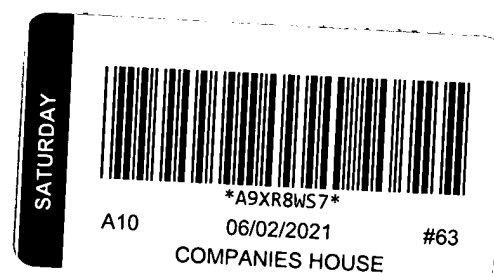


Mamas & Papas (Digital) Limited

Report and financial statements

Registered number 12278533

29 March 2020



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Strategic report

The directors present their report on the affairs of the Company, together with the financial statements and auditor's report, for the financial period ended 29 March 2020. The financial period constitutes the 5 months ended 29 March 2020.

Principal activity

The company operates the ecommerce channel of the Mamas & Papas retail business, selling products through the Mamas & Papas branded website. The company sources all of the products it sells from its fellow subsidiary, Mamas & Papas Limited.

Business Review

Background and Accounting Period

The Group launched a profitability improvement and business transformation programme during 2019 which resulted in the business and assets of Mamas & Papas (Retail) Limited being purchased in a pre-pack administration transaction by three new entities of the Group: Mamas & Papas (Stores) Limited, Mamas & Papas (Digital) Limited and Mamas & Papas (Concessions) Limited.

As a consequence of the restructure, the accounting period for the Group was extended from the 12 months ending 31 March 2019 to 18 months ending 29 September 2019. This was followed by a 6 month accounting period from 30 September 2019 to 29 March 2020. Mamas & Papas (Digital) Limited was incorporated on 24 October 2019 and began trading in November 2019 so the period covered in these accounts is the 5 month period to 29 March 2020 which is referred to as 2020 in these financial statements.

Financial Performance

The Company reports an operating profit before depreciation, amortisation and exceptional items for the 5 months to 29 March 2020 of £1.1m.

Reconciliation of Net Loss to EBITDA

	5 mth period ended 29 Mar 2020 £000
Reported Loss Before Tax & Interest	741
Amortisation of Intangibles (total)	322
Depreciation (total)	3
Exceptional Items	<u>58</u>
EBITDA pre exceptional items	1,124
Turnover	9,311

Strategic report *(continued)*

Principal Risks and Uncertainties

The Group services the nursery market principally in the UK, but also in a growing number of countries around the world and actively manages the risks inherent in its activities. The Group seeks to mitigate its exposure to all forms of risk where practicable and to transfer risk to insurers where both applicable to the nature of the risk and cost effective. The principal risks and mitigating actions are summarised below:

Key risks	Mitigation
<p>Covid-19</p> <ul style="list-style-type: none"> • Potential for significant and prolonged impact on economic conditions • The potential for an extended period of government restrictions on trading and social distancing may adversely affect operations • Potential increase in employee absenteeism • Supply chain disruption, including disruption to stock availability and potential cost inflation • Liquidity risk: the risks listed above could adversely impact liquidity • Increased pressure on IT systems through remote working 	<ul style="list-style-type: none"> • The health and wellbeing of colleagues, customers and wider communities is the Directors' overriding priority. Events are closely monitored with potential impacts evaluated and appropriate response strategies deployed • The Group continues to take additional temporary measures to reduce costs and/or conserve cash, including, utilising the government support of rates relief and job retention scheme, careful management of stock intake and minimising discretionary operational expenditure • The Group has implemented changes to stores and HQ to ensure all hygiene and social distancing measures are followed and enabling the majority of head office colleagues to work remotely, where practical • The e-commerce operation significantly mitigates the loss of sales resulting from temporary store closures • Bank facilities have been extended and increased
<p>Economic conditions and competitiveness</p> <ul style="list-style-type: none"> • The risk that challenging economic conditions reduce customer spending, particularly on premium brands such as Mamas & Papas • In addition, competitor actions could also adversely impact the competitiveness of the Group's prices and products 	<ul style="list-style-type: none"> • In November 2019 Mothercare UK went into Administration removing the largest competitor from the market, with circa £300m turnover. The Directors have put in place a series of actions to capture this market opportunity • The competitiveness of prices and products vs the market is closely monitored and a weekly governance forum is in place to take timely mitigating action e.g. promotional activity, range decisions and marketing tactics • The Group develops market leading products to differentiate from competitors and drive growth

Strategic report *(continued)*

Principal Risks and Uncertainties (continued)

