

Mothercare plc

Interim results announcement

Mothercare plc ("Mothercare" "the Company" or "the Group"), the highly trusted British heritage international brand and franchise operator, that connects with the parents of newborn babies and children across multiple product categories, today announces unaudited half year results for the 26-week period to 28 September 2024 ("H1 FY25"). The comparative period was a 26-week period to 23 September 2023 ("H1 FY24").

Key Highlights

- Worldwide retail sales by franchise partners of £121.2 million (2023: £137.2 million), a decrease of 12% on last year (9% down at constant currency), with the decline largely resulting from the unchanged conditions in our Middle Eastern markets.
- Adjusted EBITDA of £1.7 million (H1 FY24: £3.6 million) decreased by 53%.
- Group adjusted profit from operations decreased by 68% to £1.1 million (H1 FY24: £3.4 million).
- Group adjusted loss before taxation of £1.4 million (H1 FY24: £1.8 million profit).
- Net debt increased to £17.1 million (£15.8 million at 23 September 2023).
- Following the Joint venture deal and refinancing announced on 17 October 2024, the term loan of £19.9 million included in the above net debt figure, was reduced to £8.0 million.

Our Group

	26 weeks to 28 Sep 2024	26 weeks to 23 Sep 2023	26 weeks to 24 Sep 2022	26 weeks to 25 Sep 2021
Turnover £m	21.0	29.0	38.5	41.7
Adjusted EBITDA ² £m	1.7	3.6	3.2	5.6
Adjusted profit from operations ² £m	1.1	3.4	2.9	5.2
Adjusted (loss)/profit before taxation ² £m	(1.4)	1.8	1.7	3.6
(Loss)/profit for the period £m	(1.8)	1.7	0.4	3.6
Adjusted basic (loss)/earnings per share ²	(0.3)p	0.2p	0.2p	0.9p
Basic (loss)/ earnings per share	(0.3)p	0.3p	0.1p	1.0p

Our Franchise partners

	26 weeks to 28 Sep 2024	26 weeks to 23 Sep 2023	26 weeks to 24 Sep 2022	26 weeks to 25 Sep 2021
Worldwide retail sales ¹ £m	121.2	137.2	162.1	184.3
Online retail sales £m	12.2	13.7	13.1	17.6
Total number of stores	440	500	562	740
Space (k) sq. ft.	1,100	1,201	1,345	1,967

Clive Whiley, Chairman of Mothercare plc, commented:

"Since the half-year end we announced both a new £30 million joint venture for the South Asian region. with Reliance

since the last year and we announced today a new £20 million joint venture for the South Asian region, with Reliance Brands Holding UK Limited ("Reliance") and subsequent revised financing arrangements, reducing secured debt facilities by 60% to £8 million and our annualised cash interest cost by over 75%.

We have immediately utilised this new India joint venture and refinancing as a springboard for a de-leveraged Mothercare to explore the full bandwidth of growth opportunities through connections with other businesses, the development of our branded product ranges and licensing within and beyond our existing perimeters.

Our results continue to reflect the impact of the continuing uncertainty on our franchise partners' operations in the Middle East. We are now focused upon restoring critical mass alongside delivering our remaining core objectives. This is an exciting prospect for all our partners, colleagues and stakeholders as we can finally leave behind the turmoil of recent years that Mothercare has successfully come through."

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Notes

1 - Worldwide retail sales are total international retail franchise partner sales to end customers (which are estimated and unaudited).

2 - Adjusted profit after taxation is stated before the impact of the adjusting items set out in note 4.

3 - Net debt is defined as total borrowings, cash at bank and IFRS 16 lease liabilities.

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

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

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

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

Chairman's statement

Core Objectives

As detailed in our Full Year 2024 results statement, our principal focus since my

appointment has been to protect the underlying Mothercare brand intellectual property value for the benefit of all stakeholders.

The new joint venture for the South Asian region and coterminous refinancing, detailed below, will further reduce the combined business and pension schemes financing requirement and introduces significantly reduced cash financing charges.

In addition, this establishes a platform for step-change growth as we strive to sponsor growth in our franchise partners' retail sales and store footprint alongside exploring new territories and additional routes to market.

