mothercare

Annual Report & Accounts 2022

Contents

Highlights

- International retail sales by franchise partners of £385.3 million (2021: £358.6 million)
- Adjusted EBITDA of £12.0 million (2021: £2.2 million), ahead of market expectations, reflecting the Group's focus on core international franchise and brand management competencies, as an asset light global franchising business
- Net borrowings of £9.9 million (2021: £12.1 million) at the year end
- Pension scheme deficit materially reduced to £60 million as at 30 June 2022 (March 2020: £124.6 million) and agreed reduction in payments with Trustees to significantly reduce annual cash cost going forward
- Post period end refinancing of the business, improving our financial flexibility notwithstanding the loss of revenue from Russia
- The significant improvement in profitability evidences the full year impact of the establishment of a cost base that is appropriate for our business but still has the necessary skills and experience to deliver further growth, as the impact of Covid-19 diminishes

Our History

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

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

1972
Mothercare becomes a public company.

1983
The first international franchise store opens in Kuwait.

1987
Stores open in Malaysia, Hong Kong and Singapore.

1990s
Expands further globally into Russia and Europe.

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

2011
Alshaya opens their 200th Store – Morocco Mall

2019
Mothercare Experience store launched in Singapore – Harbour Front.

2020
Mothercare Global Brand is formed and partnership with Boots UK is launched.

2021
Mothercare celebrates its 60th anniversary

2022
Our redefined products with improved design and fabrications launches to customers

A truly global brand with our products trusted by millions of parents around the world every day.

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 and many other essential categories including baby nursery, feedtime, bathtime and playtime providing for the needs of 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 approximately 700 dedicated Mothercare stores in some 36 countries around the world. There are also more than an additional 400 stores in which the Mothercare brand is sold.

As previously reported we have been upgrading our clothing ranges and are now offering great choice at a variety of price points, improved design, quality and value. We believe this approach will result in clearer differentiation from our international competitors' offerings. The first full season that this upgraded product range was available for our customers, was spring/summer 2022, which launched in January this year. The initial feedback has been very positive but we are aware that many of our territories still face challenges including ongoing Covid-19 restrictions and the need to clear old inventory from previous seasons as a result of supressed demand. We also appreciate that it may take a number of seasons for consumer confidence to return and thus sales to fully reflect the enhanced ranges.

We are a truly global company that caters for many different markets and cultures.

		Stores
1	UK	11
2	Ireland	1
3	Gibraltar	1
4	Malta	5
5	Cyprus	10
6	Lithuania	7
7	Estonia	4
8	Latvia	5
9	Belarus	12
10	Russia	116
11	Kazakhstan	5
12	Azerbaijan	5
13	Georgia	1
14	Greece	27
15	Albania	1
16	Romania	6
17	Serbia	2
18	India	139
19	Sri Lanka	6
20	UAE	43
21	Saudi Arabia	58
22	Kuwait	30
23	Bahrain	7
24	Oman	4
25	Egypt	5
26	Jordan	3
27	Qatar	15
28	Thailand	11
29	Vietnam	14
30	Malaysia	21
31	Singapore	11
32	Indonesia	51
33	Brunei	3
34	Philippines	17
35	Hong Kong	6
36	China	17

Financial highlights

Our Group - £m	2022	2021
Turnover	82.5	85.8
Adjusted EBITDA	12.0	2.2
Adjusted operating profit	11.1	0.2
Adjusted profit / (loss)	9.0	(8.6)
Statutory profit / (loss)	12.1	(21.5)

Our franchise partners	2022	2021
Worldwide retail sales £m	385.3	358.6
Online retail sales £m	40.9	44.4
Total number of stores	680	734
Space (k) sq. ft.	1,828	1,970

Chairman's statement

The year under review was bookended by the Covid-19 pandemic and the Ukraine conflict. Indeed, even after two years, continuing headwinds from the former prevented 14% of our partners' global stores trading at the year end, with some restrictions still remaining in place today. The latter caused the complete suspension of our franchise partners' retail business in Russia (116 stores and online) on the 9 March 2022.

In this context I am delighted to report that the prior year transition of the business to focus upon our core international franchise and brand management competencies, as an asset light global franchising business, succeeded in generating free cash flow from operations and an adjusted EBITDA of £12 million for the financial year to 26 March 2022, a result ahead of market expectations. Furthermore, we have now completed the refinancing of the business, which is detailed further below and in the Financial Review, without resorting to additional financing requirements or further equity dilution.

The Pandemic and new ways of working with our Partners

Worldwide franchisee retail sales of £385 million, 7% higher than last year, remain significantly impacted by Covid-19 at around 25% down on the total retail sales for similar territories in the year before the pandemic. Online retail sales represented 11% of our total retail sales, slightly down on the 12% for last year, reflecting lower levels of Covid-19 restrictions on store openings, yet still well ahead of the levels achieved in the period prior to the pandemic.

As detailed in the Chief Operating Officer's report, most of the new ways of working with our manufacturing and franchise partners, introduced since the pandemic, are now embedded in the business. However, we are mindful that the pandemic has also had a significant impact on our franchise partners' profitability, inevitably resulting in a need for them to reduce costs and the levels of investment they have been able to make in their businesses. This is likely to mean that the return to pre pandemic levels of trading will take longer and we are working with our partners to assist that recovery, ultimately benefitting both our own business and our franchise partners in the longer term.

Update on Russian business

Given the numerous economic, logistical, reputational and business disruptions experienced since the suspension of the Russian retail business, we withdrew the right to operate Mothercare branded stores in Russia on 27 June 2022. This followed the pausing of operations we announced on 9 March 2022

In the period under review £88 million of our franchisee retail sales came from Russia and the territory directly contributed some £5.5 million to adjusted EBITDA for the year. This represents the single biggest impact on the business for the new financial year and will potentially lead to timing differences as we adjust our cost base. We have already substantially implemented the necessary adjustments to our supply chain, operations and administrative costs to address the consequent diseconomies of scale and maintain our service to our franchise partners.

New Financing Arrangements

At the year-end the Group had net borrowings of £9.9 million (March 2021 £12.1 million). This comprised total cash of £9.2 million (March 2021: £6.9 million), reflecting ongoing tight control of cash, against the £19.5 million (£19.1 million net of the unamortised facility fee) of the Group's loan facility with GB Europe Management Services Limited ("GBB") which remained fully drawn across the year. This modest reduction in net debt, set against the challenging backdrop of the pandemic, demonstrates our progress as a focused, asset light, global franchising business with no directly operated stores and greatly reduced direct costs.

In addition, the warrants issued to certain of the Group's shareholders in relation to the 2021 amendments to the CULS arrangements, expired unexercised on 17 March 2022, reducing potential equity holders' dilution and anticipated cash receipts by £1.8 million.

When we completed the £19.5 million secured four-year loan facility with GBB, in November 2020, the Group contained the Russia retail business and the covenants were therefore set against the then business plan and Group structure. As a result of the termination of our Russian operation, following the commencement of the Ukraine conflict, these covenants were no longer appropriate and we therefore commenced refinancing discussions with GBB to amend the terms to reflect the change.

I am therefore pleased to report that on 13 September we agreed revised terms for our debt financing arrangements with GBB, alongside agreeing reduced Deficit Reduction Contributions ("DRC's") with the Mothercare Pension Scheme Trustees of our defined benefit schemes' ("Trustees"). This greatly reduces the annual cash cost to the Company and together these arrangements significantly improve our financial flexibility, notwithstanding the loss of revenue from Russia. We explored other potential debt providers as part of the refinancing process.

Revised £19.5m GBB term facility

Mothercare has agreed revised terms to extend the £19.5 million GBB term loan facility by one year to November 2025. The term loan bears an interest rate of 1300 basis points ("bps") over SONIA plus 100 bps PIK accrued monthly that rolls up into the principal. The facility is secured on the assets of the Company and contains covenants usual for facilities of this type (see the Financial Review). In addition, the Pension Trustee second ranking secured charge has been increased from £15 million to £25 million.

I would like to thank GBB, on behalf of all stakeholders, for their support over the last three years as the Group's sole lender.

Revised pension contribution plans

Since my appointment in 2018 we have fostered an excellent, mutually beneficial working relationship with the Trustees without whose support all stakeholders could have been materially disadvantaged.

In order to support the new debt financing arrangements, we have reached formal agreement with the Trustees for a further reduction in DRCs. The revised recovery plan now sets out aggregate contributions of £29 million in the financial years March 2023 to March 2027. This represents a £30 million reduction in the aggregate cash payments that were to have been made to the pension schemes in that period under the previous arrangement.

The revised recovery plan agreed with the Trustees includes total contributions (DRCs plus costs) in the financial years to March 2023 £1 million; March 2024 £4 million; March 2025 £7 million; March 2026 £8 million; March 2027 & beyond £9 million aggregating to fully fund a £78 million deficit by March 2033. We are also well advanced in exploring the possibility of further reducing the quantum or uncertainty of subsequent recovery plan contributions through alternative means.

Pension Schemes

The last full actuarial valuation of the schemes was at 31 March 2020 and showed a deficit of £124.6 million, resulting from total assets of £383.7 million and total liabilities of £508.3 million. Based on desktop projections of this valuation provided to the Trustees, as at 30 June 2022 the deficit had reduced to £60 million with total assets at £330 million and total liabilities of £390 million.

Opportunities for growth

As we strive to be the leading global brand for parents and young children Mothercare is in an almost unparalleled position in being a highly trusted British heritage brand, that connects with newborn babies and children across multiple product categories, at the beginning of their life as consumers. Furthermore, at present the Brand's singular route to market is via franchisees.

Yet Mothercare is still not represented in eight of the top ten markets in the world, when ranked by wealth and birth rate, and we have barely scratched the surface in exploring the multiple opportunities available to us in wholesale, licensing or online marketplaces to grow the global presence of the brand.

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

Cost Reduction Programme

The results show a further net reduction in administrative expenses of 25% compared to last year demonstrating our continual review and challenge to costs, whilst still ensuring we operate to the standards of a world class business.

Supply chain model

We continue to evolve our supply chain to reduce cost, complexity and deliver goods to our franchise partners in the quickest way possible. For Autumn/Winter 2022 we expect to deliver 80% of our total shipments direct from the country of manufacturing to our retail partners' markets. Furthermore we closed our remaining UK distribution centre in April 2022 and are also developing a new product option framework as we seek to curtail the impact of input cost inflation on each of our product categories.

Enterprise Resource Planning ("ERP") system

Although our new ERP system is progressing, with the product lifecycle management system going live in the first quarter of the current financial year, the remainder of the system has faced the almost inevitable delays associated with a project of this size and complexity. Hence, as this is currently due to go live around the end of this financial year, we will not reap the full cost savings until the financial year ending March 2024 although the contract for the creation of the ERP is on a fixed basis so costs will not increase commensurate with the delay.

Management & Board changes

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

During the year we also supplemented the Operating Board via the appointment of a Director of Merchandising and, following our successful transition to becoming an international brand owner and operator, are reinforcing the brand and E-commerce skills within the executive team. This will also facilitate an increasing focus upon step-change growth.

Finally, having satisfactorily dealt with the additional challenges created by the Ukraine conflict, we expect to appoint a new Chief Executive Officer during the current year. 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 Chairman and my fellow Non-Executive Directors.

Dividend Policy

The Company has not paid a dividend since February 2012. The Directors understand the importance of optimising value for shareholders and it is the Directors' intention to return to paying a dividend as soon as this is possible, noting the restriction within the Company's agreements with its lenders and the Pension Trustees and once the Directors believe it is financially prudent for the Group to do so.

Summary and Outlook

First and foremost, on behalf of the Board I would like to thank our colleagues across the business, alongside our manufacturing, franchise and financing partners and shareholders for their unwavering support throughout the last four years. Without this support Mothercare would not have been able to surmount the considerable challenges we have overcome together and be in the position we are today.

This represents an inflection point for Mothercare, with the combined benefits of more normalised circumstances and the updated financing arrangements greatly enhancing our financial flexibility.

The permanent closure of the Russian business is fully reflected in our forecasts, which will reduce our new financial year results by £6 million as previously guided, and we have substantially completed the necessary adjustments to our cost base given the coterminous diseconomies of scale. Our medium-term guidance for the steady state operation, in more normal circumstances, of our continuing franchise operations remains that they are capable of exceeding £10 million operating profit.

As demonstrated at a number of points over the last four years, we have the resilience to deal with major challenges satisfactorily. Whilst mindful of the inflationary global economic environment, we are now focused on restoring critical mass and optimising the Mothercare brand globally over the next five years. This is an exciting prospect for our partners, our colleagues and all our stakeholders alike as we leave behind the turmoil of recent years.

Growth

Mothercare is a truly global brand with our products used by millions of parents around the world every day in over 36 countries.

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

GROWTH DRIVERS

ORGANIC GROWTH

Product and Category Extension into existing markets

GROWTH BEYOND EXISTING TERRITORIES

Entering new geographies and new channels

STEP CHANGE GROWTH

Capturing new market opportunities

PROGRESS IN 2021/22

- Home and Travel roadmap created bringing over 300 new products to our partners by Autumn 22
- Creation of MPlay our child development toy range bringing educational and development toys back into the Mothercare brand
- Growth of baby category to encourage early brand adoption and increase customer lifetime value and loyalty
- Grown key product across toddler increasing the proportion of "sets and packs" providing higher sales values and enhanced customer perceived value
- Delivered a substantial increase in e-commerce and social assets for our franchise partners as they continue to lean into sales channels of the future
- Developed a Market Attractiveness model to identify future territories for entry
- Launched our direct supply model where we now move c83% of clothing and c80% of all of our products direct from country of origin to retail

Looking Ahead

- Continue to innovate and bring further Home, Travel and Toy products to market focusing on core higher value categories such as furniture
- Substantiate local production in India and Indonesia to unlock competitive advantage
- Investing further into the brand with new store design incorporating digital
- Accelerated trials into business model changes that will not only bring benefit to existing markets but could provide the potential to enter new markets in different ways
- Capitalise on the shift to online
- Finalise our licensing agreement to enable exciting geographic and category expansion

Organic Growth

Our in-depth customer research programme engaged our end customers in our key global markets, this provided us with a broad picture of what they want from us and what matters most to them. The resulting innovation pipeline has already brought products to market but many more are to follow, especially across Home, Travel and Toys.

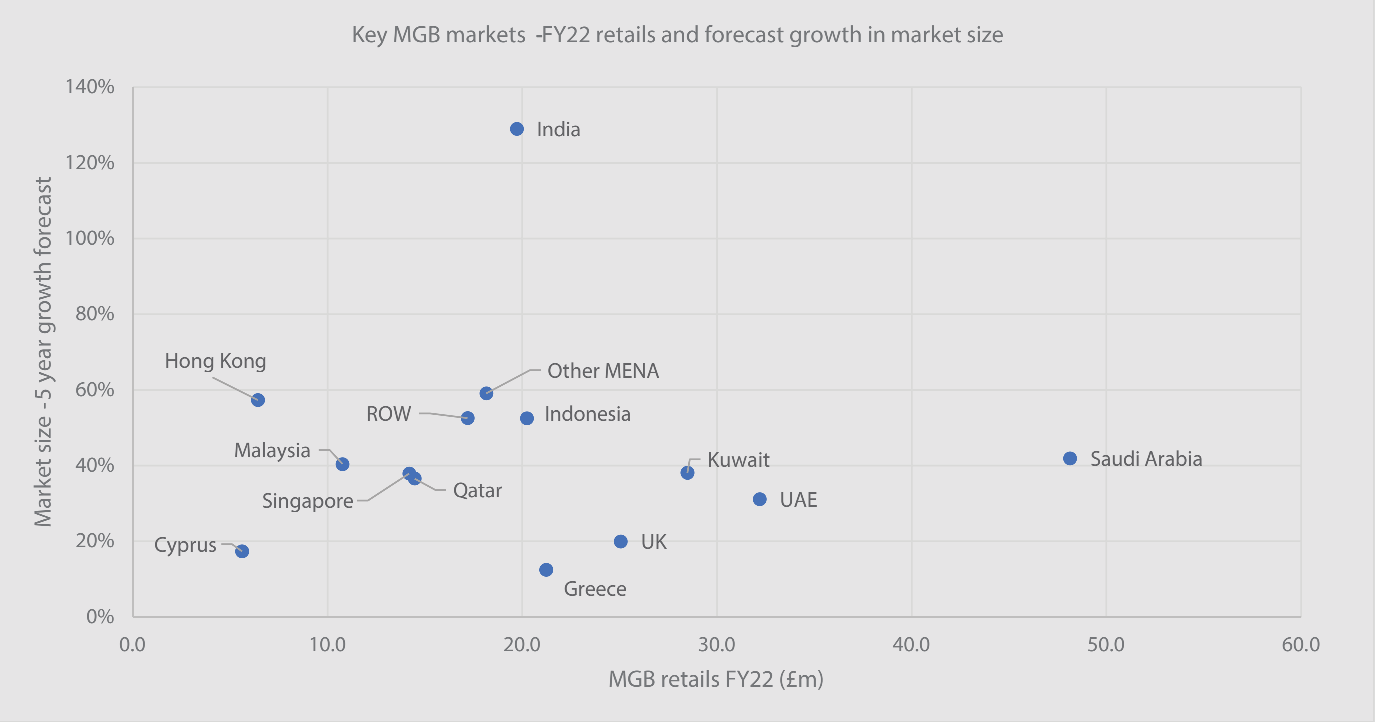
During the course of the year we developed and launched our MPlay range of children's development toys together with an increased range in feeding, sleep and baby entertainment all designed to increase the presence of the Mothercare brand in these key categories.

As outlined in the Chief Operating Officer's report, with the new merchandising structure and more detailed reporting from partners we have made changes to the range architecture by increasing the number of multi-pack sets across key categories. This included new, higher value, 3 and 4 packs as well as an extended range of footwear and accessories. The growth of sets should not only drive higher sales per square foot in retail but will further underline a strong value message. In baby this will also encourage gift purchasing.

As we further extend our data gathering and analysis from our franchise partners combined with insights we will continue to develop a customer-led category growth plan enabling our partners to increase sales and margins. The chart below shows the growth in our current markets over the next 5 years demonstrating the room within our existing business to grow our offer and revenues.

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 are mostly in the categories of home and travel products. 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 defense against becoming a showroom for third party brands, all of which can be purchased online from a competitor.

Whilst our online retail sales more than doubled in share of total sales during the pandemic, it still represents only 11% 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.

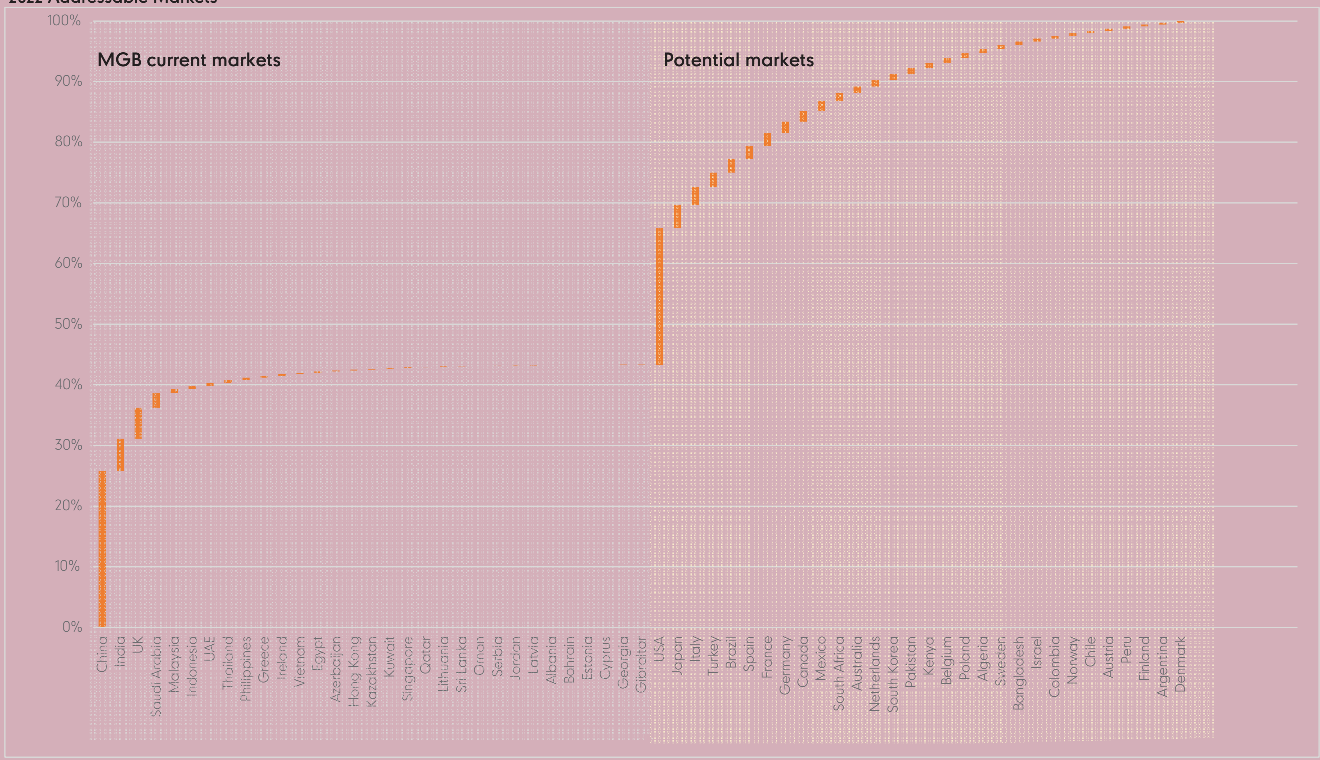


Growth beyond existing territories

The chart below shows our existing markets and those we have identified as potential opportunities when reviewing expenditure of childrens wear in households with disposable income that's inline with the Mothercare Proposition.

