**1st August 2022**

**Seraphine Group plc**

(“Seraphine” or the “Company”)

**Final Results**

Seraphine Group plc, the international digitally-led maternity and nursing wear brand, today issues its maiden Final Results for the 12 months ended 3 April 2022 (the "Period" or “FY22”), against the backdrop of an extremely challenging year for the retail sector.

**SUMMARY FINANCIAL RESULTS**

| | **52 weeks to 3 April 2022 £m** | **52 weeks to 4 April 2021 £m** | Change | CCY Change |
|---|---|---|---|---|
| Product revenue | 44.0 | 34.2 | 28.8% | 33.0% |
| Own digital platform | 37.0 | 30.5 | 21.2% | 25.2% |
| Digital Partners | 4.4 | 2.4 | 83.2% | 87.8% |
| Retail Stores | 2.6 | 1.2 | 111.5% | 118.9% |
| | | | | |
| Product Gross Profit | 27.8 | 22.5 | 23.6% | |
| Product Gross Profit % | 63.2% | 65.9% | -2.7% | |
| | | | | |
| Income from Other Services | 2.0 | 1.6 | | |
| | | | | |
| Adjusted Distribution costs(1) | (10.0) | (6.6) | | |
| Adjusted Administrative expenses (1) | (17.3) | (11.6) | | |
| | | | | |
| Adjusted EBITDA (pre IFRS 16) (1) | **2.6** | **6.2** | -58.6% | |
| Adjusted EBITDA (pre IFRS 16) % | 5.8% | 18.0% | | |
| | | | | |
| Operating loss before exceptional items | (2.0) | (0.2) | | |
| Operating loss | (31.9) | (4.9) | | |
| | | | | |
| Adjusted EBIT (1) | 2.2 | 5.6 | -61.5% | |
| Adjusted PAT (post IFRS 16) (1) | 1.5 | 4.4 | -64.9% | |
| | | | | |
| Adjusted EPS (pence) (1) | 5.0 | N/A | | |
| Adjusted weighted EPS (pence) (1) | 5.7 | | | |
| Free cashflow (1) | (0.1) | 5.8 | | |
| Free cashflow conversion (1) | -5.7% | 94.3% | 100.0% | |
| | | | | |
| **Non Financial KPIs** | | | | |
| Website traffic | 15.6 | 13.8 | 12.7% | |
| Conversion rate | 3.0% | 2.8% | 20 bps | |

| | | | |
|---|---|---|---|
| Total orders | 469,409 | 393,117 | 19.4% |
| Average basket value | £135 | £127 | 6.5% |
| Average CAC (£/order) | £16 | £13 | 22.5% |

**(1)** *Refer to notes below for reconciliations to statutory figures and definitions of alternative performance measures*
*Pre IFRS16 as a reporting measure will not be used for FY23 financial results*

**Financial**

- Product revenue grew +33.0% on a constant currency basis to £44.0m (FY21: £34.2m), despite challenging retail environment and well reported external headwinds (Covid, supply chain disruption, weakening consumer confidence)
  - Own digital platform product revenue grew +25.2% (CCY) to £37.0m (FY21: £30.5m)
  - Digital partner product revenue grew +87.8% (CCY) to £4.4m (FY21: £2.4m)
  - Own retail store product revenue grew +118.9% (CCY) to £2.6m (FY21: £1.2m)
- Adjusted EBITDA, below previously guided expectations due to final audit adjustments, down -58.6% to £2.6m (FY21: £6.2m) due to a number of factors including lower than expected product revenue growth, increased supply chain costs, increased marketing costs and unexpected costs of entering new markets
- Net debt £0.2m (FY21: net cash £0.5m) with liquidity headroom of £5.8m

**Operational**

- Non-financial KPIs all increased, as demand continues for our differentiated product offering
  - Traffic grew +12.7% to 15.6m (FY21: 13.8m)
  - Conversion rate grew 0.2% to 3.0% (FY21: 2.8%)
  - Average basket value grew +6.3% at £135 (FY21: £127)
- Onboarding of two new partners Zalando and Next
- Geographic expansion continued, with the launch of the Company's own digital platform into three new markets: Canada, Switzerland and the Netherlands
- New athleisure range launched; outerwear and occasion wear lines enhanced
- Strengthened team and enhanced skillsets
  - Appointment of Lee Williams, formerly of French Connection and ASOS, as Chief Financial Officer
  - Executive team further bolstered with the appointment of a COO and Trading Director
- Enhancements to the Group's finance function identified by the CFO Lee Williams

**Post-period end**

- Spend being reallocated in response to increased marketing costs
- New Babygro product launched with easy-change zip system; new category launch planned for Autumn
- Evaluating the performance of our portfolio of seven physical retail stores on a store by store, market by market basis to optimise performance and value

**Current Trading and Outlook**

- Continuing to experience significant inflation in marketing costs - having to spend 33% more to maintain prior year product revenue levels
- Inflation driven by marketing platforms, own customer KPIs remain resilient with improving basket sizes
- Will drive growth in the short term where we can do so profitably and react quickly to any improvement in marketing costs
- Updating guidance to 0-15% product revenue growth, expect to remain profitable with margin improving throughout the range
- Board remains confident on the Group's ability to maintain sufficient liquidity throughout the year

**David Williams, Chief Executive Officer, commented:**
*"It has been a challenging year, both externally for the consumer sector as a whole and internally for the Group. We have taken decisive action to respond to these challenges. Internally, we have strengthened the team and our new*

*CFO Lee Williams has made good progress on delivering improvements to our finance function, systems and processes. We have also been nimble in responding to external challenges, reallocating marketing spend and conducting a strategic re-pricing to optimise value.*

*"Despite these challenges, we have delivered significant product revenue growth in the Period, showing the strength of our strategy, brand and our customer proposition. Additionally, all non-financial KPIs have grown - customers are visiting our websites more and when they are, they are buying more; which illustrates the strength of Seraphine's unique products.*

*"Seraphine is a market leading maternity wear business with a strong and well-loved brand, delivering a customer proposition, globally, that improves the journey of motherhood. There is no doubt that our first year as a listed company has been challenging – but I am confident that, coupled with our strong business fundamentals, we now have the team, the structure and the functions in place to focus on delivering profitable growth."*

-**ENDS-**


**Enquiries**

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**About Seraphine**

Seraphine is an international digitally-led maternity and nursing wear brand with a diverse range of innovative maternity and nursing products serving an under-competed global market.

Seraphine was founded in 2002 with the vision of creating desirable clothes which women would want to wear even if they were not pregnant, and this ethos remains true to this day. The Group has over 18 years' experience designing and developing maternity and nursing wear for women from first trimester to post-partum and nursing products.

The Group has achieved global brand recognition through its rapidly growing digital platform, which in the year to 3 April 2022, contributed to approximately 84% of Product revenue. The Group currently exports products to customers in over 120 countries globally, with the Group's largest markets being Europe, North America and the UK.

## Chair's Statement

The year under review – our first as a listed company – has been challenging in many ways. Throughout it all, however, Seraphine has continued to follow its purpose to be 'with mums for the journey', providing fashionable, affordable, sustainable and innovative clothing and products for expectant women and parents.

The world emerged from Covid straight into the challenges presented by the tragic invasion of Ukraine, together with a backdrop of unprecedented supply chain disruptions, affecting both the production and movement of goods globally.

Seraphine faced challenges in navigating the resulting complexities which included supply chain delays and additional costs, an increase in costs associated with cross-border transactions, shifting patterns in consumer

demand and substantial inflation in customer acquisition costs which impacted profitability.  Unfortunately, we were also impacted by unforeseen duty and returns costs as we entered new markets and channels.

The agility of our business model and the deep relationships we have built with third parties throughout our supply chain have meant that we were able to adapt and take steps to mitigate some of the impact, however I am still disappointed with the final FY22 results which are significantly below the guidance set out at IPO. In his review, CEO David Williams sets out, in detail, the actions management have taken to strengthen the business.

Despite these challenges, we delivered our highest ever gross Product revenue numbers and we continued to see very encouraging international growth. In the period we launched new websites in Canada, Switzerland, and the Netherlands as well as delivering continued high growth from our successful US business.

Our innovative product range, international reach and strong underlying economics put us in a robust position to focus on returning the business to profitable growth. Most importantly, our product continues to be highly sought after and desired by our customers, which is the core of our success.

The business now has greater clarity on the headwinds it faces and has put plans in place to address these challenges. The newly strengthened management team is focused on executing its stated strategy of using in-house design expertise to deliver an innovative range of products to an expanding customer base, including in the key market of North America.

On behalf of the Board, I would like to sincerely thank all our new shareholders for their support during this challenging year. The actions taken by executive management to strengthen the business, together with the investment in our team since IPO means we start our new financial year in a more resilient position to face the challenges ahead and convert the continued growth in customer demand for our products into profitable margin growth. We remain committed to delivering a business that delivers strong future returns for shareholders in a sustainable way.

Having reviewed the performance for the 52 weeks to 3 April 2022 and the likely headwinds in the economy for the year ahead, the Board is recommending that a final dividend should not be declared for this year. It is very much hoped that the normal dividend commitment can be restored as soon as possible.

**Board & Governance**

We are committed to the highest standards of corporate governance and to operating with a strong, experienced and diverse board of Directors.

I am very pleased with the interaction and discussions which have taken place at Board level.

The Board is working very well with the Executive Leadership Team of the business, fostering healthy challenge as well as proactive sharing of experience, knowledge and insight to help Seraphine achieve our strategic goals.