Trading Update

As also noted in the Full Year 2024 results statement, our worldwide retail sales by franchise partners of £121.2 million (2024: £137.2 million) were again impacted by a combination of the continuing uncertainty in the Middle East and the ongoing need for franchise partners to clear old inventory. Online retail sales for the period remained at 10% of total retail sales (H1 FY24: 10%). The year-on-year decline in retail sales of 12% reduces to 9% at constant currency exchange rates.

Performance in our Middle Eastern region, especially in our largest single market, remains challenging where the shape of our partner's retail offering in the country continues to adapt to address evolving consumer behaviour, pursuant to ongoing fiscal and legislative changes.

Adjusted EBITDA for the period decreased to £1.7 million (2024: £3.6 million) leading to an adjusted loss before taxation of £1.4 million (2024: £1.8 million adjusted profit before taxation) principally due to high net financing costs in the period, which have since been significantly reduced for future periods.

Joint Venture and Refinancing

On 17 October we announced a joint venture with an entry valuation of c£30 million for the South Asian region with Reliance Brands Ltd ("Reliance"), a wholly owned subsidiary of Reliance Industries Ltd, a Fortune 500 company and the largest private sector corporation in India.

The Company received gross consideration of £16 million on completion of these new arrangements and secured reduced debt facilities of £8 million with GB Europe Management Services Ltd ("Gordon Brothers"), in one step:

- demonstrating the inherent value of the Mothercare brand,
- creating an invigorated partnership in the South Asian region with Reliance, one of the world's largest, leading and respected business groups which will bring symbiotic and synergistic benefits; and
- de-leveraging the business to finally move forward and invest appropriately in the Company's future development.

New South Asian Joint Venture Arrangements

Mothercare and Reliance created a new joint venture covering Mothercare's franchise operations in India, Nepal, Sri Lanka, Bhutan and Bangladesh, replacing the previous franchise arrangement with Reliance covering India alone.

Under the terms of these arrangements, Reliance paid £16 million to acquire a 51% interest in a new joint venture company, JVCO 2024 Ltd ("JVCo"). We retain a residual 49% shareholding in JVCo and granted JVCo perpetual rights for the use of the Mothercare brand and related intellectual property in India, Nepal, Sri Lanka, Bhutan and Bangladesh.

For the financial year ended 30 March 2024, our retail sales in India under the previous franchise arrangements amounted to approximately £24 million and contributed approximately £0.9 million to adjusted EBITDA. Whilst we will receive revenues at lower rates than previously, we expect the reinvigorated business to grow strongly and surpass previous revenue levels over the next few years. We also expect to benefit from both sourcing fees (supplying the joint venture with product) together with the value creation accruing to our residual 49% equity stake in JVCo.

New Financing Arrangements with Gordon Brothers

We applied part of the proceeds received from Reliance towards a refinancing of the Company's existing debt facilities with Gordon Brothers, replacing the previous £19.5m term loan (which attracted interest at a rate of 13% per annum, plus SONIA, plus PIK interest of 1% per annum) with:

- an £8m two year term loan facility, attracting interest at a rate of 4.8% per annum, plus SONIA (with a floor of 5.2%), plus PIK interest of 1% per annum, rising to 2% per annum through the term of the loan; and
- granted Gordon Brothers warrants to subscribe up to 43.4m new ordinary shares at a subscription price of 8.5p per share (the "Warrants"), exercisable for five years from the date of issue, representing approximately 7% of the Company's issued share capital (following exercise in full of the Warrants).

Financial impact

We estimate that the restructuring of our operations in South Asia and the associated sale of this 51% stake in JVCo, will result in a taxable gain arising of approximately £29 million and - after the use of certain preexisting tax losses - a cash tax cost of

approximately £3 million.

Pension Schemes

We continue to operate in accordance with the revised recovery plan, agreed with the Trustees last year, which includes total contributions (Deficit Repair Contributions plus costs) in the financial years to March 2025 £2.0 million; March 2026 & 2027 £3.0 million; March 2028 & 2029 £4.0 million; March 2030 & 2031 £5.0 million and March 2032 £6.0 million and March 2033 £0.5 million aggregating to fully fund the deficit by March 2033. We also continue to explore other options to mitigate the pension scheme deficit.

