On conversion of the shareholder loans during the year the issued share capital increased from 374,192,494 by 189,644,132 new ordinary shares to 563,836,626.

Details of the share plans operated by the Group are set out at note 30 to the financial statements.

## Substantial shareholdings

As at 10 July 2021, the Company had been advised by, or was aware of, the following interests above 3% in the Company's ordinary share capital:

	% of issued share capital
Richard Griffiths and controlled undertakings	33.22
Lombard Odier Asset Management (Europe) Limited	19.21
M&G Plc	12.60
D C Thomson & Company Limited	10.10
UBS Asset Management	4.28

## Treasury policy and financial risk management

Treasury policy, financial risk management and foreign currency, interest rate and credit risk are set out on page 39 of the financial review.

## Charitable giving

During the financial year the Group donated three lorry loads and six van loads of product and shop fittings as the Group's former headquarters were cleared ahead of the office move in the summer of 2020.

Donations totalling £45,000 in the year under review were made to Bliss.

## Energy and Carbon

### Mothercare Greenhouse Gas Emissions 2020/21

	2020 Performance	2021 Performance
Total CO <sub>2</sub> e emissions (tonnes)	4,243	393
CO <sub>2</sub> e emissions (per £m Group revenue)	26.05	4.7
Total Energy Consumption (m kWh)	17.48	1.85

Methodology: Emissions fall within the activities for which we have operational control. There are no material exclusions from this data. We have used the GHG Protocol Corporate Accounting and Reporting Standard as the method to quantify and report greenhouse gas emissions. They have been reported in line with the UK Government's 'Environmental Reporting Guidelines: including streamlined energy and carbon reporting guidance' (dated March 2019). We have applied emission factors from the UK Government's annually updated Conversion Factors tables. Where energy data was unavailable we have applied estimation techniques accounting for 6% of the CO<sub>2</sub>e emissions.

In 2021 our overall CO2e emissions reduced, in absolute terms, by 90% versus 2020, as a direct consequence of relocating our head office to a smaller site and relinquishing control of operations at distribution centres. No energy efficiency actions were implemented in the year reported, however, we have begun discussions with the landlord of our new Aspley HQ to understand the opportunities for energy efficiency improvements and carbon reduction in the coming year.

#### **Political donations**

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

#### **Auditors**

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

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

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

#### **Auditor**

Grant Thornton UK LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

#### **Annual general meeting (AGM)**

The AGM will be held on 9 September 2021

By order of the Board

#### **Lynne Medini**

Group Company Secretary

28 July 2021

# Directors' remuneration report

## STATEMENT FROM THE REMUNERATION COMMITTEE CHAIR

Dear Shareholder,

On behalf of my colleagues on the Remuneration Committee and the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended 27 March 2021.

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 2020/21 and a summary of the work of the Remuneration Committee in the year.

Both the Annual Statement and Annual Report on Remuneration will be subject to an advisory vote at the forthcoming AGM on 9 September 2021; and

- The Directors' Remuneration Policy which was approved by shareholders at a general meeting of the company held on Friday 29 March 2019 with 84.5% in favour can be referenced on our website, [www.mothercareplc.com](http://www.mothercareplc.com).

## Review of the 2021 financial year

2021 has been another challenging year for Mothercare due to the Coronavirus pandemic which impacted our franchisees' retail operations around the world and our manufacturing partners, which along with the disruption to the global movement of freight, created further challenges for the availability of product for franchise partners resulting in retail sales some 34% lower than prior year. Mothercare's main priority has been the safety of our colleagues, partners and customers during this time and while managing through the pandemic the leadership also completed the refinancing of the business in November 2020 and continued transforming Mothercare into an asset light business, which along with tight control of costs and cash closed the year with significantly reduced net borrowings of £12.1m and making a small EBITDA profit. Against this backdrop, the following remuneration decisions were taken.

## Remuneration decisions in respect of 2021 financial year

### Board changes

Glyn Hughes' role as interim CEO ceased with effect from 30 June 2020. The Company agreed to release Glyn from his notice period early and pay his equivalent base pay and benefits (including pension entitlement) for three months post-termination. Glyn was not entitled to an annual bonus.

The decision was made to pause the recruitment of a CEO until the business had completed the refinancing and transformation of Mothercare's operating model. Now that this has completed the recruitment process continues. In the meantime, it will continue to be led by our Chief Financial Officer, Andrew Cook (Executive Director) and our Chief Operating Officer, Kevin Rusling, with oversight from Clive Whiley as Non-Executive Chairman.

On the 24th July 2020, Mark Newton Jones moved from being an Executive Director to a Non-Executive Director on a fee of £40,000 pa.

### Salary/Fees

There were no increases to base salary for Executive Directors or to the fees for the Non-Executive Directors. This was in line with the wider workforce policy.

### Annual bonus outcomes

For the year ended 27 March 2021, the annual bonus for Andrew Cook was dependent on achieving underlying operating profit performance targets in respect of 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 focused on the key strategic milestones of refinancing and delivering the transformation which were met in full.

The Committee determines whether to apply discretion in respect of the bonus at the end of year. An example of this was for FY2020 when the Committee first determined that a decision on the annual bonus would be deferred, and later determined that the annual bonus would not be paid despite the non-financial objectives being met. In respect of FY2021, the Committee took into account various factors in determining not to apply discretion to reduce the bonus:

- Accomplishment of the strategic objectives set at the start of the year were crucial for the continuation of business operations.
- With the exception of support for our Mini Club colleagues employed within Boots, the Company had not taken any other form of Government Coronavirus distress loan facilities.
- The need to ensure that key talent is retained and motivated has greater importance now more than ever.

The Committee will continue to consider incentive pay-outs holistically to ensure that any payments are in the long-term interests of shareholders.

The breakdown of the assessment of performance of the Executive Bonus scheme can be found on page 53

### Long-term incentives

Under the 2020 LTIP, a performance share award was granted to Andrew Cook, CFO on 28 September 2020, at 100% of salary in the form of nominal cost options which are subject to Absolute TSR performance (50% of the award) and EBITDA performance (50% of the award).

The 2020 LTIP award will vest based on performance after 3 years and be subject to a further 2 year holding period during which the shares may not be sold other than to meet the tax obligations in respect of the award.

No long-term incentive awards vested in the year.

### Other remuneration decisions

During the year the company launched an SAYE plan for all employees.

Mothercare is committed to creating an inclusive working environment and rewarding our employees throughout the organisation in a fair manner. In making decisions on executive pay, the Remuneration Committee considers wider workforce remuneration and conditions and the total employee experience.

### Implementation of Directors' Remuneration Policy for 2022 financial year

Details in relation to the application of the Directors Remuneration policy for FY2022 are set out on page 51, however the key elements are as follows:

- In light of the ongoing uncertainty around the impact of COVID-19 on global trading the Committee has made the decision not to award any increases in base salary for the serving Executive Director.
- 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.
- It is our intention to grant LTIP awards under the Remuneration Policy. In line with the Policy, any awards 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. Details of the awards will be announced at the time they are made.
- Non-Executive Directors' basic fees were reviewed by the Chairman and executive director post the year end and it was agreed that the base fees would be restored to their pre-2018 fee of £50,000 with effect from 1 July 2021. There remained no change to the Chairman's fee for FY2022.

### Consideration by the Directors of matters relating to Directors' remuneration

The Remuneration Committee is composed of the Company's independent Non-Executive Directors, Gillian Kent (Chair), and Brian Small. Executive Directors only attend meetings by invitation.

The Committee's key responsibilities are:

- reviewing the ongoing appropriateness and relevance of remuneration policy including a new 3 year policy for 2022;
- reviewing and approving the remuneration packages of the Executive Directors;
- the grant of 2021 share awards for Executive Directors and senior management and the out turn of prior awards;
- monitoring the level and structure of remuneration of the senior management; and
- production of the Annual Report on the Directors' remuneration.

### Conclusion

We believe that our approach to executive remuneration supports the transformed Mothercare, and we continue to be committed to a responsible and transparent approach in respect of executive pay. The Committee believes that the advisory vote provides accountability and gives shareholders a say on this important area of corporate governance. We continue to value any feedback from Shareholders and hope to receive your support at the forthcoming general meeting.

### Gillian Kent

Chair of the Remuneration Committee

28 July 2021

# Annual report on remuneration

Single total figure of remuneration (audited)

The table below shows the single total figure remuneration for qualifying services in FY2021 with comparative figures for FY2020

Director	Salary and fees		Benefits		Pension		Annual bonus		Long Term Incentives		Total	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
<b>Executive</b>												
Andrew Cook <sup>1</sup>	259	47	12	2	15	3	1295	0	0	0	415.5	52
Glyn Hughes <sup>2</sup>	59	325	6	13	15	33	0	0	0	0	80	371
Mark Newton-Jones (to 23.07.2020)	155	480	4	14	20	48	0	0	0	9	179	551
<b>Non Executive</b>												
Clive Whiley <sup>3</sup>	130	480	–	1	–	–	–	0	0	0	130	481
Gillian Kent	475	44	–	–	–	–	–	–	–	–	475	44
Mark Newton-Jones (from 24.07.2020)	27	–	–	–	–	–	–	–	–	–	27	–
Brian Small <sup>4</sup>	475	15	–	–	–	–	–	–	–	–	475	15

1 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 that financial year.

2 Glyn Hughes resigned as a Director with effect from 30 June 2020

3 Clive Whiley's comparative 2020 remuneration relates to his time as Executive Chairman. From the start of FY2021, Clive became Non-Executive Chairman.

4 Brian Small was appointed on 10 December 2019. His 2020 comparative fee represents the actual amounts paid in respect of qualifying services during that financial year.

## Executive Director base salary (unaudited)

### Base salary and fees

	2021 £000	2020 £000	% increase
A Cook	259	259	0

## Non-executive director fees (unaudited)

	2021 £000	2020 £000	% increase
Chairman	130	130	0
Non-executive director	40	40	0
Chair of audit and risk committee	7.5	7.5	0
Chair of remuneration committee	7.5	7.5	0

## Annual bonus plan (unaudited)

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

	Maximum bonus opportunity of base salary	Achievement (% of maximum)			Payout
		Group PBT (50% of total)	Financially based strategic measures (20% of total)	Non-financial strategic measures (30% of total)	
Andrew Cook	100%	0%	100%	100%	£129,500

It should be noted that each of the elements of the award operate independently of each other.

The Committee acknowledges the significant contributions of the CFO to complete the refinancing and restructuring phase and build on the brand's long-term success. When considering whether the annual bonus payout, the Committee took into account the factors set out in the Chairman's statement on page 4.

### Annual bonus performance measures for FY2021 (unaudited)

Measure	Detail	Assessment
PBT: Underlying PBT	50% underlying MGB EBITDA of £8.5m	Not met
Strategic Financial Objectives	20%	
	<ol style="list-style-type: none"> <li>1. Refinance the Company's RCF debt facility</li> <li>2. Reposition the financing profile to allow 2021 CULS conversion</li> <li>3. Secure a YOY reduction in the Company's working capital position by &gt;£10m</li> </ol>	<ol style="list-style-type: none"> <li>1. Achieved with new finance in place with GB Europe Management Services Limited with effect from November 2020</li> <li>2. CULS conversion completed in March 2021</li> <li>3. Successfully managed a significant reduction in the total financing requirement, of around £50 million, anticipated in November 2019 to a position where at the year end net borrowings were £12.1 million</li> </ol>
Strategic Non-Financial Objectives	30%	
	<ol style="list-style-type: none"> <li>1. Deliver a sustainable and investable MGB through securing and finalising key franchise agreements with particular focus on Alshaya and Boots, on most favourable commercial terms practicable</li> <li>2. Secure appropriate pension stakeholder support (through Trustees, tPR, PPF) for the Company's refinancing and strategic plan</li> <li>3. Minimise NDC lease liability</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreements with Alshaya and Boots concluded with 10 year agreements in place and new ways of working introduced including tripartite contracts.</li> <li>2. Revised schedule of repayments secured</li> <li>3. NDC lease assigned</li> </ol>

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 75% is delivered in shares vesting after three years subject to the participant's continued employment. The annual bonus payable for FY2021 was 50% of salary and so there will be no award of shares under the FY2021 annual bonus.

### Long term incentive plans (unaudited)

#### LTIP 2019 (unaudited)

This 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)	Threshold <sup>1</sup> (25% vesting)	Maximum <sup>1</sup> (100% vesting)
Relative TSR against bespoke FTSE Retailers with 30p underpin	100	Median	Upper Quartile

<sup>1</sup> Straight line vesting between threshold and maximum

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

#### LTIP 2020 (unaudited)

This was awarded on 28 September 2020 and is subject to two performance targets split 50 / 50:

- Absolute Total Shareholder Return (TSR) measured three years from the grant date; and
- FY2023 Earnings before interest, taxes, depreciation and amortisation (EBITDA).

Performance Level	Absolute TSR	% of grant to vest
Stretch	25p	100%
Target	20p	62.5%
Threshold	15p	25%

Performance Level	EBITDA	% of grant to vest
Stretch 110%	£17.7m	100%
Target 100%	£16.1m	62.5%
Threshold 90%	£14.4m	25%

The percentage of shares earned will increase on a straight line basis between these levels.

# Annual report on remuneration

continued

The table below sets out the plan interests awarded during the year to the executive director.

Director	Plan	Basis of award	Face value	% vesting at threshold performance	Number of shares	Performance period end
Andrew Cook	LTIP 2020	100%	£259,000	25	2,590,000	2023

The number of share options were calculated using the share price at the last placing of 10p per share. The Remuneration Committee retains discretion in the event of windfall gains.

## Payments to past Directors and payments for Loss of Office

Glyn Hughes' role as interim CEO ceased with effect from 30 June 2020. The Company agreed to release Glyn from his notice period early and pay his equivalent base pay and benefits (including pension entitlement) for three months post-termination. As such, a payment of £95,000 was made to Glyn shortly after he ceased to be a director.

## Statement of directors' shareholding and share interests (unaudited)

### Shareholdings

Director	Shareholding requirement (% salary) <sup>1</sup>	Current shareholding (% salary) <sup>2</sup>	Shares held	
			Legally owned as at 27 March 2021	Legally owned as at 28 March 2020
<b>Executive Directors</b>				
Clive Whiley	n/a	n/a	1,225,890	1,000,000
Andrew Cook	200%	48.75%	862,375	0
Glyn Hughes <sup>3</sup>	200%	45.9%	553,204	553,204
<b>Non-Executive Directors</b>				
Gillian Kent	n/a	n/a	–	–
Brian Small	n/a	n/a	–	–
Mark Newton-Jones <sup>4</sup>	n/a	n/a	2,796,710	2,296,710

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 14.64p.

3 Holding as at termination date.

4 executive director until 23.07.2020



## Share interests

Director	Plan	Date of award	Number of awards at 28.03.20	Awards granted	Awards vested	Awards lapsed	Number of awards at 27.03.21	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
Andrew Cook	SAYE	23.12.2020	-	180,000	-	-	180,000	10p	01.03.2024	30.08.2024
	LTIP2019	29.03.2019	709,601	2,590,000	-	-	3,299,601	Nil	29.03.2022	29.03.2029
Glyn Hughes <sup>1</sup>	SAYE	-	-	-	-	-	-	-	-	-
	LTIP 2019	29.03.19	1,222,987	-	-	713,491	509,496	Nil	29.03.2022	29.03.2029
Mark Newton-Jones <sup>2</sup>	SAYE	03.01.19	130,984	-	-	130,984	0	13p	01.03.2022	30.08.2022
	LTIP 2019	29.03.19	-	1,806,257	-	1,053,771	752,486	Nil	29.03.2022	29.03.2029

<sup>1</sup> Glyn Hughes resigned with effect from 30 June 2020

<sup>2</sup> Mark Newton-Jones served as an executive director up to 23 July 2020x

## Advisers 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 Chairman, CFO and Group Company Secretary.

Organisation	Scope	Fees
PricewaterhouseCoopers LLP	Advice in relation to executive remuneration and LTIs	£18,250 (FY20 £40,600)

## Statement of voting at General Meeting

The FY2020 Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) was approved at the General Meeting held on 26 November 2020. The current Directors' Remuneration Policy was approved at a General Meeting held on 29 March 2019. The Policy is next subject to renewal in 2022.