Key risks	Mitigation
Foreign currency movements <ul style="list-style-type: none"> The risk that a weakening of sterling against the US dollar may make stock purchases more expensive, adversely impacting gross profit 	<ul style="list-style-type: none"> The Group aims to minimise its net US dollar requirements by requiring payment in US dollars from International Wholesale customers wherever possible The Group hedges its net US dollar foreign currency exposure using forward contracts and reviews its requirements on an ongoing basis
Data breach and Cyber security <ul style="list-style-type: none"> The risk that a security breach or cyber-attack could lead to the loss of sensitive employee or customer data, affecting the Group's ability to trade and leading to reputational damage and financial penalties 	<ul style="list-style-type: none"> Information security policies and procedures are in place, including encryption, network security, systems access and data protection Vulnerability scans and penetration tests are used and an audit of Cyber Security is underway to validate the robustness of security
UK's exit from EU <ul style="list-style-type: none"> The risk that the UK's exit from the European Union (EU) may cause disruption to the Group's imports and exports and result in additional trading costs 	<ul style="list-style-type: none"> Uncertainties remain regarding how the UK's exit from the EU will affect imports and exports. The Group has a cross functional team in place to implement new arrangements as they are introduced and ensure risks are minimised The vast majority of the Company's imports and exports are non-EU

Outlook

Additional funding has been provided to the Group post period end. This comprises of £4m provided in June 2020 in response to Covid-19 and is repayable on demand.

The UK Retail market changed dramatically with the exit of the market leader Mothercare UK in January 2020. Mothercare UK had a turnover of circa £300m and Mamas & Papas is uniquely placed to capture a share of this market opportunity due to the store portfolio providing both branded and own brand products with a focus on high customer service and the network of own brand wholesale customers across the country. Market share has shown significant growth since January 2020 and like for like trading when stores are open is ahead of the prior year. Trading remains challenging due to store closures during Covid-19 lockdowns. Covid-19 impacted the Group sales in April, May and June 2020 due to the temporary closure of stores and despite a significant increase in online sales. A similar performance is being seen in November as this report is being written. The Directors responded immediately with a focus on the health and wellbeing of all colleagues, customers and the wider community. A series of measures have been put in place to reduce costs, conserve cash, extend funding and to ensure all guidelines are followed. The mitigations will remain in place whilst the pandemic remains a threat.

Strategic Report *(continued)*

Outlook (continued)

To capitalise on the market opportunity, the Group has opened 2 new concession stores and 1 new own retail store post the reporting period with plans to open further stores to fill gaps in coverage across the country. Despite improvements in market share overall the Group expects to see a continuation of the decline in high street footfall and growth in online sales. To support this the e-commerce experience remains a high priority and a new web platform is being developed and is expected to be deployed early in 2021 to both attract new customers to the website and to improve the shopping experience.

People are a key strength of the business and our colleagues' resilience and adaptability over this period of change and uncertainty has been remarkable.

The Group continues to invest in the development of world class, market leading products for the nursery industry, to differentiate from competitors, ensure Mamas & Papas remains relevant to our customer and provide opportunities for sales growth. A new pushchair was launched in July 2020 with initial positive results that are in line with expectations. A further new pushchair will be launched early in 2021 with a particular focus on lightweight and slimline features to appeal to both the home and the International market. This will be closely followed by further nursery products to enhance the Mamas and Papas brand.

By order of the Board

M Saunders
Director



Colne Bridge Road
Huddersfield
West Yorkshire
HD5 0RH

16 December 2020

Directors' report

Results

The profit for the 5 month period, after taxation, amounted to a profit of £741,000.

Proposed dividend

The directors do not recommend payment of a dividend.

Directors

The directors who served during the period, and up to the date of approval, were as follows:

N Williams	(Appointed 24 October 2019)
M Saunders	(Appointed 25 September 2020)

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

It is the Board's policy to pursue open communication with employees and, to this end, regular meetings are held with management to convey information about the business and an annual employee survey is conducted and acted upon.

Political contributions

The Company made no political contributions during the current or prior period.

Disclosure of information to auditor

The directors who held office at the date of approval of the directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial period have been included in the Strategic Report on pages 1-4.