Growth Opportunities

We intend to utilise the new South Asian region joint venture and coterminous refinancing as a catalyst to redouble our efforts to capitalise upon the possibilities to grow the future global presence of the Mothercare brand: through connections with other businesses, the development of our branded product ranges and licensing within and beyond our existing perimeters .

Management & Board changes

On the creation of the new South Asian joint venture and coterminous refinancing, Mark Newton Jones indicated his intention to stand down from the Board at the AGM held last month. I would like to thank Mark, both personally and on behalf of the Board for his efforts since my appointment and we wish him well with his future endeavours.

The day-to-day management of the Group continues to be run by the Chief Financial Officer and the Operating Board, with oversight from me as Chairman. We also anticipate the search for a new Chief Executive Officer to be fulfilled as a natural consequence of the multiple strategic discussions currently in train.

Outlook

Our core objectives over recent years were designed to protect and rebalance the Mothercare brand IP value in a way that also promotes growth in our royalty income: ultimately improving profitability and the covenant of the underlying business, with benefits for both the actuarial pension deficit and stock market rating purposes alike.

At a stroke the new South Asian joint venture underlines the inherent strength of the business's brand, coterminously supporting a material de-leveraging of the balance sheet and allows us to wholly focus upon restoring critical mass.

Indeed, we approach 2025 and beyond with a renewed and growing sense of confidence given the multiple opportunities ahead, notwithstanding our ongoing cautious shorter-term outlook, due to the continuing challenges facing our Middle East operations.

None of this would have been possible without the continuing support from our Mothercare colleagues, manufacturing & franchise partners, pension scheme trustees and financial stakeholders alike, to whom we remain grateful.

Clive Whiley

Chairman

Condensed consolidated income statement

For the 26 weeks ended 28 September 2024

	Note	26 weeks ended 28 September 2024 (Unaudited)			26 weeks ended 23 September 2023 (Unaudited)			53 weeks ended 30 March 2024 (Audited) Total
		Before adjusted items £ million	Adjusted items ¹ £ million	Total £ million	Before adjusted items £ million	Adjusted items ¹ £ million	Total £ million	£ million
Revenue		21.0	-	21.0	29.0	-	29.0	56.2
Cost of sales		(13.0)	-	(13.0)	(19.0)	-	(19.0)	(36.6)
Gross profit		8.0	-	8.0	10.0	-	10.0	19.6
Administrative expenses		(6.9)	(0.4)	(7.3)	(6.6)	0.2	(6.4)	(13.3)
Impairment losses on receivables		-	-	-	-	-	-	0.4
Profit from operations		1.1	(0.4)	0.7	3.4	0.2	3.6	6.7
Net finance costs	5	(2.5)	-	(2.5)	(1.6)	-	(1.6)	(3.8)
(Loss)/profit before taxation		(1.4)	(0.4)	(1.8)	1.8	0.2	2.0	2.9
Taxation	6	(0.0)	-	(0.0)	(0.3)	-	(0.3)	0.4
(Loss)/profit for the period		(1.4)	(0.4)	(1.8)	1.5	0.2	1.7	3.3
(Loss)/profit for the period attributable to equity holders of the parent		(1.4)	(0.4)	(1.8)	1.5	0.2	1.7	3.3
Earnings per share								
Basic	7	(0.3)p		(0.3)p	0.3p		0.3p	0.6p

Diluted	7	(0.3 p	(0.3)p	0.3p	0. p	0.6p
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- (1) Includes adjusted costs (restructuring and reorganisation costs). Adjusted items are one-off or significant in nature and or /value. Excluding these items from the profit metrics provides readers with helpful additional information on the performance of the business across the periods because it is consistent with how business performance is reviewed by the Board and Operating Board.