Our 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.

2022 Addressable Markets



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.

Our Business Model

Mothercare is a leading global parenting brand with operations in 36 countries through global franchise partnerships. The brand has a strong heritage and trusted reputation.

WHAT WE DO

1
CUSTOMER INSIGHT
We track customer sales and use this alongside insight from our partners/ loyalty programme

2
PRODUCT FRAMEWORK
Our product function use these insights to create the best range framework and identify new opportunities

3
DESIGN
Our in-house design team creates our product offering, ensuring globally compelling products are created

4
MANUFACTURING
Our buying and technical team identify manufacturing partners to bring our products to life, ensuring we are both technically and ethically compliant

5
DISTRIBUTION
Our supply chain team work with a global network of logistic companies to deliver products to our retail markets, most of our products move direct to country of sale with just c20% moving via a single warehouse

6
BRAND & MARKETING
We develop full online and instore marketing for our partners to use across social, e-commerce and stores

7
SALES
Our partners use many channels to make our brand available to customers (MGB receives royalty on their sales or in some cases on the sale of stock)

8
BRAND MANAGEMENT
We have a dedicated commercial management team who work in close partnership with our franchisee's to develop the business

PARTNERSHIPS

Colleagues
Our talented team of people whose skills are essential to the brand's success.

Manufacturing Partners
Over 60 trusted partners who have the expertise to bring our products to life.

Support Partners
Our key relationship partners who play a role in our business.

Franchise Partners
Our 19 partners who deliver the brand to end customers every day.

VALUE WE CREATE

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

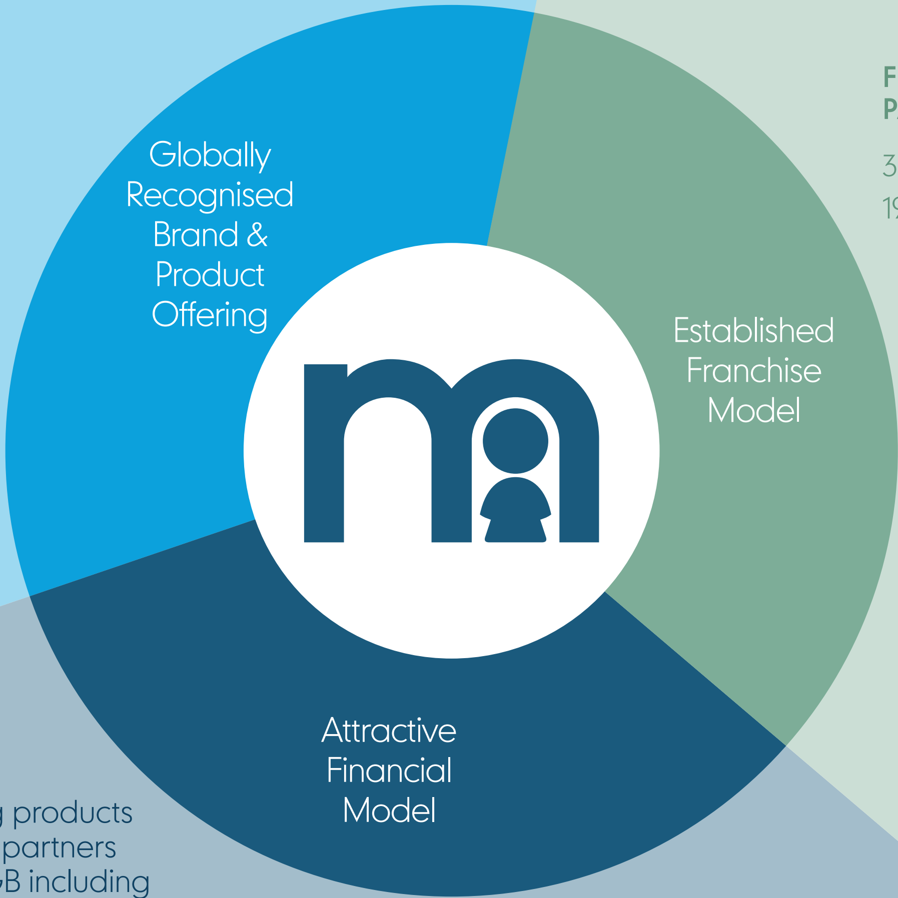
Business partners
We aim to create value for all our partners, supporting their profitable growth.

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

Shareholder
We aim to deliver sustainable profit and growth.

Our Business Model
continued

MGB
- Brand,
- Design,
- Source & distribute products to Partners



FRANCHISE PARTNERS
36 Countries
19 Partners

MODEL
In return for developing products and Mothercare IP our partners make payments to MGB including royalties on sales

Brand
- Mothercare has been designing and developing products for babies, young children and parents for over 60 years.
- 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.

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.

Market Relevant Design
- End consumer focused 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.

Attractive Financial Model
- Our financial model that is now applied to the majority of our franchise partners 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.
- 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.

Chief Operating Officer's report and business review

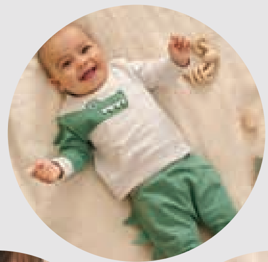
"We have emerged stronger from the terrible pandemic by working more closely with our franchise, manufacturing and supply chain partners and we see exciting potential for geographic expansion and innovation in new channels building on the brands strong heritage."

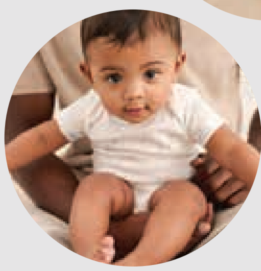
Kevin Rusling,
Chief Operating Officer

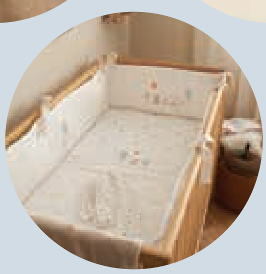
Clothing
Worldwide Retail Sales £340m

Our Largest Categories:

Newborn,
Baby Essentials,
Nightwear







Home, Travel and Toys
Worldwide Retail Sales £45m

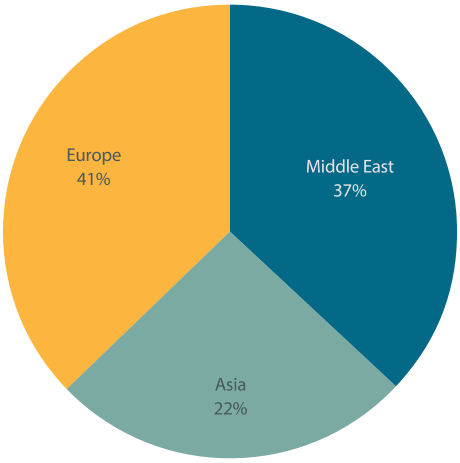
Our Largest Categories:

Bedding,
Pushchairs,
Bathtime
and Toys

Our Geographical Footprint

Overview

Our principal route to market is via our global franchise network of Mothercare stores, shop-in-shop formats and an ever increasing online presence through 20 dedicated websites and over 30 marketplaces. We trade from many of the world's best shopping malls and continue to invest in both our store and online presentation and content.



Middle East 37% of annual global sales 165 stores

The Middle East is Mothercare's largest region and is made up of four key geographies of Saudi Arabia, UAE, Qatar and Kuwait together with Egypt, Jordan, Bahrain and Oman.

The largest of these markets is the Kingdom of Saudi Arabia and accounts for 10% of our annual global sales. The country has undergone significant changes over the last few years including sales tax, Saudisation of the workforce and the introduction of many new leisure activities which didn't previously exist all competing for consumers' money. This continues to change the shape of our retail offering in the Kingdom, and noticeably whilst the store count has decreased the success of the app and online trading (+400% over the last 3 years) continues to show the opportunity in the market.

Our partner Alshaya is a leading operator within the region and opened the first Mothercare store outside of the UK and continues to be a great ambassador for the brand.

India 5% of annual global sales 139 stores

India is Mothercare's fifth largest region, with revenues significantly impacted by closures due to COVID-19 in the financial year but subsequently rebounding strongly.

Our planned channel mix has developed significantly over the last two years, historically 85% stores, 11% wholesale and 4% online has moved to 63% stores, 15% wholesale and 22% online including the launch of Mothercare.in and also expansion onto the reliance owned Jio marketplace.

We have a strong heritage and brand recognition in India. Our brand is highly trusted, and this has enabled us to expand the product range into FMCG products like nappies, soaps and personal care lines, all of which are available in supermarkets and local corner shops across the country. We intend to further develop this opportunity in and outside India.

The market backdrop is highly favourable and we are currently working with our partner, Reliance, to unlock further opportunities to grow the brand in the country.

Malaysia, Singapore and Hong Kong 8% of annual global sales 38 stores

Our 2nd largest region suffered a challenging year with Malaysia, Singapore and Hong Kong impacted by COVID-19 regulations affecting the trading opportunity within the region. These restrictions ranged from mall restrictions through to Malaysia being closed for 16 weeks of the year. All three markets have, however, had an incredible bounce back once open and ready to trade.

There is strong growth planned for Malaysia with expectations to achieve sales higher than pandemic levels driven through the new space which incorporates an all new experiential store format to drive customer experience and be a real point of difference to the competition.

There is also a real focus on digital. The launch of a new platform is planned for Autumn 22 with the key objective of a much better customer journey across all digital channels through improved delivery proposition, product offer, promotional plan and digital expertise in the team to drive the strategy.

Indonesia 5% of annual global sales 51 stores

Pre COVID-19, Indonesia was our fastest growing market and struggled last year not only with closures and disruptions due to COVID-19 but with major changes in regulations impacting the importation of product.

Despite these challenges we are fully focused on restoring growth in the region and our partner Kanmo has continued to invest in 6 new stores and the online proposition. The plan for the current year would see the market back to pre pandemic levels (FY19) driven by strong LFL growth, ecommerce and further new stores.

Greece 6% of annual global sales 27 stores

The performance of Greece during the year was one of the strongest and has seen continual growth since 2019 and throughout the pandemic driven by two key factors, firstly the performance of e-commerce, which was launched as a response to the pandemic and now commands a 16% share of business this year. Secondly, our partner is longstanding within the market and this depth of knowledge of their customer base has enabled them to respond to the customer's needs as they have changed.

UK 7% of annual global sales 12 shop-in-shops and over 400 locations in total

We launched our UK franchise with Boots UK in October 2020 mid-pandemic and with the important role Boots played in healthcare over this period and natural challenges that occur at the start of a new relationship we had operational difficulties to overcome.

Sales throughout the year have seen steady growth and as both parties returned to more normal trading environments, we were able to focus on the launch of the Spring 22 season. We would expect that our second year of operations will deliver a c20% increase in retail sales.

Towards the end of the year we started to see significant investment in the brand with both visual merchandising support for key stores and a relaunch to their website. This investment continues and included a fashion show supporting The Baby Show NEC, utilising the Boots Advantage Card and Parenting Club programmes which we believe will lead to continued growth into the current year and beyond.

Our Product

Mapping what matters

We have engaged with our end customers through our global research programmes to get the broadest picture of what they want from us and this tells us what matters most to them. Those insights helped us adapt our ranges and provided a more robust view for our innovation pipeline.

Innovation

Our innovation pipeline of new products is stronger. In key product categories we have designed, developed and brought to market ranges with specific child development stages at the heart of the product and with a particular focus around 0-5 years where our customers have told us they need more support:

- **Playtime** – the launch of our MPlay children's toy range developing hand eye co-ordination and mobility as well as high levels of play and engagement
- **Feedtime** – highchairs which speak to the classic as well as contemporary customer
- **Newborn Clothing** – expansion of our daywear collections to give customers greater choice and encourage repeat purchasing

Features and Benefits

Our in-house design team, working closely with the buying and technical teams create our product ranges with the customer's needs in mind right from the drawing board.

All age groups see this same focus – our baby sleepsuits have not only a unique construction inside the foot area to protect tiny toes but always have built in turnover scratch mittens for tiny hands and our T-shirts have fabric that covers irritating back neck seams to ensure real comfort for any young child.

Our refreshed ranges

We focus our development on providing clearly perceived value and choice for our markets.

Value can be seen in understated design with great quality in our everyday good products where simplicity is key ; added value for customers who want a little extra in their garment design and print in our better ranges and for those who seek more fabric and garment interest – we provide added extras into our best offer.

Choice underpins our design and fabrication from simple to detailed across a stretch of price points ensuring our ranges have broad appeal.

Better

Best

Our Brand

We are evolving our already strong brand

Alongside our investment in product, we continue to evolve our brand, building upon its global strength and our brand IP. Mothercare has a strong DNA that resonates with parents across the globe through our heritage of trusted and quality products offering great value throughout the parenting journey.

Through a programme of customer insight & research in core markets across the globe we continue to cement and confirm our brand evolution, ensuring our key qualities remain at the centre of all we do whilst continuing to build upon them with a more reflective view of our diverse global consumer base and the ever changing way that they engage with the brand.

We're working on our 'store of the future' – maximizing our consumer research to develop a multi-channel concept that both entices and excites our customer with a real focus on the future.

Our focus on video & social led storytelling has seen great engagement this year and has given us a clear foundation on which to build upon further.

In the e-commerce space we have evolved apparel on-model shooting & 360 video content for our partners, bringing the products to life.

Campaigns rich in narrative will be a cornerstone of our brand. Connecting with our customers in the most natural and engaging of ways. Ensuring they know that we understand the parenting adventure and we are with them through it all.

Our Performance

The last year was another turbulent year and although the disruption from Covid-19 has started to ease in some parts of the world, many countries experienced uncertainty and volatility and this continues today in certain production and retail markets together with the continued challenges of global supply chains.

Most recently we have seen a steep rise in input cost inflation impacting each of our product categories and are now using the increased data to develop a new option framework reducing the number of products to maintain volume and limit price increases. We continue to evolve our supply chain model to maximise the number of products we can move direct from country of manufacture to retail without the need for warehousing. As a result, we have closed our UK warehouse and now just c20% of product moves through our remaining Asia warehouse.

Throughout the year the teams worked on developing our new PLM and ERP solution so we can simplify the business and enable our teams to focus more on the needs of our partners and customers.

Towards the end of the financial year, we announced the suspension of trade in Russia, our largest single country. Since the end of the year under review operations have been closed there for the foreseeable future.

Mothercare emerged stronger from this terrible pandemic by working more closely with our franchise, manufacturing and supply chain partners and we see exciting potential for geographic expansion and innovation in new channels building on the brand's strong heritage and trust that our global end consumer research highlighted in every market we surveyed. We are fully committed to stepping up the growth of both our existing and new businesses over the next few years.

KPIs

KPIs

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

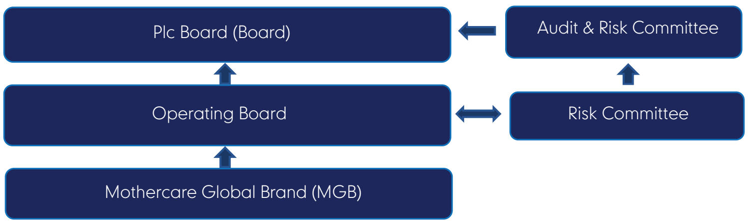
* Numbers presented relate to stores held by, and sales to end consumers by the Group's franchise partners with the exception of product mix which is based on MGB's sales to franchise partners. See accounting policies for definitions.

Risk Management in MGB
Overview and Objectives

As a global franchisor, operating across 36 territories and engaging with multiple manufacturers, supply chain sources and franchise partners, Mothercare Global Brand (MGB) is exposed to multiple risks across the markets within which it operates. With this in mind a risk management framework is in place which is appropriate for the size and complexity of the business following the Company's admission to AIM in March 2021, and the development and embedding of the current operating model.

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

MGB Risk Management structure FY22



The objectives in MGB's risk management are to:

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

Principles and Process

The principles adopted by MGB allow for the nature of balancing the driving of growth, within a complex and recently challenging, and continually changing, global retail environment, while providing sound opportunity for investors. The risk management framework is adopted throughout MGB to protect and enhance business value with an approach that is impactful and resilient, the end result being considered and strategic decision-making. The primary principles are designed to promote the protection and improvement of working capital, and the design and supply of sustainable, safe and desirable product for MGB franchise partners, they are:

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

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

MGB Risk Management FY22

The ongoing risk that COVID-19 poses to all global businesses has shaped much of the risk management activities over the last two years. MGB has grown increasingly resilient to these challenges with sound Supply Chain developments over this time to reduce the impact the pandemic may have on operations. A series of planned projects have significantly reduced MGB liabilities including direct shipments to franchise partners and new enhanced manufacturer agreements combined with the successful dynamic risk management of shipments during a freight forwarders cyber-attack. Development of the product base, brand protection initiatives and financial controls have all been discussed, monitored and reviewed through the risk management process and continue to be the focus to deliver an efficient, profitable and expanding franchise proposition.

Risk Management in MGB
Overview and Objectives

Principal Risks and uncertainties

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

Principal Risk	Potential Impact	Key Mitigations and Control	Change on LY
Liquidity Failure to control cash management and working capital may result in breaches to banking covenants, failed commitments to our pension schemes and inability to meet our strategic intentions	The ongoing disruption to global trade may impact partner sales and result in margin and revenue squeeze. Disruption to global supply chain may also put pressure on stock availability and further hamper trade in our global markets.	Strong cash management governance in place, including a weekly Cash Committee. Tri–partite and manufacturer agreements are in place with franchisees and suppliers, significantly improving working capital. Credit management improvements made to manage timely incoming payments.	
Dependency on a small number of partners There may be an over reliance on a few key franchise partners whose success directly dictates the success of MGB in the absence of further franchise partner development. Additionally with these key franchise partners and some manufacturing partners, MGB is exposed to movements in foreign currency exchange rates.	Any damage to, or loss of, the Group's relationship with key partners or significant movements in related exchange rates, could have a material impact on the franchise model success, operational capability or financial stability.	Ongoing identification and sufficiently risk-spread review of new business channels, partnerships and territories to grow our global business and reduce this reliance. Collaboration and support with all partners continues with the aim of enabling growth. Revised contracts provide increased transparency, competitive pricing and royalty rates. The majority of the exchange rate risk is limited to the royalties we earn based on a percentage of the local currency retail sales.	
COVID-19 There may be further sporadic interruption on revenues as a result of limitations on store opening, customers' shopping habits and our ability to source and distribute product in a timely manner	The impacts of COVID–19 on global economies, could impact both our franchise partners and manufacturing partners ability to operate successfully, therefore impacting on our revenue and order books	Our numerous franchise territories coupled with the spread of our manufacturing base reduces the impact of restrictions imposed by an individual country or region. Management team will continue with the rigour and agility they have demonstrated in reaction to the pandemic to date. Introduction of a new Manufacturing Partner Agreement reduces MGB liabilities in relation to a pandemic.	
Global economic and political conditions MGB may be negatively affected by challenging economic conditions and political developments affecting the international markets in which it operates.	Economic and political uncertainty, as exemplified by the Russia market, and potential supply interruption from China could have a material adverse effect on the Group's business.	MGB works closely with individual franchise partners to optimise benefits and mitigate risks to be gained from changing conditions. Expansion of the manufacturing base through FY22 has spread the supply risk and a risk-based review of new potential markets is ongoing. Franchise partners have the ability to source product locally.	
ERP System MGB legacy IT systems are being replaced by a world class ERP system however this presents a risk of design failure and implementation delay leading to the loss of our ability to operate	IT infrastructure disruption could result in the inability to support our Global partners to trade effectively. Any failure or attack relating to our warehousing systems or finance systems, especially would impact operational efficiency	An ERP Steering Committee has been established including representatives from all departments and to ensure that the system is appropriately scoped and planned. IT-specific Disaster Recovery Plan is in place, in addition to departmental continuity plans. Extensions in place to support existing core systems. Continual monitoring of our IT landscape against risk factors.	