The following proxy votes were received in advance.

Meeting	Resolution	Votes For (including Discretion)	% of Votes For (including discretion)	Votes Against	% of Votes Against	Votes Withheld*	% of votes withheld
GM 26.11.20	To approve the Directors' remuneration report (2020)	223,159,553	89.80	25,356,198	10.20	1,920,624	0.77
GM 29.03.19	To approve the Directors' Remuneration Policy (2019)	230,313,298	84.52	42,185,076	15.48	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

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

## APPROVAL

This report was approved by the board of directors on 28 July 2021 and signed on its behalf by Gillian Kent, Chair of the Remuneration Committee.

# Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, 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 financial statements 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 judgements 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, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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 comply with the Companies Act 2006. 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 are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit and Risk 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.

This responsibility statement was approved by the board of directors on 28 July 2021 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

### Opinion

#### **Our opinion on the financial statements is qualified**

We have audited the financial statements of Mothercare plc (the 'parent company') and its subsidiaries (the 'group') for the 52-week period ended 27 March 2021, 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 accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

#### **In our opinion, except for the matter described in the basis for qualified opinion section of our audit report:**

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 27 March 2021 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for qualified opinion**

With respect to inventories at 28 March 2020 having a carrying value of £97m, we were unable to observe the counting of the physical inventories because a stocktake was not performed due to the outbreak of COVID-19, and we were unable to satisfy ourselves concerning those inventory quantities by alternative means. 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 inventories was necessary. Our audit opinion on the financial statements for the period ended 28 March 2020 was modified accordingly. Since opening inventories affect the determination of the results of operations, our opinion on the financial statements for the period ended 27 March 2021 is also modified as we are unable to determine whether any adjustments to the Consolidated income statement are necessary. In addition, were any adjustment to the inventory balance to be required, the strategic report would also need to be amended.

In addition, on 5 November 2019, two of the group's UK trading subsidiaries, Mothercare UK Limited and Mothercare Business Services Limited, were put into administration. The results of the UK retail operations, including directly attributable overhead costs, and a profit on disposal, were presented in the discontinued operations line item in the Consolidated income statement for the period ended 28 March 2020. 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. We were therefore unable 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. Our audit opinion on the financial statements for the period ended 28 March 2020 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

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

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

## Material uncertainty related to going concern

We draw attention to the going concern note within Note 2 in the financial statements, which indicates that the impact of the ongoing COVID-19 pandemic on the future prospects of the group is not fully quantifiable at the reporting date and the scale of restrictions in place at a global level is outside of what any business could accurately reflect in a financial forecast.

If trading conditions were to deteriorate beyond the level of risks applied in the sensitised forecast, the group would need to renegotiate with its lender in order to secure waivers to potential covenant breaches and consequential cash remedies or secure additional funding. Therefore, management have concluded that, in this situation, there is a material uncertainty that casts significant doubt on the group's and the parent company's ability to continue as a going concern.

As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

## Our evaluation of management's assessment of the entity's ability to continue as a going concern

The existence of a material uncertainty related to going concern was assessed as a matter that was one of the most significant assessed risks of material misstatement due to the uncertainty of the future impact on the entity of the COVID-19 outbreak, and in particular on its ability to continue as a going concern for the foreseeable future, as defined in IAS 1, Presentation of Financial Statements. Due to the ongoing COVID-19 pandemic, there is significantly more judgment applied in developing cash flow forecasts and in determining compliance with loan covenants.

Management performed an assessment of the group's ability to continue as a going concern, which included modelling a Base Case scenario, a Reasonable Worst Case scenario and performing a Reverse Stress Test. The assumptions selected by management in preparing these assessments required the application of significant management judgement, in particular, in the estimation of future royalty revenue generated from franchisees.

This, in turn, required us to exercise significant auditor judgement when evaluating the assumptions used by management in preparing the scenarios and in concluding whether the Reverse Stress Test scenario identified by management was plausible. We also applied significant professional judgement in evaluating and concluding on the impact of the sensitivity analyses.

We performed the following audit procedures to evaluate management's assessment of the entity's ability to continue as a going concern:

- Obtaining an understanding of how management prepared their base case and sensitised forecasts for the period to 24 March 2023;
- Assessing the accuracy of management's forecasting by comparing the reliability of past forecasts to management's actual results, and considering whether management's historic forecasting accuracy impacts upon the reliance we can place upon the forecasts provided;
- Obtaining an understanding of key trading, balance sheet and cash flow assumptions and testing those key assumptions to underlying historical financial data, post period end trading information and market analysis data;
- Assessing the terms of the covenants attached to external debt held and challenging management's assessment of a breach of covenants during the going concern period;
- Assessing the plausibility of the mitigating actions available to management to continue as a going concern if downside sensitivities were to crystallise;
- Considered the forecasts prepared in respect of the most likely impact of COVID-19 and whether these still give rise to a material uncertainty;
- Evaluated management's reverse stress test of the most likely outcome and worse-case forecasts and management's consideration of the magnitude of a decline in revenues and EBITDA that would give rise to the elimination of the headroom in the borrowing facilities or would result in a breach in banking covenants;
- Performing arithmetical and consistency checks on management's going concern base case model; and
- Assessing the adequacy of related disclosures within the annual report.

In performing our audit procedures, we noted that 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.

### **Our responsibilities**

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

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

## Our approach to the audit



### Overview of our audit approach

Overall materiality:

- Group: £546,000, which represents approximately 0.64% of group revenue.
- Parent company: £355,000 which is 2% of the parent company's net liabilities, capped at 65% of group materiality.

Key audit matters were identified as:

- Going concern basis of accounting
- Revenue recognition (new in current period); and
- Defined benefit pension scheme valuation (new in current period).
- Observation of physical inventory (see Basis for qualified opinion)
- Comparability of current and corresponding period figures (see Basis for qualified opinion)

Our auditor's report for the 52-week period ended 28 March 2020 included one key audit matter that has not been reported as a key audit matters in our current period's report. This related to the impact of and accounting for the administration of Mothercare UK Limited and Mothercare Business Services Limited, both of which entered administration during that period.

The audit of the financial information of each of the following components was completed using component materiality:

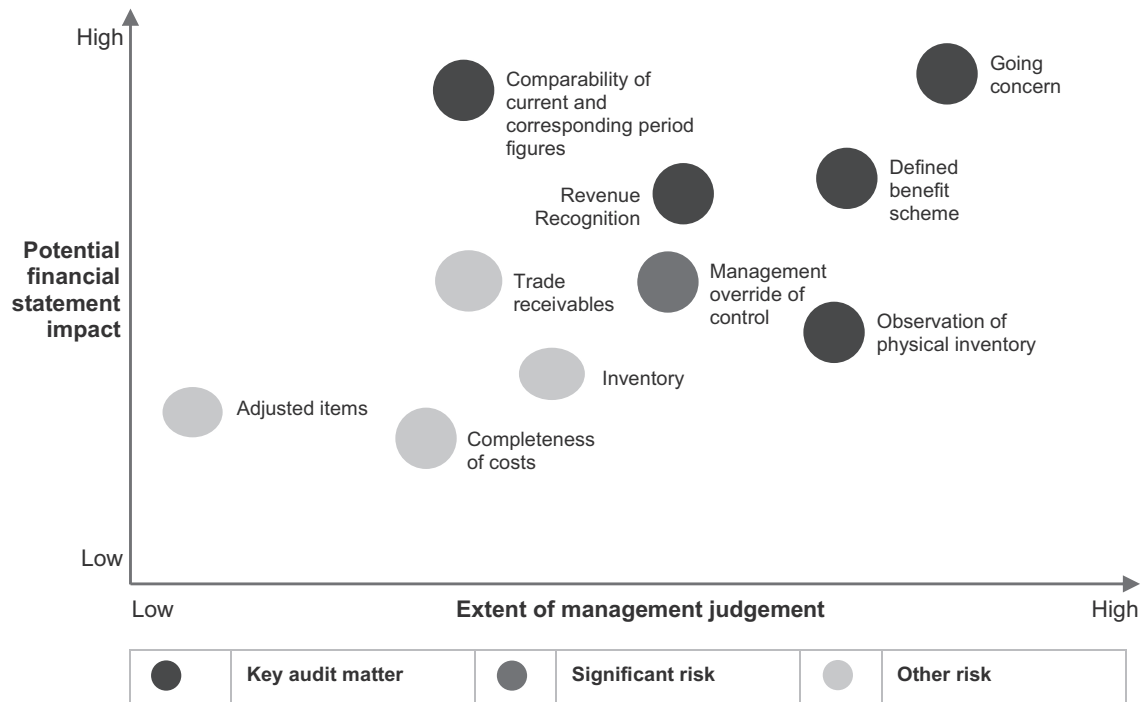
- Mothercare Group plc;
- Mothercare Global Brand Limited; and
- Mothercare Services Limited.

Our work performed over components covered 98% of the group's revenue and 94% of the group's profit before tax

### 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 the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



In addition to the matters described in the Basis of qualified opinion and Material uncertainty related to going concern sections, we have determined the matters described below to be the key audit matters to be communicated in our report.

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

Key Audit Matter – Group	How our scope addressed the matter – Group
<p><b>Revenue recognition</b></p> <p>We identified revenue as one of the most significant risks of material misstatement due to fraud. Under ISA (UK) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>The group recognised revenues of £85.8m (2020: £164.7m) for the for the 52-week period ended 27 March 2021. The revenue recorded by the group is one of the key factors that impacts EBITDA and is a key driver for the group.</p> <p>We identified the occurrence and accuracy of franchise royalty revenue as a significant risk due to the unpredictability of revenue generated and the increased risk of manipulation.</p> <p>The application of IFRS 15 Revenue from Contracts with Customers requires significant management judgement which could create opportunity for the manipulation of revenue. We, therefore identified this accounting treatment as a significant risk due to the risk of revenue being inappropriately recognised.</p> <p>Since mid-way through the current financial year, the group agreed new contracts with certain customers resulting in revenue being recognised on an agency basis. The most significant consideration under IFRS 15 'in determining this treatment is that control of the stock passes directly from the manufacturer to the franchise partner, therefore the group never takes control of the stock during the logistics cycle.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>• assessing whether the accounting policies adopted by the directors were in accordance with the requirements of IFRS 15 "Revenue from Contracts with Customers", and whether management accounted for revenue in accordance with the accounting policies;</li> <li>• obtaining confirmations from all franchise partners to confirm royalty revenue;</li> <li>• recalculating the expected royalty revenue by franchise partner based on the retail sales reported by franchise partners and royalty rates extracted from underlying contracts; and</li> <li>• performing alternative procedures where confirmations were not obtained by substantively testing revenue transactions by agreeing a sample of sales invoices to franchise submissions, cash receipts and other supporting third party documentation.</li> </ul>
<p><b>Relevant disclosures in the Annual Report and Accounts 2021</b></p> <ul style="list-style-type: none"> <li>• Financial statements: Note 3, Significant accounting policies</li> </ul>	<p><b>Our results</b></p> <p>Our audit work did not identify any material misstatements in relation to revenue recognition.</p>
<p><b>Defined benefit pension scheme</b></p> <p>We identified the defined benefit pensions schemes as as one of the most significant assessed risks of material misstatement due to error.</p> <p>The group operates two defined benefit pension schemes: the Staff Scheme; and the Executive Scheme, both of which are closed to new members.</p> <p>The valuation of the scheme obligation is complex and involves the application of actuarial assumptions over the prevailing future outlook at the point of the valuation. The valuation of the obligation is sensitive to changes in the assumptions applied.</p> <p>We have identified a risk with respect to accuracy of the assumptions used to calculate the defined pension liability.</p> <p>The defined benefit schemes were in a net surplus position of £29.8m under International Accounting Standard (IAS) 19 'Employee Benefits' valuation performed as at 28 March 2020, however the schemes have since entered a net deficit position of £25.6m as at 27 March 2021.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>• assessing whether the accounting policies adopted by the directors were in accordance with the requirements of IAS 19 "Employee benefits" and whether the accounting and disclosure requirements of the standard was met;</li> <li>• obtaining the actuarial report prepared by managements expert and reconciling it to the financial statements;</li> <li>• using the specialist knowledge of our internal valuation team to assess the reasonableness of the assumptions and models used by the actuary to determine the present value of the defined benefit obligations; and</li> <li>• checking the input utilised in determining the finance costs and expected return on the plan assets against market information.</li> </ul>
<p><b>Relevant disclosures in the Annual Report and Accounts 2021</b></p> <ul style="list-style-type: none"> <li>• Financial statements: Note 3, Significant accounting policies</li> </ul>	<p><b>Our results</b></p> <p>Our audit work did not identify any inaccuracies in management's assumptions which led to material misstatements in relation to the valuation of the scheme obligation.</p>



### Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

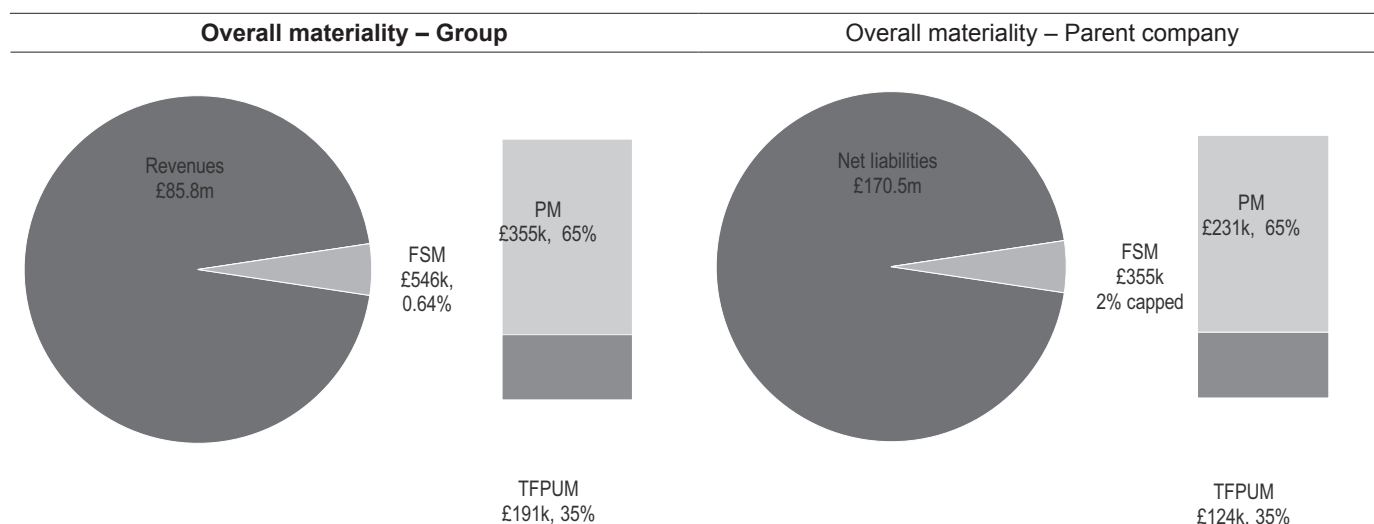
Materiality was determined as follows:

Materiality measure	Group	Parent company
<b>Materiality for financial statements as a whole</b>	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£546,000 which is which is approximately 0.64% of group revenue.	£355,000 which is 2% of the parent company's total liabilities capped at 65% of group materiality.
Significant judgements made by auditor in determining the materiality	<p>In determining materiality, we made the following significant judgements:</p> <p>Revenue is considered to be the most appropriate benchmark because there is considerable volatility in profit before tax. Revenue is also a key performance metric for the group.</p> <p>The threshold applied to revenue was 0.64% which is higher than 0.5% in the prior year.</p> <p>Materiality for the current year is lower than the level that was determined in the prior year which reflects the decrease in revenue in comparison to prior year.</p> <p>The materiality determined was not revised during the audit.</p>	<p>In determining materiality, we made the following significant judgements:</p> <p>Total liabilities is considered to be the most appropriate benchmark as the company's purpose is that of holding of investments in subsidiary entities. The company does not undertake any trading activities.</p> <p>Materiality for the current year is lower than the level that was determined in the prior year.</p> <p>The materiality determined was not revised during the audit.</p>
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£355,000 which is 65% of financial statement materiality.	£231,000 which is 65% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> <li>Based on the number of findings and identified misstatements in the prior year audit.</li> </ul>	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> <li>Based on the number of findings and identified misstatements in the prior year audit.</li> </ul>
<b>Specific materiality</b>	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	<p>We determined a lower level of specific materiality for the following areas:</p> <p>Related party transactions</p> <p>Directors' remuneration</p>	<p>We determined a lower level of specific materiality for the following areas:</p> <p>Related party transactions</p> <p>Directors' remuneration</p>

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

Materiality measure	Group	Parent company
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£27,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£18,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

---

## **An overview of the scope of our audit**

---

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

### **Understanding the Group, its components, and their environments, including Group-wide controls**

- The engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level.