Condensed consolidated statement of comprehensive income

For the 26 weeks ended 28 September 2024

	26 weeks ended 28 September 2024 (Unaudited)	26 weeks ended 23 September 2023 (Unaudited)	53 weeks ended 30 March 2024 (Audited)
	£ million	£ million	£ million
(Loss)/profit for the period	(1.8)	1.7	3.3
Items that will not be reclassified subsequently to the income statement:			
Actuarial gain/(loss) on defined benefit pension schemes	3.8	(16.3)	(33.8)
Deferred tax relating to items not reclassified	(1.0)	3.1	2.0
	2.8	(13.2)	(31.8)
Items that may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations	-	(0.1)	-
Other comprehensive income/(expense) for the period	2.8	(13.3)	(31.8)
Total comprehensive income/(expense) for the period wholly attributable to equity holders of the parent	1.0	(11.6)	(28.5)

Condensed consolidated balance sheet

As at 28 September 2024

		28 September 2024 (Unaudited)	23 September 2023 (Unaudited)	30 March 2024 (Audited)
	Note	£ million	£ million	£ million
Non-current assets				
Intangible assets	8	8.4	6.8	7.9
Property, plant and equipment	8	0.2	0.2	0.2
Right-of-use assets		-	0.2	0.1
Deferred tax assets		3.5	2.7	3.4
		12.1	9.9	11.6
Current assets				
Inventories		0.7	0.7	0.6
Trade and other receivables		6.1	5.1	4.3
Derivative financial instruments	11	0.5	0.5	0.7
Current tax asset		-	0.5	0.2
Cash and cash equivalents		2.8	4.2	5.0
		10.1	11.0	10.8
Total assets		20.2	20.9	22.4
Current liabilities				
Trade and other payables		(9.5)	(7.5)	(8.1)
Lease liabilities		-	(0.4)	(0.2)
Provisions		(0.1)	(0.7)	(0.3)
Current tax liabilities		(0.1)	-	-
Borrowings	9	(19.9)	-	(19.7)
		(29.6)	(8.6)	(28.3)
Non-current liabilities				
Borrowings	9	-	(19.6)	-
Lease liabilities		-	-	-
Retirement benefit obligations	10	(20.6)	(6.0)	(24.2)
Deferred tax liabilities		(1.0)	-	-
		(21.6)	(25.6)	(24.2)
Total liabilities		(51.2)	(34.2)	(52.5)
Net liabilities		(29.0)	(13.3)	(30.1)
Equity attributable to equity holders of the parent				
Share capital		89.3	89.3	89.3
Share premium account		108.8	108.8	108.8
Own shares		(0.2)	(0.2)	(0.2)
Translation reserve		(3.7)	(3.8)	(3.7)
Retained deficit		(223.2)	(207.4)	(224.3)
Total equity		(29.0)	(13.3)	(30.1)

Condensed consolidated statement of changes in equity

For the 26 weeks ended 28 September 2024 (unaudited)

	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Retained deficit £ million	Total equity £ million
Balance as at 30 March 2024	89.3	108.8	(0.2)	(3.7)	(224.3)	(30.1)
Loss for the period	-	-	-	-	(1.8)	(1.8)
Other comprehensive income for the period	-	-	-	-	2.8	2.8
Total comprehensive income for the period	-	-	-	-	1.0	1.0
Adjustments to equity for equity-settled share-based payments	-	-	-	-	0.1	0.1
Balance at 28 September 2024	89.3	108.8	(0.2)	(3.7)	(223.2)	(29.0)

For the 26 weeks ended 23 September 2023 (unaudited)

	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Retained deficit £ million	Total equity £ million
Balance as at 25 March 2023	89.3	108.8	(0.2)	(3.7)	(196.0)	(1.8)
Profit for the period	-	-	-	-	1.7	1.7
Other comprehensive expense for the period	-	-	-	(0.1)	(13.2)	(13.3)
Total comprehensive expense for the period	-	-	-	(0.1)	(11.5)	(11.6)
Adjustments to equity for equity-settled share-based payments	-	-	-	-	0.1	0.1
Balance at 23 September 2023	89.3	108.8	(0.2)	(3.8)	(207.4)	(13.3)

For the 53 weeks ended 30 March 2024 (audited)