Risk Management in MGB
Overview and Objectives

Principal Risk	Potential Impact	Key Mitigations and Control	Change on LY
Regulatory and Legal A failure to comply with increasing regulatory requirements or introduction of new regulations impacting MGB or any of our partners could result in brand damage, fines or impact our ability to operate profitably.	MGB is reliant on manufacturers, suppliers and distributors to comply with employment, environmental and other laws. Regulatory compliance requires monitoring and reporting to avoid damage to the Mothercare brand. Changes to regulations or onerous import restrictions and taxes could also significantly impact profitability of some partners.	Mandatory Compliance training is available on a dedicated training platform covering ABC, AML, GDPR, H&S, COO, Competition Law and Whistleblowing, with additional training in Fraud identification available to those in higher risk areas. Conflict of Interest self–certification is also required. MGB has continued to develop its sourcing strategy to allow for greater flexibility in moving suppliers in response to supply interruptions and regulation changes.	
Brand, Reputation and Relationships The Mothercare brand is a key asset that is both strong and desirable. Should this be negatively impacted through neglected relationships, or unsupported, poor execution, the business model may not be successful in the longer term.	Our brand could be impacted by product failures, ineffective management of product incidents, public scandals, relating to any partners, inappropriate behaviour, data breaches or third-party IP abuse, all of which may result in a deterioration of brand confidence.	New Manufacturing Partner Agreements are in place for every trade supplier reducing MGB liabilities and promoting MGB governance expectations at point of engagement. All Mothercare branded suppliers are required to comply with our Responsible Sourcing Handbook – Compliance Standards. Responsible sourcing audits are completed annually. Group trademarks are formally logged in country of operation with a proactive enforcement of IP rights. Clear and timely external communications issued in relation to MGB stance on Russia franchise stores.	
Personnel and talent Failure to attract, retain, motivate and progress our top talent, in an exceptionally competitive job market, could lead to high attrition rates and an inability to 'attract and retain' to meet our strategic intentions	Potential for talent to leave the Group during brand evolution and COVID19 may impact on our ability to deliver on our global strategic intentions. Reduced efficiency and effectiveness of operations due to employee distraction. Executive burn out due to extensive business change program and challenging trading conditions.	Clear Employer Value Proposition (EVP) in place to market MGB as an attractive and competitive employer, in order to retain talent and provide colleague development and wellbeing at the centre. Executive review of an improved reward and benefit structure. Leadership team and line management providing regular insight, both face to face and via Teams, about the business, its future direction, opportunities and development for colleagues.	**NEW**

Decreased

Increased

Stable

Section 172 statement

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

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

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

Significant event/decision	Key s172 stakeholders affected	Actions and impact
Suspension of operations of Mothercare brand in Russia	Franchise partner and its stakeholders	Operation of Mothercare brand suspended on 9 March 2022 leading to complete cessation of the Mothercare brand in Russia. The Russian franchise business represented around 20-25% of Mothercare's worldwide retail sales and was previously expected to contribute around £0.5 million per month to group profit.
Financing – commenced refinancing discussions to reduce the cash financing cost	Lenders	Refinancing discussions ongoing at the year end and the Group remains in compliance with the terms and covenants of the existing loan facility. Since the year end, revised terms to the existing loan have been agreed and forecasts show that the Group will operate within the terms of the facilities agreement for the foreseeable future.
Pension schemes	Pension trustees, active and deferred pensioners, lenders, shareholders	Commenced discussions with the pension trustees to agree a revised schedule of contributions.

Shareholders

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

Employees

Working from home remained the case for much of the year and hybrid working has become the norm. MGB continued to hold weekly virtual coffee mornings for all employees to join with two-way communication encouraged providing opportunities to ask questions either anonymously or in person. There was an emphasis on wellbeing with access to support for an array of matters.

A discretionary bonus was paid to all eligible Mothercare Global Brand Limited colleagues who were employed as at the year end, with the bonus payment prorated to acknowledge their respective efforts in building the Mothercare Global Brand business since the end of calendar year 2019.

Annual bonus for the executive director for FY22, was achieved, and is to be paid in tranches. For FY22 there was no increase to base salary for the executive director.

Lenders

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

Pension trustees

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

Franchise and manufacturing partners

We maintain regular dialogue with our franchise and manufacturing partners, and the year under review saw a particular focus on clothing. We continued to hold virtual selling events and online quarterly business reviews and were fortunate to be able to meet with some of the partners following the relaxation of travel restrictions.

Financial review

"The significant improvement in profitability evidences the full year impact of the establishment of a cost base that is appropriate for our business but still has the necessary skills and experience to deliver further growth, as the impact of COVID-19 diminishes. Coupled with the refinement and improvement of our operating model, we continue to demonstrate we are a profitable and cash generative international business, with reduced risk, lower overheads and an asset-light model."

We have previously highlighted the changes and restructuring that took place across the Group in recent years and the results of these activities are now becoming evident in our improved financial performance. These results are still heavily impacted by COVID-19 and going forwards we expect the growth from sales returning to pre-pandemic levels to significantly mitigate the loss of contribution from our Russia operations.

International retail sales by our franchise partners of £385.3 million (2021: £358.6 million) showed a 7% increase year on year. Whilst the retail sales have increased year on year, they are still significantly impacted by COVID-19 and remain below the levels we would otherwise expect. Retail sales are around 25% down on the total retail sales for similar territories in the period before the pandemic.

The profit from operations in the year was £13.0 million (2021: loss of £2.4 million) reflecting a number of significant changes. To better understand the underlying results, the Group uses a non-statutory reporting measure of adjusted profit, to show results before any one-off significant non-trading items. This involves removing the adjusted items which relate to restructuring and reorganisation costs and are non-recurring (£1.9 million subtracted in year ended 2022 and £2.6 million added back in 2021), together with depreciation and amortisation of £0.9 million (2021: £2.0 million), resulting in an adjusted EBITDA profit for the year of £12.0 million (2021: £2.2 million).

The improvement in adjusted EBITDA of £9.8 million is made up of an increase of £5.1 million of gross profit and a reduction of £4.7 million of net costs. Gross profit increased over the previous financial year by £5.1 million, approximately £3.0 million as a result of the previously highlighted delays in shipping at the end of our financial year FY21. This moved margin of around £1.5 million into this financial year FY22, with the remainder largely being an increase in royalties from the higher level of retail sales. The net year on year cost reductions of £4.7 million, were made up of: £2.5 million of lower staff costs as we progress to a team that has the appropriate skills and experience for the current business; pension scheme running costs reduced by £1.7 million to £1.7 million; IT costs reduced by £0.6 million; impairment of receivables lower by £0.5 million; other net cost savings of £0.4 million, partially offset by the absence of around £1.0 million of the £2.0 million other income, from the warehouse that was rented last year before assignment, which related to costs included within depreciation.

The Group recorded a profit for the 52 weeks to 26 March 2022 of £12.1 million (2021: loss of £21.5 million). The adjusted profit for the year was £9.0 million (2021: loss of £8.6 million). The adjusted items are detailed in note 6.

Our Russian territory, which ceased contributing to the Group's retail sales and revenue on the 9 March 2022, generated £88.2 million (23%) of total retail sales for the financial year to March 2022 and £77.3 million (22%) of the previous year's total retail sales. Russia contributed around £5.5 million (2021: £5.0 million) to adjusted EBITDA for the year. The Group will not be affected by any further write offs in relation to items such as stock or debt, as a result of the Russian termination.

Retail space at the end of the year was 1.8 million sq. ft. from 680 stores (2021: 2.0 million sq. ft. from 734 stores).

Financial review
continued

REVISION TO LOAN TERMS

As a result of the termination of our Russian operation in March 2022, the Group was unable to continue to meet its covenant obligations under the loan agreement with our lender Gordon Brothers. We have therefore agreed the following amendments to the loan:

- Loan to remain at £19.5 million and not amortising.
- Term extended from 26 November 2024 to 26 November 2025.
- Interest rate of 13% per annum plus SONIA, with SONIA not less than 1%, payable in cash, plus a 1% per annum payment-in-kind coupon that accrues monthly into the principal (which becomes due when the loan is repaid). Previously the interest rate was 12% per annum plus SONIA with a floor of 1%.
- Covenants revised to reflect the current results and forecasts of the Group and previous defaults waived.
- The facility remains secured over the assets of the Group as a whole and early repayment charges if it is repaid prior to term have been reset.

Whilst there is some uncertainty particularly around the time and levels of recovery in retail sales post COVID-19, coupled with the heightened global economic uncertainty, in the short term and the resultant impact on the Group's profitability and cash generation our forecasts show that we are able to comply with our revised commitments to our lender and the pension schemes for the foreseeable future. As at the balance sheet date the Group had net borrowings of £9.9m, being cash of £9.2 million against the term, loan of £19.1 million, which is a drawdown of £19.5m net of the unamortised facility fee, reflecting the continuing tight control of cash.

PENSION SCHEME CONTRIBUTIONS

Coupled with the revised terms for the term loan we also revised the schedule of contributions to our pension schemes' deficits. The value of the deficit under the full actuarial valuation at 31 March 2020 was £124.6 million; the Group's deficit payments were previously calculated using this as the basis. The previously agreed annual contributions to the pension schemes, for the years ending in March, were as follows: 2023 – £9.0million; 2024 – £10.5 million; 2025 – £12.0 million; 2026 to 2029 – £15 million; 2030 – £5.7 million.

As at 31 March 2022 the deficit had reduced to £78 million and the following revised annual contributions have now been agreed with the trustees, for the years ending in March as follows: 2023 - £1 million; 2024 - £4 million; 2025 - £7 million; 2026 - £8 million; 2027 to 2032 - £9 million: 2033 - £0.7 million. Mainly due to increasing interest rates the deficit had reduced still further to £60m by the end of June 2022. These deficits are on an actuarial technical provisions basis, which is used to determine the contributions required and produces different figures from those included in the balance sheet, which are required to be from applying IAS 19.

OPERATING MODEL

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

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

For the spring/summer 2023 season, currently in production, we expect some 50% of the products by value, to be invoiced directly to franchise partners by our manufacturing partners. This figure now excludes Russia that was invoiced direct. We continue to work with our larger franchise partners to move them to this basis. For some of the smaller franchise partners we are obtaining bank guarantees or letters of credit to reduce our debt exposure.

We are also moving more product direct from manufacturing partners to franchise partners. For spring/summer 2023, we expect 80%, by value, to be shipped in this way. As we now move the majority of our products in this way, post year end, we have been able to exit from our UK warehouse service provider and now only have a warehouse in China for consolidation of smaller orders that cannot be viably shipped direct.

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

ENTERPRISE RESOURCE PLANNING ("ERP") SYSTEM

Unfortunately, as is often the case when delivering a complicated integrated system, the ERP project has faced significant delays, which have only come to light during the development of the system. Despite the delay in the finance and operations elements, the product lifecycle management ("PLM") went live in May 2022 and is proving to be a significant improvement over our legacy systems. When the full system is complete both manufacturers and franchisees will be able to link to the PLM through bespoke portals to place, manage and progress orders. The full ERP system is currently expected to go live around the end of this financial year and the provider is on a fixed price contract, so this cost will not significantly increase due to the delay. We have also managed to realise some of the IT costs savings early as highlighted above and there are further annual IT costs savings of approximately £1 million once the full ERP is live.

BALANCE SHEET

The balance sheet strengthened in the current year, closing the year at a net asset of £1.5 million compared with a net liability of £43.0 million for the prior year. The balance sheet benefited from a swing in the defined benefit pension scheme to an asset position of £12.4 million at year end (2021: £25.6 million liability). The move in the defined benefit scheme from a liability to an asset position was driven mainly by an increase in the discount rate placing a lower value on the liabilities. The increase in the discount rate reflects the increase in corporate bond yields during the period.

Net current assets

Current assets of £19.6 million (2021: £32.8 million) decreased by £13.2 million, principally due to lower inventory and trade receivable balances which were partially offset by an increase in cash.

Current liabilities of £14.1 million (2021: £31.2 million) decreased by £17.1 million, principally as a result of decreases in trade and other payables and provisions. In part due to those franchise partners now being invoiced directly by manufacturing partners so we do not record the stock, payable and resultant receivable on these transactions.

Net current assets increased to £5.5 million in the current year, up from £1.6 million in the prior year, driven by the improvement in operating performance year on year and lower payables year on year.

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

	26 March 2022 £ million	27 March 2021 £ million
Intangible fixed assets	**3.6**	1.1
Property, plant and equipment	**1.2**	1.7
Retirement benefit obligations asset/(liability)	**12.4**	(25.6)
Net borrowings (excluding IFRS 16 lease liabilities)	**(9.9)**	(12.1)
Derivative financial instruments	**0.2**	0.8
Other net liabilities	**(6.0)**	(8.9)
Net assets / (liabilities)	**1.5**	(43.0)
Share capital and premium	**198.1**	198.1
Reserves	**(196.6)**	(241.1)
Total equity	**1.5**	(43.0)

Pensions

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

The defined benefit scheme had a temporary surplus at the end of the year of £12.4 million (2021: £25.6 million deficit). The swing of £38 million to a surplus position was mainly due to the assumptions used to place a value on the scheme liabilities. The liabilities are valued using a discount rate that is based on corporate bond yields with an increase in yields placing a lower value on the liabilities. Over the year, changes in the financial market conditions resulted in the discount rate increasing by 85 basis points and long-term inflation expectations increasing by 35 basis points. The combination of these resulted in a reduction in the liabilities by £36 million with the increase in inflation partially offsetting the increase in the discount rate. An allowance was also made for the potential impact of the COVID-19 pandemic on future improvements which resulted in a fall in life expectancies, reducing liabilities by £6 million. The returns on the scheme assets were however lower than expected resulting in an asset experience loss of £7 million and the company contributions over the year exceeded the income statement charge by £3 million.

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

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

£ million	52 weeks ending 26 March 2023*	52 weeks ended 26 March 2022	52 weeks ended 27 March 2021
Income statement			
Running costs	(1.7)	(1.7)	(3.4)
Net (expense) / income for interest on liabilities / return on assets	0.4	(0.5)	0.2
Net charge	(1.3)	(2.2)	(3.2)
Cash funding			
Regular contributions	(1.0)	(1.0)	(1.3)
Deficit contributions	–	(4.3)	(3.2)
Total cash funding	(1.0)	(5.3)	(4.5)
Balance sheet**			
Fair value of schemes' assets	n/a	395.8	403.4
Present value of defined benefit obligations	n/a	(383.4)	(429.0)
Net (liability)/surplus	n/a	12.4	(25.6)

* 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 2023 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:

	2022	2021	2021 Sensitivity	2021 Sensitivity £ million
Discount rate	2.8%	2.0%	+/– 0.1%	–6.3 /+6.4
Inflation – RPI	3.5%	3.1%	+/– 0.1%	+5.1 /–5.6
Inflation – CPI	2.9%	2.4%	+/– 0.1%	+1.9 /–1.9

The Group has a deferred tax liability of £0.4 million (2021: £nil). 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

The Group's borrowings (including lease liabilities) of £20.2 million (2021: £20.4) has remained fairly consistent year on year. Net debt and financial liabilities (Note 27) stood at £11.0 million at year end (2021: 14.7 million). The decrease resulting from warrant options of £1.2 million which expired during the year.

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

Leases

Right-of-Use assets of £0.9 million (2021: £1.2 million) and lease liabilities of £1.1 million (2020: £1.4 million) represented the Group's head office leases.

Working capital

The Group only purchases stock directly needed to fulfil franchise partner orders and is gradually moving all franchise partners to direct shipments thereby reducing our stock holdings at year end. Stock held in our UK distribution centres also reduced significantly prior to the closure of the facility in early FY23. The year end stock decreased by £3.8m from £5.9 million in 2021 to £2.1 million at the year end. £1.7 million of the decrease relates to stock in transit with £2.1 million being a reduction in the stocks held at our distribution centres.

Trade receivables fell by £8.2 million to £3.4million (2021: £11.6 million) driven by strong credit control measures and the direct invoicing referred to above. Trade creditors decreased to £4.7 million (2021: £11.8 million) due to similar reasons.

INCOME STATEMENT

	52 weeks to 26 March 2022 £million	52 weeks to 27 March 2021 £million
Revenue	**82.5**	85.8
Adjusted EBITDA (EBITDA before exceptionals)	**12.0**	2.2
Depreciation and amortisation (note 7)	**(0.9)**	(2.0)
Adjusted result before interest and taxation	**11.1**	0.2
Adjusted net finance costs	**(3.1)**	(8.7)
Adjusted result before taxation	**8.0**	(8.5)
Adjusted costs	**3.1**	(12.9)
Loss before taxation	**11.1**	(21.4)
Taxation	**1.0**	(0.1)
Total profit/(loss)	**12.1**	(21.5)
EPS – basic	**1.6p**	(5.7)p
Adjusted EPS – basic	**2.1p**	(2.3)p

Foreign exchange

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

	52 weeks ended 26 March 2022	52 weeks ended 27 March 2021
Average:		
Euro	**1.2**	1.1
Russian rouble	**106.1**	96.9
Chinese renminbi	**8.8**	8.8
Kuwaiti dinar	**0.4**	0.4
Saudi riyal	**5.1**	4.9
Emirati dirham	**5.0**	4.8
Indonesian rupiah	**19,644**	18,954
Indian rupee	**101.8**	96.9
Closing:		
Euro	**1.2**	1.1
Russian rouble	**144.6**	102.9
Chinese renminbi	**8.4**	9.0
Kuwaiti dinar	**0.4**	0.4
Saudi riyal	**4.9**	5.2
Emirati dirham	**4.8**	5.1
Indonesian rupiah	**18,924**	19,965
Indian rupee	**100.1**	100.5

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 £16.4 million (2021: £26.1 million) and £0.9 million (2021: £1.4 million) respectively as shown below:

	Worldwide sales £ million	Adjusted Profit/(loss) £ million
Euro	–	–
Russian rouble	(4.5)	(0.3)
Chinese Renminbi	–	–
Kuwaiti dinar	(0.8)	(0.1)
Saudi riyal	(2.4)	(0.2)
Emirati dirham	(1.3)	(0.1)
Indonesian rupiah	(0.5)	–
Indian rupee	(0.5)	–
Other currencies	(6.4)	(0.2)
	(16.4)	(0.9)

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.

Finance costs decreased by £17.1 million year on year explained by the conversion of shareholder loans to equity in the prior year. Interest on borrowings was £2.5 million in the current year (2021: £6.2 million) The prior year cost included convertible shareholders loans which were converted into equity in March 2021. Fair value movements on shareholder loan embedded derivatives of £9.1million in prior year was nil in the current year due to the loan being converted into equity in March 2021. Fair value costs on warrants issued to shareholders of £1.2 million in prior year was a gain of £1.2million in the current year as the options expired unexercised in March 2022.

The net interest income/costs on the defined benefit asset and liability was a cost of £0.5 million in the current year, a swing from the income of £0.2 million in 2021.

Discontinued operations

There were no discontinued operations presented for the current financial 52 week period ended 26 March 2022.

The total statutory profit after tax for the Group is £12.1 million (2021: £21.5 million loss).

Taxation

The tax credit comprises corporation taxes incurred and a deferred tax credit. The total tax credit from operations was £1.0 million (2021: £0.1 million charge) – (see note 9).

Earnings per share

Basic adjusted earnings per share were 2.1 pence (2021: 2.3 pence losses). Statutory earnings per share were 1.6 pence (2021: 5.7 pence losses).

CASHFLOW

Statutory net cash flow from operating activities was an inflow of £8.1 million compared with an outflow of £2.6 million in the prior year; this was driven by the increase in operating profit and prudent management of working capital. Working capital benefited from a large decrease in receivables relative to 2021 partially offset by the decrease in payables.

Cash outflow from investing activities of £2.9 million (2021: £0.4 million), was mainly driven by our investment in our new Enterprise Resource Plan system which is planned to be put into operation in FY24.

Cash outflow from financing activities was £3.0 million (2021: £3.8 million net inflow). The inflow in the prior year was driven by the cash receipt of £7.3 million on the Group's new four-year term loan.