During the year we announced the appointment of Lee Williams as CFO, from French Connection Group, where he was CFO and Company Secretary, following John Bailey's decision to step down. Lee's deep experience in our sector, both at French Connection and ASOS, makes him a strong commercial and strategic CFO and he is currently very focused on making the necessary improvements to our financial management capability to strengthen our financial function going forward. Further details of this are laid out in the CEO Review.

In June 2021 we were pleased to welcome two additional Non-Executive Directors to the Board – Bill Ronald and Sarah Highfield – who bring a wealth of experience and skills including particular expertise in public company matters and high growth businesses. Bill will focus on remuneration, Sarah on audit and risk, to support and guide Seraphine through life as a public company. They have already been providing huge support to the executive team and to me.

**Sustainability**

Sustainability is at the heart of our business and we have worked throughout the year to develop an approach that aligns with our customers. A sustainable supply chain is fundamental and we continue to invest in ensuring the quality of our factories, understanding our full supply chain and pursuing initiatives such as the Better Cotton Initiative, improving our packaging and creating innovative product that can be worn throughout pregnancy and nursing, dramatically increasing the wears per garment. The thriving second-hand marketplace for our product is testament to these actions in a market that is historically characterised as 'disposable'. In addition, we have undertaken a significant exercise to understand our carbon footprint which will form the basis for the development of our strategy to net zero.

This year we have established the framework of what will become our new sustainability strategy. At the heart of the new framework are three key pillars: Product, People and Planet. Our strategy recognises the importance of managing the risks and opportunities connected to these pillars, in order to secure the long-term success of the business. We look forward to developing the measurement, management and disclosure of our ESG activities in line with best practice and to sharing further details in due course.

**Conclusion**

Seraphine has grown enormously since our foundation in 2002 and we are ready for the next stage of our journey, underpinned by our clear strategic goals.

Having taken firm steps to strengthen the business and make it fit for the future, I am satisfied that we are now better positioned to focus on driving profitable growth.

I would like to finish by thanking everyone at Seraphine for their expertise, professionalism and commitment.

## CEO Statement

All commentary is for the 52 week period ending 3 April 2022 against the non-statutory comparatives of 52 weeks to 4 April 2021. Please refer to page 17 for further detail.

**Overview**

This is our maiden Final results following our IPO on the London Stock Exchange in July 2021. I would like to begin by thanking all our shareholders for their support during what has been a challenging year for the business.

In our first year as a public company, we have been materially impacted by external factors, and have also faced some internal challenges. The external factors are well known: the global supply chain crisis which emerged in the summer of 2021, the effect of increasing energy prices on warehousing and distribution costs and, more recently, the significant downturn in global consumer sentiment have all created headwinds against the execution of our growth plans. Nonetheless, I am proud that despite these setbacks we have delivered significant Product revenue growth in the period, remained Adjusted EBITDA positive, and expanded our own digital platform into three new markets - Canada, Switzerland and the Netherlands - whilst onboarding with two new partners, Zalando and Next.

Turning to the internal challenges. The failure to correctly calculate product revenue tax and duty costs in relation to the movement of goods into and out of new markets, or to mitigate them with appropriate registrations, resulted in an impact to profitability.

In light of both the external factors and internal challenges experienced we have taken significant management actions to strengthen our business as follows:

- Our new CFO Lee Williams initiated a full review of the Group's finance function. This led to the recruitment of additional resources and identified areas of improvement through enhancing the Group's internal information systems and processes
- The Company's Executive Committee has been strengthened with the appointment of Fran Pillar as COO and Seb Tarleton as Trading Director.
- A strategic re-pricing has been implemented post period end, protecting entry level product pricing while increasing more premium items which have traditionally delivered exceptional value.

**Strategy**

Seraphine has a simple purpose: to be with mums for their journey. Our products support women in their changing bodies, not only with style and choice, but with innovative technical aspects that help ease the journey of motherhood. Our in-house design team remains as committed as ever to developing exciting product innovations – and the whole team remains committed to bringing these to more and more expectant and new mothers, worldwide.

We will continue to invest in our customer proposition by:

- enhancing the customer experience
- continuing to innovate our product range
- building our international reach, particularly in the highly successful North American markets
- strengthening our supply chain and embedding sustainability in everything we do.

**Operating Review**

We have delivered product revenue growth of 33.0% on a constant currency (CCY) basis (28.8% variable currency) in the period with strong growth in North America of 53.2% CCY. Growth across our European markets totalled 36.3% CCY and in our home and longest established market of the UK, we delivered double digit growth of 11.7%.

EBITDA was impacted by a number of factors including pressure on customer acquisition costs, increased costs of freight and distribution and unexpected costs of entering new markets – standing at £2.6m, (FY21: £6.2m) down (58.6)% YoY.

**Own digital platform**

The core of our business, our own digital platform, continues to drive our growth delivering +25.2% CCY in the year. Despite economic headwinds, we have seen key customer KPIs improve YoY, with Traffic (+12.7%), Conversion (+20 bps) and Basket Size (+6.5%) all growing, reassuring us as to the strength of our core customer proposition.

In the period we invested most significantly in North America, primarily through our existing US site but complemented by the launch of a new dedicated site for Canada. Our US site is now the single largest contributor to our product revenue.

Our European sites also performed well, with growth in our established markets and the launch of Switzerland and the Netherlands in the period. The UK, our home market and the longest established, was particularly hard hit by the economic downturn in the final quarter but still delivered growth on the prior year.

Whilst digital growth overall fell short of our initial expectations for the year, the performance delivered reinforces our belief that our digital first approach to serving our customers should remain our primary strategy across markets.

Delivering this growth against the backdrop of huge challenges did not come without mistakes or learnings - notably the aforementioned issues around product revenue taxes and duty rates in markets outside of the EU - but we end the year with a better capability to execute than before.

With the launch of Canada, Switzerland and the Netherlands in the period the number of markets served by our own digital platform stands at 11 (United Kingdom, Germany, France, Spain, Italy, Netherlands, Rest of Europe, Switzerland, United States, Canada, Australia). Our platform was designed to allow us to launch new markets quickly and in a capital-efficient way - and is a key pillar of our growth strategy. We intend to launch dedicated sites in the Nordics before the end of the next financial year.

**Digital partnerships**

We believe in putting product where the customer shops - knowing that our marketing cannot reach everyone. To that end, we launched with Zalando in Germany, Austria, Switzerland, Belgium and the Netherlands during the year and with Next in the UK in February, helping our digital partner business deliver £2.0m (+87.8 CCY%) in incremental product revenue. Whilst this product revenue growth was above expectations, the profitability of Zalando has been disappointing and we are currently reviewing options by market. The profitability of Next has been in line with management expectations and we see encouraging opportunities to grow this business alongside continuing to explore other partnership opportunities.

**Retail stores**

We believe that having a small selection of flagship stores, in strategic locations, adds value to the brand. However, we continue to evaluate the performance of our portfolio of seven physical retail stores on a store-by-store, market-by-market basis. Our target remains to drive the portfolio as a whole to break even and we will make investments, or disposals, as appropriate to achieve this. The retail environment remained challenging for the entire period and well below management expectations of a return to FY19 levels, felt especially in our UK and US stores. Post year end we closed our Madison Avenue store in New York but retain both our Soho store and concession in Macy's Herald Square in the same city. We continue to operate our other stores in the UK and France. Our two Macy's concessions, operating on a turnover rent model, have delivered on our target of break even or better contribution.

**Digital Marketing**

Digital marketing continues to be the primary channel by which we reach our customers, by showing relevant and inspiring content and products to women in the early stages of pregnancy, or capturing demand for specific product searches.

During the year, we experienced a number of headwinds that impacted our return on investment. In the first half, the well-publicised supply chain issues meant that our product catalogue was fragmented for a number of weeks, having a direct impact on the quality of our marketing which is primarily product and needs driven. We saw this recover strongly in line with our stock position early in H2, however in the second half of this period we were impacted by significant inflation in advertising costs, along with a decline in broader consumer sentiment.

We operate a number of successful targeting strategies and are working to reallocate investment across these and to deploy spend into other channels, including more traditional marketing, but it is likely that it will take some time to fully mitigate the increases in cost.

The overall blended Customer Acquisition Cost (CAC) in the period was £16 vs £13 in the prior year.

**People**

Our people are our greatest strength and core to everything we do. Our culture is inclusive, innovative and collaborative – and it is testament to this that in a challenging year it was ultimately our own people that uncovered and solved problems. It is also the reason why we can do so much in house - including design, prototyping and creative marketing. It provides us with agility and flexibility at the very core of our business - and I am extremely proud of the entire team.

We have made a significant investment in people during the year, strengthening our team for the future. This began with the appointment of our new CFO, Lee Williams, who has made good progress in improving our Finance function, reinforcing expertise in the areas of financial planning, accounting, and reporting.

Looking to the wider Executive Committee, we have appointed a COO, who will lead the transformation of our business systems and in-house logistics and operations capability, and a Trading Director who will define and execute our multi-channel and multi-market trading strategy.

**Product Update**

In the period we launched our new athleisure range, bringing our expertise in superior fit to another category. We continued to innovate in our outerwear range, launching multi-season coats with babywearing functionality, thus further extending the longevity of wear. Responding to a resurgence in customer demand for occasion wear as lockdown measures eased, we grew our occasion wear collection with a particular focus on innovative nursing functionality. Across the range we balanced the maximisation of our strong, core continuity range with on-trend style and choice in our seasonal lines - all with the common thread of delivering fantastic-looking products that solve common motherhood issues.