	Share capital £ million	Share premium account £ million	Own shares £ million	Translation reserve £ million	Retained deficit £ million	Total equity £ million
Balance at 25 March 2023	89.3	108.8	(0.2)	(3.7)	(196.0)	(1.8)
Items that will not be reclassified subsequently to the income statement	-	-	-	-	(31.8)	(31.8)
Other comprehensive expense	-	-	-	-	(31.8)	(31.8)
Profit for the period	-	-	-	-	3.3	3.3
Total comprehensive expense	-	-	-	-	(28.5)	(28.5)
Adjustment to equity for equity-settled share-based payments	-	-	-	-	0.2	0.2
Balance at 30 March 2024	89.3	108.8	(0.2)	(3.7)	(224.3)	(30.1)

Condensed consolidated cash flow statement

For the 26 weeks ended 28 September 2024

	Note	26 weeks ended 28 September 2024 (Unaudited)	26 weeks ended 23 September 2023 (Unaudited)	53 weeks ended 30 March 2024 (Audited)
		£ million	£ million	£ million
Net cash flow from operating activities	13	0.0	(0.3)	4.8
Cash flows from investing activities				
Purchase of property, plant and equipment		-	(0.1)	(0.1)
Purchase of intangibles - software		(0.8)	(0.6)	(2.2)
Cash used in investing activities		(0.8)	(0.7)	(2.3)
Cash flows from financing activities				
Proceeds from post administration distribution		0.2	-	-
Interest paid		(1.5)	(1.7)	(4.2)
Repayments of obligations under leases		(0.2)	(0.2)	(0.3)
Net cash outflow from financing activities		(1.5)	(1.9)	(4.5)
Net decrease in cash and cash equivalents		(2.3)	(2.9)	(2.0)
Cash and cash equivalents at beginning of period		5.0	7.1	7.1
Effect of foreign exchange rate changes		0.1	-	(0.1)
Cash and cash equivalents at end of period		2.8	4.2	5.0

Notes to the condensed consolidated financial statements

1 General information

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

The results for the 26 weeks ended 28 September 2024 are unaudited.

These unaudited condensed consolidated interim financial statements for the current period and prior financial periods do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the 2024 financial year has been filed with the Registrar of Companies. The 2024 financial statements are available on the Group's website (www.mothercareplc.com). The auditor has reported on these: their report was unqualified.

2 Accounting Policies and Standards

Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority, and with IAS 34 'Interim Financial Reporting'. Unless otherwise stated, the accounting policies applied, and the judgements, estimates and assumptions made in applying these policies, are consistent with those described in the Annual Report and Financial Statements 2024. The financial period represents the 26 weeks ended 28 September 2024. The comparative periods are the 26 weeks ended 23 September 2023 and the 53 weeks ended 30 March 2024.

Going concern

Since the balance sheet date the IP rights for the Mothercare brand for India, Bhutan, Bangladesh, Sri Lanka and Nepal were transferred to JVCO 2024 Ltd, which was a wholly owned subsidiary of the Group, at a value of £33.3 million. On 17 October, in return for a 51% equity interest in JVCO 2024, together with some royalty concessions, the Group received a gross consideration of £16.0 million, from Reliance, our current franchise partner in India.

From these proceeds Mothercare repaid £11.5 million of its existing loan facility, reducing the principal liability to £8 million and at the same time revised the terms of facility including reducing the interest charged from 13% per annum plus SONIA plus an additional 1% per annum payment-in-kind coupon to 4.8% per annum plus SONIA (with SONIA at a floor of 5.2%) plus a 1% per annum payment-in-kind coupon for the first 12 months, rising to 1.5% per annum for the 13 to 18 months and then 2% per annum thereafter percentage and revising the financial covenants.

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, the recent reduction in debt and interest charges and its continued access to sufficient borrowing facilities against the Group's latest forecasts and projections, comprising:

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

Notes to the condensed consolidated financial statements

2 Accounting Policies and Standards (continued)

Going concern (continued)

The Sensitised scenario assumes the following additional key assumption:

- A significant reduction in global retail sales, which may result from subdued, consumer confidence or disposable income or through store closures or weaker trading in our markets, throughout the remainder of FY25 and FY26.

The Board's confidence in the Group's Base Case forecast, which indicates that the Group will operate with sufficient cash balances and within the financial covenants of the loan facility, following the recent reduction and revision of this facility and the Group's proven cash management capability, supports our preparation of the financial statements on a going concern basis.