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. When considering the going concern assumption, the Directors of the Group have reviewed a number of factors, including the Group's trading results and its continued access to sufficient borrowing facilities against the Group's latest forecasts and projections, comprising:

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

In making the assessment on going concern the Directors have assumed that it is able to mitigate the material uncertainty in relation to levels of recovery in retail sales post COVID-19 coupled with the heightened global economic uncertainty. The impact of these issues on the future prospects of the Group is not fully quantifiable at the reporting date, as the complexity and scale of these issues at a global level is outside of what any business could accurately reflect in a financial forecast. However, we have attempted to capture the impact on both our supply chain and key franchise partners based on what is currently known. We have modelled a substantial reduction in global retail sales as a result of subdued, consumer confidence or disposable income, throughout the remainder of FY23 with recovery in FY24.

The Sensitised scenario assumes the following additional key assumption:

- A delayed recovery that assumes that retail sales remain subdued throughout the majority of the forecast period as a result of consumer confidence returning more slowly post COVID-19, coupled with the potential impact on customers' disposable income due to the current heightened global economic uncertainty.

The Board's confidence in the Group's Base Case forecast, which indicates the Group will operate within the terms of its revised borrowing facilities which now includes more appropriate covenants following the cessation of the Russian operation 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.

Treasury policy and financial risk management

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

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

Foreign currency risk

All International sales to franchisees are invoiced in Pounds sterling or US dollars. The Group therefore has some currency exposure on these sales, but they are used to offset or hedge in part the Group's US dollar denominated product purchases. Under the tripartite agreements, there has been an increased level of currency matching between purchases and sales, improving the Group's ability to hedge naturally.

Interest rate risk

The principal interest rate risk of the Group arises in respect of the drawdown of the £19.5 million term loan. These borrowings were at a fixed rate of 12% plus SONIA in the current year, from FY23 to FY25 interest would be charged at 13% per annum plus SONIA, with SONIA not less than 1%, plus a 1% per annum compounded payment to be made when the loan is repaid, these expose the Group to future cash flow risk. The interest exposure is monitored by management 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.

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.

Shareholders' funds

Shareholders' funds amount to a surplus of £1.5 million, an improvement from the deficit of £43.0 million achieved in the comparative period. This was principally driven by temporary net actuarial gains of £31.9 million on the Group's defined benefit pension scheme and profits for the year of £12.1 million.

The directors' statement in respect of section 172 of the Companies Act 2006 can be found within the Governance section on page 26.

This strategic report was approved by the Board on 13 September 2022 and signed on its behalf by:

Andrew Cook
Chief Financial Officer

Non-financial information

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

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

Environmental, Social and Governance (ESG)

The 'E' in ESG

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

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

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

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

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

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

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

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

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

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

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

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

Climate change

Mothercare Greenhouse Gas Emissions 2021/22

	2021 Performance	2022 Performance
Total CO2e emissions (tonnes)	393	28
CO2e emissions (per £m Group revenue)	4.7	0.3
Total Energy Consumption (m kWh)	1.85	0.12

Methodology: Emissions fall within the activities for which we have operational control. There are no material exclusions from this data. We have used the GHG Protocol Corporate Accounting and Reporting Standard as the method to quantify and report greenhouse gas emissions. They have been reported in line with the UK Government's 'Environmental Reporting Guidelines: including streamlined energy and carbon reporting guidance' (dated March 2019). We have applied emission factors from the UK Government's annually updated Conversion Factors tables and overseas factors from the International Energy Agency's annually updated factors for China and India.

In 2022 our overall CO2e emissions reduced, in absolute terms, by 93% versus 2021, as a direct consequence of completing our move to a smaller head office in FY21, and fully relinquishing control of operations at distribution centres. No energy efficiency actions were implemented in the year reported, however, now we have completed our office relocations, FY22 emissions represents our new baseline from which to track future emissions reduction activity.

The 'S' in Social

Building a culture of wellbeing at work.

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

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

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

MGB participates in the Cycle to Work scheme

The 'G' in Governance

Mothercare adopted the QCA Code on its move to AIM and more information can be found in the Corporate Governance report at page 40.

Directors' biographies
Board of directors

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

Other Directorships: Mr Whiley is Chairman of China Venture Capital Management Limited, First China Venture Capital Limited, Y-LEE Limited, Senior Independent Director of Griffin Mining Limited and Sportech PLC. 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, Skadoosh Limited and Portswigger Limited.

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

10. Jo Nicholls

—

Position: Director of Merchandising
Appointment: November 2021
Skills, competencies, experience: Formerly Senior Director of Merchandising of George Clothing. Jo has over 30 years of merchandising with both retail and online experience and has extensive knowledge of the clothing sector. She has implemented large scale change programmes in planning, merchandise processes and the introduction of new systems.

Corporate governance report

The Board believes that establishing and maintaining high standards of corporate governance are critical to the successful delivery of the Group's strategy and to safeguard the interests of its shareholders, franchise partners, manufacturing partners, staff and other stakeholders. It considers that The Quoted Companies Alliance Corporate Governance Code (the QCA Code) is appropriate for its size and complexity. We set out how we have complied with the QCA Code at page 41.

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 26 March 2022 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	5 additional including sub-committee	4 formal	1 formal	4 formal
Director					
Clive Whiley	10/10	5/5		1/1	
Andrew Cook	10/10	5/5			
Gillian Kent	10/10	1/1	4/4	1/1	4/4
Mark Newton-Jones	10/10	0/1			
Brian Small	10/10	1/1	4/4	1/1	4/4

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.

During the year under review improvements were made to both the content and timeliness of routine board papers. A further evaluation will be undertaken once the in-coming CEO is onboarded.

The search for a CEO was reignited during the year. An announcement will be made when the recruitment process is concluded.

In the interim, the day-to-day management of the Group continues to be 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 promotion of Harriet Poppleton to Commercial Director and the appointment of a Merchandise Director to the Operating Board.

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 approximately 700 dedicated Mothercare stores in some 36 countries around the world. In addition there are over 400 stores in which the Mothercare brand is sold. Since 2020 we have been working with MGB's franchise partners on an asset-light model in which manufacturing partners invoice and are paid directly by franchise partners for products. Moving forward this new operating model, together with changes in associated cost structures, would result in a reduction in future overheads and supports improving cash generation for the business.
2	Seek to understand and meet shareholder needs and expectations	The Company maintains a very close dialogue with its major investors, communicating directly with them several times a year. The Company maintains an investor relations inbox that all shareholders are invited to use and, specifically to ask questions that they might ordinarily ask at general meetings of the company.
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	See section 172 statement on page 26 The main stakeholders in the business include its people, franchise partners, manufacturing partners, lenders 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 24 to 25
	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 40 to 43
6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	See our governance statement on pages 40to 43
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	See our governance statement on pages 40 to 43
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, www.mothercareplc.com

	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 2022: Board: corporate governance page 40 and Directors' report page 56 Audit and Risk Committee: page 43 Nomination Committee – page 43 Remuneration Committee – page 44 Shareholder notices of meetings and voting at general meetings is available on the regulatory information service at www.mothercareplc.com. There have been no significant votes cast against since 2018 Copies of previous annual reports are available on the same URL

Governance and Committees

The Board is assisted by three main committees that meet and report on a regular basis. At the year end the members of the committees were as set out below. A record of the meetings held during the year of the Board and its principal committees and the attendance by each director is set out on page 40.

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

Audit and Risk Committee

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

The Committee meets regularly during the year with attendance noted at page 40 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 judgment.

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

In addition to the scheduled meetings, the Committee met to consider the tender of the external audit services culminating in the appointment of Jeffreys Henry Audit Ltd who filled a casual vacancy and whose appointment the Board is recommending an 'in favour' vote at the forthcoming AGM.

Non audit services

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

Nomination Committee

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

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

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

Remuneration Committee – see page 44

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 FY2022.

The report contains the following parts:

- This annual statement.
- The Annual Report on Remuneration, which provides details of the amounts earned in respect of FY2022.
- The future Directors' Remuneration Policy, intended to take effect from the close of the 2022 AGM.

As an AIM company, Mothercare is no longer subject to the remuneration reporting regulations of UK Main Market companies, and therefore provides these remuneration disclosures on a voluntary basis. The Directors' Remuneration Report is subject to an advisory vote at the 2022 AGM. The Committee believes the advisory vote provides a greater degree of accountability and provides our shareholders with a 'say on executive pay'.

New 2023 Remuneration Policy

Our current Directors' Remuneration Policy was approved by shareholders at a general meeting held on Friday 29 March 2019 and is now more than three years old. The Committee has taken the opportunity to review the executive remuneration framework to ensure that it is supportive of the Company's long-term growth ambitions and is competitively positioned to attract, retain and incentivise the talent and experience we require. In undertaking the review, the Committee kept in mind the following reward principles:

- Remuneration arrangements should be simple and transparent to executives and shareholders.
- The incentive framework should provide opportunity for executives to be well rewarded for exceptional performance, whilst ensuring that the incentive framework does not encourage executives and senior management to operate outside of the Company's risk appetite.
- A significant element of the total remuneration package should be delivered through the long-term incentive plan, to support long-term stewardship and encourage long-term share ownership amongst the executives and senior management.

The Committee also considered shareholder expectations and market practice for AIM companies.

Following consultation with major shareholders, the following key changes have been agreed by the Committee.

Incentive framework

Mothercare currently operates an annual bonus and performance-based LTIP as its incentive model for executives; the Committee considers that this approach supports the delivery of the Company's growth strategy and the creation of shareholder value. The Committee therefore considers it appropriate to continue with a broadly similar approach.

Mothercare has transformed its business over the last couple of years and has remained resilient, despite the impact of Covid-19 and the war in Ukraine. This is testament to the leadership and commitment of the executive and senior management team, as well as the contribution from the wider workforce. The growth potential of the Company remains strong, reflecting the robust foundations created for the business over recent years. We remain focused on accelerating growth in both existing and new markets. To achieve these growth ambitions, and deliver the operational performance that creates the desired returns, the business will need to continue to retain and incentivise the existing leadership team and attract new talent. We are currently actively searching for a CEO candidate.

In this context, and taking into account the reward principles set out above, the following changes are proposed to the performance-based LTIP:

- Increase the normal maximum opportunity from 100% of salary to up to 150% of salary with effect from FY2023. This increases the weighting of the overall incentive opportunity towards long-term value creation. It also ensures that the Committee has sufficient flexibility to provide a market competitive remuneration package required to recruit a CEO of the required calibre.
- The maximum number of shares that may be granted in respect of FY2023, FY2024 and FY2025 will be calculated based on the share price at the time of grant of the FY2023 awards. Granting awards based on a fixed number of shares further aligns executive and senior management participants with shareholders and the Company's growth ambitions, rewarding share price appreciation whilst depreciation is penalised.
- A cap of 200% of the FY2023 award face value at grant and a collar of 50% of the FY2023 award face value at grant will be introduced to mitigate against exceptional movements in the share price having a disproportionate impact on the overall incentive opportunity.

No further changes are proposed to the incentive framework.

Post-employment shareholding guidelines

Mothercare operates within-employment and post-employment shareholding guidelines for the Executive Directors; post-employment shareholding guidelines were adopted in 2019 as a result of changes to the UK Corporate Governance Code.

The Committee strongly believes that within-employment shareholding guidelines align Executive Directors with shareholders and the guidelines will therefore continue to apply. Executive Directors are expected to build up and maintain a shareholding equal to 200% of salary.

However, noting that the Company has now adopted the QCA Code, formal post-employment shareholding guidelines for the Executive Directors will not apply under the new Policy, which is much more reflective of AIM market practice. Executive Directors will however be expected to sell shares in an orderly manner post-employment.

The full 2023 Remuneration Policy is found on page 50.

Review of the 2022 financial year

FY2022 proved to be another challenging year for Mothercare with our markets still being significantly impacted by Covid-19 and the war in Ukraine leading to the suspension and subsequent closure of our franchise partner's retail business in Russia.

While our markets are still not yet back to a steady state, the team at Mothercare navigated through these challenges and franchisee retail sales in FY2022 increased by 7% over FY2021 and EBITDA before adjusting items was ahead of market expectations at £12m.

Remuneration decisions in respect to FY2022

Salary/fees

No salary increase was awarded to the CFO in line with the wider workforce. The Chairman's fee remained unchanged while the NED fees were re-instated to their prior 2018 levels of £50,000 p.a. on 1 July 2021.

Annual bonus outcomes

The Committee approved a bonus payable at 100% of maximum to the CFO, as a result of the Group exceeding the maximum adjusted EBITDA target of £11m (50% of bonus) and the CFO delivering exceptional performance in achieving his strategic financial (20% of bonus) and non-financial targets (30% of bonus) set at the beginning of the year. See page 47 for further details.

Long term incentives

On 29 March 2019 Andrew Cook, the CFO, was granted a performance-based LTIP over 709,601 shares which was subject to three year relative TSR performance targets and 30 pence absolute TSR underpin. The award was granted in respect of his previous role of Business Development Director. The award lapsed in full as the TSR performance targets and underpin were not achieved.

On 29 March 2019 Clive Whiley was granted a restricted share award over 774,110 shares in respect of his previous role of Executive Chairman. The award vested on 29 March 2022 and the underlying shares are subject to a two-year holding period.

Implementation of remuneration policy for FY2023

Salary/Fees

The CFO waived an inflationary salary increase and therefore there has been no change in his salary for FY23.

There was no change in NED fees and the Chairman's fee was reduced from £130,000 p.a. to £120,000 on 1 April 2022 in line with planned changes to manage board costs.

Annual bonus plan

The CFO will be granted a maximum bonus opportunity equal to 100% of salary in line with the Remuneration Policy. The bonus will be subject to profit performance and financial and non-financial strategic objectives. Details of the performance metrics and targets and performance against such targets will be disclosed in next year's Directors' Remuneration Report.

Long term incentives

It is proposed that the CFO will be granted a performance-based LTIP with a maximum opportunity equal to 125% of salary. The award will be subject to absolute TSR performance (50% of award) and EBITDA performance (50% of award) measured over a three-year period. Any shares that vest will be subject to a two-year post-vesting holding period. Details of the performance targets will be disclosed in next year's Directors' Remuneration Report.

Conclusion

We are committed to a responsible and transparent approach in respect of executive pay. We continue to welcome any feedback from shareholders and hope to receive your support at the 2022 AGM.

Gillian Kent

Chair of the Remuneration Committee

13 September 2022

Annual report on Remuneration

Single total figure of remuneration (audited)

The table below shows the single total figure remuneration for Directors in FY2022 with comparative figures for FY2021.

	Salary and fees		Benefits		Pension		Annual bonus		Long Term Incentives		Total	
Director	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Executive												
Andrew Cook	259	259	10.5	12	15	15	259	129.5	0	0	543.5	415.5
Mark Newton-Jones[2]	0	155	—	4	—	20	—	0	0	0	—	179
Non Executive												
Clive Whiley	130	130	—	—	—	—	—	—	91[3]	0	221	130
Gillian Kent[1]	55.5	47.5	—	—	—	—	—	—	—	—	55.5	47.5
Mark Newton-Jones[2]	48	27	—	—	—	—	—	—			48	27
Brian Small[1]	55.5	47.5		—	—	—	—	—	—	—	55.5	47.5

1 The NED fees were reinstated to their previous level of £50,000 p.a. with effect from 1 July 2021. The additional fees for chairing the Audit and Risk Committee and Remuneration Committee remained the same.

2 Mark Newton-Jones comparative figure for 2021 was in relation to his appointment as an executive director to 23 July 2020 and a NED with effect from 24 July 2020.

3 Represents the value of the restricted share award at vesting which was granted to Clive Whiley in respect of his previous role of Executive Chairman. See page 48 for further details.

Executive Director base salary (auditable)

Base salary and fees

	2022 £000	2021 £000	% increase
Andrew Cook	259	259	0

Non-executive director fees (auditable)

	2022 £000	2021 £000	% increase
Chairman	130	130	0
Non-executive director	50[1]	40	25
Chair of audit and risk committee	7.5	7.5	0
Chair of remuneration committee	7.5	7.5	0

1 With effect from 1 July 2021 and to reinstate the fees to the 2018 levels when the non-executive directors voluntarily took a reduction in fees given the financial crisis the Group faced at the time.

Annual bonus plan (audited)

The CFO was granted an annual bonus with a maximum opportunity equal to 100% of salary. The table below sets out the bonus earned by the CFO and how this reflects performance against targets.

	Proportion of bonus determined by measure	Performance targets	Actual performance	Amount earned (% salary)
Adjusted EBITDA	50%	Target of £11m required for maximum vesting	£12m in adjusted EBITDA	50%
Financially based strategic measures	20%			20%
Non-financial strategic measures	30%		See table below	30%
Total	100%			100%

Measure	Detail	Assessment
Strategic Financial Objectives	20%	
	1. Maintain lender relationship to allow a focus upon refinancing the debt facility in FY23 onwards. 2. Maintain the financing profile to encourage 2021 warrant conversion. 3. Maintain 2021 YOY reduction in the Company's working capital position	1. Achieved 2. Financing Profile maintained although warrants conversion did not complete as share price had fallen below the warrant price. 3. Achieved
Strategic Non-Financial Objectives	30%	
	1. Complete the finalisation of the key franchise and manufacturing partner financing agreements, on most favourable commercial terms practicable. 2. Maintain appropriate pension stakeholder support (through Trustees, tPR, PPF). 3. Oversee project management of ERP through to going live in 2022	1. Successful finalisation of agreements with partners. 2. Achieved with regular, constructive dialogue maintained to keep stakeholders informed. 3. Secured a fixed price contract for the ERP with the first part PLM live and close management with implementation partners.

The Committee considered the bonus outcome to be appropriate taking into account underlying financial performance during FY2022, the significant contributions of the CFO and the factors set out in the Chair's statement on page 44.

Any bonus payable in excess of 75% is ordinarily deferred into shares which vest after three years. However, for the FY2022 bonus, the Committee has applied discretion to pay the full value of the award in cash given Mothercare's recent share price volatility and its current share price being depressed. The award will be paid in tranches during FY2023.

Long term incentive plans (audited)

On 29 March 2019 Andrew Cook, the CFO was granted a performance-based LTIP over 709,601 shares which was subject to three year relative TSR performance targets and 30 pence absolute share price underpin. The award was granted in respect of his previous role of Business Development Director. The award lapsed in full as the TSR performance targets and share price underpin were not achieved.

On 29 March 2019 Clive Whiley was granted a restricted share award over 774,110 shares in respect of his role of Executive Chairman. The award vested on 29 March 2022 and the underlying shares are subject to a two-year holding period.

Number of shares vesting	Vesting date	Value of shares at vesting (based on the mid-market closing share price on the vesting date)	Holding period
774,110	29 March 2022	£91,345	Two years following vesting

There was no LTIP awarded to the CFO during FY2022.

Payments to past Directors and payments for Loss of Office

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

Statement of directors' shareholding and share interests (audited)

The interests of the Directors and their connected persons in the Company's ordinary shares as at 27 March 2021 and 26 March 2022 are set out below. As at September 2022, the Company has not advised of any changes to the interests of the Directors and their connected persons.

Director	Shareholding requirement (% salary)	Current shareholding (% salary)[1]	Shares held at 26 March 2022	Shares held at 27 March 2021
Executive Directors				
Andrew Cook	200%	47%	862,375	862,375
Non-Executive Directors				
Clive Whiley	n/a	n/a	1,225,890	1,225,890
Gillian Kent	n/a	n/a	—	—
Brian Small	n/a	n/a	—	—
Mark Newton-Jones	n/a	n/a	2,796,710	2,796,710

1 Current shareholding as a % of salary was calculated by reference to the average mid-market quoted share price over the 30 days to the balance sheet date (14.09 pence).

Share interests

Director	Award	Date of award	Number of awards at 27.03.21	Awards granted	Awards vested	Awards lapsed	Number of awards at 26.03.22	Exercise price	Date at which award vests
Clive Whiley[1]	Chairman's restricted share award	29.03.2019	774,110	—	—	—	774,110	Nil	29.03.2022
Andrew Cook[2]	SAYE	23.12.2020	180,000	—	—	—	180,000	10p	01.03.2024
	LTIP2019	29.03.2019	709,601	—	—	—	709,601	Nil	29.03.2022
	LTIP 2020	28.09.2020	2,590,000	—	—	—	2,590,000	Nil	28.09.2023
Mark Newton-Jones[2,3]	LTIP 2019	29.03.2019	752,486	—	—	—	752,486	Nil	29.03.2022

1 The Chairman's restricted share award vested in full on 29 March 2022.

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

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

Advisers

During the year, the Committee received independent advice from PwC and Deloitte. Both are founder members of the Remuneration Consultants Group and voluntarily operate under its code of conduct in dealings with the Committee.