### **Identifying significant components**

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.

### **Type of work to be performed on financial information of parent and other components**

We determined that the most effective way to scope the audit was to perform full scope audit procedures on the three main reporting components, which were all UK based. These components included the parent company entity.

The audit of the financial information of each of the following components was completed using component materiality:

- Mothercare plc
- Mothercare Global Brand Limited
- Mothercare Services Limited

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.

### **Performance of our audit**

All of the work was carried out by the group engagement 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. All work was carried out remotely.

Our audit work on the above components covers 98% of consolidated revenue and 94% reported consolidated loss before tax.

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

## Changes in approach from previous period

The number of components in the current year was three (2020: five) due to the Mothercare UK Limited and Mothercare Business Services Limited entering into administration during the prior year.

---

## Other information

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

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

As described in the basis for qualified opinion section above, we were unable to obtain sufficient appropriate evidence with regards to the carrying value of inventory at 28 March 2020, which results in a modification in our audit opinion on the financial statements for the periods ended 27 March 2021.

We have concluded that where the other information refers to the inventory balance or related balances such as cost of sales, it may be materially misstated for the same reason.

---

## Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

Except for the matter relating to inventory described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

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

---

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

Except for the matter relating to inventory described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

---

## Matters on which we are required to report by exception

In respect solely to the issue relating to inventory described in the basis for qualified opinion section of our report:

- 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 are not in agreement with the accounting records and returns; or certain disclosures of directors' remuneration specified by law are not made. Responsibilities of directors for the financial statements

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

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

---

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

---

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. 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).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We understood how Mothercare plc is complying with those legal and regulatory frameworks by making inquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries by reading the board minutes, papers provided to the audit and risk committee and correspondence received from regulatory bodies.
  - We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (IFRS and the Companies Act 2006).
  - In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental, and bribery and corruption practices.
  - We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
    - journal entries that increased revenues or that reclassified costs from the income statement to the balance sheet; and
    - potential management bias in determining accounting estimates.
  - Our audit procedures involved:
    - evaluation of the design effectiveness and assessing the design effectiveness of controls that management has in place to prevent and detect fraud;
    - journal entry testing, with a focus on material manual journals, including those with unusual account combinations and those posted directly to the consolidation that increased revenue or that reclassified costs from the income statement to the balance sheet;
    - challenging assumptions and judgements made by management in its significant accounting estimates;
    - testing the completeness of the group's related party transactions through information obtained at the parent and component entities and testing that these transactions had a valid business purpose; and
    - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
  - In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
  - These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
  - The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations through the following:
    - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
    - knowledge of the industry in which the client operates.
-

# 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

**28 July 2021**

# Consolidated income statement

For the 52 weeks ended 27 March 2021

	Note	52 weeks ended 27 March 2021			52 weeks ended 28 March 2020 Restated*		
		Before adjusted items £ million	Adjusted items <sup>1</sup> £ million	Total £ million	Before adjusted items £ million	Adjusted items <sup>1</sup> £ million	Total £ million
<b>Continuing operations</b>							
Revenue	4	85.8	–	85.8	164.7	–	164.7
Cost of sales		(63.3)	–	(63.3)	(128.5)	–	(128.5)
Gross profit		22.5	–	22.5	36.2	–	36.2
Administrative expenses	6	(23.3)	(2.6)	(25.9)	(34.6)	(8.2)	(42.8)
Other income		2.0	–	2.0	–	–	–
Impairment losses on receivables	19	(1.0)	–	(1.0)	(2.2)	–	(2.2)
<b>Profit/(loss) from operations</b>	7	0.2	(2.6)	(2.4)	(0.6)	(8.2)	(8.8)
Finance costs	8	(8.9)	(10.3)	(19.2)	(5.2)	–	(5.2)
Finance income	8	0.2	–	0.2	0.3	6.0	6.3
<b>Loss before taxation</b>		(8.5)	(12.9)	(21.4)	(5.5)	(2.2)	(7.7)
Taxation	9	(0.1)	–	(0.1)	(0.9)	0.1	(0.8)
<b>Loss for the period from continuing operations</b>		(8.6)	(12.9)	(21.5)	(6.4)	(2.1)	(8.5)
Discontinued operations							
(Loss)/profit for the year from discontinued operations	10	–	–	–	(8.4)	30.0	21.6
<b>(Loss)/profit for the period attributable to equity holders of the parent</b>		(8.6)	(12.9)	(21.5)	(14.8)	27.9	13.1
(Loss)/profit per share from continuing and discontinued operations							
Basic	12			(5.7)p			3.7p
Diluted	12			(5.7)p			3.7p
Loss per share from continuing operations							
Basic	12			(5.7)p			(2.4)p
Diluted	12			(5.7)p			(2.4)p

<sup>1</sup> Includes adjusted costs (property costs, restructuring costs and impairment charges), the fair value movement on embedded derivatives and the profit/loss on disposal of the UK operating segment 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.

\* Results for the prior year have been restated for the impact of prior year adjustments (note 32). Earnings/(loss) per share have also been restated as a result of the prior year adjustment (note 32) and the correction of the dilution calculation (note 12).

# Consolidated statement of comprehensive income

For the 52 weeks ended 27 March 2021

	Note	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 Restated £ million
<b>(Loss)/profit for the period</b>		<b>(21.5)</b>	13.1
<b>Items that will not be reclassified subsequently to the income statement:</b>			
Remeasurement of net defined benefit liability:			
Actuarial (loss)/gain on defined benefit pension schemes	31	<b>(56.7)</b>	46.6
Deferred tax relating to items not reclassified	17	<b>10.2</b>	(10.4)
		<b>(46.5)</b>	36.2
<b>Items that may be reclassified subsequently to the income statement:</b>			
Exchange differences on translation of foreign operations	27	–	(1.9)
Deferred tax relating to items reclassified	17	–	–
		–	(1.9)
Other comprehensive (expense) / income for the period		<b>(46.5)</b>	34.3
<b>Total comprehensive (expense) / income for the period wholly attributable to equity holders of the parent</b>		<b>(68.0)</b>	47.4



# Consolidated balance sheet

As at 27 March 2021

	Note	27 March 2021 £ million	28 March 2020 Restated £ million
<b>Non-current assets</b>			
Intangible assets	14	1.1	0.6
Property, plant and equipment	15	0.5	0.7
Right-of-use leasehold assets	16	1.2	7.9
Retirement benefit obligations	31	–	29.8
		<b>2.8</b>	<b>39.0</b>
<b>Current assets</b>			
Inventories	18	5.9	9.7
Trade and other receivables	19	17.4	15.6
Derivative financial instruments	22	2.6	21.0
Cash and cash equivalents	20	6.9	6.1
		<b>32.8</b>	<b>52.4</b>
<b>Total assets</b>		<b>35.6</b>	<b>91.4</b>
<b>Current liabilities</b>			
Trade and other payables	23	(24.9)	(29.5)
Borrowings	21	–	(28.0)
Current tax liabilities		–	(0.3)
Derivative financial instruments	22	(1.8)	(0.1)
Lease liabilities	16	(0.3)	(1.0)
Provisions	24	(4.2)	(2.8)
		<b>(31.2)</b>	<b>(61.7)</b>
<b>Non-current liabilities</b>			
Borrowings	21	(19.0)	(12.8)
Lease liabilities	16	(1.1)	(7.4)
Derivative financial instruments	22	–	(0.3)
Retirement benefit obligations	31	(25.6)	–
Provisions	24	(1.7)	(2.8)
Deferred tax liability	17	–	(10.4)
		<b>(47.4)</b>	<b>(33.7)</b>
<b>Total liabilities</b>		<b>(78.6)</b>	<b>(95.4)</b>
<b>Net assets/(liabilities)</b>		<b>(43.0)</b>	<b>(4.0)</b>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	25	89.3	87.4
Share premium account	26	108.8	91.7
Own shares	25	(1.0)	(1.0)
Translation reserve	27	(3.7)	(3.7)
Hedging reserve	27	–	–
Retained loss		(236.4)	(178.4)
<b>Total equity</b>		<b>(43.0)</b>	<b>(4.0)</b>

Approved by the board and authorised for issue on 28 July 2021 and signed on its behalf by:

**Andrew Cook**  
Chief Financial Officer

Company Registration Number: 1950509

# Consolidated statement of changes in equity

For the 52 weeks ended 27 March 2021

	Note	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Hedging reserve £ million	Retained earnings £ million	Total equity £ million
<b>Balance at 28 March 2020 as previously reported</b>		<b>87.4</b>	<b>91.7</b>	<b>(1.0)</b>	<b>(3.7)</b>	<b>–</b>	<b>(172.1)</b>	<b>2.3</b>
Prior year adjustment – income statement		–	–	–	–	–	(1.3)	(1.3)
Prior year adjustment – other comprehensive income		–	–	–	–	–	(5.0)	(5.0)
<b>Balance at 28 March 2020 as restated</b>		<b>87.4</b>	<b>91.7</b>	<b>(1.0)</b>	<b>(3.7)</b>	<b>–</b>	<b>(178.4)</b>	<b>(4.0)</b>
Items that will not be reclassified subsequently to the income statement		–	–	–	–	–	(46.5)	(46.5)
Items that will be reclassified subsequently to the income statement	27	–	–	–	–	–	–	–
Other comprehensive expense		–	–	–	–	–	(46.5)	(46.5)
Loss for the period		–	–	–	–	–	(21.5)	(21.5)
<b>Total comprehensive (expense)/income</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(68.0)</b>	<b>(68.0)</b>
Conversion of shareholder loans	25,26	1.9	17.1	–	–	–	9.5	28.5
Adjustment to equity for equity-settled share-based payments	30	–	–	–	–	–	0.5	0.5
<b>Balance at 27 March 2021</b>		<b>89.3</b>	<b>108.8</b>	<b>(1.0)</b>	<b>(3.7)</b>	<b>–</b>	<b>(236.4)</b>	<b>(43.0)</b>

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
<b>Balance at 30 March 2019</b>		<b>87.1</b>	<b>88.9</b>	<b>(1.1)</b>	<b>(1.8)</b>	<b>1.3</b>	<b>(228.6)</b>	<b>(54.2)</b>
Items that will not be reclassified subsequently to the income statement - restated		–	–	–	–	–	36.2	36.2
Items that will be reclassified subsequently to the income statement	27	–	–	–	(1.9)	–	–	(1.9)
Other comprehensive (expense)/income - restated		–	–	–	(1.9)	–	36.2	34.3
Profit for the period - restated		–	–	–	–	–	13.1	13.1
<b>Total comprehensive (expense)/income</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>(1.9)</b>	<b>–</b>	<b>49.3</b>	<b>47.4</b>
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
<b>Balance at 28 March 2020 as restated</b>		<b>87.4</b>	<b>91.7</b>	<b>(1.0)</b>	<b>(3.7)</b>	<b>–</b>	<b>(178.4)</b>	<b>(4.0)</b>

# Consolidated cash flow statement

For the 52 weeks ended 27 March 2021

	Note	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
<b>Net cash flow from operating activities – continuing operations</b>	28	<b>(2.6)</b>	<b>(2.9)</b>
<b>Net cash flow from operating activities – discontinued operations</b>		<b>–</b>	<b>3.4</b>
<b>Cash flows from investing activities</b>			
Interest received		–	0.3
Purchase of property, plant and equipment		<b>(0.2)</b>	(0.4)
Purchase of intangibles – software		<b>(0.2)</b>	(1.4)
Proceeds from sale of property, plant and equipment		–	–
<b>Cash (used in)/generated from investing activities – continuing operations</b>		<b>(0.4)</b>	<b>(1.5)</b>
<b>Cash generated from investing activities – discontinued operations</b>		<b>–</b>	<b>7.0</b>
<b>Cash flows from financing activities</b>			
Issue of share capital		–	3.2
Expenses of share issue		–	(0.1)
Shareholder loans raised		–	5.5
Interest paid		<b>(1.4)</b>	(1.8)
Lease interest paid		<b>(0.6)</b>	(0.7)
Repayments of leases		<b>(1.5)</b>	(1.8)
Repayment of loan facility		–	(13.0)
Drawdown of loan facility		<b>7.3</b>	6.0
Facility fee paid		–	(0.2)
<b>Net cash inflow/(outflow) from financing activities – continuing operations</b>		<b>3.8</b>	<b>(2.9)</b>
<b>Net cash outflow from financing activities – discontinued operations</b>		<b>–</b>	<b>(12.9)</b>
<b>Net increase in cash and cash equivalents</b>		<b>0.8</b>	<b>(9.8)</b>
Cash and cash equivalents / (overdraft) at beginning of period		<b>6.1</b>	16.3
Effect of foreign exchange rate changes		–	(0.4)
<b>Cash and cash equivalents at end of period</b>	28	<b>6.9</b>	6.1

# 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 128. The nature of the Group's operations and its principal activities are set out in note 5 and in the business review on page 13.

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 27 March 2021. The comparative period covered the 52 weeks ended 28 March 2020.

### *Basis of accounting*

The Group's financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

### *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 52 weeks ended 28 March 2020.

### *New standards not affecting the reported results nor the financial position*

In the current year, 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 the current annual report period. 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 UKEB, but not yet effective:

- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 Interest rate benchmark reform – phase 2
- Extension of the temporary exemption from applying IFRS 9
- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions

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 but not yet endorsed by the UKEB, and not yet effective:

- Definition of Accounting Estimates – amendments to IAS 8
- Disclosure of Accounting policies – amendments to IAS 1 and IFRS Practice Statement 2
- Annual Improvements to IFRS 2018-2020

- Onerous contracts: Cost of fulfilling a contract – amendments to IAS 37
- Property Plant and Equipment: Proceeds before Intended Use – amendments to IAS 16
- Reference to the Conceptual framework – amendments to IFRS 3
- Classification of liabilities and current or non-current – amendments to IAS 1
- IFRS 17, 'Insurance Contracts' – replacing IFRS 4

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*

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

The consolidated financial information has been prepared on a going concern basis. Despite the current global retail sector challenges, 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. 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:

1) A Base Case forecast, which is built up at franchise partner level and incorporates key assumptions specific to each partner and the impact of Covid 19 in each jurisdiction. This base case forecasts that the sales for the financial year to March 2022 increase to levels similar to those achieved immediately before the impact of COVID 19 and the sales for the year to March 2023 show a more modest increase.

2) 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. This assumes the following additional key assumptions:

- A delayed recovery that assumes that retail sales remain subdued throughout the majority of the forecast period as a result of continued restrictions on both our franchise and manufacturing partners as a result of COVID 19
- The potential for subsequent reintroduction or imposition of new measures to control COVID 19 in areas that will restrict both our franchise and manufacturing partners and consequentially impact our retail sales.

## 2 Significant accounting policies (continued)

The sensitised forecast shows a decrease in sales of 7% as compared to the Base Case in the financial years to March 2022 and 2023, with the net working capital and the overhead costs assumed to remain constant. Despite showing a decrease against the Base Case, the assumptions still assume an increase in revenue from the financial years 2021 to 2022. The four debt covenants are also not forecast to be breached under this scenario; and

3) A Reverse Stress Test which assumes an overall increase in net sales in the financial year to March 2022 of around half that used in the Base Case.

Based on the sales to date in the current financial year to March 2022, the Group is significantly behind the Base Case forecast due to the adverse impact of Covid 19 in certain jurisdictions. This post year end performance could extend throughout the going concern assessment period as a result of the ongoing Covid 19 restrictions and had therefore already demonstrated that the base case scenario is challenging.