However, as described in the Chairman's statement, worldwide retails continue to be impacted by a combination of the continuing uncertainty in the Middle East and the ongoing need for franchise partners to clear old inventory. If trading conditions were to deteriorate beyond the level of risk applied in the sensitised forecast owing to ongoing geopolitical tensions, other global downturn in trade or low consumer demand, the Group may need to renegotiate with its lender in order to secure waivers to potential covenant breaches or have access to additional funding to continue its trading activities. Whilst the directors believe that the post year end deal with Reliance, as described above, has now put the Group in a stronger position, it is acknowledged that, in view of the above, there remains a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

Adoption of new IFRSs

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Standards issued but not yet effective

In August 2023, the IASB amended IAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. These new requirements will apply for annual reporting periods beginning on or after 1 January 2025. The Group does not expect these amendments to have a material impact on its operations or financial statements.

Foreign currency adjustments

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

Notes to the condensed consolidated financial statements

2 Accounting Policies and Standards (continued)

Taxation

The taxation charge for the 26 week period is calculated by applying the best estimate of the average annual effective tax rate expected for the full year to the profit/loss for the period after adjusting for any significant one-off items, and a tax credit is recognised only to the extent that the resulting tax asset is more than likely not to reverse.

Retirement benefits

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

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial

Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside of the income statement and presented in other comprehensive income.

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

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

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

Alternative performance measures (APMs)

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

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

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

Purpose

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

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

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

Notes to the condensed consolidated financial statements

2 Accounting Policies and Standards (continued)

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

Group worldwide sales

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

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.

3 Segmental information

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

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.

Notes to the condensed consolidated financial statements

4 Adjusted items

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

	26 weeks ended 28 September 2024 (Unaudited)	26 weeks ended 23 September 2023 (Unaudited)	53 weeks ended 30 March 2024 (Audited)
	£ million	£ million	£ million
Adjusted (costs)/income:			
Restructuring (costs)/income included in finance costs	-	-	(0.4)
Restructuring (costs)/income included in administrative expenses	(0.4)	0.2	0.2
Adjusted items before tax	(0.4)	0.2	(0.2)

Restructuring (costs)/income included in administrative expenses - (£0.4) million (H1 FY24: £0.2 million income)

The current year costs relates to:

- £0.2 million redundancy payments made to certain staff during the period.
- £0.1 million costs relating to decommissioning of old IT systems.
- £0.1 million costs arising from technical challenges relating to the new IT system.

The prior year income relates to £0.4 million credits arising in relation to the profit on disposal of Mothercare UK Limited business which went into administration, this was offset by £0.2m of severance payments made.

5 Net finance costs

	26 weeks ended 28 September 2024 (Unaudited)	26 weeks ended 23 September 2023 (Unaudited)	53 weeks ended 30 March 2024 (Audited)
	£ million	£ million	£ million
Interest expense on lease liabilities	-	0.1	0.1
Other net interest	1.9	1.8	4.1
Interest payable	1.9	1.9	4.2
Net interest expense/(income) on liabilities/return on assets on pension	0.6	(0.3)	(0.4)
Net finance costs	2.5	1.6	3.8

Notes to the condensed consolidated financial statements

6 Taxation

	26 weeks ended 28 September 2024 (Unaudited)	26 weeks ended 23 September 2023 (Unaudited)	53 weeks ended 30 March 2024 (Audited)
	£ million	£ million	£ million
Current tax - Overseas tax and UK corporation tax	0.0	0.3	1.5
Deferred tax - UK tax charge for temporary differences	-	-	(1.9)
Total tax charge/(credit)	0.0	0.3	(0.4)

In addition to the amount charged to the income statement, deferred tax charge relating to retirement benefit obligations amounting to £1.0 million has been charged directly to other comprehensive income (H1 FY24: £3.1 million credit).

comprehensive income (H1 FY24: £3.1 million credit).