We also continued to invest in the core Seraphine proposition - products that look incredible whilst also supporting women with technical innovations that ease and enhance the journey of motherhood. We designed two new products with innovations we believe to be unique in the space - one of which, a Babygro with an easy-change zip system, launched post period end and the other, which will see us enter a new category, will be brought to market later in FY23.

At the end of the period we conducted the first broad-based pricing review since 2017, ensuring that whilst we protect key entry level products and price points, we maximise profitability on mid-market and higher-end products where we have traditionally offered exceptional value. We will continue to review pricing regularly.

**Our competitive position within our markets**

Seraphine differentiates itself from its competitors in three key ways:

1. Product innovation. Every garment is designed to not only to help our customers look and feel stylish, but with integrated technical functionalities designed specifically for pregnant and nursing women - all with a focus on long-term use (almost all products can be worn both during pregnancy and post-partum) and sustainability.
2. Affordable premium price point. We target the mid-market customer and above, balancing a large and resilient customer base with a commitment to strong gross margins
3. Digital first. Our business is primarily driven by our own digital platform, giving us a cost base advantage over competitors and the flexibility to launch new markets in a capital-efficient way.

The unique creative in-house force behind our digital marketing translates well across markets and is key to our market launch strategy.

**Supply Chain**

Like many retailers, we have not been immune to global supply chain disruption caused as a knock-on effect of Covid-19. Beginning in July 2021 we were impacted by the late arrival of product, which slowed momentum over the summer, resulted in less customers being onboarded, and impacted repeat custom in the early autumn. Once the stock issues were identified, we acted quickly and were able to restore the stock position back to planned levels by the end of the August holidays – and have had no further impacts since.

We have long-standing relationships with our suppliers built up over more than 20 years, which have proved invaluable in providing our design and production teams with the necessary flexibility to minimise external impacts –

both during the pandemic, when we were able to quickly pivot our product mix based on changing customer demand, and more recently as we navigated supply chain disruption.

We have in addition worked with our freight forwarding partners to improve the management information we receive and have strengthened our internal logistics function and processes to minimise future risk.

We ended the year with a stock position much higher than historic years as a result of conservative planning around global supply chain challenges and lower than expected demand during the final quarter of the financial year. Subsequently we have taken the decision to reduce future stock intakes whilst preserving newness and innovation. This is achievable due to the high continuity product mix of the business and lasting appeal of seasonal stock.

**ESG**

As a business that is synonymous with the creation of life, aspiring to leave a better planet for our children has always been at the heart of what we do and is engrained in our culture. Every new product innovation considers sustainability from the outset, whether it be materials, packaging or sourcing - and each year we also make strides in reducing our impact on the environment across our existing product range. This year initiatives included reducing plastic in packaging, increasing the longevity of our products, and improving visibility in our supply chain.

Further details on our ESG strategy and progress made are set out in our Annual Report.

**Outlook**

The current trading environment remains challenging and in particular we continue to experience significant inflation in marketing costs. Rather than being driven by our own customer KPIs, this is primarily a result of inflation in the cost of displaying advertising in our primary channels which we believe to be influenced by the more challenging macro environment and weaker broader consumer sentiment. As a result, we are spending circa 33% more to maintain prior year product revenue levels, with blended CAC up circa 60% on prior year at £25.4 partially offset by higher gross basket sizes. Product revenue in the first quarter of FY23 was below last year, however trading improved throughout the quarter, with June product revenue in line with prior year.

Our customer KPIs remain resilient. Return rates have increased marginally above budget but have been offset by increased basket sizes. As a result, net baskets (the amount customers keep) have improved in all markets YoY, and the average net revenue per customer visit is only marginally softer than the prior year which is testament to the strength of our customer proposition.

The biggest challenge for the Group today is the inflation experienced in marketing costs, as our customer KPIs demonstrate the success of our brand when we are able to put our products in front of customers. Therefore, management is focused on optimising our digital marketing spend and redeploying budget to traditional marketing channels and partnerships, but it is too early to provide guidance on potential mitigations to CAC for the remainder of the year.

We will take immediate advantage of any reduction in CAC on a market-by-market basis but will not increase our overall marketing budget for the year to compensate for the current inflation. By doing so we will only drive growth in the short term when we believe we can do so profitably. We are therefore updating our guidance for FY23 to deliver product revenue growth of 0% – 15%. The Group expects to remain profitable with improving margin throughout this range, however it is too early in the year to be able to guide to a specific EBITDA margin with confidence.

The Board is confident on the Group's ability to maintain sufficient liquidity throughout the year.

Management is focused on driving efficiencies and setting a strong base for profitable growth once the challenging external conditions subside. The recent reinforcement of the management team and the resilience seen in customer KPIs once exposed to the brand provides reassurance on the underlying strength of our proposition. We remain confident in the medium-term opportunities for the business.

## CFO Statement

All commentary is for the 52 week period ending 3 April 2022 against the non-statutory comparatives of 52 weeks to 4 April 2021. Please refer to page 17 for further detail.

In the 52 weeks to 3 April 2022 the business delivered strong Product revenue performance though somewhat short on the previous full year expectations.

We delivered product revenue growth of 28.8% year-on-year to £44.0m, (+33.0% at Constant Currency (CCY)) and an adjusted EBITDA of £2.6m. This fell below previously guided expectations due to the final audit adjustments.

We finished the year with £2.8m of cash, having drawn down £3.0m of our £6.0m Revolving Credit Facility, equating to net debt of £0.2m at 3 April 2022.

These results were delivered despite extensive industry-wide supply chain disruptions experienced due to the Covid-19 pandemic. In addition to this, the start of the Russia-Ukraine conflict in February quickly led to a noticeable decline in customer sentiment across Europe.

At a statutory level we delivered a loss after taxation for the group of £(33.9)m, with exceptional items of £(29.9)m making up a large part of that loss. The exceptional items are mainly the impairment of Goodwill and other intangibles of £(27.9)m, as well as the IPO costs of £(3.5)m. These are offset by gain on lease modification of £1.6m.

The other component of that loss is the finance costs of £(4.1)m, covered in the Interest section.

**Product revenue**

During the year total product revenue increased to £44.0m, a +28.8% (+33.0% CCY) improvement on the prior year.

**Own digital product revenue**

Own digital product revenue grew to £37.0m (FY21: £30.5m) an increase of 21.2% (25.2% CCY). All existing sites delivered growth during the year with North America being the strongest market, growing 53.2% year-on-year. Although Europe and the UK delivered double digit product revenue growth over the course of the full year, consumer sentiment was noticeably softer in Q4 following the Ukraine invasion. Product revenue growth from existing markets was bolstered by the addition of new websites in Canada (+£1.2m), the Netherlands (+£0.3m) and Switzerland (+£0.8m).

**Digital partners**

Our digital partners channel, which includes wholesale customers, also saw strong growth with product revenue of £4.4m across the 12 months (FY21: £2.4m) an increase of 83.2% (87.8% CCY). We launched two partners in the year: Zalando in Germany, Switzerland, Austria, Belgium and the Netherlands, adding around £1.5m to product revenue, and Next in the UK.

**Retail stores**

Our retail stores in France, UK and US, following the reopening, grew product revenue to £2.6m (FY21: £1.2m) more than doubling product revenue over the period compared with the previous year which was impacted by the pandemic lockdowns.

**Product revenue by geography**

**North America**

Following a strong performance in the first half, the North American market has continued to trade well, delivering £14.4m of product revenue across the whole year, an improvement on the prior year of +47.3% (+53.2% CCY) with the strong debut of the dedicated Canadian site making a big impact in that geography, complemented by the reopening of the two New York stores and the two Macy's concessions following lockdown.

**Europe**

The EU market growth of +29.9% (+36.3% CCY) to £17.8m was driven by our own digital platforms, the launch of the Swiss site and Zalando Partnership Programme across a number of markets, together with the reopening of the two Paris stores.

**UK**

UK Product revenue growth of +11.7% to £10.0m was achieved across the digital platform, the reopening of the four UK stores and our Digital Partners. This growth was driven by our own digital platforms but also retail stores. As retail was open for all 12 months of the financial year, compared to 7 months in the prior year, this channel was up 154%, +£0.5m.

**Rest of World**

Growth in the Rest of World segment slowed down in the second half, delivering £1.8m Product revenue, growth of +4.3% (+1.0% CCY) with the largest component of that being the Australian market.

**Gross margin**

The Company delivered product gross profit of £27.8m (FY21: £22.5m), achieving a gross profit margin of 63.2% (FY21: 65.9%). The gross profit dilution of 270 basis points has mainly fallen within our own digital channel due to a number of previously disclosed market challenges including:-

- increased inbound freight costs
- higher level of promotional activity across the year with significant activity over the late December and early January period.

**Distribution and administrative expenses costs**

Direct operational costs have increased ahead of Product revenue growth due to the store reopenings following the Covid-19 lockdowns together with the ending of furlough. The increase in the cost of customer acquisition by around 51% year-on-year from 19.4% of net Product revenue to 22.8%.

Adjusted distribution costs for the period increased to £10.0m (FY21: £6.6m), 18.3% (FY21: 14.7%) as a proportion of product revenue. Much of the increase is being driven by two elements: a significant increase in returns costs with returns rates increasing towards pre-pandemic rates as well as the changes to international shipments bought about by increased cross-border costs. These have significantly increased the number of despatches incurring administration and paperwork costs. These are in addition to the inflationary costs being driven by the pandemic as well as the increase in energy costs partly due to the Ukraine war. We also incurred unexpected costs in the year totalling around £0.3m when launching in new markets. This related to failing to charge Canadian Product revenue tax when initially trading in that market and making an incorrect duty declaration when returning stock from Switzerland. Both these issues have been addressed and resolved and have a one-off impact in FY22.