Statement of voting at General Meeting

The FY2021 Directors' Remuneration Report was approved at the Annual General Meeting held on 9 September 2021. The table below sets out the voting outcome.

Resolution	Votes For	% of Votes For	Votes Against	% of Votes Against	Votes Withheld*
To approve the Directors' remuneration report (2021)	260,708,127	99.93	187,854	0.07	10,076

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

Executive Directors' Policy Table

The table below summarises each element of the Policy for the executive directors, explaining how each element operates and how each part links to the corporate strategy.

Base salary

Purpose and link to strategy	Provides the basis on which to recruit and retain executive directors of appropriate calibre.
Operation	Salaries are normally reviewed annually by the Committee taking into account a number of factors, including (but not limited to): • an executive director's experience, expertise and/or performance; • competitive salary levels; • pay and conditions elsewhere in the Group; and • affordability and general market conditions.
Maximum opportunity	Any annual salary increases will typically be in line with any salary increases awarded to the workforce. Increases beyond those granted to the workforce may be awarded at the Committee's discretion, such as (but not limited to): • where an executive director has been promoted or has had a change in scope or responsibility; • where an executive director's salary set at initial appointment was below the expected level; • where there has been a change in market practice; or • where there has been a change in the size and/or complexity of the business.
Performance measures	Individual and Company performance is taken into account when determining whether any salary increases are appropriate.

Pension

Purpose and link to strategy	To provide an appropriate level of retirement benefit to executive directors.
Operation	The executive directors are eligible to participate in the Company's defined contribution registered pension scheme. In appropriate circumstances, such as where contributions exceed the annual or lifetime allowance, the Company may instead pay a cash supplement, or a combination of a cash supplement and pension contributions.
Maximum opportunity	Executive directors receive a pension contribution in line with pension contributions available to the majority of the workforce (currently 6% of salary).
Performance measures	None

Benefits

Purpose and link to strategy	To offer competitive and cost-effective benefits to complement the salary in line with those commonly offered by other similar companies.
Operation	Benefits offered include private medical insurance family cover, a car or cash allowance, life assurance and permanent health insurance. Relocation and related benefits may be offered where an executive director is required to relocate in line with Company policy. Relocation and related benefits may be subject to repayment either in full or part if an executive resigns within two years of relocating.
Maximum opportunity	The aim is to provide market competitive benefits and their value may vary from year to year depending on the cost to the Company from third party providers.
Performance measures	None

Annual Bonus

Purpose and link to strategy	To incentivise and reward performance against targets that are linked to the Company's strategy.
Operation	Awards are based on performance (typically measured over a financial year) against key financial and non-financial strategic targets. Any bonus earned up to 75% of salary is payable in cash with the remainder deferred into shares for three years. Dividend equivalents may accrue on deferred shares. Such amounts will normally be paid in shares. Malus and clawback provisions set out below will apply.
Maximum opportunity	The maximum bonus opportunity for executive directors is 100% of salary.
Performance measures	Performance measures and their weighting are determined annually by the Committee reflecting the Company's strategy. At least 70% of the bonus is assessed against key financial measures and the balance may be based on non-financial strategic measures. The Committee may exercise its discretion to amend the level of any bonus award if it considers that the level of payment is inconsistent with the underlying performance of the Company or the experience of stakeholders over the performance period.

LTIP

Purpose and link to strategy	To incentivise and reward profitable growth and the delivery of sustainable long-term shareholder returns.
Operation	Award of performance shares (usually in the form of nil-cost options), which vest after three years subject to performance measures and continued employment. Vested awards will be subject to a two-year holding period. Dividend equivalents may accrue on shares that vest. Such amounts will normally be paid in shares. Malus and clawback provisions set out below will apply.
Maximum opportunity	For executive directors in office at the date of the approval of this Directors' Remuneration Report, the maximum award: • in respect of FY23 will be up to 150% of salary (the "FY23 Award"), converted into a number of shares by reference to the market value of a share at the time of grant (the "FY23 Price"); • in respect of future financial years, will be up to 150% of salary, converted into a number of shares by reference to the FY23 Price. Provided that the grant in respect of any future year may not exceed 200% of the FY23 Award or be less than 50% of the FY23 Award, when calculated by reference to the market value of a share at the time the relevant award is granted. For any executive director appointed after the date of the approval of this Directors' Remuneration Report, the maximum award in respect of any financial year will be up to 300% of salary, calculated by reference to the market value of a share at the time the relevant award is granted.
Performance measures	Performance measures and their weighting are determined annually by the Committee reflecting the Company's strategy. The Committee may exercise its discretion to amend the vesting outcome if it considers that the vesting level is inconsistent with the underlying performance of the Company or the experience of stakeholders over the performance period.

SAYE Plan

Purpose and link to strategy	To promote share ownership and provide alignment with shareholders' interests.
Operation	All employees including executive directors are eligible to participate in the HMRC tax-qualifying Save as you Earn (SAYE) plan (and/or such other HMRC tax-qualifying all-employee share plans as the Company may adopt in the future).
Maximum opportunity	All eligible employees can save up to the HMRC limits applying over a three year savings period.
Performance measures	None

Directors Remuneration Policy ("Policy")

Share ownership policy	
Purpose and link to strategy	To further align the long term interests of executive directors with those of shareholders.
Operation	Executive directors are expected to build up and maintain a shareholding in the Company equivalent in value to 200% of salary. 100% of vested LTIP awards (after sale of shares to cover tax liabilities) must be retained until the guideline is met. Executive directors are not subject to formal post-employment shareholding guidelines. However, executive directors will be expected to sell shares in an orderly manner post-employment.

Incentive plan discretions

The Committee will operate the annual bonus plan and LTIP in accordance with their respective rules and the above Policy table. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following:

- The ability to adjust or set different performance measures or targets if events occur (such as a change in strategy, a material acquisition and/or divestment or a change in market conditions) which cause the Committee to determine that the performance measures and/or targets are no longer appropriate and the amendment is required so that they achieve their original purpose and are not materially less difficult to satisfy;
- The ability to adjust share awards if events occur (such as rights issues, corporate restructuring, a change of control or special dividends).

Any use of discretion would, where relevant, be explained in the Directors' Remuneration Report and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Malus and clawback

Malus and clawback provisions apply to the annual bonus, deferred bonus awards and LTIP as follows:

	Malus	Clawback
Annual bonus	To such time as payment is made	Up to three years following payment
Deferred bonus awards	To such time as the award vests	No clawback provisions apply (as malus provisions apply for three years from the date of award)
LTIP	To such time as the award vests	To the end of the holding period

The events in which malus and clawback may apply are as follows:

- material misstatement of financial statements;
- action or conduct of the executive director amounts to a material failure in risk management, employee misbehaviour, fraud or gross misconduct;
- an error in the calculation of the number of shares subject to an award or calculation of performance outcomes;
- the executive director has wholly or partly caused the corporate failure of the Company; or
- the executive director has wholly or partly caused reputational damage to the Company or censure of the Company by a regulatory authority.

Existing arrangements

The Committee reserves the right to settle the vesting of existing arrangements, which includes LTIP awards granted to the CFO on 28 September 2020.

Chairman and Non-Executive Directors' Policy

Fees and benefits	
Purpose and link to strategy	To attract and retain non-executive directors of appropriate calibre and experience.
Operation	Fees are normally reviewed annually. The Chairman's fee is determined by the Committee (without the Chairman present). The non-executive directors' fees are determined by a sub-committee of the Board comprising the Chairman and the executive directors. Fees may include a basic fee and additional fees for further responsibilities (e.g. chairing Board committees or holding the office of Senior Independent Director). The Chairman and non-executive directors cannot participate in any of the Company's incentive plans and are not eligible to join the Company's pension scheme. The Chairman and non-executive directors may be eligible to receive benefits such as travel costs, secretarial support or other benefits that may be appropriate.
Maximum opportunity	Any fee increases will typically be in line with any salary increases awarded to the wider workforce. Increases beyond those granted to the workforce may be awarded at the Committee's discretion, such as (but not limited to): • where there has been an increase in the Chairman's or non-executive director's time commitment to the role; • where there has been a change in market practice; or • where there has been a change in the size and/or complexity of the business. Overall fees paid to non-executive directors will remain within the limits set by the Company's Articles of Association.

Recruitment policy

The policy aims to facilitate the appointment of executive directors with the necessary background, skills and experience to ensure the continuing success of the Company.

The Committee will typically seek to align the remuneration package with the above Policy table. The Committee may include other elements of pay where the Committee believes there is a need to do so in the best interests of the Company and shareholders.

The Committee may make payments or awards in respect of hiring an executive director to "buyout" arrangements forfeited on leaving a previous employer. In doing so the Committee will take account of relevant factors including any performance measures attached to the forfeited arrangements and the time over which they would have vested. The Committee will generally seek to structure buyout awards or payments on a like-for-like basis to the remuneration arrangements forfeited.

Fees payable to a newly appointed Chairman or non-executive director will be in line with the fee policy in place at the time of appointment.

Service contracts

The CFO's service contract is on a rolling basis and may be terminated by the Company or the CFO upon six months' notice. The notice period for any new executive director will not exceed 12 months by either party.

Non-executive directors' letters of appointment are ordinarily for an initial three-year term followed by annual re-election at the Company's AGM and are subject to a one-month notice period by the Company or non-executive director.

Directors Remuneration Policy ("Policy")
continued

All the directors will offer themselves for election or re-election at the forthcoming Annual General Meeting.

	Date of initial appointment	Notice period
Executive Director		
Andrew Cook	January 2020	6 months
Chairman		
Clive Whiley[1]	April 2018	1 month
Non-executive directors		
Gillian Kent	March 2017	1 month
Mark Newton-Jones[2]	July 2014	1 month
Brian Small	December 2019	1 month

1 Clive Whiley served as Executive Chairman between April 2018 and March 2020 and was appointed as non-executive Chairman in March 2020.

2 Mark Newton-Jones served as Chief Executive between July 2014 and January 2020, as an executive director between January 2020 and July 2021 and was appointed as a non-executive director in July 2021.

Payments for loss of office

The principles on which the determination of payments for loss of office will be approached are set out below.

	Policy
Payment in lieu of notice	The Company has discretion to make a payment in lieu of notice. Such a payment would include salary and benefits for the unexpired period of notice. Any such payments will be subject to mitigation.
Annual bonus and deferred bonus awards	The extent to which any annual bonus will be paid or unvested deferred bonus award will vest will be determined in accordance with the rules of the STIP. Executive directors must normally be in employment on the payment date to receive an annual bonus. However, if an executive director leaves due to death, ill-health, injury, disability, redundancy, retirement, the sale of their employer or any other reason at the discretion of the Committee, they will be considered for a bonus payment. The level of payment will be determined by the Committee taking into account the extent to which performance targets are satisfied and, unless the Committee determines otherwise, the proportion of the performance period that had elapsed on the date that the executive director ceases employment. The Committee retains discretion to accelerate payment in exceptional circumstances (e.g. death). Other than summary dismissal, unvested deferred bonus awards will continue and vest at the normal vesting date. The Committee retains discretion to accelerate vesting in exceptional circumstances (e.g. death).
LTIP	The extent to which any unvested award will vest will be determined in accordance with the rules of the LTIP. Unvested awards will normally lapse on cessation of employment. However, if an executive director leaves due to death, ill-health, injury, disability, redundancy, retirement, the sale of their employer or any other reason at the discretion of the Committee, awards will continue and vest at the normal vesting date. The Committee retains discretion to accelerate vesting (and release) in exceptional circumstances (e.g. death). The level of vesting will be determined by the Committee taking into account the extent to which performance targets are satisfied and, unless the Committee determines otherwise, the proportion of the vesting period that had elapsed on the date that the executive director ceases employment. If an executive director leaves for any reason (other than summary dismissal) after an award has vested but before it has been released (i.e. during a 'holding period'), their vested award will continue and be released at the normal release date. The Committee retain discretion to accelerate the release of a vested award in exceptional circumstances (e.g. death).

Change of control	Annual bonus awards will be determined taking into account performance at the time of the event and, unless the Committee determines otherwise, the proportion of the performance period that had elapsed. Deferred bonus awards will vest in full at the time of the event, unless the Committee determines otherwise. Unvested LTIP awards will normally vest (and be released) at the time of the event. The level of vesting will be determined taking into account performance at the time of the event and, unless the Committee determines otherwise, the proportion of the vesting period that had elapsed.
Other payments	In appropriate circumstances, payments may also be made in respect of accrued holiday, outplacement and legal fees. Awards under the SAYE may vest and, where relevant, be exercised in the event of employment or a change of control in accordance with the rules of the SAYE Plan.

The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of an executive director's employment.

There is no entitlement to any compensation in the event of non-executive directors' fixed-term agreements not being renewed or the agreement terminating earlier.

Consideration of employment conditions elsewhere in the Company

The Policy for the executive directors is designed with regard to the policy for employees across the Group as a whole.

Mothercare operates in a number of different territories and has employees who carry out diverse roles across a number of countries. All employees, including senior managers, are paid by reference to the local market rate and base salary levels are reviewed regularly.

When considering salary increases for executive directors, the Company will be sensitive to pay and employment conditions across the wider workforce. The Committee is kept updated through the year on general employment conditions, budgets for any basic salary increase, the level of bonus pools and pay-outs, and participation in share plans. Therefore the Committee is aware of how total remuneration of the executive directors compares to the total remuneration of the general population of employees and the Committee will continue to monitor the progress of retail pay versus that of senior management.

Common approaches to remuneration policy which apply across the Group include:

- a consistent approach to 'pay for performance' is applied throughout the Group, with annual bonus schemes being offered to all employees;
- offering pension and life assurance benefits for all employees, ensuring that salary increases for each category of employee are considered taking into account the overall rate of increase across the Group, as well as Company and individual performance; and
- encouraging broad-based share ownership through the use of all-employee share plans.

Consideration of shareholders views

The Committee engages pro-actively with the Company's major shareholders. For example, when any material changes are made to the Policy, the Committee Chair will consult with major shareholders in advance. The Committee has consulted with the major shareholders in respect of this Policy.

APPROVAL

This report was approved by the board of directors on 13 September 2022 and signed on its behalf by Gillian Kent, Chair of the Remuneration Committee.

Directors' report

The directors present their report on the affairs of the group, together with the financial statements and auditors' report for the 52-week period ended 26 March 2022. The corporate governance statement set out on pages 40 to 43 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 36 countries through its network of franchise partners.

An overview of future developments can be found in 'Growth' on page 8.

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 26 March 2022:

Name	Appointment
Clive Whiley	Non-executive chairman and chair of the nomination committee
Andrew Cook	Executive director
Gillian Kent	Non-executive director and chair of the remuneration committee
Mark Newton-Jones	Non-executive director
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 FY2022 are as set out in more detail in the section 172 statement on page 25.

Dividend

The directors are not recommending the payment of a final dividend for the year and no interim dividend was paid during the year (2021: nil). Dividend policy is set out on page 7 of the Chairman's statement.

Capital structure

As at 31 August 2022, 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 26 March 2022 are set out in note 24 to the financial statements. No shares were held in Treasury.

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

Substantial shareholdings

As at 31 August 2022, the Company had been advised by, or was aware of, the following interests above 3% in the Company's ordinary share capital:

	% of issued share capital
Richard Griffiths and controlled undertakings	33.22
Lombard Odier Asset Management (Europe) Limited	26.09
M&G Plc	12.08
D C Thomson & Company Limited	9.39

Treasury policy and financial risk management

Treasury policy, financial risk management and foreign currency, interest rate and credit risk are set out on page 33 of the financial review.

Charitable giving

During the financial year the group donated approximately 100 old computers and monitors to a charity that helps to relieve poverty by offering a free complete recycling of computers and electrical equipment that is reused, recycled or resold back into the community. Money made from this activity is donated back into the local community to fund future projects, events and fundraising, all to help relieve poverty.

A sample sale was held supported by a local branch of Home Start.

Donations totalling £10,351 in the year under review were made to Bliss.

Mothercare has decided to support charitable causes in a different way and no longer requires its own charitable foundation to do so. To that end the trustees agreed that the registered charity company be put into members' voluntary liquidation following the distribution of remaining funds. This took place during the year under review.

Energy and Carbon

The ESG section at page 36 within the Strategic Report contains the group's SECR reporting on energy consumption and carbon emissions.

Political donations

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

Auditors

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

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

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

Auditor

There was a change of auditor during the year with Jeffreys Henry Audit Ltd filling a casual vacancy. A resolution to appoint them will be proposed at the forthcoming annual general meeting.

Annual general meeting (AGM)

The AGM will be held on 13 October 2022.

By order of the board

Lynne Medini
Group Company Secretary

13 September 2022

Directors’ responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards and Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework” and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Group and parent company financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs (and in respect of the parent company financial statements, FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether International Accounting Standards in conformity with the requirements of the Companies Act 2006 / applicable UK Accounting Standards, including FRS 101, 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 appropriate to presume that the Company and/or the Group will not 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 and Article 4 of IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors 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.

Responsibility statement

We confirm that to the best of our knowledge:

- that the consolidated financial statements, prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group; and
- the parent company financial statements which have been prepared in accordance with United Kingdom Accounting Standards comprising FRS 101 ‘Reduced Disclosure Framework’ and applicable law, give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company: and
- the Strategic Report and Directors’ Report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This responsibility statement was approved by the board of directors on 13 September 2022 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

We have audited the consolidated financial statements of Mothercare PLC and its subsidiaries (the "Group"), for the year ended 26 March 2022, which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies and the financial reporting framework that has been applied in the preparation of the company and group financial statements and applicable law

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 26 March 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates the ongoing impact of Covid-19, current economic conditions, and entity's exposure to the current European conflict, which may affect the future prospects and trading activities of the group.

The Group forecasts include additional funding requirements upon which the Group is dependent. The directors are satisfied that these funding requirements will be met. The cause of this is largely to do with the ongoing impact of Covid-19 within the main operational regions, entity's exposure to the current European conflict and current economic conditions. These events or conditions, along with other matters as set out in note 2 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The existence of a material uncertainty related to going concern is one of the most significant risks of material misstatement due to the uncertainty of the future impact of Covid-19 outbreak on the entity's trading activities and its exposure to the current European conflict. This requires significant judgment when developing future plans in respect of the cash flow forecast and in determining the compliance with loan covenants.

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

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

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

- Liaising with management and discussing their going concern assessment, including their view and perspective associated with firm's ability to continue as a going concern
- Reviewing and assessing the reliability of the forecast to ensure its accuracy and performing arithmetical checks
- Reviewing the past forecast with the actual results to determine if prior year's estimates were adequately considered and whether management's historical approach in terms of the key assumptions was appropriate
- Reviewing the forecast in line with the potential impact of Covid-19 and entity's exposure to the current European conflict that affected its trading activities

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

In line with our assessment and audit procedures performed, the group was not able to initialise any cash management programmes to support the working capital cycles, giving rise to material uncertainty related to going concern.

Key audit matters

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

As there is a material uncertainty for the going concern assumption, this key audit matter has not been included within this key audit matters section. This is in accordance with the guidance set out within ISA (UK) 705.

Key audit matter	How our audit addressed the key audit matter
Defined benefit pension scheme As part of our assessment, we identified the defined benefit pension scheme as one of the most significant risks where a material misstatement could exist. It was reported that the Group operates two schemes that relate to staff and executive members. The valuation of scheme is comprehensive and requires a high degree of judgment based on the actuarial assumptions over the prevailing future outlook at the point of valuation. Therefore, we considered that there are risks associated with the judgements related to key assumptions used in the valuation reporting of defined benefit scheme. The defined benefit scheme is assessed under International Accounting Standards (IAS) 19 'Employee Benefits'. Last year, the defined benefit scheme stated a net deficit of £25.6m. At the end of period ended 26 March 2022, the defined benefit scheme outlines a net surplus of £12.4m.	We liaised with management to assess the current schemes disclosed in the year and reviewed if an appropriate approach in line with IAS19 'Employee Benefits' had been taken and the related criteria required to ensure all the relevant aspects are met and disclosed; We obtained and reviewed the actuarial reports that were prepared by a management's specialist to ensure that these are compliant with IAS 19 and related criteria; We have used our own independent specialist to assess and provide an opinion in respect of the key assumptions and models that have been considered by the actuary in order to determine the present value of the defined benefit surplus reported at the end of the reporting period; We have enquired from management, where required, to document and obtain further insight in terms of the key assumptions disclosed by the actuary; We have reviewed the actuary reports in line with the figures, details and information disclosed in financial statements to ensure that there are no discrepancies.
Revenue recognition In line with ISA (UK) 240, there is a presumed fraud risk associated with revenue recognition. The recognition of revenue from contracts with customers requires a significant judgment from management. Therefore, this aspect may give rise to manipulation risk and inadequate approach in respect of the accounting treatment and disclosure of revenue in accordance to IFRS 15, Revenue from Contracts with Customers.	We have liaised with management and discussed the approach in respect of the revenue recognition for all income streams, including any related aspects associated with control procedures; We have assessed the managements' approach in respect of the application of accounting policy in accordance with the criteria stipulated by IFRS 15, Revenue from Contracts with Customers; We have obtained external confirmations from Company's partners in respect of both revenue streams, royalty and product sales; We have reviewed the external confirmations provided from Company's partners in line with the contractual agreements and any related aspects such as retail sales or royalty rates; where required, we performed recalculation when assessing the royalty revenue by franchise partner to adequate recognition and disclosure.