7 (Loss)/earnings per share

	26 weeks ended 28 September 2024 (Unaudited)	26 weeks ended 23 September 2023 (Unaudited)	53 weeks ended 30 March 2024 (Audited)
	million	million	million
Weighted average number of shares in issue for the purpose of basic earnings per share	563.8	563.8	563.8
Dilutive potential ordinary shares	-	6.9	7.7
Weighted average number of shares in issue for the purpose of diluted earnings per share	563.8	570.7	571.5
	£ million	£ million	£ million
(Loss)/profit for basic and diluted earnings per share	(1.8)	1.7	3.3
Adjusted items	(0.4)	0.2	(0.2)
Tax effect of adjusted items	-	-	-
Adjusted (loss)/earnings	(1.4)	1.5	3.5
	£ million	£ million	£ million
	Pence	Pence	Pence
Basic (loss)/earnings per share	(0.3)	0.3	0.6
Basic adjusted (loss)/ earnings per share	(0.3)	0.3	0.6
Diluted (loss)/earnings per share	(0.3)	0.3	0.6
Diluted adjusted (loss)/earnings per share	(0.3)	0.3	0.6

The total dividend for the period is nil pence per share (H1 FY24: nil pence per share).

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

Notes to the condensed consolidated financial statements

8 Tangible fixed assets and Software assets

There were no additions to Right-of-use assets in the period.

Capital additions of £0.8 million were made during the period (H1 FY24: £1.1 million). These comprised tangible fixed assets of £Nil (H1 FY24: £0.1 million) and software assets of £0.8 million (H1 FY24: £1.0 million).

9 Borrowings

The carrying value of the Group's outstanding borrowings at 23 September 2023 was £19.9 million (30 March 2024: £19.7 million). The Group is required to achieve certain royalty targets under its covenants. At 28 September 2024 the loan was repayable on demand due to breaches in certain loan covenants. The loan has been refinanced after the period end, refer to note 15 for further details.

The credit facility of £19.9 million (30 March 2024: £19.7 million) is secured on the shares of specified obligor subsidiaries and the assets of the Group not already pledged. The Group also holds a financial asset of £0.5 million (30 March 2024: £0.7 million) reflecting the expected proceeds from the wind-down of the UK operations by the administrators of Mothercare UK Ltd and Mothercare Business Services Limited.

10 Retirement benefit schemes

The Group has calculated the value of its pension liability under IAS 19 as at 28 September 2024. The FY24 year end assumptions have been rolled forward and updated for changes in market rates over the current interim period.

For the two schemes, based on the actuarial assumptions from the actuarial valuations carried out as of March 2024 and using the rolled forward assumptions referred to above, a net obligation of £20.6 million (H1 FY24: £6.0 million) has been recognised. The increase in the liability position was mainly due to returns on the assets being lower than expected resulting in an asset experience loss.

11 Financial instruments: fair value disclosures

The Group held the following financial instruments at fair value at 28 September 2024.

	Fair value measurements at 28 September 2024 (Unaudited)	Fair value measurements at 23 September 2023 (Unaudited)	Fair value measurements at 30 March 2024 (Audited)
	£ million	£ million	£ million
Current financial assets:			
<i>Derivative financial instruments:</i>			
Financial asset	0.5	0.5	0.7
	0.5	0.5	0.7

Notes to the condensed consolidated financial statements

11 Financial instruments: fair value disclosures (continued)

The Group's financial asset (Level 3 within the IFRS 7 hierarchy) represents a right, arising under the sales purchase agreement with the administrators of MUK, to receive the proceeds of the wind-up of the UK retail store estate and website operations as repayment for the Group's secured borrowings. It has been estimated by the administrators that the Group will receive £0.5 million (H1 FY24: £0.5 million). Many of the outflows which would impact the valuation of this financial asset are finalised, with the final repayment being dependent on the amounts to be received back by the merchant acquirer and final settlement of VAT.

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

12 Share-based payments

A charge is recognised for share-based payments based on the fair value of the awards at the date of grant, the estimated number of shares that will vest and the vesting period of each award. The total net charge for share-based payments under IFRS 2 is £0.1 million (H1 FY24: £0.1 million).