Customer acquisition spend as part of our administrative expenses increased to £7.6m (FY21: £5.2m), reflecting continued investment in the Company's new and existing own digital platforms. We have also experienced

inflationary increases with these costs with an additional £1.4m of rate increases being incurred above and beyond that which was Product revenue driven.

Other central costs within administration costs have increased to £6.0m (FY21: £4.2m). This was £0.6m lower than expected due to delays in recruiting for new roles. These roles relate to planned growth in our operational abilities combined with reduced rent concessions and government support as well as the costs to support the Company's transition to a plc.

**Adjusted EBITDA pre-IFRS 16**

The adjusted EBITDA (pre-IFRS 16) of £2.6m (5.8%) is considerably lower than the prior year at £6.2m (18.0%).

Lower than expected Product revenue growth reduced EBITDA from £6.2m to £5.8m
The further fall in EBITDA was a result of:

- £1.4m of increased marketing costs in the form of digital marketing rates
- £1.0m of increased supply chain costs in the form of duty and cross-border paperwork
- £1.1m of margin dilution, driven by higher promotional spend
- £0.3m of unexpected costs relating to new market launches
- Offset by £0.6m of delayed spend on head office overheads.

**Interest**
Net finance costs in the period were £4.1m. This is predominantly driven by ownership restructuring following the IPO, specifically the writing off of the prepayment of £2.4m of facility fees, the repayment of shareholder loan notes and HSBC term loans from IPO proceeds. Shareholder interest costs up to the IPO were £1.3m.

**Tax**
For the current period, a tax rate of 19.3% has been calculated, which is in line with HMRC guidelines. The tax has been adjusted for non-deductible items, which includes shareholder loan facility fees, shareholder interests and exceptional items associated with the listing of Seraphine Group plc.

Exceptional costs items include all costs associated with the IPO

**Earnings per share**

Basic loss for the period per weighted average shares was 75.6p
Basic loss per share at 3 April 2022 was 66.6p
Adjusted Earnings (EBITDA pre IFRS 16) per weighted average share was 5.7p
Adjusted Earnings (EBITDA pre IFRS 16) per share at 3 April 2022 was 5.0p

**Balance sheet**

On 16 July 2021 we listed on the premium segment of the London Stock Exchange. The listing raised £56.1m gross proceeds.

**Impairment of Goodwill and Other Intangibles**

At the year end the value of Goodwill has been tested and largely due to a revised discount rate used compared to previously as well as a change in cost assumptions, an impairment of the value of £27.9m has been made. This is an exceptional adjustment and a noncash item.

The Board is intending to carry out a capital restructure of investments in the subsidiaries following the impairment of goodwill and other intangibles. Shareholders will be asked to support this process at the Annual General Meeting.

**Inventory**

Inventories increased from £7.5m at the end of FY21 to £14.7m. This stock build reflects the strategic investment in inventory to reduce the reliance on timely shipments, building in a level of latency to minimise trading impacts brought about by issues within the supply chain, including further lockdowns and shipping delays. This stock build will be utilised to drive performance in FY23 but with overall inventory falling to a more normal level by the end of FY23.

The write-off of damaged stock arose due to products being returned which our team have identified as being no longer of the quality we expect. The team are now empowered, subject to cost threshold, to decide whether to undertake the work to correct the defect (perhaps a missing component) or write the items off on a timely and regular basis. Our product team will be notified of any styles that suffer multiple issues to identify if the original design of the product can be amended to address the issue.

Within trade and other receivables are trade debtors covering our Digital Partners channel. This increased from £0.5m to £0.8m, an increase of 60% driven by the Product revenue growth in the Digital Partners channel of 83.2% year-on-year. Prepayments and other debtors at £0.7mwas flat to FY21.

The increases in inventory brought with it an increase in Trade Creditors to £6.9m (FY21: £3.1m), more than doubling on the year, while other Product revenue volume-driven creditors, such as the returns provision and duty payable due to bonded nature of our warehouse, also increased year-on-year. This meant total trade and other payables increased to £12.6m (FY21: £7.2m), offsetting some of the working capital increase from inventory.

Cash and cash equivalents at the year-end were £2.8m while borrowings are £3.0m of the total £6.0m available, net debt is therefore £0.2m

**Cash flow**

The cash generated from operations for the period was £1.6m was an improvement of £1.0m YoY,.

Cash flow has been impacted by the working capital impact of increasing the level of stock in the business to offset any future delays to inbound stock and the subsequent increase in stock holding, while partly offset by the increase in creditors.

Seraphine's outflow within investing activities up to 3 April 2022 was £0.8m across tangible and intangible assets. £1.2m was in relation to the previously disclosed earnout payment to the previous owners of the group, Bridgepoint Growth, Cecile Reinaud and Management.

Seraphine's net cash generated in financing activities up to 3 April 2022 was £2.8m, representing net cash flow from IPO proceeds after loan notes and bank debt repayments.

The impact of the additional time needed to deliver product to the distribution centre has had a negative impact on the Company's free cash flow.

The free cash flow for the period represented -5.7% of adjusted EBITDA (pre-IFRS 16). The management team will continue to prioritise and proactively manage our inbound stock position whilst supply chain issues remain and we therefore expect second half free cashflow to improve over first half but still be lower than historical levels.

**Auditor's appointment**

PricewaterhouseCoopers LLP was appointed as independent auditor to the Company and in accordance with section 485 of the Companies Act 2006, a resolution proposing their reappointment will be put to the next Annual General Meeting.

**Alternative Performance Measures**

Presented below is the unaudited proforma consolidated statement of total income. The comparative information in this is different to the statutory version presented in the financial statements. To allow year on year comparison of our results a 52 weeks period is presented in the proforma, however the statutory comparative period is 15 weeks ended on 4 April 2021.
The comparative period includes the period to 22 December 2021, prior to the acquisition of the group adjusted to include the impact of IFRS 16. The 15 weeks to 4 April 2021 includes the post acquisition accounting including the recognition of goodwill and intangibles and the associated amortisation.

**Proforma Consolidated Statement of Total Comprehensive Income**

| | 52 weeks to 3 April 2022 £m | 52 weeks to 4 April 2021 £m | 15 weeks ended 4 April 2021 £m |
|---|---|---|---|
| Product Revenue | 44.0 | 34.2 | 8.7 |
| Service Revenue | 2.0 | 1.6 | 0.5 |
| Total Revenue | 46.0 | 36.1 | 9.2 |
| | | | |
| Product Cost of Sales | (16.2) | (11.7) | (3.0) |
| Service Cost of Sales | (5.2) | (4.0) | (1.5) |
| Total Cost of Sales | (21.4) | (15.7) | (4.4) |
| | | | |
| Product Gross Profit | 27.8 | 22.5 | 5.7 |
| Service Gross Profit | (3.2) | (2.1) | (1.0) |
| **Total Gross Profit** | 24.6 | 20.4 | 4.7 |
| | | | |
| Distribution costs | (4.9) | (2.6) | (0.2) |
| Administrative expenses | (21.8) | (14.5) | (4.8) |
| Adjusted operating profit | (2.0) | 3.3 | (0.2) |
| Exceptional Items | (29.9) | (5.4) | (4.7) |
| Operating (loss) / profit | (31.9) | (2.1) | (4.9) |
| Finance costs | (4.1) | (1.7) | (1.4) |
| Profit / (loss) before taxation | (36.0) | (3.8) | (6.4) |
| Taxation | 2.1 | (0.5) | 0.0 |
| Profit / (loss) for the period | (33.9) | (4.3) | (6.3) |
| | | | |
| Other comprehensive income | | | |
| Exchange gains arising on translation | 0.0 | 0.0 | 0.0 |
| Total comprehensive income / (loss) | (33.9) | (4.2) | (6.3) |

References to revenue and sales in the CEO and CFO statement relate to the total revenue before income from other services

Reconciliation of operating profit to Adjusted EBITDA pre IFRS16

| | 52 weeks to 3 April 2022 £m | 52 weeks to 4 April 2021 £m |
|---|---|---|
| Operating (loss) / profit | (31.9) | (2.1) |
| Exceptional Items | 29.9 | 5.4 |

| | | |
|---|---|---|
| Depreciation and amortisation | 0.5 | 0.4 |
| Amortisation of brand value | 4.1 | 2.1 |
| Right of use amortisation | 1.0 | 0.9 |
| Right of use impairment | 0.0 | 0.2 |
| Private Equity fees | 0.0 | 0.1 |
| IFRS 16 Adjustment | (1.0) | (0.8) |
| **Adjusted EBITDA pre IFRS**[2] | 2.6 | 6.2 |
| Number of shares | 50,902,011 | |
| Weighted average number of shares | 44,871,216 | |
| Adjusted EPS (pence) | 5.0 | |
| Adjusted Earnings per weighted average share (pence) | 5.7 | |