The Board's confidence that the Group will operate within the terms of the borrowing facilities, and the Group's proven cash management capability supports our preparation of the financial statements on a going concern basis. We have modelled a substantial reduction in global retail sales in our sensitised case and reverse stress test as a result of possible future store closures and subdued consumer confidence or as a result of reduced availability due to restrictions in our manufacturing partners to maintain production and supply chain constraints throughout the remainder of FY22 with recovery in FY23.

The impact of the 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, 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 lender in order to secure waivers to potential covenant breaches and consequential cash remedies or 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.

### **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 27 March 2021. 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 transaction price the Group expects to be entitled to in a contract with a customer and excludes amounts collected on behalf of third parties discounts, value-added taxes (VAT) and other sales-related taxes.

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

# Notes to the consolidated financial statements

continued

## 2 Significant accounting policies (continued)

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

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

Since mid-way through the current financial year, the Group has also recognised revenue with certain customers on an agency basis. The most significant consideration under IFRS 15 in determining this treatment is that control of the stock passes directly from the manufacturer to the franchise partner, therefore the Group never takes control of the stock during the logistics cycle. Agency revenue, being solely the margin element of the sale, is recognised at the point that control of the goods passes to the franchise partner.

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

### *Interest income*

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

### *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 and disclosed within other income. 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.

### *Accrued income*

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

## *Adjusted earnings*

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

As the Group has chosen to present an alternative earnings per share measure, a reconciliation of this alternative measure to the statutory measure required by IFRS is given in note 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;
- FY20: loss on disposal of the UK business;

### *Discontinued operations*

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

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

## *Leasing*

Leases, for which the Group is a lessor, 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.

## 2 Significant accounting policies (continued)

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 prior financial year, the Group ceased hedging, and there were no open forward contracts at either 28 March 2020 or 27 March 2021.

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

# Notes to the consolidated financial statements

continued

## 2 Significant accounting policies (continued)

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

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

In consultation with the independent actuaries to the schemes, the valuation of the retirement benefit obligations has been updated to reflect current market discount rates, and also considering whether there have been any other events that would significantly affect the pension liabilities. The impact of these changes in assumptions and events has been estimated in arriving at the valuation of the retirement benefit obligations.

### Taxation

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

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

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

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

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

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

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

comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

### Property, plant and equipment

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

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

Leasehold improvements	– lease term
Fixtures, fittings and equipment	– 3 to 10 years

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

### Intangible assets – software

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

### Assets under the course of construction

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

### Impairment of tangible and intangible assets excluding goodwill

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



## 2 Significant accounting policies (continued)

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

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

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

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost formula. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Whilst the Group engages in hedge accounting (no new contracts were taken out in the current financial period ended 27 March 2021), inventory is adjusted on recognition by transferring amounts from the hedging reserve.

### **Financial guarantees**

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

### **Lease guarantees**

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

### **Financial instruments**

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

#### *Trade receivables*

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

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

#### *Financial asset*

The Group holds a financial asset of £2.6 million (2020: £210 million) reflecting the amount which the administrators of MUK and MBS are expected to pay towards settlement of the Group's secured debt. This amount represents the realisation of cash from the wind-up of the UK business through the administration process. The asset has been fair valued based on the administrators' worst-case estimate of the amount that the Group will receive.

#### *Cash and cash equivalents*

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

#### *Financial liabilities and equity*

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

#### *Bank borrowings*

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

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

#### *Trade payables*

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

#### *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.

# Notes to the consolidated financial statements

continued

## 2 Significant accounting policies (continued)

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.

### *Warrants*

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

### *Provisions*

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

### *Onerous contracts*

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

### *Share-based payments*

The Group 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 estimates are updated at each balance sheet date for the Group's expectation of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the valuation technique considered to be most appropriate for each class of award, including Black-Scholes calculations and Monte Carlo simulations. The expected life used in the formula is adjusted, based on

management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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

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

### *Government Grants*

The Group received government grants during the reporting period under the Coronavirus 19 Job Retention Scheme (CJRS) and in accordance with IAS 20 Accounting for Government Grants, has accounted for this income using the Income Approach. Under this method the income is recognised on a systematic basis in the profit and loss account over the same period that the Group recognised the related payroll costs that the grant is intended to compensate. This specific grant income has been deducted in reporting the related payroll expense.

### *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, which are the estimated retail sales of overseas franchise and joint venture partners to their customers. Total Group revenue is a statutory number and is made up of total 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 31 to 40.

#### **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 31 to 40.

#### **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 27 March 2021:

##### *Continuing operations*

- costs associated with restructuring, redundancies and refinancing;
- finance costs, including the fair value movement on embedded derivatives in the shareholder loans;
- FY20: loss on disposal of the UK 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.

# Notes to the consolidated financial statements

continued

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

### 3a Critical accounting judgements (continued)

- 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 2019, 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.

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

#### 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 27 March 2021, the loss allowance on trade receivables would have been £0.5 million higher (2020: £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 27 March 2021, the Group's pension deficit was £25.6 million (2020: £298 million surplus). 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 27 March 2021.

##### *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.

# Notes to the consolidated financial statements

continued

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

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.

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

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

## 4. Revenue

	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
<b>Continuing operations:</b>		
Sale of goods to franchise partners	68.1	140.6
Royalties income	17.7	24.1
Total revenue	85.8	164.7

## 5. Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reported to the Group's executive decision makers (comprising the executive directors and operating board) in order to allocate resources to the segments and assess their performance. Under IFRS 8, the Group has not identified that its continuing operations represent more than one operating 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 could constitute 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. As the Mini Club operation ceased in October 2020, by year end it was no longer an aggregated operating segment.

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

Revenues are attributed to countries on the basis of the customer's location. The largest International customer represents approximately 23% (2020: 38.9%) of Group sales.

	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
Turnover by destination		
<b>Continuing operations:</b>		
Europe	46.2	66.2
Middle East	20.1	63.4
Asia	19.5	34.1
Rest of world	–	1.0
Total revenue	85.8	164.7

## 6. Adjusted items

The total adjusted items attributable to continuing operations reported for the 52-week period ended 27 March 2021 is a net charge of £12.9 million (2020: £2.2 million). The adjustments made to reported loss before tax to arrive at adjusted loss from continuing operations are:

	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 Restated £ million
Adjusted costs from continuing operations:		
Property related costs included in administrative expenses	0.5	2.6
Restructuring and reorganisation costs included in administrative expenses	2.1	5.6
Restructuring costs/(income) included in finance costs	10.3	(6.0)
Adjusted items before tax *	12.9	2.2

\* Tax on adjusted items was at 19% (2020: 19%).

### Property related costs included in administrative expenses – £0.5 million (2020: £2.6 million)

The current year charge includes:

- £0.3 million in relation to the Group's warehouse facility, which became vacant as a result of the cessation of the UK operations, which comprises £0.2 million of dilapidations cost and £0.1 million of loss on disposal, as the warehouse was assigned to a new tenant in March 2021 and the IFRS 16 asset and liability were disposed of.
- £0.2 million in relation to settlement of a lease which reverted to Mothercare when the tenant went into administration.

The prior year charge included £1.3 million, which constituted 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, was expected to continue to be vacant, as well as the accelerated dilapidations provision due to said warehouse becoming vacant. Additionally, there are £1.3 million of costs pertaining to the prior year lease guarantee adjustment as detailed in note 32; these related to a UK store which was traded from by Mothercare UK Limited, however as this had been guaranteed by Mothercare PLC, the cost of rent, service charge and insurance are owed by the Group (despite the administration of Mothercare UK Limited).

### Restructuring and reorganisation costs included in administrative expenses – £21 million (2020: £5.6 million)

The current year charge includes:

- £1.3 million of legal and professional costs for the Group and also the pension funds in relation to the refinancing which took place during the year and resulted in the raise of a loan for £195 million and the settlement of the revolving capital facility previously held by the Group.
- £1.3 million of restructuring costs, comprising of legal and professional fees incurred in the transition of the Group from the FTSE to AIM stock exchange, and severance pay for roles no longer required as a result of the reduction in size of the Group.
- £(1.4) million of credits arising in relation to the profit on disposal of Mothercare UK Limited business, which went into administration in the previous year. Of this, £(0.8) million relates to the true-up of the financial asset arising on the revolving capital facility, which was valued at the previous year end based on the information available at the time, whilst assuming the worst-case outcome; and the remaining £(0.6) million are amounts arising on tax adjustments.
- £0.7 million of costs incurred on the relocation of the Group's head office.
- £0.2 million of costs incurred to date on the implementation of a new ERP system for the Group; these are the amounts which were determined not to meet the conditions for capitalisation as they were part of the research stage of the project.

Prior year 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.

### Restructuring costs included in finance costs – £10.3 million (2020: £6.0 million gain)

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.

# Notes to the consolidated financial statements

continued

## 6. Adjusted items (continued)

The increase in the embedded derivatives of £91 million (2020: reduction of £6.0 million) is recognised as a finance cost (2020: finance income). This £91 million was driven by the high level of uncertainty in the UK market, which caused the fair value of these instruments to plummet in March 2020; during 2021 the value returned to pre-March 2020 levels. The shareholder loans converted in March 2021 and were fair valued immediately prior to their transfer to share capital and share premium.

The £6.0 million reduction in the comparative year consisted 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 27 March 2021 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.

There were also 15.0 million 12 pence warrants issued during the year. These have been treated as a liability and fair valued both at inception and at the balance sheet date of 27 March 2021. The cost in the income statement in relation to these is £1.2 million.

### Adjusted items – discontinued operations

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

	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
Adjusted costs from discontinued operations:		
ELC discontinued operations	–	(0.8)
Profit on disposal of the UK segment discontinued operations	–	(46.2)
Property related costs	–	17.0
Adjusted items before tax	–	(30.0)

Loss on disposal of the ELC discontinued operations – £nil (2020: £0.8 million gain)

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

Profit on disposal of the UK segment discontinued operations – £nil (2020: £46.2 million gain)

The trading results of the discontinued operation and details of the £46.2 million gain are provided in note 10.

### Property related costs – £nil (2020: £170 million)

*UK store impairment – £nil (2020: £14.8 million)*

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

*Onerous lease provision – £nil (2020: £11 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 – £nil (2020: £11 million)*

Following the approval of the company voluntary arrangements (“CVA”) for Mothercare and ELC and the administration of Childrens World Limited, the closure programme reduced the estate to less than 80 stores. 16 stores closed in the 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.



## 6. Adjusted items (continued)

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.

Cashflows arising on adjusted items

	Cash flows from operating activities		Cash flows from investing activities	
	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
<i>Continuing operations</i>				
Property related costs	(0.7)	–	–	–
Restructuring and reorganisation costs in administrative expenses	(2.3)	(5.6)	–	–
Restructuring costs in financing costs	–	–	–	–
<b>Total</b>	<b>(3.0)</b>	<b>(5.6)</b>		
<i>Discontinued operations</i>				
Property related costs:				
Store closure costs	–	(4.2)	–	–
Proceeds from the sale of freehold properties	–	–	–	0.5
<b>Adjusted cashflows from discontinued operations</b>	<b>–</b>	<b>(4.2)</b>	<b>–</b>	<b>0.5</b>

Where categories of adjusted costs are not disclosed in the table above, the cashflows relating to those costs were £nil.

## 7. Loss from operations

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

	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
<b>Continuing operations</b>		
Net total foreign exchange (gains) / loss	1.4	(1.2)
Cost of inventories recognised as an expense	57.0	122.6
Write down of inventories to net realisable value	0.3	–
Depreciation of property, plant and equipment	0.3	3.1
Amortisation of right-of-use assets	1.5	0.5
Amortisation of intangible assets – software	0.2	3.2
Impairment of right-of-use asset – investment property	–	0.5
Gain on disposal of property, plant and equipment	(0.1)	–
Rental income from investment properties	(2.0)	–
Rental expense of properties (see note 29)	2.1	2.7
Loss allowance on trade receivables (see note 19)	1.0	2.2
Warehouse, freight and duty costs	3.7	3.3
IT contracts and maintenance	4.7	2.2
<b>Staff costs (including directors*):</b>		
Wages and salaries (including cash bonuses, excluding share-based payment charges)	10.1	15.8
Social security costs	1.1	1.9
Pension costs (including administrative expenses and PPF levy of defined benefit scheme)	3.9	3.5
Share-based payments charge (see note 30)	0.5	0.9

\* Directors include executive and non-executive directors.

# Notes to the consolidated financial statements

continued

## 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 directors\*, is as follows:

	52 weeks ended 27 March 2021 Number	52 weeks ended 28 March 2020 Number
Number of employees comprising:		
UK stores	247	410
Head Office	179	189
Overseas	10	9
	<b>436</b>	<b>608</b>

\* Directors include executive and non-executive directors.

Details of Directors' emoluments are provided within the remuneration report on pages 50 to 55.

Employees at UK stores were employed at the Group's Miniclub operation which ceased during the year. There were no UK store employees at 27 March 2021.

The analysis of auditor's remuneration is as follows:

	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 £ 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	0.2	0.3
Total audit fees	0.3	0.4
Total non-audit fees	0.2	0.3

The policy for the approval of non-audit fees is set out on page 47, in the corporate governance report.

Grant Thornton UK LLP were engaged in January 2021 to perform another assurance engagement, being the preparation of a working capital report. In December 2019, Grant Thornton UK LLP were also engaged to prepare a similar report.

## 8. Net finance costs

	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
Interest and bank fees on bank loans and overdrafts	1.8	1.2
Other interest payable	6.2	2.6
Net interest expense on liabilities/return on assets on pension	–	0.6
Interest on lease liabilities	0.9	0.8
Fair value movement on embedded derivatives	91	–
Fair value movement on warrants	1.2	–
<b>Interest payable</b>	<b>19.2</b>	<b>5.2</b>
Fair value movement on embedded derivatives	–	(6.0)
Net interest income on liabilities/return on assets on pension	(0.2)	–
Interest received on bank deposits	–	(0.3)
<b>Net finance costs/(income)</b>	<b>19.0</b>	<b>(1.1)</b>

## 9 Taxation

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

	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
Current tax:		
Current year	0.9	0.8
Adjustment in respect of prior periods	(0.6)	–
	<b>0.3</b>	<b>0.8</b>
Deferred tax: (see note 17)		
Adjustment in respect of prior periods	(0.2)	–
<b>Charge for taxation on loss for the period</b>	<b>0.1</b>	<b>0.8</b>

UK corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the period. Legislation has been substantively enacted after the current financial year balance sheet date to increase the rate of corporation tax to 25% in 2023, which is a non-adjusting post balance sheet event. At the comparative period end, there was legislation in force -The Finance Act 2016 – to reduce the main rate of UK corporation tax from 19% to 17% from 1 April 2020. These rate reductions were substantively enacted by the comparative balance sheet date and therefore included in these financial statements, and in the prior year, temporary differences were measured using this enacted tax rates. Legislation was substantively enacted during the current year, but after the prior 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 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
Loss for the period before taxation	(21.4)	(6.4)
Loss for the period before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	(4.1)	(1.2)
Effects of:		
Expenses/(income) not deductible for tax purposes	0.1	–
Impact of difference in current and deferred tax rates	–	(0.1)
Impact of overseas tax rates	0.9	0.3
Impact of overseas taxes expensed	(0.7)	(0.1)
Adjustment in respect of prior periods – current tax	(0.6)	0.1
Adjustment in respect of prior periods – deferred tax	(0.2)	–
Relief for losses brought forward	–	0.1
Deferred tax not recognised/written off	4.7	1.7
<b>Charge for taxation on loss for the period</b>	<b>0.1</b>	<b>0.8</b>

In addition to the amount charged to the income statement, deferred tax relating to retirement benefit obligations and cash flow hedges amounting to £10.2 million has been credited directly to other comprehensive income (2020: £10.4 million charge).

The Group has a specific pay provision for the potential costs of complying with the National Minimum Wage (NMW) Regulations of £0.2 million (2020: £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.

# Notes to the consolidated financial statements

continued

## 10. Discontinued operations

On 5 November 2019, in the comparative financial period, 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, were therefore treated as a discontinued operations.