Our application of materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£596,000 (£546,000)	£399,400 (£355,000)
How we determined it	5% of net profit	1% of gross assets capped to 95% of group's materiality
Rationale for benchmark applied	We believe that profit before tax is a primary measure used by shareholders in assessing the performance of the Group whilst gross asset values and revenue are a representation of the size of the Group. All are generally accepted auditing benchmarks.	We believe that the gross assets is an appropriate measure used by shareholders in assessing the performance of the Company and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £58,000 and £427,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £19,600 as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

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

How we tailored the audit scope

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

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

We performed audits of the complete financial information of Mothercare Plc and Mothercare Global Brand Limited reporting units, which were individually financially significant and accounted for 100% of the Group's revenue and 100% of the Group's absolute profit before tax (i.e., the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). We also performed specified audit procedures over account balances and transaction classes that we regarded as material to the Group.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 58, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 3 of the Group financial statements were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions

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

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

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

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

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

Other matters which we are required to address

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

Use of our report

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

Sanjay Parmar
Senior Statutory Auditor

For and on behalf of:
Jeffreys Henry Audit Ltd (Statutory Auditors)
Finsgate
5-7 Cranwood Street
London EC1V 9EE

13 September 2022

Consolidated income statement

For the 52 weeks ended 26 March 2022

		52 weeks ended 26 March 2022			52 weeks ended 27 March 2021		
	Note	**Before adjusted items £ million**	**Adjusted items[1] £ million**	**Total £ million**	Before adjusted items £ million	Adjusted items[1] £ million	Total £ million
Revenue	4	**82.5**	–	**82.5**	85.8	–	85.8
Cost of sales		**(54.9)**	–	**(54.9)**	(63.3)	–	(63.3)
Gross profit		**27.6**	–	**27.6**	22.5	–	22.5
Administrative expenses	6	**(16.0)**	**1.9**	**(14.1)**	(23.3)	(2.6)	(25.9)
Other income		–	–	–	2.0	–	2.0
Impairment losses on receivables	18	**(0.5)**	–	**(0.5)**	(1.0)	–	(1.0)
Profit/(loss) from operations	7	**11.1**	**1.9**	**13.0**	0.2	(2.6)	(2.4)
Finance costs	8	**(3.1)**	**1.2**	**(1.9)**	(8.9)	(10.3)	(19.2)
Finance income	8	–	–	–	0.2	–	0.2
Profit /(loss) before taxation		**8.0**	**3.1**	**11.1**	(8.5)	(12.9)	(21.4)
Taxation	9	**1.0**	–	**1.0**	(0.1)	–	(0.1)
Profit/(loss) for the period		**9.0**	**3.1**	**12.1**	(8.6)	(12.9)	(21.5)
Profit/(loss) for the period attributable to equity holders of the parent		**9.0**	**3.1**	**12.1**	(8.6)	(12.9)	(21.5)
Profit/(loss) per share							
Basic	11			**1.6p**			(5.7)p
Diluted	11			**1.6p**			(5.7)p

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

Consolidated statement of comprehensive income

For the 52 weeks ended 26 March 2022

	Note	**52 weeks ended 26 March 2022 £ million**	52 weeks ended 27 March 2021 £ million
Profit / (loss) for the period		**12.1**	(21.5)
Items that will not be reclassified subsequently to the income statement:			
Remeasurement of net defined benefit liability:			
Actuarial gain / (loss) on defined benefit pension schemes	30	**35.0**	(56.7)
Deferred tax relating to items not reclassified	16	**(3.1)**	10.2
		31.9	(46.5)
Items that may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations	26	**–**	–
Deferred tax relating to items reclassified	16	**–**	–
		–	–
Other comprehensive income / (expense) for the period		**31.9**	(46.5)
Total comprehensive income / (expense) for the period wholly attributable to equity holders of the parent		**44.0**	(68.0)

Financials

Consolidated balance sheet

As at 26 March 2022

	Note	26 March 2022 £ million	27 March 2021 £ million
Non-current assets			
Intangible assets	13	**3.6**	1.1
Property, plant and equipment	14	**0.3**	0.5
Right-of-use leasehold assets	15	**0.9**	1.2
Retirement benefit obligations	30	**12.4**	–
		17.2	2.8
Current assets			
Inventories	17	**2.1**	5.9
Trade and other receivables	18	**8.1**	17.4
Derivative financial instruments	21	**0.2**	2.6
Cash and cash equivalents	19	**9.2**	6.9
		19.6	32.8
Total assets		**36.8**	35.6
Current liabilities			
Trade and other payables	22	**(12.1)**	(24.9)
Derivative financial instruments	21	**–**	(1.8)
Lease liabilities	15	**(0.3)**	(0.3)
Provisions	23	**(1.7)**	(4.2)
		(14.1)	(31.2)
Non-current liabilities			
Borrowings	20	**(19.1)**	(19.0)
Lease liabilities	15	**(0.8)**	(1.1)
Retirement benefit obligations	30	**–**	(25.6)
Provisions	23	**(0.9)**	(1.7)
Deferred tax liability	16	**(0.4)**	–
		(21.2)	(47.4)
Total liabilities		**(35.3)**	(78.6)
Net assets/(liabilities)		**1.5**	(43.0)
Equity attributable to equity holders of the parent			
Share capital	24	**89.3**	89.3
Share premium account	25	**108.8**	108.8
Own shares		**(1.0)**	(1.0)
Translation reserve	26	**(3.7)**	(3.7)
Retained loss		**(191.9)**	(236.4)
Total equity		**1.5**	(43.0)

Approved by the board and authorised for issue on 13 September 2022 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 26 March 2022

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

For the 52 weeks ended 27 March 2021

	Note	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Retained Earnings £ million	Total Equity £ million
Balance at 28 March 2020 as previously reported		**87.4**	**91.7**	**(1.0)**	**(3.7)**	**(172.1)**	**2.3**
Prior year adjustment – income statement		–	–	–	–	(1.3)	(1.3)
Prior year adjustment – other comprehensive income		–	–	–	–	(5.0)	(5.0)
Balance at 28 March 2020 as restated		**87.4**	**91.7**	**(1.0)**	**(3.7)**	**(178.4)**	**(4.0)**
Items that will not be reclassified subsequently to the income statement		–	–	–	–	(46.5)	(46.5)
Other comprehensive expense		–	–	–	–	(46.5)	(46.5)
Loss for the period		–	–	–	–	(21.5)	(21.5)
Total comprehensive (expense)/income		**–**	**–**	**–**	**–**	**(68.0)**	**(68.0)**
Conversion of shareholder loans	24,25	1.9	17.1	–	–	9.5	28.5
Adjustment to equity for equity-settled share-based payments	29	–	–	–	–	0.5	0.5
Balance at 27 March 2021		**89.3**	**108.8**	**(1.0)**	**(3.7)**	**(236.4)**	**(43.0)**

Consolidated cash flow statement
For the 52 weeks ended 26 March 2022

	Note	52 weeks ended 26 March 2022 £ million	52 weeks ended 27 March 2021 £ million
Net cash inflow / (outflow) from operating activities	27	**8.1**	(2.6)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(0.1)**	(0.2)
Purchase of intangibles – software		**(2.8)**	(0.2)
Cash used in investing activities		**(2.9)**	(0.4)
Cash flows from financing activities			
Interest paid		**(2.5)**	(1.4)
Lease interest paid		**(0.1)**	(0.6)
Repayments of leases		**(0.4)**	(1.5)
Drawdown of loan facility		**–**	7.3
Net cash inflow / (outflow) from financing activities		**(3.0)**	3.8
Net increase in cash and cash equivalents		**2.2**	0.8
Cash and cash equivalents at beginning of period		**6.9**	6.1
Effect of foreign exchange rate changes		**0.1**	–
Cash and cash equivalents at end of period	27	**9.2**	6.9

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 115. The nature of the Group's operations and its principal activities are set out in note 5 and in the business review on page 15.

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 26 March 2022. The comparative period covered the 52 weeks ended 27 March 2021.

Basis of accounting

The consolidated financial statements of Mothercare Plc as of 26 March 2022 and for the year then ended (the "consolidated financial statements") were prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 (the "Companies Act").

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Mothercare Plc transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 28 March 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. The consolidated financial statements of Mothercare Plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to those companies reporting under those standards.

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 27 March 2021.

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:

- Extension of the temporary exemption from applying IFRS 9
- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions
- IFRS 17, 'Insurance Contracts' – replacing IFRS 4
- Property, Plant and Equipment: Proceeds before intended use - amendments to IAS 16
- Reference to the Conceptual framework – amendments to IFRS 3
- Onerous contracts: Cost of fulfilling a contract – amendments to IAS 37

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:

- Annual Improvements to IFRS 2018-2020
- Classification of liabilities and current or non-current – amendments to IAS 1
- Disclosure of Accounting policies – amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

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.

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. When considering the going concern assumption, the Directors of the Group have reviewed a number of factors, including the Group's trading results and its continued access to sufficient borrowing facilities against the Group's latest forecasts and projections, comprising:

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

In making the assessment on going concern the Directors have assumed that it is able to mitigate the material uncertainty in relation to levels of recovery in retail sales post COVID-19 coupled with the heightened global economic uncertainty. The impact of these issues on the future prospects of the Group is not fully quantifiable at the reporting date, as the complexity and scale of these issues at a global level is outside of what any business could accurately reflect in a financial forecast. However, we have attempted to capture the impact on both our supply chain and key franchise partners based on what is currently known. We have

2 Significant accounting policies (continued)

modelled a substantial reduction in global retail sales as a result of subdued, consumer confidence or disposable income, throughout the remainder of FY23 with recovery in FY24.

The Sensitised scenario assumes the following additional key assumption:

- A delayed recovery that assumes that retail sales remain subdued throughout the majority of the forecast period as a result of consumer confidence returning more slowly post COVID-19, coupled with the potential impact on customers disposable income due to the current heightened global economic uncertainty.

The Board's confidence in the Group's Base Case forecast, which indicates the Group will operate within the terms of its revised borrowing facilities which now includes more appropriate covenants following the cessation of the Russian operation 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.

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 26 March 2022. Control is achieved when the Company:

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

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

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

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

Revenue recognition

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

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

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

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

Since mid-way through the prior 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.

Accrued income

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

Adjusted earnings

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

2 Significant accounting policies (continued)

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

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

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:

- costs associated with restructuring and redundancies;
- movement on embedded derivatives in the shareholder warrants;
- historic claims received against a subsidiary of Mothercare UK Limited (in administration);
- movement on the expected outcome related to the administration of Mothercare UK Limited (in administration).

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

Leasing

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

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

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

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

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate 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.

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.

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

2 Significant accounting policies (continued)

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.

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

2 Significant accounting policies (continued)

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.

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

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

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

Inventories

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

Financial guarantees

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

Lease guarantees

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

Financial instruments

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

Trade receivables

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

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

Financial asset

The Group holds a financial asset of £0.2 million (2021: £2.6 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's financial risk management policy prohibits the use of derivative financial instruments for speculative or trading

2 Significant accounting policies (continued)

purposes and the Group does not therefore hold or issue any such instruments for such purposes.

Embedded derivatives

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

Warrants

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

Provisions

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

Onerous contracts

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

Share-based payments

The Group 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 in prior year 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 by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the Group's performance.

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

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

Group worldwide sales:

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

Constant currency sales:

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

2 Significant accounting policies (continued)

reported results. Further details are disclosed within the Financial Review on pages 27 to 34.

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 26 March 2022:

- costs associated with restructuring and redundancies ;
- movement on embedded derivatives in the shareholder warrants;
- historic claims received against a subsidiary of Mothercare UK Limited (in administration);
- movement on the expected outcome related to the administration of Mothercare UK Limited (in administration).

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.

Adjusted items

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

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

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

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

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

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

3b Key sources of estimation uncertainty

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

Expected credit losses (ECL) on trade and other receivables

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

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

If the ECL rates on trade receivables had been 5% higher at 26 March 2022, the loss allowance on trade receivables would have been £0.5 million higher (2021: £0.5 million higher).

Allowances against the carrying value of inventory

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

A 20% change in the volume of inventories requiring clearance through the franchise network or any alternative mediums would impact the net realisable value by £0.2 million (2021: £0.8 million). A 5% change in the level of markdown applied to the selling price would impact the value of inventories by £0.1 million (2021: £0.2 million).

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

3a Critical accounting judgements (continued)

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

At 26 March 2022, the Group's pension surplus was £12.4 million (2021: £25.6 million deficit). Further details of the accounting policy on retirement benefits are provided in note 2.

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

Deferred taxation

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

Impairment of assets

The Group reviews the carrying value of assets on a periodic basis, and whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Such circumstances or events could include: a pattern of losses involving the asset; a decline in the market value for the asset; and an adverse change in the business or market in which the asset is involved. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any, and the impact of Brexit or COVID-19, if any. Estimates of future cash flows and the selection of appropriate discount rates relating to particular assets or groups of assets involve the exercise of a significant amount of judgment.

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

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

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

4. Revenue

	52 weeks ended 26 March 2022 £ million	52 weeks ended 27 March 2021 £ million
Sale of goods to franchise partners	**59.9**	68.1
Royalties income	**22.6**	17.7
Total revenue	**82.5**	85.8

5. Segmental information

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

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

Revenues are attributed to countries on the basis of the customer's location. The largest International customer represents approximately 24% (2021: 23%) of Group sales.

Turnover by destination	52 weeks ended 26 March 2022 £ million	52 weeks ended 27 March 2021 £ million
Europe	**42.0**	46.2
Middle East	**14.4**	20.1
Asia	**26.1**	19.5
Total revenue	**82.5**	85.8

6. Adjusted items

The total adjusted items reported for the 52-week period ended 26 March 2022 is a net gain of £3.1 million (2021: £12.9 million cost). The adjustments made to reported profit before tax to arrive at adjusted profit are:

	52 weeks ended 26 March 2022 £ million	52 weeks ended 27 March 2021 £ million
Adjusted items:		
Property related income / (costs) included in administrative expenses	**0.5**	(0.5)
Restructuring and reorganisation income / (costs) included in administrative expenses	**1.4**	(2.1)
Restructuring income / (costs) included in finance costs	**1.2**	(10.3)
Adjusted items before tax *	**3.1**	(12.9)

* Tax on adjusted items was at 19% (2021: 19%).

Property related income / (costs) included in administrative expenses – £0.5 million (2021: £(0.5) million)

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

The prior year charge included:

- £(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.

Restructuring and reorganisation income / (costs) included in administrative expenses – £1.4 million (2021: £(2.1) million)

The current year income includes:

- £1.6 million credits arising in relation to the profit on disposal of Mothercare UK Limited business which went into administration. Of this £0.8 million relates to the true-up of the financial asset arising on the revolving capital facility, which was valued at the end of financial year 2021 based on the information available at the time, whilst assuming the worst-case outcome. The remaining £0.8 million relates to recovery of holding and handling costs incurred in liquidating stock owned by Mothercare UK Limited, these costs were expensed in previous years as there was no certainty of recovery of these.
- £(0.2) million provision to settle a legal claim received against a subsidiary.

The prior year charge included:

- £(1.3) million of legal and professional costs for the Group and also the pension funds in relation to the refinancing which took place and resulted in the raise of a loan for £19.5 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. Of this, £0.8 million relates to the true-up of the financial asset arising on the revolving capital facility, which was valued at the end of financial year 2020 based on the information available at the time, whilst assuming the worst-case outcome; and the remaining £0.6 million were 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 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.

Restructuring income/(costs) included in finance costs – £1.2 million (2021: £(10.3) million)

The £1.2 million income relates to 15.0 million 12 pence warrants issued in prior year. The warrant options issued to the shareholders expired in March 2022 without the shareholders exercising the warrants. The prior year charge related to increases in the fair value of embedded derivatives relating to shareholder loans due to the uncertainty in the UK market. The shareholder loans converted to equity in March 2021 and were fair valued immediately prior to their transfer to share capital and share premium.

6. Adjusted items (continued)

Cashflows arising on adjusted items

	Cash flows from operating activities		Cash flows from investing activities	
	52 weeks ended 26 March 2022 £ million	52 weeks ended 27 March 2021 £ million	**52 weeks ended 26 March 2022 £ million**	52 weeks ended 27 March 2021 £ million
Property related costs	**–**	(0.7)	**–**	–
Restructuring and reorganisation costs in administrative expenses	**1.6**	(2.3)	**–**	–
Restructuring costs in financing costs	**–**	–	**–**	–
Total	**1.6**	(3.0)	**–**	–

7. Profit/(loss) from operations

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

	52 weeks ended 26 March 2022 £ million	52 weeks ended 27 March 2021 £ million
Net total foreign exchange loss	**(0.5)**	(1.4)
Cost of inventories recognised as an expense	**(50.4)**	(57.0)
Wright-up (write-down) of inventories to net realisable value	**3.2**	(0.3)
Depreciation of property, plant and equipment	**(0.3)**	(0.3)
Amortisation of right-of-use assets	**(0.3)**	(1.5)
Amortisation of intangible assets – software	**(0.3)**	(0.2)
Gain on disposal of property, plant and equipment	**–**	0.1
Rental income from investment properties	**–**	2.0
Rental expense of properties (see note 28)	**(0.6)**	(2.1)
Loss allowance on trade receivables (see note 18)	**(0.5)**	(1.0)
Warehouse, freight and duty costs	**(2.8)**	(3.7)
IT contracts and maintenance	**(4.0)**	(4.7)
Staff costs (including directors*):		
Wages and salaries (including cash bonuses, excluding share-based payment charges)	**(8.1)**	(10.1)
Social security costs	**(0.9)**	(1.1)
Pension costs (including administrative expenses and PPF levy of defined benefit scheme)	**(2.2)**	(3.9)
Share-based payments charge (see note 29)	**(0.6)**	(0.5)

* Directors include executive and non-executive directors.

Financials

7. Profit/(loss) from operations (continued)

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

	52 weeks ended 26 March 2022 Number	52 weeks ended 27 March 2021 Number
Number of employees comprising:		
UK stores	**–**	247
Head Office	**157**	179
Overseas	**7**	10
	164	436

* Directors include executive and non-executive directors.

Details of Directors' emoluments, share options and beneficial interests are provided within the remuneration report on pages 44 to 55.

The analysis of auditor's remuneration is as follows:

	52 weeks ended 26 March 2022 £ million	52 weeks ended 27 March 2021 £ million
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.0**	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	**0.1**	0.2
Total audit fees	**0.1**	0.3
Total non-audit fees	**–**	0.2

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

8. Net finance costs

	52 weeks ended 26 March 2022 £ million	52 weeks ended 27 March 2021 £ million
Interest and bank fees on bank loans and overdrafts	**–**	1.8
Other interest payable	**2.5**	6.2
Net interest expense on liabilities/return on assets on pension	**0.5**	–
Interest on lease liabilities	**0.1**	0.9
Fair value movement on embedded derivatives	**–**	9.1
Fair value movement on warrants	**(1.2)**	1.2
Interest payable	**1.9**	19.2
Net interest income on liabilities/return on assets on pension	**–**	(0.2)
Net finance costs/(income)	**1.9**	19.0

9. Taxation

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

	52 weeks ended 26 March 2022 £ million	52 weeks ended 27 March 2021 £ million
Current tax:		
Current year	**1.7**	0.9
Adjustment in respect of prior periods	**–**	(0.6)
	1.7	0.3
Deferred tax: (see note 16)		
Origination and reversal of temporary differences	**(2.7)**	–
Adjustment in respect of prior periods	**–**	(0.2)
(Credit)/charge for taxation on profit/(loss) for the period	**(1.0)**	0.1

UK corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the period. The increase in the corporation tax rate from 19% to 25% was substantively enacted by the balance sheet date and will be effective from 1 April 2023. As a result, the relevant deferred tax balances have been remeasured. Deferred tax balances are expected to unwind after 1 April 2023. The impact of the change in tax rate has been recognised in tax expense in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss.