*(2) All future results will be based on post IFRS numbers*

| | 52 weeks to 3 April 2022 £m | 52 weeks to 4 April 2021 £m |
|---|---|---|
| Operating (loss) | (31.9) | (2.1) |
| Exceptional Items | 29.9 | 5.4 |
| Depreciation and amortisation | 0.5 | 0.4 |
| Amortisation of brand value | 4.1 | 2.1 |
| Right of use amortisation | 1.0 | 0.9 |
| Right of use impairment | 0.0 | 0.2 |
| Private Equity fees | 0.0 | 0.1 |
| IFRS 16 Adjustment | (1.0) | (0.8) |
| **Adjusted EBITDA pre IFRS** | 2.6 | 6.2 |
| Number of shares | 50,902,011 | |
| Weighted average number of shares | 44,871,216 | |
| Adjusted EPS (pence) | 5.0 | |
| Adjusted Earnings per weighted average share (pence) | 5.7 | |

| **Adjusted EBIT** | **52 weeks to 3 April 2022 £m** | **52 weeks to 4 April 2021 £m** |
|---|---|---|
| Operating (loss) / profit | (31.9) | (2.1) |
| Exceptional Items | 29.9 | 5.4 |
| Amortisation of brand value | 4.1 | 2.1 |
| Private Equity fees | 0.0 | 0.1 |
| Right of use impairment | 0.0 | 0.2 |
| | 2.2 | 5.6 |

| **Adjusted PAT** | | |
|---|---|---|
| Adjusted EBIT | 2.2 | 5.6 |
| Recurring finance costs | (0.3) | (0.2) |
| Adjusted PBT | 1.9 | 5.4 |
| Tax at 19.3% | (0.4) | (1.0) |
| Adjusted PAT | 1.5 | 4.4 |

| Adjusted Administration Expenses | 52 weeks to 3 April 2022 £m | 52 weeks to 4 April 2021 £m |
|---|---|---|
| Reported Administration Expenses | (21.8) | (14.5) |
| Depreciation and amortisation | 0.5 | 0.4 |
| Amortisation of brand value | 4.1 | 2.1 |
| Right of use amortisation | 1.0 | 0.9 |
| Right of use impairment | 0.0 | 0.2 |
| Private Equity fees | 0.0 | 0.1 |
| IFRS 16 Adjustment | (1.0) | (0.8) |
| | (17.3) | (11.6) |

| Adjusted Gross Profit | 52 weeks to 3 April 2022 £m | 52 weeks to 4 April 2021 £m |
|---|---|---|
| Total Gross Profit | 24.7 | 20.1 |
| Service Gross Profit | 3.1 | 2.4 |
| Product Gross Profit | 27.8 | 22.5 |
| Adjusted Gross Profit % | 63.2% | 65.8% |

| Adjusted Distribution Costs | 52 weeks to 3 April 2022 £m | 52 weeks to 4 April 2021 £m |
|---|---|---|
| Distribution Costs - IFRS 15 basis | (4.9) | (2.6) |
| Add Service COS | (5.2) | (4.0) |
| Adjusted Distribution Costs | (10.0) | (6.6) |

| Adjusted EBITDA % | 52 weeks to 3 April 2022 £m | 52 weeks to 4 April 2021 £m |
|---|---|---|
| Product Revenue | 44.0 | 34.2 |
| EBITDA | 2.6 | 6.2 |
| Adjusted EBITDA % | 5.8% | 18.0% |

Alternative Performance Measures Definitions

| Performance Measure | Definition | How we use the measure |
|---|---|---|
| Product revenue | Product revenue of goods through our own digital platform, digital partnerships and stores | A measure of the Group's trading performance focusing on the sale of products to end customers. It is used by management to monitor overall |

| | | |
|---|---|---|
| | reported net of discounts, value added taxes and returns | performance across markets and channels |
| Adjusted Product Gross Profit | Product revenue less product cost of Product revenue | A measure of underlying core product profitability |
| Adjusted Administration expenses | Administration expenses excluding depreciation, amortisation, impairment charges, private equity fees and IFRS 16 adjustments. | A measure of underlying operational administration costs of the business |
| Adjusted Distribution costs | Distribution costs including service Product revenue cost of Product revenue | A measure of total distribution costs. |
| Adjusted EBITDA pre IFRS | Adjusted EBITDA is Operating (loss)/profit adding back exceptional items, depreciation and amortisation adjusted to a pre IFRS 16 basis | A measure of the Group's underlying profitability for the period, as well as a measure for management to monitor the performance and profitability of the business each month |
| Adjusted EBIT | Operating (loss)/profit adding back exceptional items, brand amortisation and private equity fees | A measure of the Group's underlying profitability for the period, as well as a measure for management to monitor the performance and profitability of the business each month |
| Adjusted PAT (post IFRS 16) | Adjusted EBIT less recurring finance costs and the corporation tax charge for the period | Included as a measure within the adjusted earnings per share calculation for the Group |
| Adjusted EPS (pence) | Adjusted EBITDA pre IFRS 16 per share outstanding at the period end | A measure of the Group's underlying return to shareholders |
| Adjusted weighted EPS (pence) | Adjusted EBITDA pre IFRS 16 per weighted average number of shares outstanding in the period | A measure of the Group's underlying return to shareholders |
| Net Debt | Cash and cash equivalents less any borrowings drawn down at the period-end | A measure of the Group's liquidity |
| Adjusted Free Cash flow | Free cashflow is adjusted EBITDA (pre IFRS16) adjusted for net change in working capital and capital expenditure | A measure of underlying cash generated by the Group excluding cash flows relating to financing activities and excluding the impact of non-underlying transactions |
| Free Cashflow Conversion | Adjusted free cash flow divided by Adjusted EBITDA pre-IFRS | Liquidity ratio monitored by management to track the Group's ability to convert its operating profits into free cash flow (FCF) |
| Constant Currency (CCY) | Current year metrics converted into reporting currency using the prior year exchange rates | A measure of underlying performance excluding the impact of foreign exchange fluctuations between periods |
| Visits (Website Traffic) | Number of distinct session of engagement with our websites | Used by management to track the magnitude of customer engagement with our website |
| Orders | Orders received in the period prior to any returns | Used by management to calculate other key APMs and to assist in |

| | | estimating order fulfilment requirements |
|---|---|---|
| Conversion Rate | Orders divided by Visits | Used by management to track the performance of our website and products in converting visits into Product revenue |
| Average basket value | Gross Product revenue divided by orders | Internal KPI used by the group to assess the customer value and underlying profitability of orders |
| Average Customer Acquisition Cost | Customer Acquisition Costs divided by Orders | This is used by management to allocate marketing spend at the order level to help calculate and optimise order profitability |
| Customer Acquisition Costs | Total direct marketing spend for own digital channel | Used by management to track efficiency of marketing spend to drive traffic and convert to orders |
| Year on Year (YoY) | 52 weeks ended 3 April 2022 vs. the 52 weeks ended 4th April 2021 | Used to assess change over reporting periods in the majority of these APMs |

**Exceptional items included in adjusting items**

To calculate the alternative performance measures listed above adjustments have been made for exceptional items. These are significant items of income or expense in Product revenue, profit from operations, net finance costs, taxation which individually or, if of a similar type, in aggregate, are relevant to an understanding of the Group's underlying financial performance because of their size, nature or incidence.

- Project EROS costs of £3.5m reflect associated expenditure with the IPO process that took place from July 2021.
- Changes to two of the US store lease agreements resulted in a gain on early termination, as well as a gain on lease modification in the period of £0.1m and £1.5m respectively.
- An impairment of £27.9m has arisen upon management's assessment of impairment in relation to goodwill and intangible assets.
- Included within other exceptional items is design infringement costs, head office expenditure and redundancy costs.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the 52 weeks ended 3 April 2022

| | Note | **52 weeks ended 3 April 2022 £** | **15 weeks ended 4 April 2021 Unaudited £** |
|---|---|---|---|
| Revenue from sales | 8 | 44,018,845 | 8,689,006 |
| Income from other services | 9 | 1,997,725 | 468,761 |

| | Note | | |
|---|---|---|---|
| **Total Revenue** | | **46,016,570** | **9,157,767** |
| Cost of sales | | (21,357,620) | (4,431,814) |
| **GROSS PROFIT** | | **24,658,950** | **4,725,953** |
| Distribution costs | | (4,853,338) | (157,637) |
| Administrative expenses | | (21,792,464) | (4,759,446) |
| Exceptional items | 10 | (29,922,900) | (4,726,733) |
| **OPERATING LOSS** | **11** | **(31,909,752)** | **(4,917,863)** |
| Finance costs | 12 | (4,065,338) | (1,418,817) |
| **LOSS BEFORE TAXATION** | | **(35,975,090)** | **(6,336,680)** |
| Taxation | 13 | 2,054,517 | 20,449 |
| **LOSS FOR THE FINANCIAL PERIOD FOR THE GROUP** | | **(33,920,573)** | **(6,316,231)** |
| **OTHER COMPREHENSIVE INCOME** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Exchange differences on retranslation of subsidiary undertakings, net of tax | | (2,892) | 9,197 |
| **TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD** | | **(33,923,465)** | **(6,307,034)** |
| Basic loss per ordinary share (pence) | 14 | (0.76) | (0.21) |
| Diluted loss per ordinary share (pence) | 14 | (0.76) | (0.21) |