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 27 March 2021			52 weeks ended 28 March 2020		
	Before adjusted items* £ million	Adjusted items £ million	Total £ million	Before adjusted items* £ million	Adjusted items £ million	Total £ million
<b>Discontinued operations</b>						
Revenue	–	–	–	1495	–	1495
Expenses	–	–	–	(1371)	–	(1371)
Gross profit	–	–	–	12.4	–	12.4
Administrative expenses	–	–	–	(15.7)	30.0	14.3
(Loss)/profit from operations	–	–	–	(3.3)	30.0	26.7
Net finance costs	–	–	–	(5.2)	–	(5.2)
<b>(Loss)/profit before taxation</b>	–	–	–	(8.5)	30.0	21.5
Taxation	–	–	–	0.1	–	0.1
<b>(Loss)/profit from discontinued operations</b>	–	–	–	(8.4)	30.0	21.6

\* Adjusted loss after tax on discontinued operations of £nil (2020: £(8.4) million) 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 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
Net cash outflow from operating activities	–	3.4
Net cash inflow from investing activities	–	7.0
Net cash outflow from financing activities	–	(12.9)
<b>Net reduction in cash generated by discontinued operations</b>	–	(2.5)

Adjusted items of £30.0 million in the comparative period comprise: £46.2 million of profit on disposal of the UK operating segment (see below); £(0.8) million of costs in relation to the ELC operation which was discontinued in 2019 (note 6); and £17 million of property related costs (note 6).

### Adjusted item – Profit on disposal of the UK operating segment; £nil (2020: £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.

## 10. Discontinued operations (continued)

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 £70 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.

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

## 11. Dividends

There was no final dividend for the period (2020: £nil) and no interim dividend was paid during the period (2020: £nil).

# Notes to the consolidated financial statements

continued

## 12. (Losses)/earnings per share

	52 weeks ended 27 March 2021 million	52 weeks ended 28 March 2020 Restated million
<b>Weighted average number of shares in issue</b>	<b>3790</b>	<b>352.5</b>
Dilution – option schemes (restated)	–	–
<b>Diluted weighted average number of shares in issue (restated)</b>	<b>3790</b>	<b>352.5</b>
<b>Number of shares at period end</b>	<b>563.8</b>	<b>374.2</b>
<b>Continuing operations</b>	<b>£ million</b>	<b>£ million</b>
<b>Loss for basic and diluted earnings per share (restated)</b>	<b>(21.5)</b>	<b>(8.5)</b>
Adjusted items (restated) (note 6)	12.9	2.2
Tax effect of above items	–	(0.1)
<b>Adjusted losses from continuing operations</b>	<b>(8.6)</b>	<b>(6.4)</b>
<b>Discontinued operations</b>	<b>£ million</b>	<b>£ million</b>
<b>Profit/(loss) for basic and diluted earnings per share</b>	<b>–</b>	<b>21.6</b>
Adjusted items (note 6)	–	(30.0)
Tax effect of above items	–	–
<b>Adjusted earnings from discontinued operations</b>	<b>–</b>	<b>(8.4)</b>
<b>Continuing and discontinued operations</b>	<b>£ million</b>	<b>£ million</b>
<b>Profit/(loss) for basic and diluted earnings per share (restated)</b>	<b>(21.5)</b>	<b>13.1</b>
Adjusted items (restated) (note 6)	12.9	(27.8)
Tax effect of above items	–	(0.1)
<b>Adjusted losses for continuing and discontinued operations</b>	<b>(8.6)</b>	<b>(14.8)</b>
<b>From continuing and discontinued operations</b>	<b>Pence</b>	<b>Pence</b>
<b>Basic (losses)/earnings per share (restated)</b>	<b>(5.7)</b>	<b>3.7</b>
<b>Basic adjusted losses per share</b>	<b>(2.3)</b>	<b>(4.2)</b>
<b>Diluted (losses)/earnings per share (restated)</b>	<b>(5.7)</b>	<b>3.7</b>
<b>Diluted adjusted losses per share</b>	<b>(2.3)</b>	<b>(4.2)</b>
<b>From continuing operations</b>	<b>Pence</b>	<b>Pence</b>
<b>Basic losses per share (restated)</b>	<b>(5.7)</b>	<b>(2.4)</b>
<b>Basic adjusted losses per share</b>	<b>(2.3)</b>	<b>(1.8)</b>
<b>Diluted losses per share (restated)</b>	<b>(5.7)</b>	<b>(2.4)</b>
<b>Diluted adjusted losses per share</b>	<b>(2.3)</b>	<b>(1.8)</b>
<b>From discontinued operations</b>	<b>Pence</b>	<b>Pence</b>
<b>Basic earnings per share</b>	<b>–</b>	<b>6.1</b>
<b>Basic adjusted losses per share</b>	<b>–</b>	<b>(2.4)</b>
<b>Diluted earnings per share (restated)</b>	<b>–</b>	<b>6.1</b>
<b>Diluted adjusted losses per share</b>	<b>–</b>	<b>(2.4)</b>
<b>Analysis of shares by class</b>	<b>27 March 2021 million</b>	<b>28 March 2020 million</b>
<b>Ordinary shares at period end date</b>	<b>563.8</b>	<b>374.2</b>
Antidilutive – shareholder loan options to convert	–	168.2
Antidilutive – SAYE options	2.6	2.0
Antidilutive – Value creation plan	0.4	0.8
Antidilutive – LTIP options	10.7	6.9
Antidilutive - warrants	15.0	–
<b>Total</b>	<b>592.5</b>	<b>552.1</b>

## 12. (Losses)/earnings per share (continued)

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

Diluted EPS has therefore been calculated using the weighted average number of shares in issue of 3790 million (2020: 352.5 million), which is the same denominator as used to calculate basic EPS.

During the current year, the FRC conducted a review of the Group's 2020 Annual Report. This note has therefore been restated to correct an error that was identified during their review. The shareholder loan options to convert and the issued share options were previously disclosed as dilutive, and then used in the calculation of diluted EPS. The table showing the calculation of the denominator has been amended to exclude these, as they are antidilutive. Following on from this, the diluted EPS from continuing operations and the diluted EPS from total operations have both been restated such that they use the same denominator as the basic profit per share i.e. the diluted and basic loss per share disclosed are the same. Previously, diluted EPS from continuing operations was disclosed as (2.0)p, it is now disclosed as (2.4)p. Previously, diluted EPS from total operations was disclosed as 3.0p, it is now disclosed as 3.7p. There was no impact on adjusted losses per share.

The number of shareholder loan options to convert as at the comparative year end has also been restated to 168.2 million due to a computational error in the prior period.

In addition to the above, the profit number in the comparative period has been amended by £13 million, and basic EPS from total operations has been restated from 4.1p to 3.7p, as a result of the prior year adjustment – see note 32 for further information.

## 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 <sup>(1)</sup>	100%	Holding Company	Direct
Chelsea Stores (EBT Trustees) Limited	UK <sup>(1)</sup>	100%	Dormant	Indirect
Chelsea Stores Holdings 2 Limited	UK <sup>(1)</sup>	100%	Holding Company	Indirect
Early Learning Centre Limited	UK <sup>(1)</sup>	100%	Trading	Indirect
Mothercare Toys 3 Limited	UK <sup>(1)</sup>	100%	Property Company	Indirect
Mothercare Group Sourcing Limited	Hong Kong <sup>(2)</sup>	100%	Trading	Indirect
Mothercare Toys 2 Limited	UK <sup>(1)</sup>	100%	Dormant	Indirect
TCR Properties Limited	UK <sup>(1)</sup>	100%	Dormant	Direct
Mothercare (Jersey) Limited	Jersey <sup>(3)</sup>	100%	Non Trading	Direct
Mothercare Finance Limited	UK <sup>(1)</sup>	100%	Holding Company	Direct
Mothercare Sourcing Division (Bangladesh) Private Limited	Bangladesh <sup>(4)</sup>	100%	Trading	Indirect
Mothercare Finance Overseas Limited	Cayman Islands <sup>(5)</sup>	100%	Dormant	Direct
Mothercare Group Limited (The)	UK <sup>(1)</sup>	100%	Investment Holding Company	Direct
Mothercare Services Limited	UK <sup>(1)</sup>	100%	Trading	Indirect
Mothercare (Holdings) Limited	UK <sup>(1)</sup>	100%	Holding Company	Indirect
Gurgle Limited	UK <sup>(1)</sup>	100%	Non Trading	Indirect
Mothercare International (Hong Kong) Limited	Hong Kong <sup>(2)</sup>	100%	Investment Holding Company	Indirect
Mothercare Sourcing India Private Limited	India <sup>(6)</sup>	100%	Trading	Indirect
Mothercare Inc	USA <sup>(7)</sup>	100%	Non Trading	Indirect
Princess Products Limited	UK <sup>(1)</sup>	100%	Dormant	Direct
Mothercare Procurement Limited	Hong Kong <sup>(2)</sup>	100%	Trading	Direct
Mothercare Sourcing Limited	UK <sup>(1)</sup>	100%	Dormant	Direct
Mothercare Trademarks AG	Switzerland <sup>(8)</sup>	100%	Trading	Direct
Clothing Retailers Limited	UK <sup>(1)</sup>	100%	Non Trading/Dormant	Indirect
Retail Clothing Limited	UK <sup>(1)</sup>	100%	Dormant	Indirect
Strobe (2) Investments Limited	Jersey <sup>(3)</sup>	100%	Non Trading	Direct
Strobe Investments Limited	Jersey <sup>(3)</sup>	100%	Trading	Direct
Mothercare Commercial (Shanghai) Co Limited	China <sup>(9)</sup>	100%	Trading	Indirect
Mothercare Global Brand Limited	UK <sup>(1)</sup>	100%	Trading	Direct
Mothercare Europe Global Brand Limited	ROJ <sup>(10)</sup>	100%	Dormant	Indirect
Mothercare Finance (2) Limited	UK <sup>(1)</sup>	100%	Trading	Indirect

# Notes to the consolidated financial statements

continued

## 13. Subsidiaries and joint ventures (continued)

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

\*As the joint venture is loss-making, no share of profits has been recognised.

Registered office address:

- (1) Westside 1, London Road, Hemel Hempstead, HP3 9TD
- (2) 26<sup>th</sup> Floor, Three Exchange Square, 8 Connaught Place, 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, NA 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. Intangible assets

	Intangible assets				
	Trade name £ million	Customer relationships £ million	Software £ million	Software under development £ million	Total Intangibles £ million
<b>Cost</b>					
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)	–
As at 28 March 2020	–	–	1.4	–	1.4
Additions	–	–	0.1	0.6	0.7
Disposals	–	–	–	–	–
<b>As at 27 March 2021</b>	<b>–</b>	<b>–</b>	<b>1.5</b>	<b>0.6</b>	<b>2.1</b>
<b>Amortisation and impairment</b>					
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)
Impairment	–	–	–	–	–
Exchange differences	–	–	–	–	–
As at 28 March 2020	–	–	0.8	–	0.8
Amortisation	–	–	0.2	–	0.2
Derecognised on disposals	–	–	–	–	–
<b>As at 27 March 2021</b>	<b>–</b>	<b>–</b>	<b>1.0</b>	<b>–</b>	<b>1.0</b>
Net book value					
As at 30 March 2019	–	–	14.4	1.9	16.3
As at 28 March 2020	–	–	<b>0.6</b>	–	<b>0.6</b>
<b>As at 27 March 2021</b>	<b>–</b>	<b>–</b>	<b>0.5</b>	<b>0.6</b>	<b>1.1</b>

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 administration of Mothercare UK limited on 5 November 2019, all assets relating to what was previously the UK segment of the Group were disposed of in the comparative period.

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



## 14. Intangible assets (continued)

### Software

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

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

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

The relevant CGUs have been identified as the whole Group for any other software as these are used across the entire business. The key assumptions for the value in use calculations are those regarding the discount rate. Management has used a pre-tax discount rate of 13%. Cashflow projection has been based on management's most recent budget, which is for an eighteen month period with a projection taking this out five years. Management have based the budgets on historic performance, adjusted for changes due to COVID-19 and the evolving business model. Various scenario analyses were run and there was sufficient headroom; the headroom was not particularly sensitive to any budgetary assumptions used.

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 (2020: £nil million) already booked.

Software additions include £0.1 million (2020: £1.5 million) of internally generated intangible assets.

At 27 March 2021, the Group had entered into contractual commitments for the acquisition of software amounting to £nil million (2020: £nil million).

## 15. Property, plant and equipment

	Leasehold £ million	Fixtures, fittings, equipment £ million	Assets in course of construction £ million	Total £ million
<b>Cost</b>				
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
Additions	–	0.1	–	0.1
Disposals	–	–	–	–
<b>As at 27 March 2021</b>	<b>–</b>	<b>2.5</b>	<b>–</b>	<b>2.5</b>
<b>Accumulated depreciation and impairment</b>				
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
Charge for period	–	0.3	–	0.3
Disposals	–	–	–	–
<b>As at 27 March 2021</b>	<b>–</b>	<b>2.0</b>	<b>–</b>	<b>2.0</b>
<b>Net book value</b>				
As at 30 March 2019	12.3	13.6	1.8	27.7
As at 28 March 2020	–	0.7	–	0.7
<b>As at 27 March 2021</b>	<b>–</b>	<b>0.5</b>	<b>–</b>	<b>0.5</b>

# Notes to the consolidated financial statements

continued

## 15. Property, plant and equipment (continued)

The net book value of leasehold properties includes £nil million (2020: £nil million) in respect of short leasehold properties.

Within discontinued operations, there is a £nil million charge (2020: £6.8 million charge) for the impairment of property, plant and equipment. The amount in the comparative period was included within adjusted items – administrative expenses, as impairment testing during the comparative 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 were 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 27 March 2021, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £nil million (2020: £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	–	(391)	–	(391)
Amortisation	(0.4)	(6.7)	(0.1)	(7.2)
<b>Balance at 28 March 2020</b>	<b>7.8</b>	<b>–</b>	<b>0.1</b>	<b>7.9</b>
Additions	–	1.5	–	1.5
Disposals	(6.6)	–	(0.1)	(6.7)
Amortisation	(1.2)	(0.3)	–	(1.5)
<b>Balance at 27 March 2021</b>	<b>–</b>	<b>1.2</b>	<b>–</b>	<b>1.2</b>

Within discontinued operations, there is a £nil million (2020: £8.0 million charge). The prior year amount related to the impairment of Right-of-use assets, and was included within adjusted items – administrative expenses, as impairment testing during the comparative 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 were 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 £nil million (2020: £0.5 million) has been made. The net present value is equivalent to the fair value.

### 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
<b>Balance at 28 March 2020</b>	<b>(8.3)</b>	<b>(0.1)</b>	<b>(8.4)</b>
Additions	(1.5)	–	(1.5)
Disposals	7.2	0.1	7.3
Interest expense	(0.9)	–	(0.9)
Lease payments	2.1	–	2.1
<b>Balance at 27 March 2021</b>	<b>(1.4)</b>	<b>–</b>	<b>(1.4)</b>

## 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 restated £ million	Share-based payments £ million	Intangible assets £ million	Losses £ million	Total restated £ million
At 30 March 2019	0.1	(0.3)	0.2	–	–	–	–
(Charge)/credit to income	–	–	–	–	–	–	–
Credit/(charge) to other comprehensive income	–	–	(10.4)	–	–	–	(10.4)
At 28 March 2020	0.1	(0.3)	(10.2)	–	–	–	(10.4)
(Charge)/credit to income	(0.1)	0.3	–	–	–	–	0.2
Credit/(charge) to other comprehensive income	–	–	10.2	–	–	–	10.2
<b>At 27 March 2021</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

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:

	27 March 2021 £ million	28 March 2020 restated £ million
Deferred tax assets	–	0.1
Deferred tax liabilities	–	(10.5)
	–	(10.4)

At 27 March 2021, the Group has unused capital losses of £439.4 million (2020: £642.1 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 £0.1 million on short-term timing differences have not been recognised. The Group also has unrelieved tax losses of £78.3 million (2020: £31.2 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 £0.1 million (2020: £0.3 million) relating to withholding taxes have not been provided for in respect of the aggregate amount of unremitted earnings of £33.5 million (2020: £22.5 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.