Auditor

KPMG LLP were appointed as auditor of the Company. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

M Saunders
Director



Colne Bridge Road
Huddersfield
West Yorkshire
HD5 0RH

16 December 2020

Statement of directors' responsibilities in respect of the Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAMAS & PAPAS (DIGITAL) LIMITED

Opinion

We have audited the financial statements of Mamas & Papas (Digital) Limited ("the company") for the 5 month period ended 29 March 2020 which comprise the Profit and Loss account and other comprehensive income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 March 2020 and of its profit for the period ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the director's conclusions we have considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAMAS & PAPAS (DIGITAL) LIMITED

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Claire Needham (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

16 December 2020

Profit and loss account and other comprehensive income
for the period ended 29 March 2020

	<i>Note</i>	5 mth period ended 29 Mar 2020
Turnover	2	9,311
Cost of sales		(7,232)
		<hr/>
Gross profit		2,079
Administrative expenses - continuing		(1,280)
- exceptional	3	(58)
		<hr/>
Operating profit before depreciation, amortisation and exceptional items		1,124
Exceptional items		(58)
		<hr/>
Operating profit before depreciation and amortisation - EBITDA		1,066
Depreciation		(3)
Amortisation of intangibles	9	(322)
		<hr/>
Operating profit		741
		<hr/>
Profit before taxation	3-5	741
Tax on loss	6	-
		<hr/>
Profit for the financial period		741
		<hr/> <hr/>
Other comprehensive income		
Other comprehensive income		-
		<hr/>
Total comprehensive profit for the period		741
		<hr/> <hr/>

All the Company's activities during the financial period shown above represent continuing operations.

There is no difference between the loss on ordinary activities before taxation and the result for the financial period stated above and their historical cost equivalent.

The notes on pages 12 to 24 form an integral part of these financial statements.

Balance sheet
at 29 March 2020

	<i>Note</i>	5 mth period ended 29 Mar 2020 £000
Assets		
Fixed assets		
Intangible assets	7	418
Tangible assets	8	<u>1</u> 419
Current assets		
Debtors	10	601
Cash at bank and in hand		2,130
Total Assets		<u>3,150</u>
Equity		
Share Capital	13	-
Other Reserve	9	618
Profit and loss account		741
		<u>1,359</u>
Liabilities		
Trade and other creditors (due within one year)	11	1,791
Total Equity and Liabilities		<u>3,150</u>

These financial statements were approved by the Board of directors on 16 December 2020 and were signed on its behalf by:

M Saunders
Director



The notes on pages 12 to 24 form an integral part of these financial statements.

Statement of Changes in Equity

	Share Capital	Other Reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance on incorporation	-	-	-	-
Transactions with owners, recorded directly in equity				
Balance arising on acquisition of trade and assets	-	618	-	618
Total comprehensive income for the period				
Profit or loss	-	-	741	741
Balance at 29 March 2020	<u>-</u>	<u>618</u>	<u>741</u>	<u>1,359</u>

The notes on pages 12 to 24 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Mamas & Papas (Digital) Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company’s immediate parent undertaking, Mamas & Papas (Holdings) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Mamas & Papas (Holdings) Limited are available to the public and may be obtained from Colne Bridge Road, Huddersfield, West Yorkshire, HD5 0RH. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Mamas & Papas (Holdings) Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

On 8 November 2019 the Company acquired the trade assets in respect of the website from Mamas & Papas (Retail) Ltd. As this was a group reconstruction and the relevant criteria were met, the transaction was accounted for using merger accounting, with no fair value adjustment made to the assets and liabilities acquired and the difference between the consideration paid and the net assets acquired recognised in the other reserve. The financial statements are prepared on a historical cost basis.

1.2 Basis of preparation

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company relies on Mamas & Papas (Holdings) Limited not seeking repayment of the amounts currently due to the Group, which at 29 March 2020 amounted to £0.2m, and providing additional financial support during the forecast period. Mamas & Papas (Holdings) Limited has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. This is based on the position of the Mamas & Papas (Holdings) Limited own going concern assessment as outlined below.

The Mamas & Papas (Holdings) Limited Group met its day to day working capital requirements during the period through an overdraft facility of £5m, which has been increased to £7m from July to December 2020. The facility is renewable annually with the next renewal due in May 2021. The directors are confident that this or alternative facilities will be available to the Group due to the level of security available to lenders, through the average carrying value of stock and trade debtors at £16.3m. Due to the nature of the facility, there is no certainty that it will be renewed, however the Group has successfully renewed the facility annually and maintained a relationship with provider, HSBC, for more than 10 years.