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

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

	52 weeks ended 26 March 2022 £ million	52 weeks ended 27 March 2021 £ million
Profit/(loss) for the period before taxation	**11.1**	(21.4)
Profit/(loss) for the period before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	**2.1**	(4.1)
Effects of:		
Expenses not deductible for tax purposes	**1.2**	0.1
Impact of difference in current and deferred tax rates	**0.1**	–
Income not taxable	**(1.0)**	
Impact of overseas tax rates	**0.6**	0.9
Impact of overseas taxes expensed	**–**	(0.7)
Deferred tax recognized in other comprehensive income	**(3.1)**	–
Adjustment in respect of prior periods – current tax	**–**	(0.6)
Adjustment in respect of prior periods – deferred tax	**–**	(0.2)
Deferred tax not recognised/written off	**(0.9)**	4.7
(Credit)/charge for taxation on profit/(loss) for the period	**(1.0)**	0.1

In addition to the amount charged to the income statement, deferred tax relating to retirement benefit obligations amounting to £3.1 million has been charged directly to other comprehensive income (2021: (£10.2) million).

10. Dividends

There was no final dividend for the period (2021: £nil) and no interim dividend was paid during the period (2021: £nil).

11. Earnings / (losses) per share

	52 weeks ended 26 March 2022 million	52 weeks ended 27 March 2021 million
Weighted average number of shares in issue	**563.8**	379.0
Dilutive potential ordinary shares	**10.1**	–
Diluted weighted average number of shares	**573.9**	379.0
Number of shares at period end	**563.8**	563.8

	£ million	£ million
Profit/(loss) for basic and diluted earnings per share	**12.1**	(21.5)
Adjusted items (note 6)	**(3.1)**	12.9
Tax effect of above items	–	–
Adjusted profit / (loss)	**9.0**	(8.6)

	Pence	Pence
Basic earnings / (losses) per share	**1.6**	(5.7)
Basic adjusted earnings / (losses) per share	**2.1**	(2.3)
Diluted earnings / (losses) per share	**1.6**	(5.7)
Diluted adjusted earnings / (losses) per share	**2.1**	(2.3)

Analysis of shares by class	26 March 2022 million	27 March 2021 million
Ordinary shares at period end date	**563.8**	563.8
SAYE options	**3.7**	2.6
Value creation plan	–	0.4
LTIP options	**11.3**	10.7
Warrants	–	15.0
Total	**578.8**	592.5

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.

12. Subsidiaries and joint ventures

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

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

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

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

Registered office address;

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

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

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

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

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

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

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

(8) Haldenstrasse 5, 6340 Baar, Switzerland

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

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

Financials

13. Intangible assets

	Intangible assets		
	Software £ million	Software under development £ million	Total Intangibles £ million
Cost			
As at 28 March 2020	1.4	–	1.4
Additions	0.1	0.6	0.7
As at 27 March 2021	1.5	0.6	2.1
Additions	–	2.8	2.8
As at 26 March 2022	**1.5**	**3.4**	**4.9**
Amortisation and impairment			
As at 28 March 2020	0.8	–	0.8
Amortisation	0.2	–	0.2
As at 27 March 2021	1.0	–	1.0
Amortisation	0.3	–	0.3
As at 26 March 2022	**1.3**	**–**	**1.3**
Net book value			
As at 28 March 2020	0.6	–	0.6
As at 27 March 2021	0.5	0.6	1.1
As at 26 March 2022	**0.2**	**3.4**	**3.6**

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

Software

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

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

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

The relevant CGUs have been identified as the whole Group for any other software as these are used across the entire business. The key assumptions for the value in use calculations are those regarding the discount rate. Management has used a pre-tax discount rate of 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 (2021: £nil million) already booked.

Software additions include £nil (2021: £0.1 million) of internally generated intangible assets.

At 26 March 2022, the Group had entered into contractual commitments for the acquisition of software amounting to £nil million (2021: £0.1 million).

14. Property, plant and equipment

	Fixtures, fittings, equipment £ million
Cost	
As at 28 March 2020	2.4
Additions	0.1
As at 27 March 2021	2.5
Additions	0.1
As at 26 March 2022	**2.6**
Accumulated depreciation and impairment	
As at 28 March 2020	1.7
Charge for period	0.3
As at 27 March 2021	2.0
Charge for period	0.3
As at 26 March 2022	**2.3**
Net book value	
As at 28 March 2020	0.7
As at 27 March 2021	0.5
As at 26 March 2022	**0.3**

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

15. Leases

Right-of-use Assets

	Investment property Land and buildings £ million	Property, Plant and Equipment Land and buildings £ million	Property, Plant and Equipment IT equipment £ million	Total £ million
At 28 March 2020	7.8	–	0.1	7.9
Additions	–	1.5	–	1.5
Disposals	(6.6)	–	(0.1)	(6.7)
Amortisation	(1.2)	(0.3)	–	(1.5)
Balance at 27 March 2021	–	1.2	–	1.2
Additions				
Amortisation	–	(0.3)	–	(0.3)
Balance at 26 March 2022	**–**	**0.9**	**–**	**0.9**

An impairment review of investment property was completed and based on the net present value of the expected cashflows, an impairment charge of £nil million (2021: £nil 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 28 March 2020	(8.3)	(0.1)	(8.4)
Additions	(1.5)	–	(1.5)
Disposals	7.2	0.1	7.3
Interest expense	(0.9)	–	(0.9)
Lease payments	2.1	–	2.1
Balance at 27 March 2021	(1.4)	–	(1.4)
Additions	–	–	–
Interest expense	(0.1)	–	(0.1)
Lease payments	0.4	–	0.4
Balance at 26 March 2022	**(1.1)**	**–**	**(1.1)**

16. Deferred tax assets and liabilities

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

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

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:

	26 March 2022 £ million	27 March 2021 £ million
Deferred tax assets	**2.9**	–
Deferred tax liabilities	**(3.3)**	–
	(0.4)	–

At 26 March 2022, the Group has unused capital losses of £229.3 million (2021: £439.4 million) available for offset against future capital gains. No asset has been recognised in respect of the capital losses as it is not considered probable that there will be future taxable capital gains. The capital losses may be carried forward indefinitely.

The Group has taken a prudent approach given the uncertainty around future profitability of the relevant statutory entities and as at the balance sheet date deferred tax assets of £Nil (2021: £0.1 million) on accelerated depreciation, and £2.4 million (2021: £0.1 million) on short-term timing differences have not been recognised. The Group also has unrelieved tax losses of £43.9 million (2021: £67.9 million) available for offset against future profits at the balance sheet date. No deferred tax asset has been recognised for such losses.

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

At the reporting date, deferred tax liabilities of £0.1 million (2021: £0.1 million) relating to withholding taxes have not been provided for in respect of the aggregate amount of unremitted earnings of £2.6 million (2021: £33.5 million) in respect of subsidiaries. No liability has been recognised because the Group, being in a position to control the timing of the distribution of intra group dividends, has no intention to distribute intra group dividends in the foreseeable future that would trigger withholding tax. There are no unremitted earnings in connection with interests in joint ventures.

17. Inventories

	26 March 2022 £ million	27 March 2021 £ million
Gross value	**3.1**	10.1
Allowance against carrying value of inventories	**(1.0)**	(4.2)
Finished goods and goods for resale	**2.1**	5.9

Finished goods and goods for resale comprises the following:

	26 March 2022 £ million	27 March 2021 £ million
Finished goods and goods for resale – at a distribution centre	**1.9**	3.4
Finished goods and goods for resale – in transit	**0.2**	2.5
Finished goods and goods for resale	**2.1**	5.9

The cost of inventories recognised as an expense during the year was £50.4 million (2021: £57 million). The amount of write down of inventories to net realisable value recognised within net income in the period is a credit of (£3.2) million (2021: £0.3 million charge for total operations). All inventories (2021: All) are expected to be recovered within the year.

18. Trade and other receivables

	26 March 2022 £ million	27 March 2021 £ million
Trade receivables gross	**9.9**	18.9
Expected credit losses (ECL) under IFRS 9	**(6.5)**	(7.3)
Trade receivables net	**3.4**	11.6
Prepayments	**1.8**	2.1
Accrued income	**1.6**	1.9
Other receivables	**0.8**	1.0
VAT	**0.5**	0.8
Trade and other receivables due within one year	**8.1**	17.4

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

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

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)
At 27 March 2021	6.7	2.5	1.4	0.2	0.3	0.5	11.6

18. 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 26 March 2022 £ million	52 weeks ended 27 March 2021 £ million
Balance at start of period	**(7.3)**	(8.5)
Amounts written off during the period as uncollectable	**1.4**	2.0
Amounts recovered in the period	**–**	0.1
Charged in the period	**(0.6)**	(0.9)
Balance at end of period	**(6.5)**	(7.3)

The Group's exposure to credit risk inherent in its trade receivables is discussed in note 21. The Group has no significant concentration of credit risk, except as disclosed above. The Group operates effective credit control procedures in order to minimise exposure to overdue debts. Before accepting any new trade customer, the Group obtains a credit check from an external agency to assess the credit quality of the potential customer and then sets credit limits on a customer by customer basis.

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

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

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

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

19. Cash and cash equivalents

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

20. Borrowings

The Group had outstanding borrowings at 26 March 2022 of £19.1 million (2021: £19.0 million).

In November 2020, the Group drew down on a four-year term loan of £19.5 million (£19.1 million net of prepaid facility fees) with Gordon Brothers. The loan is secured on the assets and shares of specific Group subsidiaries. Interest amounts payable on this facility are not materially sensitive to changes in LIBOR; the interest rate payable is 13% plus SONIA.

The Group also holds a financial asset of £0.2 million (2021: £2.6 million) reflecting the expected proceeds from the wind-down of the UK operations by the administrators of Mothercare UK Limited. The total expected repayment due is £0.2 million (2021: £2.6 million).

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.

20. Borrowings (continued)

Borrowing facilities

	26 March 2022 £ million	27 March 2021 £ million
Borrowings:		
Secured borrowings at amortised cost:		
Term loan	**19.5**	19.5
Prepaid facility fee	**(0.4)**	(0.5)
Total Borrowings	**19.1**	19.0
Amount due for settlement after one year	**19.5**	19.5

21. Financial risk management

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

Financial Instruments: Categories

	Fair value level	26 March 2022 £ million	27 March 2021 £ million
Financial assets			
Customer and other receivables at amortised cost*		**5.0**	13.5
Cash and short-term deposits		**9.2**	6.9
Financial assets	3	**0.2**	2.6
Total		**14.4**	23.0
Financial liabilities			
Derivatives not designated as hedging instruments	2	**–**	1.8
Trade and other payables at amortised cost**		**9.7**	21.8
Lease liabilities		**1.1**	1.4
Interest bearing loans and borrowings:			
Term loan		**19.5**	19.5
Total		**30.3**	44.5

* Prepayments of £1.8 million (2021: £2.1 million), the VAT receivable of £0.5 million (2021: £0.8 million) and other debtors of £0.8 million (2021: £1 million) do not meet the definition of a financial instrument.

** Other creditors (including payroll creditors and deferred income) of £2.4 million (2021: £3.1 million) do not meet the definition of a financial instrument.

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

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

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

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

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

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

21. Financial risk management (continued)

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

Derivatives not designated as hedging instruments (Level 2)

Warrants – £nil (2021: £1.2 million)

There were no outstanding warrants at the end of the year. The warrants issued in March 2021 were not traded on an active market, however the inputs used in the valuation were all observable inputs: volatility was calculated using the Group's share price trends; the risk free rate was based on government data; and the share price used was the stock exchange listing price as at the reporting date. The valuation of these inputs was 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 was 12 pence.

Financial guarantees – £nil (2021: £0.6 million)

In prior year the group held a financial guarantee over a leasehold property previously traded by Mothercare UK Ltd (in administration) which was not traded on an active market, however the inputs used in the valuation were all observable inputs – only amounts which had already fallen due by the year end date was 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 financil asset valuation has been calculated by using the worst case scenario, i.e. that the Group will receive a further £0.2 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 £2.6 million.

B. Terms, conditions and risk management policies

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

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

C. Foreign currency risk management

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

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

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

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.

21. Financial risk management (continued)

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, 22% (2021: 25%) were invoiced in foreign currency. The Group purchases product in foreign currencies, representing approximately 98% (2021: 98%) of purchases.

The Group did not hold any foreign currency forward exchange contracts at 26 March 2022; nor were they committed to any such contracts (2021: 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	
	26 March 2022 £ million	27 March 2021 £ million	**26 March 2022 £ million**	27 March 2021 £ million	**26 March 2022 £ million**	27 March 2021 £ million
US dollar	**(1.7)**	(7.3)	**0.7**	3.5	**0.9**	1.0
Euro	**–**	(0.1)	**–**	0.5	**0.1**	–
Indian rupee	**(0.4)**	(0.4)	**0.3**	0.6	**0.9**	0.8
Chinese renminbi	**–**	–	**–**	–	**–**	–
Bangladeshi taka	**–**	–	**–**	–	**0.1**	0.1
	(2.1)	(7.8)	**1.0**	4.6	**2.0**	1.9

Liabilities included in the table above are categorised as trade payables (2021: all trade payables).

Assets included in the table above are categorised as Trade debtors of £1.0 million (2021: £4.6 million) and cash of £2.0 million (2021: £1.9 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	
	26 March 2022 £ million	27 March 2021 £ million	**26 March 2022 £ million**	27 March 2021 £ million
US dollar impact	**0.0**	0.3	**–**	–

D. Credit risk

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

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

The average credit period on International gross trade receivables based on International revenue was 33 days (2021: 49 days).

21. Financial risk management (continued)

E. Liquidity risk

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

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

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

Financial liabilities	Less than 1 year £ million	1–2 years £ million	2–5 years £ million	Over 5 years £ million	Total £ million
Borrowings	–	–	19.5	–	19.5
Trade and other payables	21.8	–	–	–	21.8
Derivatives	1.8	–	–	–	1.8
Lease liabilities	0.3	0.4	0.7	–	1.4
At 27 March 2021	23.9	0.4	20.2	–	43.5

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 term loan. This facility is at a fixed rate plus SONIA, 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.

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.

21. Financial risk management (continued)

G. Market risk (continued)

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

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

22. Trade and other payables

	26 March 2022 £ million	27 March 2021 £ million
Current liabilities		
Trade payables	**4.7**	11.8
Payroll and other taxes including social security	**1.6**	1.8
Accruals	**5.0**	10.0
Deferred income	**0.8**	1.3
	12.1	24.9

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 48 days (2021: 56 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Deferred income is a contract liability; it relates to amounts received from franchise partners before the stock has passed into their control. The performance criteria which must be met is for the Group to provide the franchise partners control of the stock. Of the £0.8 million deferred income balance (2021: £1.3 million), all (2021: all) of it will be included in revenue within one year.

The directors consider that the carrying amount of trade payables approximates to their fair value. Included within accruals is an amount of £0.1 (2021: £1.0 million) in relation to contractual liabilities arising as part of the administration of Mothercare UK Limited. These represent management's best estimate of the amounts that are due to third parties.

23. Provisions

	26 March 2022 £ million	27 March 2021 £ million
Current liabilities		
Property provisions	**0.8**	2.3
Other provisions	**0.9**	1.9
Short-term provisions	**1.7**	4.2
Non-current liabilities		
Property provisions	**0.1**	0.2
Other provisions	**0.8**	1.5
Long-term provisions	**0.9**	1.7
Property provisions	**0.9**	2.5
Other provisions	**1.7**	3.4
Total provisions	**2.6**	5.9

23. Provisions (continued)

The movement on total provisions is as follows:

	Property provisions £ million	Other provisions £ million	Total provisions £ million
Balance at 27 March 2021	2.5	3.4	5.9
Utilised in period	(2.4)	(1.9)	(4.3)
Charged in period	0.8	0.2	1.0
Transferred from accruals	–	–	–
Transferred to financial instruments	–	–	–
Balance at 26 March 2022	**0.9**	**1.7**	**2.6**

Property provisions charged in the current year represent £0.8 million property rates liability relating to the Group's former Daventry warehouse. In the prior year property provisions comprised £1.1 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.

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

24. Share capital

	52 weeks ended 26 March 2022 Number of shares	52 weeks ended 27 March 2021 Number of shares	**52 weeks ended 26 March 2022 £ million**	52 weeks ended 27 March 2021 £ million
Issued and fully paid				
Ordinary shares of 1 pence each				
Balance at beginning of period	**563,836,626**	374,192,494	**5.6**	3.7
Conversion to equity of shareholder loans	–	189,644,132		1.9
Issue of shares in the period	–	–	–	–
Balance at the end of period	**563,836,626**	563,836,626	**5.6**	5.6
Deferred shares of 49 pence each				
Balance at beginning of period	**170,871,885**	170,871,885	**83.7**	83.7
Balance at end of period	**170,871,885**	170,871,885	**83.7**	83.7
Total share capital at end of period			**89.3**	89.3

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

The deferred shares do not carry any voting rights.

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

The own shares reserve of £1.0 million (2021: £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 (2021: 925,342) with a market value at 26 March 2022 of £0.1 million (2021: £0.1 million).

25. Share premium

	52 weeks ended 26 March 2022 £ million	52 weeks ended 27 March 2021 £ million
Balance at beginning of period	**108.8**	91.7
Premium arising on conversion of shareholder loans to equity	–	17.1
Balance at end of period	**108.8**	108.8

See note 25 above for further details.

26. Translation reserves

	52 weeks ended 26 March 2022 £ million	52 weeks ended 27 March 2021 £ million
Translation reserve		
Balance at beginning of period	**(3.7)**	(3.7)
Balance at end of period	**(3.7)**	(3.7)

27. Reconciliation of cash flow from operating activities

	52 weeks ended 26 March 2022 £ million	52 weeks ended 27 March 2021 £ million
Profit / (loss) from operations	**13.0**	(2.4)
Adjustments for:		
Depreciation of property, plant and equipment	**0.3**	0.3
Amortisation of right-of-use assets	**0.3**	1.5
Amortisation of intangible assets	**0.3**	0.2
Profit on sale of property, plant and equipment	**–**	(0.1)
(Loss) / gain on adjusted foreign currency movements	**(0.1)**	0.1
Equity-settled share-based payments	**0.5**	0.5
Movement in provisions	**(3.4)**	0.4
Net gain on financial derivative instruments	**(0.6)**	(0.8)
Payments to retirement benefit schemes	**(5.2)**	(4.5)
Charge to profit from operations in respect of retirement benefit schemes	**1.7**	3.4
Operating cash inflow / (outflow) before movement in working capital	**6.8**	(1.4)
Decrease in inventories	**3.8**	3.8
Decrease in receivables	**11.7**	0.9
Decrease in payables	**(12.9)**	(5.1)
Net cash inflow / (outflow) from operating activities	**9.4**	(1.8)
Income taxes paid	**(1.3)**	(0.8)
Net cash inflow / (outflow) from operating activities	**8.1**	(2.6)

Changes in liabilities arising from financing activities

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

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

Analysis of net debt and financial liabilities

	Note	27 March 2021 £ million	Cash flow £ million	Foreign exchange £ million	Other non–cash movements[1] £ million	**26 March 2022 £ million**
Term loan	20	(19.0)		–	(0.1)	**(19.1)**
Cash at bank	19/20	6.9	2.2	0.1	–	**9.2**
IFRS 16 lease liabilities		(1.4)	0.4	–	(0.1)	**(1.1)**
Net debt		(13.5)	2.6	0.1	(0.2)	**(11.0)**
Warrants		(1.2)	–	–	1.2	**–**
Net debt and financial liabilities		(14.7)	2.6	0.1	1.0	**(11.0)**

1. Non-cash movements comprise

- Term loan - unwinding of £0.1 million of the facility fee charged on the term loan.
- Non-cash movements on IFRS 16 lease liabilities represents the of interest accrued on lease liabilities.
- Non-cash movements on the warrants represents the expiration of the warrant options issued to shareholders which were not exercised at year end.

28. Lease liabilities

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

	Land and Buildings 26 March 2022 £ million	**Other 26 March 2022 £ million**	Land and Buildings 27 March 2021 £ million	Other 27 March 2021 £ million
Not later than one year	**0.4**	**–**	0.5	–
After one year but not more than five years	**0.9**	**–**	1.2	–
After five years	**–**	**–**	–	–
Total undiscounted cashflows	**1.3**	**–**	1.7	–

The Group's weighted average incremental borrowing rate for all leases is 11% (2021: 11%); as a practical expedient, a lessee may apply a single discount rate to a portfolio of leases with reasonably similar characteristics; leases have been grouped according to location, type and lease length. The practical expedient has been employed such that leases where the contractual term ends within twelve months of the date of initial application have been accounted for as short-term leases. The 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 is 11% (2021: 11%).