# Notes to the consolidated financial statements

continued

## 18. Inventories

	27 March 2021 £ million	28 March 2020 £ million
Gross value	10.1	13.6
Allowance against carrying value of inventories	(4.2)	(3.9)
<b>Finished goods and goods for resale</b>	<b>5.9</b>	<b>9.7</b>

Finished goods and goods for resale comprises the following:

	27 March 2021 £ million	28 March 2020 £ million
Finished goods and goods for resale – at a distribution centre	3.4	5.2
Finished goods and goods for resale – in transit	2.5	4.5
Finished goods and goods for resale	5.9	9.7

The cost of inventories recognised as an expense during the year in respect of continuing operations was £57.0 million (2020: £122.6 million). The amount of write down of inventories to net realisable value recognised within net income in the period is a charge of £0.3 million (2020: £nil million charge for total operations). All inventories (2020: All) are expected to be recovered within the year.

## 19. Trade and other receivables

	27 March 2021 £ million	28 March 2020 £ million
Trade receivables gross	18.9	19.7
Expected credit losses (ECL) under IFRS 9	(7.3)	(8.5)
Trade receivables net	11.6	11.2
Prepayments	2.1	3.1
Accrued income*	1.9	1.3
Other receivables	1.0	–
VAT	0.8	–
<b>Trade and other receivables due within one year</b>	<b>17.4</b>	<b>15.6</b>

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. No material expected credit loss has been identified in association with accrued income (2020: none).

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%	15%	9%	20%	24%	92%	39%
Estimated total gross carrying amount at default	7.6	3.0	1.6	0.2	0.4	6.1	18.9
Lifetime ECL	(0.9)	(0.5)	(0.2)	–	(0.1)	(5.6)	(7.3)
<b>At 27 March 2021</b>	<b>6.7</b>	<b>2.5</b>	<b>1.4</b>	<b>0.2</b>	<b>0.3</b>	<b>0.5</b>	<b>11.6</b>

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)
<b>At 28 March 2020</b>	<b>5.0</b>	<b>3.4</b>	<b>2.5</b>	<b>–</b>	<b>–</b>	<b>0.3</b>	<b>11.2</b>

## 19 Trade and other receivables (continued)

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 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
Balance at start of period	(8.5)	(7.7)
Amounts written off during the period as uncollectable	2.0	0.7
Amounts recovered in the period	0.1	0.7
Charged in the period	(0.9)	(2.2)
<b>Balance at end of period</b>	<b>(7.3)</b>	<b>(8.5)</b>

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 27 March 2021 of £190 million (2020: £40.8 million).

In November 2020, the Group drew down on a four-year term loan of £195 million (£190 million net of prepaid facility fees) with Gordon Brothers. The loan is secured on the assets and shares of specific Group subsidiaries. Interest amounts payable on this facility are not materially sensitive to changes in LIBOR; the interest rate payable is 12% plus LIBOR.

The Group previously held a revolving credit facility; this was fully settled at the time the term loan with Gordon Brothers was withdrawn. At the comparative period end, there was £28.0 million outstanding under this facility, which was 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. Interest amounts payable on this facility are not materially sensitive to changes in LIBOR.

The Group also holds a financial asset of £2.6 million (2020: £21.0 million) reflecting the expected proceeds from the wind-down of the UK operations by the administrators of Mothercare UK Limited. The total expected repayment due is £2.6 million (2020: £7.0 million). In the comparative period, these proceeds were used to repay the secured revolving capital facility. As this facility was settled on the agreement of the new term loan, this asset is no longer linked to the Group's debt.

The Group held shareholder loans which converted to equity in March 2021, and therefore there are no outstanding amounts at the current financial period end. £5.5 million of capital was raised in 2020 and £8.0 million in 2019. These attracted a monthly compound interest rate of 0.83%, and had a termination date of June 2021. These are accounted for at an amortised cost of £nil (2020: £12.8 million), with the option to convert fair valued and treated as an embedded derivative liability of £nil (2020: £0.3 million) – see note 22. The conversion option formed a liability rather than equity due to the terms of the lending agreements through which the conversion price could be reduced should the Group issue shares.

# Notes to the consolidated financial statements

continued

## 21. Borrowings (continued)

### Borrowing facilities

	27 March 2021 £ million	28 March 2020 £ million
Borrowings:		
Secured borrowings at amortised cost:		
Term loan	195	–
Prepaid facility fee	(0.5)	
Revolving credit facility	–	28.0
Shareholder loans	–	12.8
<b>Total Borrowings</b>	<b>190</b>	<b>40.8</b>
Amount due for settlement within one year	–	28.0
Amount due for settlement after one year	195	12.8
<b>Weighted average interest rate paid (for when borrowings in place)</b>	<b>21.0%</b>	<b>12.8%</b>

## 22. Financial risk management

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

Financial Instruments: Categories

	Fair value level	27 March 2021 £ million	28 March 2020 Restated £ million
<b>Financial assets</b>			
Derivatives designated as hedging instruments	1	–	–
Customer and other receivables at amortised cost*		13.5	12.5
Cash and short-term deposits		6.9	6.1
Financial assets	3	2.6	21.0
<b>Total</b>		<b>23.0</b>	<b>39.6</b>
<b>Financial liabilities</b>			
Derivatives not designated as hedging instruments	2	1.8	0.4
Trade and other payables at amortised cost**		21.8	28.0
Lease liabilities***		1.4	8.4
Interest bearing loans and borrowings:			
Term loan		195	–
Revolving credit facility		–	28.0
Shareholder loans		–	12.8
<b>Total</b>		<b>44.5</b>	<b>77.6</b>

\* Prepayments of £2.1 million (2020: £3.1 million), the VAT receivable of £0.8 million (2020: £nil million) and other debtors of £1.0 million (2020: £nil million) do not meet the definition of a financial instrument.

\*\* Other creditors (including payroll creditors and deferred income) of £3.1 million (2020: £1.5 million) do not meet the definition of a financial instrument.

\*\*\* This table has been restated, as in the comparative annual report, lease liabilities were not disclosed within this table. No changes have been made to the values of the lease liabilities.

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 prices 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

## 22. Financial risk management (continued)

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) –

*Warrants – £12 million (2020: £nil)*

The warrants issued in March 2021 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. The exercise price is 12 pence.

*Embedded derivatives on shareholder loans – £nil (2020: £0.3 million)*

The embedded derivatives on the Group's shareholder loans – held in the comparative period, and converted to equity in March 2021 – 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 guarantees – £0.6 million (2020: £0.1 million)*

The financial guarantee over a leasehold property previously traded by Mothercare UK Ltd (in administration) is not traded on an active market, however the inputs used in the valuation are all observable inputs – only amounts which have already fallen due by the year end date have been recognised as a financial guarantee.

Financial assets (Level 3) – the financial asset represents a right, arising under the sales purchase agreement with the administrators of MUK, to receive the proceeds of the wind-up of the UK retail store estate and website operations as repayment for the Group's secured borrowings. All amounts the Group is required to pay have now been settled, and the financial asset valuation has been calculated by using the worst case scenario, i.e. that the Group will receive a further £2.6 million. Many of the outflows which would impact the valuation of this financial asset have now been finalised, with the final repayment being dependent on the amounts to be received back by the merchant acquirer and final settlement of VAT. In the comparative period, the financial asset was estimated by the worst case outcome expected at that time, which was a settlement of £70 million.

### B. Terms, conditions and risk management policies

The Board approves treasury policies and senior management directly controls day-to-day operations within these policies. The major financial risks to which the Group is exposed relate to movements in foreign exchange rates and interest rates. Where appropriate, cost effective and practicable, the Group uses financial instruments and derivatives to manage these risks. No speculative use of derivatives, currency or other instruments is permitted. The Group's financial risk management policy is described in note 22.

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

# Notes to the consolidated financial statements

continued

## 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 previously used forward contracts and options, primarily in US dollars, but has not entered into any contracts since the latest ones it held expired in May 2019.

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

Of total continuing sales, 25% (2020: 38%) were invoiced in foreign currency. The Group purchases product in foreign currencies, representing approximately 98% (2020: 86%) of purchases.

The Group did not hold any foreign currency forward exchange contracts at 27 March 2021; nor were they committed to any such contracts (2020: none).

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

	Liabilities – Trade payables		Assets – Trade receivables		Assets – Cash	
	27 March 2021	28 March 2020	27 March 2021	28 March 2020	27 March 2021	28 March 2020
	£ million	£ million	£ million	£ million	£ million	£ million
US dollar	(7.3)	(8.1)	3.5	2.7	1.0	0.3
Euro	(0.1)	(0.1)	0.5	0.1	–	0.2
Indian rupee	(0.4)	(0.7)	0.6	0.4	0.8	0.9
Chinese renminbi	–	(0.2)	–	–	–	–
Bangladeshi taka	–	–	–	0.1	0.1	–
	(7.8)	(9.1)	4.6	3.3	1.9	1.4

Liabilities included in the table above are categorised as trade payables (2020: all trade payables).

Assets included in the table above are categorised as Trade debtors of £4.6 million (2020: £3.3 million) and cash of £1.9 million (2020: £1.4 million).

### Currency sensitivity analysis

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

	Reflected in profit and loss		Reflected in equity	
	27 March 2021	28 March 2020	27 March 2021	28 March 2020
	£ million	£ million	£ million	£ million
US dollar impact	0.3	0.5	–	(0.1)

## 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.



## 22. Financial risk management (continued)

The average credit period on International gross trade receivables based on International revenue was 49 days (2020: 44 days).

### E. Liquidity risk

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

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows (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	–	–	195	–	195
Trade and other payables	21.8	–	–	–	21.8
Derivatives	1.8	–	–	–	1.8
Lease liabilities	0.3	0.4	0.7	–	1.4
<b>At 27 March 2021</b>	<b>23.9</b>	<b>0.4</b>	<b>20.2</b>	<b>–</b>	<b>43.5</b>

Financial liabilities	Less than 1 year £ million	1-2 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
Lease liabilities	1.1	1.2	4.2	1.9	8.4
<b>At 28 March 2020</b>	<b>57.1</b>	<b>20.5</b>	<b>4.2</b>	<b>1.9</b>	<b>83.7</b>

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

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

### 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.

### 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.

# Notes to the consolidated financial statements

continued

## 22. Financial risk management (continued)

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.

## 23. Trade and other payables

	27 March 2021 £ million	28 March 2020 £ million
<b>Current liabilities</b>		
Trade payables	11.8	12.0
Payroll and other taxes including social security	1.8	1.5
Accruals	10.0	16.0
Deferred income	1.3	–
	<b>24.9</b>	<b>29.5</b>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 56 days (2020: 34 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Deferred income is a contract liability; it relates to amounts received from franchise partners before the stock has passed into their control. The performance criteria which must be met is for the Group to provide the franchise partners control of the stock. Of the £1.3 million deferred income balance (2020: £nil), all (2020: all) of it will be included in revenue within one year.

The directors consider that the carrying amount of trade payables approximates to their fair value. Included within accruals is an amount of £1.0 million (2020: £1.4 million) in relation to contractual liabilities arising as part of the administration of Mothercare UK Limited in the comparative financial period. These represent management's best estimate of the amounts that are due to third parties.

## 24. Provisions

	27 March 2021 £ million	28 March 2020 Restated £ million
<b>Current liabilities</b>		
Property provisions	2.3	2.2
Other provisions	1.9	0.6
<b>Short-term provisions</b>	<b>4.2</b>	<b>2.8</b>
<b>Non-current liabilities</b>		
Property provisions	0.2	0.7
Other provisions	1.5	2.1
<b>Long-term provisions</b>	<b>1.7</b>	<b>2.8</b>
Property provisions	2.5	2.9
Other provisions	3.4	2.7
<b>Total provisions</b>	<b>5.9</b>	<b>5.6</b>

## 24. Provisions (continued)

The movement on total provisions is as follows:

	Property provisions £ million	Other provisions £ million	Total provisions £ million
Balance at 28 March 2020 restated	2.9	2.7	5.6
Utilised in period	(0.5)	(0.5)	(1.0)
Charged in period	0.6	0.6	1.2
Transferred from accruals	–	0.6	0.6
Transferred to financial instruments	(0.5)	–	(0.5)
<b>Balance at 27 March 2021</b>	<b>2.5</b>	<b>3.4</b>	<b>5.9</b>

Property provisions in the current year represent £1.8 million of obligations in relation to the lease at the Group's Daventry warehouse site, which was assigned to a third party in March 2021, and £0.7 million of provision in relation to a UK store lease which had been guaranteed by Mothercare PLC. In the prior year, property provisions comprise £1.7 million of amounts for dilapidations lease at the Group's Daventry warehouse site, as well as a prior year adjustment of £1.2 million of provision in relation to a UK store lease which had been guaranteed by Mothercare PLC. The prior year adjustment for £1.2 million has resulted in the increase of short term provisions from £2.3 million to £2.8 million, and the increase in long-term provisions from £2.1 million to £2.8 million. The impact of this has also been to increase total property provisions from £1.7 million to £2.9 million. See note 32 for details of this restatement.

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 27 March 2021 Number of shares	52 weeks ended 28 March 2020 Number of Shares	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
<b>Issued and fully paid</b>				
<b>Ordinary shares of 1 pence each</b>				
Balance at beginning of period	374,192,494	341,743,770	3.7	3.4
Conversion to equity of shareholder loans	189,644,132	–	1.9	–
Issue of shares in the period	–	32,448,724	–	0.3
<b>Balance at the end of period</b>	<b>563,836,626</b>	<b>374,192,494</b>	<b>5.6</b>	<b>3.7</b>
<b>Deferred shares of 49 pence each</b>				
Balance at beginning of period	170,871,885	170,871,885	83.7	83.7
<b>Balance at end of period</b>	<b>170,871,885</b>	<b>170,871,885</b>	<b>83.7</b>	<b>83.7</b>
<b>Total share capital at end of period</b>			<b>89.3</b>	<b>87.4</b>

On 12 March 2021, the Group's shares were transferred from the London Stock Exchange's Main Market to instead be listed on AIM. Following this, on 17 March 2021, the shareholder loans – previously held within borrowings with the option to convert classified as a financial liability – converted to equity. The agreements entitled the shareholders to 189,644,132 ordinary 1 pence shares, giving rise to £1.9 million of share capital, £1.7 million of share premium and £95 million of distributable profits.

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).

Also in the comparative period, there were options issues under the Save as You Earn schemes for 89,274 as follows: 54,576 on 10 July 2019; 3,076 on 31 July 2019; 6,153 on 14 Aug 2019; and 25,469 on 11 Sept 2019.

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 (2020: £1.0 million) represents the cost of shares in Mothercare plc purchased in the market and held by the Mothercare Employee Trusts to satisfy options under the Group's share option schemes (see note 30). The total shareholding is 925,342 (2020: 925,342) with a market value at 27 March 2021 of £0.1 million (2020: £0.1 million).

# Notes to the consolidated financial statements

continued

## 26. Share premium

	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
Balance at beginning of period	91.7	88.9
Premium arising on conversion of shareholder loans to equity	171	–
Premium arising on issue of new shares	–	2.9
Share issue costs	–	(0.1)
<b>Balance at end of period</b>	<b>108.8</b>	<b>91.7</b>

See note 25 above for further details.