Loss for the financial period is all attributable to the owners of the parent company.
Total comprehensive expense for the period is all attributable to the owners of the parent company.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 3 April 2022

| | Note | 3 April 2022 £ | 4 April 2021 Unaudited £ |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Goodwill | 16 | - | 13,604,406 |
| Other intangible assets | 16 | 23,095,305 | 41,390,058 |
| Property, plant and equipment – Owned assets | 17a | 454,456 | 223,504 |
| Property, plant and equipment – Right-of-use | 17b | 3,740,398 | 3,519,916 |
| **TOTAL NON-CURRENT ASSETS** | | 27,290,159 | 58,737,884 |
| **CURRENT ASSETS** | | | |
| Inventories | 18 | 14,662,738 | 7,510,108 |
| Trade and other receivables | 19 | 1,726,048 | 1,189,442 |
| Cash and cash equivalents | | 2,847,116 | 3,168,542 |
| **TOTAL CURRENT ASSETS** | | 19,235,902 | 11,868,092 |
| **TOTAL ASSETS** | | 46,526,061 | 70,605,976 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 20 | (12,566,059) | (7,241,791) |
| Borrowings | 23 | (3,000,000) | (2,619,049) |
| Lease liabilities | 21 | (1,137,265) | (915,911) |
| **TOTAL CURRENT LIABILITIES** | | (16,703,324) | (10,776,751) |
| **NET CURRENT ASSETS** | | 2,532,578 | 1,091,341 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 29,822,737 | 59,829,225 |
| **NON-CURRENT LIABILITIES** | | | |
| Long-term provisions | 22 | (47,450) | (102,708) |
| Borrowings | 23 | - | (10,075,000) |
| Investor loan notes | 23 | - | (42,018,808) |
| Lease liabilities | 21 | (3,638,797) | (5,129,504) |
| Deferred tax liabilities | 24 | (5,749,216) | (7,835,239) |
| **TOTAL NON-CURRENT LIABILITIES** | | (9,435,463) | (65,161,259) |
| **TOTAL LIABILITIES** | | (26,138,787) | (75,938,010) |
| **NET ASSETS / (LIABILITIES)** | | 20,387,274 | (5,332,034) |
| **EQUITY** | | | |
| Called up share capital | 25 | 509,020 | 97,500 |
| Share premium account | 25 | 59,436,003 | 877,500 |
| Foreign exchange translation reserve | 26 | 6,305 | 9,197 |
| Capital reorganisation reserve | 26 | 672,750 | - |
| Accumulated losses | 26 | (40,236,804) | (6,316,231) |
| **TOTAL EQUITY** | | 20,387,274 | (5,332,034) |

These consolidated financial statements for Seraphine Group Plc (registered in England number 13454003) were approved and authorised for issue by the Board of Directors on 31 July 2022 and were signed on its behalf by

**David Newton Williams**
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 52 weeks ended 3 April 2022

| | Note | Called up share capital £ | Share premium account £ | Foreign exchange translation reserve £ | Capital reorganisation reserve £ | Accumulated losses £ | Total equity £ |
|---|---|---|---|---|---|---|---|
| **At 21 December 2020** | | **1** | **-** | **-** | **-** | **-** | 1 |
| Issue of ordinary shares | | 97,499 | 877,500 | - | - | - | 975,000 |
| **Transactions with owners** | | 97,500 | 877,500 | - | - | - | 975,000 |
| Loss for the period | | - | - | - | - | (6,316,231) | **(6,316,231)** |
| Exchange differences | | - | - | 9,197 | - | - | 9,197 |
| **Total comprehensive expense for the period** | | - | - | 9,197 | - | **(6,316,231)** | **(6,307,034)** |
| **At 4 April 2021 – unaudited** | | **97,500** | **877,500** | **9,197** | **-** | **(6,316,231)** | **(5,332,034)** |
| Group reorganisation | | 204,750 | (877,500) | - | 672,750 | - | - |
| Shares issued, net of transaction costs | **25** | 206,770 | 59,436,003 | - | - | - | 59,642,773 |
| **Transactions with owners** | | **411,520** | **58,558,503** | **-** | **672,750** | **-** | **59,642,773** |
| Loss for the period | | - | - | - | - | (33,920,573) | **(33,920,573)** |
| Exchange differences | | - | - | (2,892) | - | - | (2,892) |
| **Total comprehensive expense for the period** | | **-** | **-** | **(2,892)** | **-** | **(33,920,573)** | **(33,923,465)** |
| **At 3 April 2022** | | **509,020** | **59,436,003** | **6,305** | **672,750** | **(40,236,804)** | **20,387,274** |

CONSOLIDATED STATEMENT OF CASH FLOWS
For the 52 weeks ended 3 April 2022

| | 3 April 2022 | 4 April 2022 Unaudited |
|---|---|---|
| | £ | £ |
| **OPERATING ACTIVITIES** | | |
| Group loss for the period | (33,920,573) | (6,316,231) |
| Taxation | (2,054,517) | (20,449) |
| **LOSS BEFORE TAX** | **(35,975,090)** | **(6,336,680)** |
| *Adjustments for:* | | |
| Depreciation charges | 1,105,897 | 263,885 |
| Amortisation charges | 4,490,870 | 1,172,649 |
| Right-of-use asset – gain on lease modifications | (1,590,000) | - |
| Goodwill and intangible asset impairment | 27,860,406 | - |
| Impairment of right-of-use assets | 21,739 | 2,292,177 |
| Impairment of inventories | 342,469 | 44,320 |
| Finance costs | 4,065,338 | 1,418,817 |
| *Changes in:* | | |
| Increase in inventories | (7,152,630) | (2,177,542) |
| Increase in trade and other receivables | (355,698) | (672,866) |
| Increase in trade and other payables | 5,643,321 | 152,565 |
| (Decrease)/increase in provisions | (55,258) | 20,819 |
| **CASH GENERATED FROM OPERATING ACTIVITIES** | **(1,598,636)** | **(3,648,882)** |
| Taxes paid | **(530,674)** | **(303,423)** |
| **NET CASH FLOW FROM OPERATING ACTIVITIES** | **(2,129,310)** | **(3,952,305)** |
| **INVESTING ACTIVITIES** | | |
| Business acquisition net of cash acquired | - | (46,824,459) |
| Payments to acquire property, plant and equipment | (379,109) | (1,954) |
| Payments to acquire intangible fixed assets | (451,944) | (114,695) |
| **NET CASH OUT FLOW FROM INVESTING ACTIVITIES** | **(831,053)** | **(46,941,108)** |
| **FINANCING ACTIVITIES** | | |
| Proceeds of issue of shares | 60,997,182 | 975,000 |
| Share issue transaction costs | (1,354,409) | - |
| Proceeds of issue of A and B Loan notes | - | 40,801,547 |
| Loan issue transaction costs | | |
| Proceeds of bank borrowings | 3,000,000 | 12,694,049 |
| Payment of principal elements of lease liabilities | (1,076,823) | (216,983) |
| Repayment of A and B Loan notes | (45,354,159) | - |
| Repayment of bank borrowings | (13,162,576) | - |
| Net interest paid | (261,460) | (201,556) |
| **NET CASH INFLOW FROM FINANCING ACTIVITIES** | **2,787,755** | **54,052,058** |
| **(DECREASE) / INCREASE IN CASH IN THE PERIOD** | (172,608) | 3,151,469 |
| Cash and cash equivalents, at the beginning of period | 3,168,542 | - |
| Effect of foreign exchange rates on cash and cash equivalents | (1,546) | 17,073 |

| | | |
|---|---|---|
| **CASH AND CASH EQUIVALENTS, END OF PERIOD** | **2,847,116** | **3,168,542** |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the 52 weeks ended 3 April 2022

**1. General information**
Seraphine Group Plc ('the Company') and its subsidiaries ('the Group') is a global wholesale and retail sale of women's maternity wear through Seraphine online, retail standalone stores, franchise stores and digital partners. The Company is a public limited company which is listed on the London Stock Exchange (LSE) and is incorporated in the United Kingdom and registered in England. The address of its registered office is 2nd floor, 265 Tottenham Court Road, London W1T 7RQ.

**2. Basis of preparation**
These consolidated financial statements for the 52 weeks to 3 April 2022 have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. This is the Group's first International Financial Reporting Standards ("IFRS") financial statements. They have been audited by PricewaterhouseCoopers LLP, and were approved by the Board of Directors on 31 July 2022.

The consolidated financial statements are prepared in sterling, which is the presentational currency of the Group and the functional currency of the Parent. Monetary amounts in these financial statements are rounded to the nearest £1.

The comparative figures within the consolidated financial statements, for the 15 week period ended 4 April 2021 are unaudited.

**3. New or amended Accounting Standards and Interpretations adopted**
The Company and Group has applied the following standards, amendments and interpretations for the first time for the annual reporting period commencing 04 April 2021:

- Interest rate Benchmark Reform Phase 1 & 2 (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Leases Covid 19-Related rent concessions (Amendments to IFRS 16)

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

**4. Going concern**
The Directors have considered Seraphine Group Plc and its subsidiary undertakings' (together "the Group") cash flows for the period to March 2024 along with the current trading and forecast liquidity. The Directors have also considered the net asset position of £20,387,274 and the loss for the year to 3 April 2022 of £33,920,573. The Directors have prepared their detailed forecasts and plans taking into account their experience of trading in the year to 3 April 2022, including the impact of COVID-19 on profitability and cash flows. The assessment period determined by the directors for going concern is the 15-month period from the date of approving the consolidated financial statements to October 2023.

The base case assumes double digit revenue growth off FY22 revenue and gross margin improvement following the implementation of sales price increases to mitigate inflationary cost pressures and the absence of one-off document costs incurred entering new markets in FY22. Principal assumptions include a reduction in stock purchases due to the high level of stock holding at the balance sheet date; range and brand awareness investments driving sales and revenue growth; margin benefits from pricing increases; stabilisation of freight rates; efficiencies in distribution costs with scale; continued growth in overhead costs linked to scale and strategic initiative implementation; and ongoing capital expenditure on key areas of technology, warehousing and infrastructure.