Notes (continued)

1 Accounting policies (continued)

At 29 March 2020, loan notes of £46.9m are outstanding with shareholders. Of these:

- ££6m, due to an investor, is repayable on 1 July 2024 and attracted interest at 8% per annum to November 2019, at which point it was assigned to a different lender and interest decreased to 3% compounding
- £3.9m, due to the ultimate owner, is repayable in March 2021 and attracts interest at LIBOR plus 4%
- £18m, due to the ultimate owner, is repayable in July 2024 and is non-interest bearing
- £5m, due to an intermediary parent company, was provided in November 2019 and is repayable in March 2021, attracting interest at LIBOR plus 4%
- £14m is repayable on demand and attracts interest at LIBOR plus 4%. This is payable to the immediate parent company Stork Beta Limited, who funded the loans through equity injection received by Stork Beta Limited indirectly by the ultimate owner.

Post period end, loans have changed as follows:

- £4m was provided in June 2020 by the immediate parent company Stork Beta Limited, which is repayable on demand and is non-interest bearing.
- The £5m loan and £3.9m loan, both repayable in March 2021 attracting interest at LIBOR plus 4% have been amended so that interest is no longer payable from 30 March 2020 and the repayment date is now March 2026
- The £3.9m loan was amended to £5.0m in August 2020 reflecting a reversal of the partial release in November 2019. The accounting and legal treatment of this is currently under review and will be confirmed in the next reporting period

Mamas & Papas (Holdings) Limited provided a loan of £0.2m to Mamas & Papas (Digital) Limited in November 2019 to fund the purchase of assets from Mamas & Papas (Retail) Ltd, a subsidiary of the Group which was sold in a pre-pack administration. This loan is repayable on demand and is non-interest bearing.

In November 2019, Mamas & Papas (Retail) Limited, a subsidiary of the Group, was sold in a pre-pack administration with the assets acquired by three new subsidiaries of the Group: Mamas & Papas (Stores) Limited, Mamas & Papas (Concessions) Limited and Mamas & Papas (Digital) Limited. As a result six loss-making stores were closed, a number of staff were made redundant and product ranges were revised. This was part of a planned profitability improvement and business transformation programme designed to improve the profitability of the Group going forward.

Also in November 2019 the market leader in the nursery market, Mothercare UK, went into administration closing all stores. This left a large gap in the market as their turnover was circa £300 million per annum. The Group has seen considerable growth in market share since January 2020 and like for like trading, when stores are open, is significantly ahead of the prior year.

The current cash position of the Group is very healthy due to the funding received, documented above, and the improvement in profitability from the business transformation programme. The directors have prepared cash flow forecasts for the Group for the period to March 2022 which indicate that, taking account of severe but plausible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period.

The cash flow forecasts include the impact of the recent global outbreak of Covid-19, which has led to a 24% drop of revenue during Q1 FY21 compared to equivalent period in the prior period. The EBITDA budget for Q1 FY21 was achieved, despite the drop in revenue, due to overhead savings. The cost savings were made up of reduction in costs from closed stores, working with landlords to reduce rent payments, careful management of all discretionary spend and utilising government support including rates relief and the job retention scheme. Sensitivity analysis has been performed to reduce trading to pre-lock down levels until March 2022, also to assume two further months of lockdown between the date of signing these accounts and 30 March 2021 and to assume the working capital profile is at post Administration levels. In this severe but plausible downside scenario, the Group is forecast to operate with a positive cash balance and therefore without any requirement to use its current available facilities.

Notes (continued)

1 Accounting policies (continued)

The mitigation actions that could be taken in this scenario include suspending non-essential capital expenditure, minimising discretionary operational expenditure, careful management of stock intake, changes in the supply chain to decrease working capital and amendments to the value of customer deposits requested on order.

Those forecasts are dependent on the company's parent companies, ultimately, owned by BlueGem II LP, not seeking repayment of the amounts currently due to the Group. The amounts payable on demand to Stork Beta Limited as at the date of signing these financial statements is £14m. Stork Beta Limited has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts through a letter of group support that has been countersigned by BlueGem II LP. As with any company placing reliance on other Group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The Group enters into foreign currency forward contracts to reduce its exposure to exchange risk. Currency exposures are reviewed regularly by the Board. The Board is responsible for managing the net position in each foreign currency.

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised at transaction price plus attributable transaction costs.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes (continued)

1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.6 Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials and direct labour. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with FRS 102 section 18.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses. The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful life of capitalised development costs is 3 years.

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

1.7 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.7 Impairment excluding stocks and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated. For Mamas & Papas (Digital) Ltd the entire company would be considered as one CGU as the website assets drive the cashflows of the Company.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss recognised for goodwill is not reversed. Impairment losses recognised for other assets is reversed only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.8 Employee benefits

Defined contribution plans and other long term employee benefits

The Company operates a defined benefit contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. Differences between contributions payable and the amounts actually paid are shown within accruals or prepayments in the balance sheet.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably.