## 27. Translation and hedging reserves

	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
<b>Translation reserve</b>		
Balance at beginning of period	(3.7)	(1.8)
Exchange differences on translation of foreign operations	–	(1.9)
<b>Balance at end of period</b>	<b>(3.7)</b>	<b>(3.7)</b>
<b>Hedging reserve</b>		
Balance at beginning of period	–	(1.3)
Cash flow hedges: gains/(losses) arising in the period	–	–
(Removal)/additions to equity to/from inventory during the period	–	1.3
Deferred tax on cash flow hedges	–	–
<b>Balance at end of period</b>	<b>–</b>	<b>–</b>

## 28. Reconciliation of cash flow from operating activities

	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 Restated £ million
<b>Loss from continuing operations</b>	<b>(2.4)</b>	<b>(8.8)</b>
Adjustments for:		
Depreciation of property, plant and equipment	0.3	3.1
Amortisation of right-of-use assets	1.5	0.5
Amortisation of intangible assets	0.2	3.2
Impairment of property, plant and equipment and right of use assets	–	0.5
Profit on sale of property, plant and equipment	(0.1)	–
Loss/(gain) on adjusted foreign currency movements	0.1	(1.3)
Equity-settled share-based payments	0.5	0.9
Movement in provisions	0.4	1.5
Net gain on financial derivative instruments	(0.8)	–
Payments to retirement benefit schemes	(4.5)	(11.6)
Charge to profit from operations in respect of retirement benefit schemes	3.4	2.9
<b>Operating cash flow before movement in working capital</b>	<b>(1.4)</b>	<b>(9.1)</b>
Decrease in inventories	3.8	61.7
Decrease in receivables	0.9	30.9
Decrease in payables	(5.1)	(86.3)
<b>Net cash flow from operating activities</b>	<b>(1.8)</b>	<b>(2.8)</b>
Income taxes paid	(0.8)	(0.1)
<b>Net cash flow from operating activities – continuing operations</b>	<b>(2.6)</b>	<b>(2.9)</b>
<b>Net cash flow from operating activities – discontinued operations</b>	<b>–</b>	<b>3.4</b>

### *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.

# Notes to the consolidated financial statements

continued

## 28. Reconciliation of cash flow from operating activities (continued)

Analysis of net debt and financial liabilities

	Note	28 March 2020 £ million	Cash flow £ million	Foreign exchange £ million	Offset <sup>1</sup> £ million	Other non-cash movements <sup>1</sup> £ million	27 March 2021 £ million
Shareholder loans	21	(12.8)	–	–	–	12.8	–
Revolving credit facility	21	(7.0)	–	–	11.7	(4.7)	–
Term loan	21	–	(7.3)	–	(11.7)	–	(19.0)
Cash at bank	19/21	6.1	0.8	–	–	–	6.9
IFRS 16 lease liabilities		(8.4)	2.1	–	–	4.9	(1.4)
<b>Net debt</b>		<b>(22.1)</b>	<b>(4.4)</b>	<b>–</b>	<b>–</b>	<b>13.0</b>	<b>(13.5)</b>
<b>Embedded derivatives</b>		<b>(0.3)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0.3</b>	<b>–</b>
<b>Warrants</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1.2)</b>	<b>(1.2)</b>
<b>Net debt and financial liabilities</b>		<b>(22.4)</b>	<b>(4.4)</b>	<b>–</b>	<b>–</b>	<b>12.1</b>	<b>(14.7)</b>

1. Non-cash movements comprise

- Shareholder loans: interest of £6.2 million accrued in the period before the loans were converted to equity (in their entirety) in March 2021.
- Revolving credit facility: the £4.7 million reflects the movement in the cash proceeds from the wind-up of the UK operations expected to be used by the administrators, to part-repay this loan and the fact that the financial asset is no longer linked to the debt, hence whilst the starting position of £(7.0) million was the debt facility net of the asset, the closing position of £nil reflects the fact the facility has been fully settled.
- The offset of £11.7 million reflects the fact that when the term loan was drawn down, £11.7 million was immediately used to settle the Revolving capital facility; this money never passed through the Group and the loan was received net of this.
- Non-cash movements on IFRS 16 lease liabilities comprise £15 million of additions in the year – being the Group's new head office; £7.3 million of disposals in the year – being the assignment of the lease on the UK warehouse facility which the Group was no longer using; and £0.9 million of interest accrued on lease liabilities.
- Non-cash movements on the embedded derivative constitute a £6.2 million revaluation to the date of disposal, offset by their conversion to equity.
- Non-cash movements on the warrants comprise the fair value of £0.9 million on recognition and £0.3 million of fair value movements on revaluation at the balance sheet date.

## 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 27 March 2021 £ million	Other 27 March 2021 £ million	Land and Buildings 28 March 2020 £ million	Other 28 March 2020 £ million
Not later than one year	0.5	–	1.9	0.1
After one year but not more than five years	1.2	–	7.2	0.1
After five years	–	–	2.3	–
<b>Total undiscounted cashflows</b>	<b>1.7</b>	<b>–</b>	<b>11.4</b>	<b>0.2</b>

The Group's weighted average incremental borrowing rate for all leases is 11% (2020: 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 at transition date, i.e. the beginning of the comparative period, in accordance with this.

The weighted average incremental borrowing rate for leases included in continuing operations is 11% (2020: 10%).

Operating lease commitments consisted of total future minimum lease payments of £0.1 million (2020: £nil) for leases which were not accounted for under IFRS 16 'Leases'.

### 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 £0.5 million (2020: £0.9 million ) including national insurance. At 27 March 2021 there is a balance sheet liability of £0.4 million related to the expected national insurance charge when share-based payment schemes vest (2020: £0.2 million), which has been recognised in accruals in note 23.

These charges relate to the following schemes:

- A. Save As You Earn Schemes
- B. Long Term Incentive Plans – LTIP 2019
- C. Long term Incentive Plans – LTIP 2020
- D. Value Creation Plan

Details of the share schemes that the Group operates are provided in the directors' remuneration report on pages 50 to 55.

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 27 March 2021 Number of shares	52 weeks ended 28 March 2020 Number of Shares
Balance at beginning of period	17p	2,078,084	6,891,298
Granted during period	10p	1,551,240	–
Forfeited during period	20p	(91,075)	(614,882)
Exercised during period	–	–	(89,274)
Cancelled in the period	13p	(261,968)	(3,759,071)
Expired during period	24p	(661,663)	(349,987)
<b>Balance at end of period</b>	11p	<b>2,614,618</b>	<b>2,078,084</b>

The shares outstanding at 27 March 2021 had a weighted average remaining contractual life of 2.6 years and held a weighted average exercise price of 11.2p.

# Notes to the consolidated financial statements

continued

## 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:

	December 2020	December 2018
Grant date		
Number of options granted	1,551,240	6,497,914
Share price at grant date	13p	18p
Exercise price	10p	13p
Expected volatility	87%	58%
Risk free rate	0.03%	1.33%
Expected dividend yield	Nil	Nil
Time to expiry	3 years	3 years
Fair value of option	8.2p	8.9p

The resulting fair value is expensed over the service period of three years on the assumption that 10% of December 2020 options / 25% of December 2018 options will lapse over the service period as employees leave the Group.

## B. 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. These options were valued using a Monte-Carlo simulation model, the key assumptions and inputs are below

	March 2019 Nil cost options	March 2019 Conditional shares
Grant date		
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

## C. Long Term Incentive Plans – LTIP 2020

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

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



### 30. Share-based payments (continued)

#### D. 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 £12 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.

### 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 £0.5 million (2020: £0.6 million for continuing operations; £1.4m for continuing and discontinued operations) represents contributions due and paid to these schemes by the Group at rates specified in the rules of the plan.

#### *Defined benefit schemes*

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

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

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

The most recent full actuarial valuation was carried out as of 31 March 2020 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 2020 was £123.4 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.

# Notes to the consolidated financial statements

continued

## 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
<b>Volatile asset returns</b>	<p>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.</p> <p>There is a strategic allocation of 24% and 14% to diversified growth funds for the Staff and Executive Schemes, respectively. The Staff Scheme also has a 8% strategic allocation to a leveraged global synthetic equity mandate (offering c.17% asset exposure to global equity markets).</p> <p>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.</p>	<p>Over the year, the Company and Trustee strategic allocation to growth assets, bond and bond-like assets has changed.</p> <p>In December 2019 the Trustees removed the Staff Scheme's 13% allocation to global synthetic equity temporarily on a tactical basis and invested the sale proceeds in a cash fund in order to reduce short term asset and funding volatility. Following this, in August 2020, the Trustees used some of these assets to increase the Staff Scheme's secured finance allocation to 15% (from 10%). The remaining 8% of assets remains invested in a cash fund with Insight.</p> <p>Following a breach of a de-risking trigger in February 2021 the Trustees implemented de-risking of the Executive Scheme by decreasing the diversified growth fund allocation from 24% to 14%. The proceeds were used to increase the liability driven investment portfolio allocation from 25% to 35%.</p> <p>As at the end of the year, the Staff Scheme had a strategic allocation to bond and bond-like assets of 68% (up from 63% last year) and the Executive Scheme had a strategic allocation to bond and bond-like assets of 86% (up from 76% last year)</p> <p>The target interest rate and inflation hedge ratios within the leveraged liability driven investment portfolio remain unchanged from last year at c.63% for the Staff Scheme, and c.62% for the Executive Scheme (on the 2017 technical provisions basis). This is designed to reduce funding level volatility by investing in assets which more closely match the characteristics of the liabilities.</p>
<b>Changes in bond yields</b>	<p>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.</p>	<p>The Staff and Executive Schemes have a proportion of their strategic allocation (33% and 35% 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.</p>
<b>Inflation risk</b>	<p>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%).</p>	<p>The UK Pension Fund holds some inflation-linked assets which provide a hedge against higher-than-expected inflation increases on the DBO.</p>
<b>Life expectancy</b>	<p>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.</p>	

### 31. Retirement benefit schemes (continued)

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

#### *Asset-liability matching strategy*

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

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

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

Over the year, the Company and 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 68% (up from 63% last year) and the Executive Scheme had a strategic allocation to bond and bond-like assets of 86% (up from 76% last year).

The target interest rate and inflation hedge ratios within the leveraged liability driven investment portfolio remain 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 27 March 2021 disclosed a net defined pension deficit of £25.6 million (2020: surplus of £29.8 million).

#### *Right to recognise a surplus position on the balance sheet*

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

The major assumptions used in the updated actuarial valuations were:

	27 March 2021	28 March 2020
Discount rate	2.0%	2.3%
Inflation rate – RPI	3.1%	2.5%
Inflation rate – CPI	2.4%	1.7%
Future pension increases	3.1%	2.5%
Male life expectancy at age 65	21.6 years	21.4 years
Male life expectancy at age 65 (currently aged 45)	22.9 years	22.7 years
Female life expectancy at age 65	24.2 years	23.7 years
Female life expectancy at age 65 (currently aged 45)	25.7 years	25.2 years

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

# Notes to the consolidated financial statements

continued

## 31. Retirement benefit schemes (continued)

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 '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.

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%	-7.3 / +7.5
Rate of RPI inflation	+/- 0.1%	+4.5 / -5.7
Rate of CPI inflation	+/- 0.1%	+1.8 / -1.8
Life expectancy (age 65)	+ 1 year	+ 17.6
Discount rate	+/- 0.5%	-34.7 / +39.4
Rate of RPI inflation	+/- 0.5%	+28.1 / - 24.7

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 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
Running costs	3.4	2.9
Past service costs in respect of GMP equalisation (see note 6 – adjusted items)	–	–
Past service credit in respect of PIE (see note 6 – adjusted items)	–	–
Net interest on liabilities/return on assets	(0.2)	0.6
	<b>3.2</b>	<b>3.5</b>

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 27 March 2021 is an expense of £55.1 million (2020: £46.6 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:

	27 March 2021 £ million	28 March 2020 £ million
Present value of defined benefit obligations	(429.0)	(371.4)
Fair value of schemes' assets	403.4	401.2
(Liability)/asset recognised in balance sheet	<b>(25.6)</b>	<b>29.8</b>

### 31. Retirement benefit schemes (continued)

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

	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
At beginning of period	(371.4)	(388.6)
Interest expense	(7.3)	(9.8)
Actuarial (losses)/gains arising from changes in demographic assumptions	(5.1)	(1.2)
Actuarial gains/(losses) arising from changes in financial assumptions	(78.4)	15.8
Experience gains on liabilities	191	–
Benefits paid	14.1	12.4
<b>At end of period</b>	<b>(429.0)</b>	<b>(371.4)</b>

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

	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
At beginning of period	401.2	363.7
Interest income	7.5	9.2
Scheme administration expenses	(3.4)	(2.9)
Return on scheme assets excluding interest income	7.7	32.0
Company contributions	4.5	11.6
Benefits paid	(14.1)	(12.4)
<b>At end of period</b>	<b>403.4</b>	<b>401.2</b>

The major categories of scheme assets are as follows:

	27 March 2021 £ million	27 March 2021 £ million	28 March 2020 £ million	28 March 2020 £ 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	–	–	–	–
Corporate bonds	151.4	–	119.9	–
Index-linked government bonds	90.8	–	96.5	–
Government bonds	34.6	–	54.3	–
Diversified growth funds	93.1	–	85.5	–
Cash and cash equivalents	33.5	–	45.0	–
	<b>403.4</b>	–	<b>401.2</b>	–

The percentage split of the scheme assets between sterling and non-sterling are as follows as at 27 March 2021:

	Sterling	Non-sterling
Overseas equities	100%	–
Corporate bonds	100%	–
Secured Finance	100%	–
Liability driven investments	100%	–
Diversified growth funds	77%	23%
Cash and cash equivalents	100%	–

# Notes to the consolidated financial statements

continued

## 31. Retirement benefit schemes (continued)

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
2022	£0.5 million	2022	£3.6 million
2023	£1.0 million	2023	£8.0 million
2024	£1.2 million	2024	£9.3 million
2025	£1.4 million	2025	£10.6 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.

The weighted average duration of the defined benefit obligation at 27 March 2021 is approximately 20 years (2020: 20 years).

The defined benefit obligation at 27 March 2021 can be approximately attributed to the scheme members as follows:

- Active members: 0% (2020: 0%)
- Deferred members: 61% (2020: 72%)
- Pensioner members: 39% (2020: 28%)

All benefits are vested at 27 March 2021 (unchanged from 28 March 2020).

## 32. Restatement for the year ended 28 March 2020

After the Annual Report for the year ended 28 March 2020 was approved, the Group was approached by a third party about a lease liability relating to Mothercare UK Limited. Despite Mothercare UK Limited being in administration, this was an amount that the Group were liable for due to a cross-guarantee with Mothercare PLC. Had management been aware of this liability before the 2020 Annual Report was approved, a provision would have been included as at 5 November 2019 i.e. the date Mothercare UK Limited went into administration, and would still have been on the balance sheet at 28 March 2020 and 27 March 2021. As a result of this, it has been considered appropriate to include a prior year adjustment for the amount the provision would have been.

The impact of this prior year adjustment on the balance sheet has been to increase provisions as at 27 March 2021 by £12 million, increase derivative financial instruments by £0.1 million, and reduce retained earnings by £13 million. Under the Group's accounting policy, amounts which have fallen due are treated as financial guarantee contracts under IFRS 9: Financial instruments. Amounts which are a potential future liability are accounted for under IAS 37: Provisions.

The impact of this prior year adjustment on the income statement for the comparative year has been to increase the adjusted items expense by £13 million and reduce the profit £13 million.

There is no impact on the brought forward reserves for the comparative financial year.

Additionally, the Group had previously disclosed the deferred tax liability on the defined benefit pension scheme at the underlying corporation tax rate – this was on the basis that the scheme is currently in a funding deficit, and further, there was no expectation a surplus payment would ever be received. However, the deferred tax liability in the comparative period has been increased to reflect the 35% withholding tax which would be paid in the highly unlikely event the scheme were to return to a surplus position in future years.

The impact of this prior year adjustment on the balance sheet has been to increase the deferred tax liability and reduce retained earnings by £5.0 million as at 28 March 2020 by £5.0 million. This adjustment has reversed in the year to 27 March 2021 and has nil impact on the balance sheet as at 27 March 2021.

The impact of this prior year adjustment on the income statement for the comparative year has been £nil. The impact of this prior year adjustment on other comprehensive income for the prior period has been to reduce earnings from other comprehensive income by £5.0 million.

There is no impact on the brought forward reserves for the comparative financial year.

### 33. Contingent liability

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

The value of any potential cost to the Group is not possible to determine with any accuracy however management's best estimate of future outflows in relation to the above is considered to be less than £1.0 million in value (2020: £0.7 million), with the probability being low but not 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:

	Sales of goods £ million	Purchases of goods £ million	Amounts owed by related parties £ million	Amounts owed to related parties £ million
52 weeks ended 27 March 2021				
<b>Joint ventures</b>	<b>0.1</b>	<b>–</b>	<b>1.8</b>	<b>–</b>
52 weeks ended 28 March 2020				
Joint ventures	0.3	–	2.0	–

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 £1.8 million (2020: £2.0 million) has been made for doubtful debts. During the year, £0.3 million of debt owed from related parties was written off (2020: £nil).

#### Remuneration of key management personnel

The remuneration of the key management personnel of the Group (including executive and non-executive directors and other key decision makers), 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 50 to 55.