13 Notes to the cash flow statement

	26 weeks ended 28 September 2024 (Unaudited) £ million	26 weeks ended 23 September 2023 (Unaudited) £ million	53 weeks ended 30 March 2024 (Audited) £ million
(Loss)/profit from operations	0.7	3.6	6.7
Adjustments for:			
Depreciation of property, plant and equipment and right of use assets	0.1	0.1	0.1
Amortisation of intangible assets	0.5	0.1	0.3
(Loss)/gain on non-cash foreign currency adjustments	(0.1)	(0.1)	0.2
Share-based payments	0.1	0.1	0.2
Movement in provisions	(0.2)	(0.5)	(0.8)
Net gain on financial derivative instruments	-	-	(0.2)
Payments to retirement benefit schemes	(1.1)	(2.4)	(2.4)
Charge in respect of retirement benefit schemes	0.7	0.7	1.7
Operating cash flow before movement in working capital	0.7	1.6	5.8
Decrease in inventories	0.3	0.7	0.3
(Increase)/decrease in receivables	(1.9)	1.5	2.4
(Increase)/decrease in payables	1.0	(3.7)	(2.5)
Cash generated from operations	0.1	0.1	6.0
Income taxes paid	(0.1)	(0.4)	(1.2)
Net cash flow from operating activities	-	(0.3)	4.8

Analysis of net debt

	30 March 2024 £ million	Cash flow £ million	Foreign exchange £ million	Non-cash movements £ million	28 September 2024 £ million
Cash and cash equivalents	5.0	(2.3)	-	0.1	2.8
IFRS 16 lease liabilities	(0.2)	0.2	-	-	-
Term loan	(19.7)	-	-	(0.2)	(19.9)
Net debt	(14.9)	(2.1)	-	(0.1)	(17.1)

Notes to the condensed consolidated financial statements

14 Related party transactions

Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There was no revenue earned from related parties in the current or prior year.

15 Events after the balance sheet date

The IP rights for the Mothercare brand for India, Bhutan, Bangladesh, Sri Lanka and Nepal were transferred to JVCO 2024 Ltd, which was a wholly owned subsidiary of the Group, at a value of £33.3 million. On 17 October, in return for a 51% equity interest in JVCO 2024, together with some royalty concessions, the Group received a gross consideration of £16.0 million, from Reliance, our current franchise partner in India.

From these proceeds Mothercare repaid £11.5 million of its existing loan facility, reducing the principal liability to £8 million and at the same time revised the terms of facility including reducing the annual interest percentage and revising the financial covenants. As part of the revision of the loan facility, our lender, Gordon Brothers were granted new warrants to subscribe up to 43.4m new ordinary shares of Mothercare at a subscription price of 8.5p per share (the "Warrants"). These Warrants, which are exercisable for 5 years from the date of issue, contain certain anti-dilution rights which will operate so as to secure for Gordon Brothers the right to subscribe for an aggregate equity interest representing approximately 7% of the Company's issued share capital (following exercise in full of the Warrants).

Additional Disclosures

Risk management framework

A risk management framework is in place which is appropriate for the size and complexity of the business with consideration to its AIM listing, future partner and system developments and Brand promotion and evolution.

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

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. The following risks have been agreed:

- Liquidity
- Dependency on a small number of partners
- Pension scheme funding
- Global economic and political conditions
- ERP system
- Regulatory and legal
- Brand, reputation and relationships

- Personnel and talent

Directors' Responsibility statement

The Directors are responsible for preparing the Interim Results for the 26-week period ended 28 September 2024 in accordance with applicable law, regulations and accounting standards. The Directors confirm that to the best of their knowledge the condensed consolidated interim financial statements have been prepared in accordance with IAS 34: 'Interim Financial Reporting', and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of the important events that have occurred during the first 26 weeks of the financial year and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining 26 weeks of the financial year; and
- material related party transactions in the first 26 weeks of the year and any material changes in the related party transactions described in the last annual report.

The Directors of Mothercare plc are listed on page 50 of the Mothercare plc Annual Report and Financial Statements 2024. A list of directors is maintained on the Mothercare plc website at: www.mothercareplc.com. With the exception of today's announcement, there have been no changes since the publication of the Annual Report.

By order of the Board

Clive Whiley
Chairman

Andrew Cook
Chief Financial Officer

2 December 2024

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