In considering the appropriateness of adopting the going concern basis in preparing the financial statements, the directors have assessed the potential cash generation and covenant compliance of the group under a severe but plausible scenario which was informed by a comprehensive review of the macroeconomic environment, including

the impact of the current invasion of Ukraine, and the group experience of trading through the Covid-19 pandemic over the last two years. The severe but plausible scenario considers downside scenario representing a 22% reduction in forecast sales on the base case to being flat on FY22 and
only increasing by 5% going forward, with no offsetting mitigating cost reduction actions, at which point the group would still continue to maintain liquidity and covenant compliance in October 2023

The Group has at the date of approval of these consolidated financial statements, sufficient existing financing available for its estimated requirements for at least the next 12 months. At the date of signing, £5,000,000 has been drawn from the revolving credit facility with HSBC, with an additional £1,000,000 being accessible to draw down as and when required.

The above, together with the ability to generate cash from trading activities provides the Directors with the confidence that the Group is well placed to manage its business risks successfully in the context of current financial conditions and the general outlook in the global economy. The Directors believe, after careful consideration of forecasted cash flows and expected trading performance that the Group will have sufficient cash to meets its liabilities as they fall due, no covenant breaches are also forecasted. The Directors have therefore concluded that it is appropriate to adopt the going concern basis for the preparation of these consolidated financial statements.

**4. Going concern (continued)**

| | |
|---|---|
| Brand value | 10 years |
| Website and business systems | 5 years |
| Trademarks | Indefinite Life |

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

**5. Significant accounting policies**

The accounting policies applied by the Group and its subsidiaries in this set of consolidated financial statements are presented below.

**5.1 Business Combinations**

Capital reorganisation was applied to subsidiaries acquired following a group reorganisation in July 2021. The capital reorganisation method of accounting is applied to the group reconstructions as if the entities had always been combined. The total comprehensive income, assets and liabilities of the entities are amended, where necessary, to align accounting policies. The carrying values of the entities' assets and liabilities are not adjusted to fair value. Any difference between the nominal value of shares issued plus the fair value of other consideration and the nominal value of shares received is taken to other reserves in equity.

The acquisition method of accounting is used to account for the previous acquisitions of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Contingent payments are remeasured at fair value through the Income Statement. All transaction costs are expensed to the Income Statement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date; the group has 100% ownership over each subsidiary and thus no non-controlling interest policies to consider.

Transaction costs that are directly attributable to the issue of shares are deducted from the share premium account as permitted by s610 of the Companies Act 2006. All other transaction costs are expensed to the statement of comprehensive income and included within exceptional items.

**6. Key judgements and sources of estimation uncertainty**

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**6.1 Judgements in applying the Group's accounting policies**

**Lease terms**

In calculating the lease liability, the lease term used corresponds to the duration of the contracts signed. It is the Groups policy to use the full lease term (as opposed to the first exercisable break date) for all leases unless there is a specific intention to exit the property early. Lease terms have been modified where there have been negotiations with the landlord during the year, and the lease term shortened accordingly. The judgment revolved around the discount rates used as this is based on www.tradingeconomics.com, where the rate was aligned to match the reduced lease terms.

**Exceptional costs**
Judgement is used to determine those items that should be separately disclosed as an exceptional item to allow a better understanding of the underlying trading performance of the Group. The judgement includes assessment of whether an item is of a nature that is not consistent with normal trading activities or of sufficient size or infrequency. See note 10.

**6.2 Key sources of estimation uncertainty**
The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year are discussed below.

**Impairment of goodwill and other intangible assets**
*Projected Cashflows*
The estimated future cash flows used to assess the impairment of goodwill are based on management's assumptions. The five-year forecasts performed at each year-end represent the latest detailed forecasts by management at each reporting date. These forecasts include management assumptions and estimates for future performance. The carrying amounts of the goodwill can be seen in note 16. The impairment assessment is performed by considering the recoverable amount of the cash-generating unit against carrying value. A review at year end indicated that the value of goodwill needed to be fully impaired.

*Discount Rates*
The estimated future cash flows used to assess the impairment of goodwill are based on management's assumptions. A weighted average cost of capital of 14.0 per cent (post tax rate) has been assumed in assessing the value in use for the single cash generating unit. The post-tax discount rate used in the value in use calculations represent the Group's assessment of the current market and other risks specific to the Group following external advice. This has impacted the cash flows and impaired goodwill to nil. Although long term growth rates have been maintained in the five-year forecasts, the margin rate reduction as well as the increase in the discount rate has seen cashflows negatively impacted which has accordingly required the goodwill, other intangible assets and property, plant and equipment to be impaired by £27.9m.

**Delivery versus despatch**
Revenue for goods is recognised on delivery to the customer but accounted for on despatch for practical reasons. The impact of this is assessed and group revenue and profits are adjusted to reflect accounting on delivery.

**Returns Provisions**
The provision for sales returns is estimated based on recent historical returns and management's best estimates and is allocated to the period in which the revenue is recorded. Actual returns could differ from these estimates. The historic difference between the provision estimates and the actual results, known at a later stage, has never been, nor is expected to be, material. The recent increase in the return rates has been reflected in the provision at 3 April 2022. The carrying value of the provision for sales return as at 3 April 2022 is £2,020,820 (2021: £1,084,050). If the rate of returns increased by 10%, it would lead to a further reduction in sales totalling £535,839.

**Impairment of right-of-use assets**
The estimated future cash flows used to assess the impairment of right-of-use assets are based on management's assumptions. The five-year forecasts performed at each year-end represent the latest detailed forecasts by

management at each reporting date, which include management's assumptions and estimates for future performance. A detailed analysis over impairment has also been performed to assess impact, taking into consideration the full term of each lease.

The carrying amounts of the right-of-use assets can be seen in note 17b. Sensitivity analysis on the key assumption of the value in use valuations have been undertaken.

**7. Segmental analysis**

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Board as it is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.
The Group has one operating segment being the sale of goods, and three different revenue channels which are own digital platforms, digital partnerships and retail stores but all are supplied from the same central warehouse. The three channels are:

- Own digital platforms which comprise 11 transactional websites for dedicated markets in the UK, US, Canada, France, Spain, Germany, the European Union, the Netherlands, Switzerland, Italy and Australia, through which it sells maternity wear direct to consumers: and
- Digital partnership which comprises wholesale customers and marketplace partners such as Amazon; and
- Stores which comprise flagship retail stores located in areas with highly affluent residential area and areas of high tourist footfall, and two concessions located within Macy's stores in New York and California.

No further segmentation analysis has been provided here as this reflects the same information as is included within the Statement of Total Comprehensive Income.

**8. Revenue from sales**

The Group's revenue, all of which is derived from its principal activity, is achieved in the geographical markets below:

| | **52 weeks ended 3 April 2022** | **15 weeks ended 4 April 2021 Unaudited** |
|---|---|---|
| | **£** | **£** |
| UK | 9,962,009 | 2,135,319 |
| Europe | 17,816,811 | 3,547,023 |
| North America | 14,441,110 | 2,533,303 |
| Rest of World | 1,798,915 | 473,361 |
| | 44,018,845 | 8,689,006 |

All revenue is satisfied at a point in time, being when the customer has paid and taken possession of the goods, or when the goods have been delivered.

Sales by type is detailed below:

| | | |
|---|---|---|
| Own Digital platform | 37,006,775 | 7,533,608 |
| Digital Partnerships | 4,376,045 | 891,388 |
| Stores | 2,636,025 | 264,010 |
| | 44,018,845 | 8,689,006 |

**9. Income from other services**

All of the income from other services relates to carriage fees charged to customer.

**10. Exceptional items**

| | 52 weeks ended 3 April 2022 | 15 weeks ended 4 April 2021 Unaudited |
|---|---|---|
| | £ | £ |
| IPO costs | 3,521,564 | 47,400 |
| Business combination costs | - | 2,387,156 |
| Gain on early termination of leases | (129,000) | - |
| Gain on lease modification | (1,461,000) | - |
| Impairment of right-of-use asset | - | 2,292,177 |
| Impairment of Goodwill and other intangible assets | 27,860,406 | - |
| Other exceptional items | 130,930 | - |
| | 29,922,900 | 4,726,733 |

IPO costs of £3,521,564 reflect associated expenditure with the IPO process that took place from July 2021.

£2,387,156 of business combination costs incurred in the prior period represent the cost of professional adviser fees and due diligence expenses.

Changes to two of the US store lease agreements resulted in a gain on early termination, as well as a gain on lease modification in the period of £129,000 and £1,461,000 respectively.

An impairment of £27,860,406 has arisen upon management's assessment of impairment in relation to the carrying values of non-current assets.

Included within other exceptional items is design infringement costs, head office expenditure and redundancy costs.

**10. Exceptional items (continued)**

The impairment of goodwill above is stated gross of a tax credit of £3,564,000 (2021: £nil). The bulk of the IPO costs and business combination costs are disallowed for tax purposes and therefore have no tax impact, with only £161,557 (2021: £nil) of those costs being allowable deductions in the tax computation. Aside from the impairment discussed above, none of the exceptional items have

a recognised tax impact in the current or comparative period on the basis that the Group is loss making and a deferred tax asset is not recognised in respect of trading losses carried forward.