	52 weeks ended 27 March 2021 £ million	52 weeks ended 28 March 2020 £ million
Short-term employee benefits	2.1	4.3
Post-employment benefits	–	0.2
Compensation for loss of office	0.5	–
	<b>2.6</b>	<b>4.5</b>

#### 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.

# Notes to the consolidated financial statements

continued

## 34. Related party transactions (continued)

*Other transactions with related parties*

*One of the shareholders who owns a significant stake in the business was involved in the following transactions:*

*In the current year, shareholder loans of £7.8 million in funds for which the shareholder had an interest were converted to equity. In March 2021, 8.6 million 12 pence warrants were issued to these funds.*

*In the prior comparative period, shareholder loans of £2.7 million were issued to funds in which this shareholder had an interest.*

This shareholder is considered a related party through their ability to exercise significant influence as defined by IAS 28.

## 35. Events after the balance sheet date

Shutdowns due to COVID-19 are ongoing, and the uncertainties in relation to this have continued after the year end. Whilst the future 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.

On 4 March 2021 the UK Government announced an intention to increase the rate of corporation tax to 25% with effect from 1 April 2023. The 2021 Finance Bill received Royal Assent on 10 June 2021. As no deferred tax asset balances have been recognised at 27 March 2021, the impact of this rate change would be nil if the tax increase had been substantively enacted by that date. The actual impact would be dependent on a number of factors including actuarial movements in the Group's pension schemes.



# Company financial statements

## Contents

---

120	Company balance sheet
121	Company statement of changes in equity
122	Notes to the Company financial statements
128	Shareholder information

# Company balance sheet

As at 27 March 2021

	Note	27 March 2021 £ million	28 March 2020 restated £ million
<b>Fixed assets</b>			
Investments in subsidiary undertakings	3	0.8	0.3
		<b>0.8</b>	<b>0.3</b>
<b>Current assets</b>			
Debtors – amounts falling due within one year	4	0.1	0.5
Financial assets		–	21.0
Cash and cash equivalents		1.7	1.0
		<b>1.8</b>	<b>22.5</b>
<b>Creditors – amounts falling due within one year</b>	5	<b>(170.6)</b>	<b>(188.3)</b>
<b>Derivative financial instruments</b>		<b>(1.8)</b>	<b>(0.1)</b>
<b>Provisions</b>	6	<b>(0.7)</b>	<b>(0.5)</b>
<b>Net current liabilities</b>		<b>(171.3)</b>	<b>(166.4)</b>
<b>Total assets less current liabilities</b>		<b>(170.5)</b>	<b>(166.1)</b>
<b>Creditors – amounts falling due after more than one year</b>	5	<b>–</b>	<b>(12.8)</b>
Derivative financial instruments		–	(0.3)
Provisions		–	(0.7)
<b>Net liabilities</b>		<b>(170.5)</b>	<b>(179.9)</b>
<b>Equity</b>			
Called up share capital	7	89.3	87.4
Share premium	8	108.8	91.7
Own shares	8	(1.0)	(1.0)
Profit and loss account	8	(367.6)	(358.0)
<b>Total Equity</b>		<b>(170.5)</b>	<b>(179.9)</b>

For the 52 weeks ended 27 March 2021

The Company has taken advantage of the disclosure exemption permitted by s408 of the Companies Act 2006 and has not presented a profit and loss account. The Company reported a loss for the financial period ended 27 March 2021 of £191 million (2020: loss of £197 million).

Approved by the board on 28 July 2021 and signed on its behalf by:

**Andrew Cook**

Chief Financial Officer

Company Registration Number: 1950509

# Company statement of changes in equity

For the 52 weeks ended 27 March 2021

	Note	Share capital £ million	Share premium account £ million	Own share reserve £ million	Profit and loss account £ million	Total £ million
Balance at 28 March 2020 as previously reported		87.4	91.7	(1.0)	(356.7)	(178.6)
Prior year adjustments		–	–	–	(1.3)	(1.3)
Balance at 28 March 2020 as restated		87.4	91.7	(1.0)	(358.0)	(179.9)
Loss for the period	7	–	–	–	(19.1)	(19.1)
Other comprehensive income for the period		–	–	–	–	–
<b>Total comprehensive income for the period</b>		–	–	–	(19.1)	(19.1)
Issue of shares	6	1.9	17.1	–	9.5	28.5
<b>Balance at 27 March 2021</b>		<b>89.3</b>	<b>108.8</b>	<b>(1.0)</b>	<b>(367.6)</b>	<b>(170.5)</b>
Balance at 30 March 2019		87.1	88.9	(1.1)	(338.3)	(163.4)
Loss for the period	7	–	–	–	(19.7)	(19.7)
Other comprehensive income for the period		–	–	–	–	–
Total comprehensive income for the period		–	–	–	(19.7)	(19.7)
Issue of shares	6	0.3	2.9	0.1	–	3.3
Expenses of issue of new shares	6	–	(0.1)	–	–	(0.1)
<b>Balance at 28 March 2020</b>		<b>87.4</b>	<b>91.7</b>	<b>(1.0)</b>	<b>(358.0)</b>	<b>(179.9)</b>

# Notes to the company financial statements

As at 27 March 2021

## 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 128. 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 27 March 2021. The comparative period covered the 52 weeks ended 28 March 2020.

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 38.

The Directors have reviewed the Group's latest forecasts and projections, which have been sensitivity-tested for reasonably possible adverse variations in performance, reflecting the uncertainties around the impact of COVID-19.

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

However, if trading conditions were to deteriorate beyond the level of risks applied in the sensitised forecast, or the Group was unable to mitigate the material uncertainties assumed in the Base Case Forecast and the Group were not able to execute further cost or cash management programmes, the Group would at certain points of the working capital cycle have insufficient cash. If this scenario were to crystallise the Group would need to renegotiate with its lender in order to secure waivers to potential covenant breaches and consequential cash remedies or 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 such waivers or new financing facilities.

## Warrants

Where warrants are not issued for a fixed number of shares at a fixed amount, they are recognised as a liability at fair value on the date of issue. Subsequently, fair value is recalculated, with movements recognised in the income statement, at each reporting date. The Company is exempt from preparing financial instrument disclosures under FRS 101; these are included in note 22 of the Group consolidated financial statements.

## Interest rate risk

For information on the Company's approach to interest rate risk, please see page 103 of the Group consolidated financial statements.

## Liquidity risk

For information on the Company's approach to liquidity risk, please see page 103 of the Group consolidated financial statements.

## Credit risk

The Company has exposure to credit risk inherent in its receivables due from its subsidiary undertakings.

## 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 investments in subsidiaries

The financial statements have been prepared on the historical cost basis except for the re measurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment. The recoverable amounts of individual investments in subsidiaries are determined from value in use calculations with a discounted cash flow model being used to calculate this amount. The key assumptions for the value in use calculation are those regarding the discount rate and growth rates. Management has used a pre-tax discount rate of 13.0% (2020: 13.0%) which reflects the time value of money and risks related to the cash generating units. There have been no impairment charges during the current financial period. During the comparative period, investments in the holding company of MUK were impaired by £297 million due to the loss of control of MUK and MBS 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 27 March 2021 was £17.6 million (2020: loss of £18.4 million). The auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

# Notes to the company financial statements

continued

### 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:

	27 March 2021 £ million	28 March 2020 £ million
Investment in subsidiaries - net book value	0.8	0.3
		£ million
<b>Cost</b>		
At 28 March 2020		454.0
Disposal		-
Share-based payments to employees of subsidiaries		0.5
At 27 March 2021		454.5
<b>Impairment</b>		
At 28 March 2020		(453.7)
Charged during the period		-
At 27 March 2021		(453.7)
<b>Net book value</b>		<b>0.8</b>

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% (2020: 13.0%) which reflects the time value of money and risks related to the cash generating units. The cash flow projections are based on the financial budgets and forecasts approved by the Board covering a four year period. No growth rate has been applied.

### 4. Debtors

	27 March 2021 £ million	28 March 2020 £ million
Other debtors	0.1	0.5

## 5. Creditors

	27 March 2021 £ million	28 March 2020 £ million
<b>Creditors: amounts due within one year</b>		
Amounts due to subsidiary undertakings	167.8	157.3
Borrowings and bank overdraft (secured)	–	28.0
Trade payables	0.3	–
Accruals and other creditors	2.5	3.0
Derivative financial instruments	1.8	0.1
	<b>172.4</b>	<b>188.4</b>
<b>Creditors: amounts due after one year</b>		
Borrowings and bank overdraft (secured)	–	–
Shareholder loans	–	12.8
Derivative financial instruments	–	0.3
	–	13.1

Amounts due to subsidiary undertakings are repayable on demand. No interest is payable on the outstanding balances.

The Company had outstanding borrowings at 27 March 2021 of £nil (2020: £28.0 million).

The revolving credit facility of £nil (2020: £28.0 million) was secured on the shares of specified obligor subsidiaries and the assets of the Group not already pledged. The Company also holds a financial asset of £nil (2020: £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 27 March 2021 is £nil million (2020: £70 million). As at 27 March 2021, there was a financial asset remaining of £2.6 million, which is no longer linked to any debt, and is now held by one of the Company's indirect subsidiaries.

The Company held shareholder loans which converted to equity in March 2021, and therefore there are no outstanding amounts at the current financial period end. £5.5 million of capital was raised in 2020 and £8.0 million in 2019. These attracted a monthly compound interest rate of 0.83%, and had a termination date of June 2021. These are accounted for at an amortised cost of £nil (2020: £12.8 million), with the option to convert fair valued and treated as an embedded derivative liability of £nil (2020: £0.3 million) - see note 22 of the Group financial statements. The conversion option formed a liability rather than equity due to the terms of the lending agreements through which the conversion price could be reduced should the Group issue shares.

## 6. Provisions

	27 March 2021 £ million	28 March 2020 Restated £ million
<b>Current liabilities</b>		
Property provisions	0.7	0.5
<b>Short-term provisions</b>	<b>0.7</b>	<b>0.5</b>
<b>Non-current liabilities</b>		
Property provisions	–	0.7
<b>Long-term provisions</b>	<b>–</b>	<b>0.7</b>

The movement on total provisions is as follows:

	Property provisions £ million
Balance at 28 March 2020 restated	1.2
Transferred to financial instruments	(0.5)
<b>Balance at 27 March 2021</b>	<b>0.7</b>

Property provisions in the current year represent £0.7 million of provision in relation to a UK store lease which had been guaranteed by Mothercare PLC. In the prior year, property provisions comprise a prior year adjustment of £1.2 million of provision in relation to a UK store lease which had been guaranteed by Mothercare PLC.

# Notes to the company financial statements

continued

## 7. Called up share capital

For details of the Company's share capital and movements, please see note 25 to the consolidated financial statements.

Further details of employee and executive share schemes are provided in note 30 to the consolidated financial statements.

## 8. Reserves

	Share premium £ million	Own shares £ million	Profit and loss account restated £ million
Balance at 28 March 2020	91.7	(1.0)	(358.0)
Issue of new shares	17.1	–	9.5
Loss for the financial year	–	–	(19.1)
<b>Balance at 27 March 2021</b>	<b>108.8</b>	<b>(1.0)</b>	<b>(367.6)</b>

The own shares reserve of £1.0 million (2020: £1.0 million) represents the cost of shares in Mothercare plc purchased in the market and held by the Mothercare Employee Trusts to satisfy options under the Group's share option schemes (see note 30). The total shareholding is 925,342 (2020: 925,342) with a market value at 27 March 2021 of £0.1 million (2020: £0.1 million).

The Company has no distributable reserves and has made no distribution during this or the prior year.

## 9. Prior year adjustments

After the Annual Report for the year ended 28 March 2020 was approved, the Group was approached about a liability relating to Mothercare UK Limited. Despite the Company being in administration, this was an amount that the Group owed due to a cross-guarantee. Had management been aware of this liability before the Annual Report was approved, a provision would have been included as at 5 November 2019 i.e. the date Mothercare UK Limited went into administration, and would still have been on the balance sheet at 27 March 2021. As a result of this, it has been considered appropriate to include a prior year adjustment for the amount the provision would have been.

The impact of this prior year adjustment on the balance sheet has been to increase provisions as at 27 March 2021 by £1.3 million and reduce retained earnings by £1.3 million.

The impact of this prior year adjustment on the income statement for the comparative year has been to increase the adjusted items expense by £1.3 million and reduce the profit £1.3 million.

There is no impact on the brought forward reserves for the comparative financial year.

## 10. Events after the balance sheet date

Details on events after the balance sheet date are shown in note 35 to the consolidated financial statements.



# Shareholder information

## Shareholder information (unaudited)

### Shareholder analysis

A summary of holdings as at 27 March 2021 is as follows:

	Mothercare ordinary shares	
	Number of shares	Number of shareholders
Banks, insurance companies and pension funds	1	1
Nominee companies	475,276,475	161
Other corporate holders	83,645,329	167
Individuals	4,914,821	18,527
	563,836,626	18,856

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

	2021	2020
Share price at 27 March 2021 (28 March 2020)	16.20p	4.81p
Market capitalisation	£85.9m	£18.0m
Share price movement during the year:		
High	17.90p	24.00p
Low	3.89p	4.77p

All share prices are quoted at the mid-market closing price. For capital gains tax purposes:

- the market value on 31 March 1982 of one ordinary share in British Home Stores PLC is 155p and of one ordinary share in Habitat Mothercare PLC is 133p; and
- the market value of each Mothercare plc 50p ordinary share immediately following the reduction of capital and consolidation on 17 August 2000 for the purpose of allocating base cost between such shares and the shares disposed of as a result of the reduction is 135p.

### Rights issue and TERP

On 23 September 2014 the Company announced a proposed rights issue of 9 for 10 ordinary shares at 125p per new ordinary share. The theoretical ex-rights price ('TERP') between 24 September and 9 October 2014 (being the last day the ordinary shares were traded cum rights) was 178p.

Immediately before the rights issue, the issued share capital was 88,824,771. 79,942,294 new ordinary shares were issued on 27 October 2014. The total issued share capital immediately following the rights issue was 168,767,065.

### Placing and open offer

On 9 July 2018 the Company announced a proposed subdivision of shares (into 1p ordinary shares and 49p deferred shares) and a placing and open offer of 170,871,885 ordinary 1p shares on a 1 for 1 basis at 19p per ordinary share. Immediately before the placing and open offer, the issued share capital was 170,871,885. 170,871,885 new ordinary shares were issued on 27 July 2018. The total issued share capital immediately following the placing and open offer was 341,743,770.

### Placing

On 5 November 2019 the Company announced that 32,359,450 new ordinary 1p shares (the "Placing Shares") had been placed by Numis Securities Limited at a price of 10 pence per Placing Share with existing institutional investors. The Placing Shares were admitted to the premium listing segment of the Official List on 7 November 2019. The issued share capital prior to the Placing was 341,833,044 and, following the issue, the total number of issued shares with voting rights was 374,192,494.

### Conversion shares

On 17 March 2021 189,644,132 conversion shares of 1p each were issued at 10 pence per ordinary share. The total voting rights following the admission of the conversion shares was 563,836,626.

# Shareholder information

continued

## Registrars and transfer office

Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

## Financial calendar

	2021
Annual General Meeting	9 September
Announcement of interim results	November
	2022
Preliminary announcement of results for the 52 weeks ending 26 March 2022	July
Issue of report and accounts	July
Annual General Meeting	August

## Registered office and head office

Westside 1, London Road, Hemel Hempstead, Hertfordshire HP3 9TD Telephone 01923 241000 [www.mothercareplc.com](http://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](http://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](http://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 8.30 am to 5.30pm, Monday to Friday).

## Stockbrokers

The Company's stockbrokers are:

finnCap Ltd, One Bartholomew Close London EC1A 7BL  
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](http://www.sharegift.org) or by telephone on 020 7930 3737.

Designed and produced  
by Black&Callow  
[www.blackandcallow.com](http://www.blackandcallow.com)



Printed on FSC® certified paper.

Mothercare plc  
Westside 1  
London Road  
Hemel Hempstead  
HP3 9TD

T 01923 241000

[www.mothercareplc.com](http://www.mothercareplc.com)

Registered in England number 1950509