Operating lease commitments consisted of total future minimum lease payments of £nil (2021: £0.1 million) for leases which were not accounted for under IFRS 16 'Leases'.

29. Share-based payments

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

Share-based payments comprise a charge of £0.6 million (2021: £0.5 million (2021: £0.9 million) including national insurance. At 26 March 2022 there is a balance sheet liability of £0.4 million related to the expected national insurance charge when share-based payment schemes vest (2021: £0.4 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. Long Term Incentive Plans – LTIP 2021

Details of the share schemes that the Group operates are provided in the directors' remuneration report on pages 44 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 26 March 2022 Number of shares**	52 weeks ended 27 March 2021 Number of shares
Balance at beginning of period	13p	**2,614,618**	2,078,084
Granted during period	12p	**1,335,598**	1,551,240
Forfeited during period	19p	**(36,000)**	(91,075)
Exercised during period	–	**–**	–
Cancelled in the period	14p	**(144,000)**	(261,968)
Expired during period	23p	**(116,306)**	(661,663)
Balance at end of period	14p	**3,653,910**	2,614,618

The shares outstanding at 26 March 2022 had a weighted average remaining contractual life of 2.2 years and held a weighted average exercise price of 14p.

29. Share-based payments (continued)

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

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

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

B. Long Term Incentive Plans – LTIP 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

Grant date	March 2019 Nil cost options	March 2019 Conditional shares
Number of shares awarded	7,608,053	774,110
Share price at date of grant	22.5p	22.5p
Exercise price	Nil	Nil
Expected volatility	58.3%	58.3%
Risk-free rate	0.63%	0.63%
Expected dividend yield	Nil	Nil
Fair value of shares granted	13.1p	22.5p
Average time to expiry	3.0 years	3.0 years

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.

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

29. Share-based payments (continued)

D. Long Term Incentive Plans – LTIP 2021

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

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

30. Retirement benefit schemes

Defined contribution schemes

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

The cost charged to the income statement of £0.4 million (2021: £0.5 million) represents contributions due and paid to these schemes by the Group at rates specified in the rules of the plan.

Defined benefit schemes

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

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

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

The 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 £124.6 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.

30. Retirement benefit schemes (continued)

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

Risk	Description	Mitigation
Volatile asset returns	The Defined Benefit Obligation (DBO) is calculated using a discount rate set with reference to AA corporate bond yields; asset returns that differ from the discount rate will create an element of volatility in the solvency ratio. The Staff Scheme has a 24% strategic allocation to a diversified growth fund. The Executive Scheme had a 14% strategic allocation to a diversified growth fund at the start of the year, but this was reduced to nil at the end of the year (implementation took place post year end in April / May). Although these growth assets are expected to outperform corporate bonds in the long term, they can lead to volatility and mismatching risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate give the UK Pension Schemes' long-term objectives.	Over the year, the Company and Trustee strategic allocation to growth assets, bond and bond-like assets has changed. Staff Scheme – in August 2021, the remaining cash held at Insight from the equity de-risking in December 2019 was invested in the secured finance and LDI portfolios with Insight. Executive Scheme – in January 2022, a 10% strategic allocation to buy and maintain credit was introduced. Post year end, in April/May 2022, the Scheme was further de-risked by removing the diversified growth fund allocation (10%). The proceeds were used to increase the buy and maintain credit strategic allocation to 20%. As at the end of the year, the Staff Scheme had a strategic allocation to bond and bond-like assets of 76% (up from 68% last year) and the Executive Scheme had a strategic allocation to bond and bond-like assets of 100% (up from 86% last year) The target interest rate and inflation hedge ratios within the leveraged LDI portfolio were increased from last year. For the Staff Scheme, the targets are 65%. For the Executive Scheme, the target interest rate and inflation hedge ratios are 73% and 77% respectively (on the self-sufficiency basis, gilts + 0.4% p.a.). This is designed to reduce funding level volatility by investing in assets which more closely match the characteristics of the liabilities.
Changes in bond yields	A decrease in corporate bond yields will increase the present value placed on the DBO for accounting purposes, although this will be partially offset by an increase in the value of the UK Pension Fund's bond holdings.	The Staff and Executive Schemes have a proportion of their strategic allocation (39% and 29% respectively) in liability-driven investments, which provide a hedge against falling bond yields (falling yields which increase the DBO will also increase the value of the bond assets). Note that there are some differences in the credit quality of bonds held by the UK Pension Fund and the bonds analysed to decide the DBO discount rate, such that there remains some risk should yields on different quality bond/ swap assets diverge.
Inflation risk	A significant proportion of the DBO is indexed in line with price inflation (specifically inflation in the UK Retail Price Index and Consumer Price Index)and higher inflation will lead to higher liabilities (although, in most cases, this is capped at an annual increase of 5%).	The UK Pension Fund holds some inflation-linked assets which provide a hedge against higher-than-expected inflation increases on the DBO.
Life expectancy	The majority of the UK Pension Fund's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.	

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

Financials

30. Retirement benefit schemes (continued)

Asset-liability matching strategy

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

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

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

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

As at the end of the year, the Staff Scheme had a strategic allocation to bond and bond-like assets of 76% (up from 68% last year) and the Executive Scheme had a strategic allocation to bond and bond-like assets of 100% (up from 86% last year).

The target interest rate and inflation hedge ratios within the leveraged liability driven investment portfolio were increased from last year. For the Staff Scheme, the targets are 65% and for the Executive Scheme, the target interest rate and inflation hedge ratios are 73% and 77% respectively.

The IAS 19 valuation conducted for the period ended 26 March 2022 disclosed a net defined pension surplus of £12.4 million (2021: deficit of £25.6 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:

	26 March 2022	27 March 2021
Discount rate	**2.8%**	2.0%
Inflation rate – RPI	**3.45%**	3.1%
Inflation rate – CPI	**2.85%**	2.4%
Future pension increases	**3.1%**	3.1%
Male life expectancy at age 65	**21.2 years**	21.6 years
Male life expectancy at age 65 (currently aged 45)	**22.5 years**	22.9 years
Female life expectancy at age 65	**24.0 years**	24.2 years
Female life expectancy at age 65 (currently aged 45)	**25.4 years**	25.7 years

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

The mortality assumptions used are the SAPS tables published by the CMI allowing for future improvements in line with the CMI 2018 projections with a long term annual rate of improvement of 1.25 per cent. and a core smoothing factor of 7. Weighted averages across both schemes are shown above.

30. Retirement benefit schemes (continued)

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

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

Assumption	Change in assumption	Impact on scheme liabilities £ million
Discount rate	+/– 0.1%	–6.3 /+6.4
Rate of RPI inflation	+/– 0.1%	+5.1 /–5.6
Rate of CPI inflation	+/– 0.1%	+1.9 /–1.9
Life expectancy (age 65)	+ 1 year	+ 15.6
Discount rate	+/– 0.5%	–29.8 /+33.7
Rate of RPI inflation	+/– 0.5%	+24.0 /– 24.4

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 26 March 2022 £ million	52 weeks ended 27 March 2021 £ million
Running costs	**1.7**	3.4
Net interest on liabilities/return on assets	**0.5**	(0.2)
	2.2	3.2

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

The amount recognised in other comprehensive income for the period ended 26 March 2022 is an income of £35.0 million (2021: £56.8 million loss).

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

	26 March 2022 £ million	27 March 2021 £ million
Present value of defined benefit obligations	**(383.4)**	(429.0)
Fair value of schemes' assets	**395.8**	403.4
Asset/(Liability) recognised in balance sheet	**12.4**	(25.6)

30. Retirement benefit schemes (continued)

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

	52 weeks ended 26 March 2022 £ million	52 weeks ended 27 March 2021 £ million
At beginning of period	**(429.0)**	(371.4)
Interest expense	**(8.3)**	(7.3)
Actuarial gains / (losses) arising from changes in demographic assumptions	**5.6**	(5.1)
Actuarial gains/(losses) arising from changes in financial assumptions	**36.2**	(78.4)
Experience gains on liabilities	**–**	19.1
Benefits paid	**12.1**	14.1
At end of period	**(383.4)**	(429.0)

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

	52 weeks ended 26 March 2022 £ million	52 weeks ended 27 March 2021 £ million
At beginning of period	**403.4**	401.2
Interest income	**7.8**	7.5
Scheme administration expenses	**(1.7)**	(3.4)
(Losses) / gains on scheme assets excluding interest income	**(6.8)**	7.7
Company contributions	**5.2**	4.5
Benefits paid	**(12.1)**	(14.1)
At end of period	**395.8**	403.4

The major categories of scheme assets are as follows:

	26 March 2022 £ million	26 March 2022 £ million	27 March 2021 £ million	27 March 2021 £ million
	Quoted market price in active market	**No quoted market price in active market**	Quoted market price in active market	No quoted market price in active market
Corporate bonds	**180.8**	**–**	151.4	–
Index-linked government bonds	**29.3**	**–**	90.8	–
Government bonds	**89.0**	**–**	34.6	–
Diversified growth funds	**91.8**	**–**	93.1	–
Cash and cash equivalents	**4.9**	**–**	33.5	–
	395.8	**–**	403.4	–

The percentage split of the scheme assets between sterling and non-sterling are as follows as at 26 March 2022:

	Sterling	Non–sterling
Overseas equities	100%	–
Corporate bonds	100%	–
Secured Finance	100%	–
Liability driven investments	100%	–
Diversified growth funds	66%	34%
Cash and cash equivalents	100%	–

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

30. Retirement benefit schemes (continued)

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

Exec Scheme year ending March	Amount	Staff Scheme year ending March	Amount
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 26 March 2022 is approximately 20 years (2021: 20 years).

The defined benefit obligation at 26 March 2022 can be approximately attributed to the scheme members as follows:

- Active members: 0% (2021: 0%)
- Deferred members: 65% (2021: 61%)
- Pensioner members: 35% (2021: 39%)

All benefits are vested at 26 March 2022 (unchanged from 27 March 2021).

31. Contingent liability

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

The value of any potential cost to the Group is not possible to determine with any accuracy however management's best estimate of future outflows in relation to the above is considered to be less than £1.4 million in value (2021: £1.0 million), with the probability being low but not remote.

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

32. Related party transactions

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

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

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

52 weeks ended 27 March 2021	Sales of goods £ million	Purchases of goods £ million	Amounts owed by related parties £ million	Amounts owed to related parties £ million
Joint ventures	0.1	–	1.8	–

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

Financials

32. Related party transactions (continued)

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 (2021: £1.8 million) has been made for doubtful debts. During the year, no debt owed from related parties was impaired (2021: £0.3 million).

Remuneration of key management personnel

The remuneration of the operating board (including directors and other key decision makers), who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual directors is provided in the audited part of the remuneration report on pages 44 to 55.

	52 weeks ended 26 March 2022 £ million	52 weeks ended 27 March 2021 £ million
Short-term employee benefits	**2.5**	2.1
Compensation for loss of office	**–**	0.5
	2.5	2.6

Mothercare Pension scheme

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

Other transactions with key management personnel

There were no other transactions with key management personnel.

Other transactions with related parties

There were no other transactions with shareholders in the current year. In the prior comparative period, one of the shareholders who owns a significant stake in the business was involved in the following transactions: 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.

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

33. Events after the balance sheet date

Refinancing of borrowing

In the first half of FY23 the group renegotiated its existing loan facility. The total amount available under the facility remained the same. The interest rate increased to 13% per annum plus SONIA, with SONIA not less than 1%, plus a 1% per annum compounded payment to be made when the loan is repaid. Previously the interest rate was 12% per annum plus SONIA with a floor of 1%. The repayment date has been extended from FY25 to FY26.

Cessation of Mothercare Business in Russia

Following the pausing of operations in Russia that we announced on 9 March 2022, on 27 June 2022 Mothercare terminated its license and supply agreements with its franchise partner in Russia given the numerous economic, logistical and business disruptions and the associated uncertainty and the detrimental impact on the Mothercare brand if operations resumed. With effect from that date the franchise partner has no right to operate any Mothercare branded stores in Russia. The impact of the termination on the future performance of the group has been outlined in the Chairman's review on page 5.

Defined benefit scheme contributions

In order to support the new debt financing arrangements, the Trustees of the schemes agreed a further reduction in contributions after the balance sheet date. Details of these are provided in the financial review on page 29.

Company financial statements

Contents

Financials

Company balance sheet
As at 26 March 2022

	Note	26 March 2022 £ million	27 March 2021 £ million
Fixed assets			
Investments in subsidiary undertakings	3	**1.3**	0.8
		1.3	0.8
Current assets			
Debtors – amounts falling due within one year	4	**0.1**	0.1
Cash and cash equivalents		**0.6**	1.7
		0.7	1.8
Creditors – amounts falling due within one year	5	**(171.9)**	(170.6)
Derivative financial instruments		**–**	(1.8)
Provisions	6	**(0.2)**	(0.7)
Net current liabilities		**(171.4)**	(171.3)
Net liabilities		**(170.1)**	(170.5)
Equity			
Called up share capital	7	**89.3**	89.3
Share premium	8	**108.8**	108.8
Own shares	8	**(1.0)**	(1.0)
Profit and loss account	8	**(367.2)**	(367.6)
Total Equity		**(170.1)**	(170.5)

For the 52 weeks ended 26 March 2022

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 profit for the financial period ended 26 March 2022 of £0.4 million (2021: loss of £19.1 million).

Approved by the board on 13 September 2022 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 26 March 2022

	Note	Share capital £ million	Share premium account £ million	Own share reserve £ million	Profit and loss account £ million	Total £ million
Balance at 27 March 2021		89.3	108.8	(1.0)	(367.6)	(170.5)
Profit for the period	7	–	–	–	0.4	0.4
Other comprehensive income for the period		–	–	–	–	–
Total comprehensive income for the period		**–**	**–**	**–**	**0.4**	**0.4**
Balance at 26 March 2022		**89.3**	**108.8**	**(1.0)**	**(367.2)**	**(170.1)**
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		–	–	–	–	–
Total comprehensive income for the period		–	–	–	(19.1)	(19.1)
Issue of shares	7	1.9	17.1	–	9.5	28.5
Balance at 27 March 2021		89.3	108.8	(1.0)	(367.6)	(170.5)

Financials

Notes to the company financial statements
As at 26 March 2022

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 115. Mothercare plc acts as a holding company for a group of companies operating as a specialist franchisor of products for parents and young children under the Mothercare brand.

1. Significant accounting policies

The Company's accounting period covers the 52 weeks ended 26 March 2022. The comparative period covered the 52 weeks ended 27 March 2021.

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 32.

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 revised borrowing facilities which now includes more appropriate covenants following the cessation of the Russian operation 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 93 of the Group consolidated financial statements.

Liquidity risk

For information on the Company's approach to liquidity risk, please see page 93 of the Group consolidated financial statements.

Credit risk

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

1. Significant accounting policies (continued)

Critical accounting judgements

The preparation of the Company financial statements requires management to make judgements, estimates and assumptions in applying the Company's accounting policies to determine the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to accounting estimates applied prospectively.

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

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

Impairment of assets

The 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.. Estimates of future cash flows and the selection of appropriate discount rates relating to particular assets or groups of assets involve the exercise of a significant amount of judgment.

Key sources of estimation uncertainty

Allowances against the carrying value of investments in subsidiaries

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

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment. The recoverable amounts of individual investments in subsidiaries are determined from value in use calculations with a discounted cash flow model being used to calculate this amount. The key assumptions for the value in use calculation are those regarding the discount rate and growth rates. Management has used a pre-tax discount rate of 13.0% (2021: 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 (2021: £nil).

Cash flow projections are based on the Group's five year internal forecasts, the results of which are reviewed by the Board. Estimates of selling prices and direct costs are based on past experience, expectations of future changes in the market and historic trends. The forecasts are extrapolated beyond four years based on long-term average growth rate of 0%.

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 profit for the 52 weeks ended 26 March 2022 was £0.4 million (2021: loss of £17.6 million). The auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

3. Investments in subsidiary undertakings

Investments in the Company's balance sheet consist of its investments in subsidiary undertakings. The Company's subsidiaries, all of which are wholly owned, are included in note 12 of the Group financial statements.

The Company's investment in its subsidiary undertakings is as follows:

	26 March 2022 £ million	27 March 2021 £ million
Investment in subsidiaries - net book value	**1.3**	0.8

	£ million
Cost	
At 27 March 2021	454.5
Disposal	–
Share-based payments to employees of subsidiaries	0.5
At 26 March 2022	455
Impairment	
At 27 March 2021	(453.7)
Charged during the period	–
At 26 March 2022	(453.7)
Net book value	**1.3**

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% (2021: 13.0%) which reflects the time value of money and risks related to the cash generating units. The cash flow projections are based on the financial budgets and forecasts approved by the Board covering a five year period. No growth rate has been applied.

4. Debtors

	26 March 2022 £ million	27 March 2021 £ million
Other debtors	**0.1**	0.1

5. Creditors

Creditors: amounts due within one year	**26 March 2022 £ million**	27 March 2021 £ million
Amounts due to subsidiary undertakings	**169.9**	167.8
Trade payables	–	0.3
Accruals and other creditors	**2.0**	2.5
Derivative financial instruments	–	1.8
	171.9	172.4

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

6. Provisions

	26 March 2022 £ million	27 March 2021 £ million
Current liabilities		
Property provisions	–	0.7
Other provisions	**0.2**	–
Short-term provisions	**0.2**	0.7

The movement on total provisions is as follows:

	Property provisions £ million
Balance at 27 March 2021	0.7
Released during the year	(0.7)
Charged to the income statement	0.2
Balance at 26 March 2022	0.2

Other provisions of £(0.2) million relates to received against a subsidiary of Mothercare UK Limited which went into administration. In prior year property provisions of £0.7 million related to a UK store lease which had been guaranteed by Mothercare plc.

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 27 March 2021	108.8	(1.0)	(367.6)
Profit for the financial year	–	–	0.4
Balance at 26 March 2022	**108.8**	**(1.0)**	**(367.2)**

The own shares reserve of £1.0 million (2021: £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 (2021: 925,342) with a market value at 27 March 2022 of £0.1 million (2021: £0.1 million).

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

9. Events after the balance sheet date

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

Shareholder information (unaudited)

Shareholder analysis

A summary of holdings as at 26 March 2022 is as follows:

	Mothercare ordinary shares	
	Number of shares	Number of shareholders
Banks, insurance companies and pension funds	1	1
Nominee companies	480,373,063	149
Other corporate holders	78,689,942	160
Individuals	4,773,620	18,382
	563,836,626	18,692

10. Events after the balance sheet date (continued)

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

	2022	2021
Share price at 26 March 2022 (27 March 2021)	**12.00p**	16.20p
Market capitalisation	**£67.7m**	£85.9m
Share price movement during the year:		
High	**19.95p**	17.90p
Low	**10.05p**	3.89p

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

Registrars and transfer office

Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

Financial calendar

	2022
Annual General Meeting	13 October
Announcement of interim results	November
	2023
Preliminary announcement of results for the 52 weeks ending 25 March 2023	July
Issue of report and accounts	July
Annual General Meeting	September

Registered office and head office

Westside 1, London Road, Hemel Hempstead, Hertfordshire HP3 9TD www.mothercareplc.com
Registered number 1950509

Group company secretary

Lynne Medini

Registrars

Administrative enquiries concerning shareholders in Mothercare plc for such matters as the loss of a share certificate, dividend payments or a change of address should be directed, in the first instance, to the registrars:

Equiniti Limited

Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA Telephone 0371 384 2013, Overseas +44(0)121 415 7042 www.shareview.co.uk

Postal share dealing service

A postal share dealing service is available through the Company's registrars for the purchase and sale of Mothercare plc shares from the www.shareview.co.uk website or on the shareholder helpline Telephone 0371 384 2013, Overseas +44(0)121 415 7042.

Further details can be obtained from Equiniti on 0371 384 2013 (calls to this number are charged at the standard landline rate per minute plus network extras. Lines are open 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, 45 Gresham Street, London, EC2V 7BF
Telephone 020 7260 1000

ShareGift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation. The share transfer form needed to make a donation may be obtained from the Mothercare plc registrars, Equiniti Limited.

Further information about ShareGift is available from
www.sharegift.org or by telephone on 020 7930 3737.

Designed and produced
by Black&Callow
www.blackandcallow.com

MIX
Paper from
responsible sources
FSC® C001785
FSC
www.fsc.org

Printed on FSC® certified paper.

Mothercare plc
Westside 1
London Road
Hemel Hempstead
HP3 9TD

www.mothercareplc.com

Registered in England number 1950509

mothercare plc annual report and accounts 2022