1.9 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Notes (continued)

1 Accounting policies (continued)

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1.10 Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business net of returns, trade discounts, VAT and other sales related taxes. Revenue is recognised when goods are despatched to the customer and control of the goods is transferred to the buyer.

1.11 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.12 Accounting estimates and judgements

Key sources of estimation uncertainty

Tangible and intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. The directors consider the website and associated trade to be a cash-generating unit ('CGU'). Management performs an impairment review for each CGU that has indicators of impairment. When a review for impairment is conducted, the recoverable amount of an asset or CGU is determined based on value-in-use calculations using the Group's latest forecast cash flows, covering a five year period, considered the average useful economic life of the assets, and are discounted using the Group's pre-tax discount rate. The cash flows reflect the Board's current best estimate of trading performance, and therefore actual performance may vary to estimated performance. This may lead to changes in any impairment calculation in the future.

Notes *(continued)*

1 Accounting policies *(continued)*

Key judgements

On 8 November 2019 part of the trade and assets of Mamas & Papas (Retail) Limited (“Retail”), was transferred to Mamas & Papas (Digital) Limited (“Digital”). As this transaction involved the transfer of the business between entities in the same group management have accounted for this transaction as a group reconstruction and applied merger accounting. This involved bringing the assets of Retail into Digital at their existing book value. Accordingly, the difference between the cash paid by Digital and the net book value of the assets transferred has been recorded as an other reserve (see note 9).

2 Turnover

Turnover arises solely from the Company’s principal activity. Analysis of turnover:

By geographical region is shown below:

	5 mth period ended 29 Mar 2020 £000
United Kingdom	9,311
Rest of World	-
	<hr style="width: 100%; border: 0.5px solid black;"/>
	9,311 <hr style="width: 100%; border: 0.5px solid black;"/>

By activity is shown below:

Sale of finished goods	<u>9,311</u>
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3 Loss on ordinary activities before taxation

	5 mth period ended 29 Mar 2020 £000
<i>Included in the loss are the following</i>	
Amortisation of intangibles	322
Depreciation	3
	<hr style="width: 100%; border: 0.5px solid black;"/>

	5 mth period ended 29 Mar 2020 £000
<i>Administrative expenses – exceptional</i>	
Professional Fees and initial business set up costs	58
	<hr style="width: 100%; border: 0.5px solid black;"/>
	58

Notes (continued)

3 Loss on ordinary activities before taxation (continued)

	5 mth period ended 29 Mar 2020 £000
<i>Auditor's remuneration</i>	
Audit of these financial statements – pursuant to legislation	12
Amounts receivable by the Company's auditor in respect of:	
Services relating to taxation	6
Other services	-
	<u> </u>

4 Staff numbers and costs

Particulars of employees (including executive directors) are as shown below:

The aggregate payroll costs of these persons was as follows:

	5 mth period ended 29 Mar 2020 £000
Wages and salaries	275
Social security costs	15
Contributions to defined contribution plans	13
	<u> </u>
	<u>303</u>

The average number of persons employed by the Company (including directors) during the period, analysed by category was as follows:

	Number of employees 5 mth period ended 29 Mar 2020
Directors	-
Employees	13
	<u> </u>
	<u>13</u>

The above has been calculated from total number of employees and not on the number of full time equivalents.

Notes *(continued)*

5 Directors' remuneration

	5 mth period ended 29 Mar 2020 £000
Aggregate emoluments	51
Contributions to defined contribution pension scheme	3
	<hr/>
	54
	<hr/> <hr/>

The directors are considered to be the key management personnel

The amount charged through the profit and loss account of this entity for emoluments and directors pension contributions shown in the staff costs is £nil, the disclosure shows the amount attributable to services provided to Mamas & Papas (Digital) Limited however cost is borne by the parent company Mamas & Papas (Holdings) Limited and Mamas and Papas Ltd.

The remuneration of the highest paid director is not disclosed because the cost is borne by the parent company, Mamas & Papas (Holdings) Limited, and not allocated between subsidiaries.

6 Taxation

Total tax recognised in the profit and loss account, other comprehensive income and equity

	5 mth period ended 29 Mar 2020 £000
<i>Current tax</i>	
UK corporation tax at 19%	-
	<hr/>
Total current tax	-
	<hr/>
<i>Deferred tax</i>	
Origination and reversal of timing differences	-
	<hr/>
Total deferred tax	-
	<hr/>
Total tax charge/(credit)	-
	<hr/> <hr/>

Notes (continued)

6 Taxation (continued)

Factors affecting the tax (charge)/credit for the current period

The current tax charge for the period is £nil. The differences in the tax (charge)/credit compared to the standard rate of corporation tax in the UK of 19% are explained by:

Reconciliation of effective tax rate

	5 mth period ended 29 Mar 2020 £000
Profit before tax for the period	741
Tax using the UK corporation tax rate of 19%	(141)
Effects of:	
Expenses not deductible for tax purposes	(71)
Losses of group companies not paid for	213
Tax attributes transferred from Group companies	(1)
Total tax (charge)/credit included in profit or loss	-

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announces that a rate of 19% would continue to apply with effect 1 April 2020 and this change was substantively enacted on the 17 March 2020.

7 Intangible Assets

	Software Development £000
<i>Cost</i>	
Acquired at pre-pack administration	3,095
Additions	107
Disposals	-
At end of period	3,202
<i>Amortisation</i>	
Acquired at pre-pack administration	2,462
Charged in period	322
Disposals	-
At end of period	2,784
<i>Net book value</i>	
At 29 March 2020	418

Notes (continued)

8 Tangible fixed assets

	Plant and Machinery incl Computer £000
<i>Cost</i>	
At beginning of period	163
Additions	-
Disposals	-
	<hr/>
At end of period	163
	<hr/> <hr/>
<i>Depreciation</i>	
At beginning of period	159
Charge for period	3
Disposals	-
	<hr/>
At end of period	162
	<hr/> <hr/>
<i>Net book value</i>	
At 29 March 2020	1
	<hr/> <hr/>

9 Acquisitions in the current period

On 8 November 2020, the Company acquired the trade and assets relating to Mamas and Papas (Digital) Limited from Mamas & Papas (Retail Limited) as part of a pre-pack administration for £238,335. Mamas & Papas (Retail Limited) was a part of the Mamas & Papas Group selling products through a network of Mamas & Papas branded stores and website. The assets acquired by Mamas and Papas (Digital) Limited mainly related to the website.

Effect of acquisition

The acquisition had the following effect on the Company's assets and liabilities.

	Recognised values £000
Acquiree's net assets at the acquisition date:	
Intangible assets	637
Trade and other debtors	219
	<hr/>
Net identifiable assets and liabilities	856
Total cost of business combination:	
Consideration paid:	
Initial price paid	238
	<hr/>
Difference taken to other reserve	618
	<hr/>
	22

Notes (continued)

10 Debtors

	29 Mar 2020 £000
<i>Amounts falling due within one year:</i>	
Trade debtors	10
Amounts due from group undertakings	308
Prepayments and accrued income	183
Sundry debtors	100
	<u>601</u>

Amounts due from Group undertakings are transactions made on behalf of the other companies within the group, and are repayable on demand and interest free.

11 Creditors

	29 Mar 2020 £000
Amounts falling due within one year:	
Trade creditors	413
UK Corporation tax	-
Other creditors:	
- social security and PAYE	28
- other creditors	7
Accruals and deferred income	192
VAT	955
	<u>1,595</u>
Amounts payable to parent undertaking	196
	<u>1,791</u>

Intercompany amounts due within one year are repayable on demand and interest free.

Notes (continued)

12 Employee Benefits

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current period was £13,000

13 Capital and reserves

Share capital

Authorised, allotted, called up & fully paid

1 Ordinary share of £1

29 Mar
2020
£000

14 Commitments

14 (a) Capital commitments

There are capital commitments contracted at the period end of £nil.

14 (b) Cross guarantees

The Company is party to a Group banking arrangement which includes unlimited cross guarantees between the various companies in the Group. The Company has a contingent liability in respect of these borrowings which at the period end amounted to a maximum Group liability of £nil.

15 Related parties

The Company has taken advantage of the exemption within FRS102 and therefore not disclosed details of transactions with fellow companies within the group backed by Mamas & Papas (Holdings) Limited. There are no other related party transactions to disclose.

16 Ultimate parent company

The Company is a subsidiary undertaking of Mamas & Papas (Holdings) Limited. The ultimate controlling party is Stork Beta Limited.

The largest Group in which the results of the Company are consolidated is that headed by Stork Beta Limited, incorporated in the United Kingdom. The consolidated financial statements of these Groups are available to the public and may be obtained from Colne Bridge Road, Huddersfield, West Yorkshire, HD5 0RH.