**11. Operating loss**

The operating loss is stated after charging/(crediting):

| | 52 weeks ended 3 April 2022 | 15 weeks ended 4 April 2021 Unaudited |
|---|---|---|
| | **£** | **£** |
| Depreciation of tangible fixed assets – owned (note 17a) | 145,845 | 30,875 |
| Amortisation of brand value (note 16) | 4,125,299 | 1,085,008 |
| Amortisation of other intangible assets (note 16) | 365,571 | 87,641 |
| Right-of-use asset depreciation (note 17b) | 960,052 | 233,010 |
| Gain on lease modifications (note 17b) | (1,590,000) | - |
| Impairment of inventories (note 18) | 342,469 | 44,320 |
| Cost of stocks recognised as an expense in cost of sales | 15,545,759 | 3,045,674 |
| Government grants in respect of Job Retention Scheme and Lockdown support | (34,545) | (121,033) |
| Foreign exchange loss | 39,953 | 9,197 |

| **Auditors' remuneration** | 52 weeks ended 3 April 2022 **£** | 15 weeks ended 4 April 2021 Unaudited **£** |
|---|---|---|
| Fees payable to the Company's auditors for: | | |
| Audit of the Company's financial statements and the consolidated financial statements | 200,000 | - |
| Fees payable to the Company's auditors and its associates for other services to the Group: | | |
| Audit of the subsidiaries of the Company's subsidiaries financial statements | 50,000 | - |
| Total audit fees | 250,000 | - |
| Audit related assurance services | 122,000 | - |
| Other assurance services | 81,920 | - |
| Total non-audit fees | 203,920 | - |

**12. Finance costs**

| | 52 weeks ended 3 April 2022 | 15 weeks ended 4 April 2021 Unaudited |
|---|---|---|
| | £ | £ |
| Interest expense on loans and borrowings | 3,813,087 | 1,349,704 |
| Release of arrangement fee for loan notes | 57,051 | 20,042 |
| Interest expense on lease liabilities | 195,200 | 49,071 |
| | 4,065,338 | 1,418,817 |

**13. Taxation**

The tax charge assessed for the period is higher (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). A reconciliation between the expected tax credit and actual tax expense / (credit) is provided below:

| | 52 weeks ended 3 April 2022 | 15 weeks ended 4 April 2021 Unaudited |
|---|---|---|
| | £ | £ |
| *Current tax expense* | | |
| Current tax on UK loss for the year | 107,772 | 174,942 |
| Adjustments in respect of prior periods | (80,588) | 1,834 |
| | 27,184 | 176,776 |
| Overseas tax | 4,321 | - |
| **Total current tax expense** | 31,505 | 176,776 |
| | | |
| *Deferred tax credit* | | |
| Origination and reversal of timing differences | 1,477,978 | (195,292) |
| Adjustments in respect of prior periods | - | (1,933) |
| Special items – impairment goodwill and intangible assets | (3,564,000) | - |
| **Total deferred tax credit** | (2,086,022) | (197,225) |
| | | |
| **Total tax credit** | (2,054,517) | (20,449) |

The tax charge assessed for the period is higher (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). A reconciliation between the expected tax credit and actual tax credit is provided below:

| | 52 weeks ended 3 April 2022 | 15 weeks ended 4 April 2021 Unaudited |
|---|---|---|
| | £ | £ |
| Loss on ordinary activities before tax | **(35,975,090)** | **(6,336,680)** |

| | | |
|---|---|---|
| Loss on ordinary activities multiplied by the standard rate of corporate tax in the UK of 19% (2021:19%) | (6,835,267) | (1,203,969) |
| Expenses not deductible for tax purposes | 754,497 | 1,147,733 |
| Income not taxable | - | (636,109) |
| Corporate Interest Restriction disallowance | 352,030 | 154,270 |
| Adjustments in respect of prior periods | (80,588) | (99) |
| Effect of change of rate on deferred tax | 2,235,172 | - |
| Fixed asset timing differences | 14,772 | - |
| Difference in overseas tax rates | - | 2,260 |
| Rate difference relating to impairment of intangible assets – exceptional item | (855,360) | - |
| Permanent difference relating to goodwill impairment – exceptional item | 2,584,837 | - |
| Other movements | 9,358 | 514,682 |
| Other permanent differences | (233,968) | 783 |
| **Total tax credit** | (2,054,517) | (20,449) |

**13. Taxation (continued)**

For further information on deferred tax balances see note 24.

**Factors that may affect future tax charges**

The standard UK Corporation Tax rate for the accounting period is 19%. On 3 March 2021, the UK Government announced its intention to increase the rate of UK Corporation Tax from 19% to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021. This will impact the current tax in the UK going forward. Deferred tax liabilities have been remeasured using the rate substantively enacted on 24 May 2021.

Assets and liabilities on UK operations have deferred tax applied at a rate of 25% (2021: 19%), as this should be based on the corporation tax rate at which they are anticipated to unwind. Assets and liabilities arising on foreign operations have been recognised at the applicable overseas tax rates.

**14. Loss per share**

Both the basic and diluted loss per share have been calculated using the profit after tax attributable to shareholders of Seraphine Group Plc as the numerator. The calculation of the basic loss per share is based on the profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period. As the employee option schemes are not likely to vest there are no dilutive ordinary shares to include within the loss per share calculation. Options contingent on performance conditions are only included where performance conditions would have been met up to the reporting date.

| | **52 weeks ended 3 April 2022** | **15 weeks ended 4 April Unaudited 2021** |
|---|---|---|
| Loss for the period attributable to ordinary shareholders (£) | (33,920,573) | (6,316,231) |
| Weighted average number of ordinary shares | 44,871,216 | 30,255,000 |
| Weighted average number of dilutive ordinary shares | - | - |
| Total weighted average number of ordinary shares | 44,871,216 | 30,255,000 |
| Basic loss per ordinary share (pence) | (0.76) | (0.21) |

| | | |
|---|---|---|
| Diluted loss per ordinary share (pence) | (0.76) | (0.21) |

**15. Dividends**

No dividends have been paid or proposed during the period ended 3 April 2022 (4 April 2021: £Nil).

**16. Intangible assets**

| | Goodwill | Brand Value | Trademarks | Website and Business Systems | Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **Cost** | | | | | |
| **At 21 December 2020** | - | | - | - | - |
| Additions | - | - | 3,696 | 110,999 | 114,695 |
| Acquisition of subsidiaries | **13,604,406** | **41,252,900** | 90,904 | 1,104,924 | 56,053,134 |
| Foreign exchange differences | - | - | - | (961) | (961) |
| **At 4 April 2021 – unaudited** | **13,604,406** | **41,252,900** | **94,600** | **1,214,962** | **56,166,868** |
| Additions | - | - | 7,226 | 444,718 | 451,944 |
| Disposals | - | - | - | (420,194) | (420,194) |
| Foreign exchange differences | - | - | - | 208 | 208 |
| **At 3 April 2022** | **13,604,406** | **41,252,900** | **101,826** | **1,239,694** | **56,198,826** |
| | | | | | |
| **Accumulated amortisation and impairment** | | | | | |
| **At 21 December 2020** | - | - | - | - | - |
| Charge for the period | - | (1,085,008) | - | (87,641) | (1,172,649) |
| Foreign exchange differences | - | - | - | 245 | 245 |
| **At 4 April 2021 – unaudited** | - | **(1,085,008)** | - | **(87,396)** | **(1,172,404)** |
| Charge for the period | - | (4,125,299) | - | (365,571) | (4,490,870) |
| Impairment | (13,604,406) | (13,835,049) | (32,583) | (388,368) | (27,860,406) |
| Disposals | - | - | - | 420,159 | 420,159 |
| **At 3 April 2022** | **(13,604,406)** | **(19,045,356)** | **(32,583)** | **(421,176)** | **(33,103,521)** |
| | | | | | |
| **Net book value** | | | | | |
| **At 3 April 2022** | - | **22,207,544** | **69,243** | **818,518** | **23,095,305** |
| **At 4 April 2021 – unaudited** | **13,604,406** | **40,167,892** | **94,600** | **1,127,566** | **54,994,464** |

Goodwill is derived from the Stork Acquisition Limited acquisition at the beginning of the prior period. Separately identifiable intangible assets from the acquisition including brand, have been separated, to leave a residual goodwill balance. Refer to note 6 within the key judgments section, for details regarding assumptions and impairment testing used within the discounted cashflow model. The amortisation charge for Brand Value and Website & Business Systems for the period are recognised within administrative expenses.

As at 3 April 2022, the Brand Value intangible asset has a remaining amortisation period of 8 years 9 months.

**Impairment testing for cash-generating units containing goodwill**

As goodwill is not amortised, the Group tests goodwill for impairment on an annual basis, or more frequently if there are indicators of impairment. The Group tests for impairment of goodwill and brand value at Group level as there is a single CGU. The impairment assessment is performed by considering the recoverable amount of the cash-generating unit against carrying value.

The impairment testing of goodwill involved aggregating the carrying values of all non-current assets comparing this to value in use calculations derived from the latest, Board approved Group cash flow projections.

The recoverable amount of the single cash-generating unit has been determined on a value in use basis. The key assumptions are those regarding the projected operating cashflows, the long-term growth rate and the discount rates applied.

Estimated future cash flows are determined by reference to the budget for the year following the reporting date and forecasts for the following 5 years, after which a long-term perpetuity growth rate is applied. The most recent financial budget approved by the Board of Directors has been prepared after considering the current economic environment in each of the Group's markets. These projections represent the Director's best estimate of the future performance of these businesses.

Long term growth rates are applied after the forecast period. A terminal growth rate of 2% has been applied which is based on external reports on long-term GDP growth rates for the market in which the Group operates, adjusted for the stage in the life cycle that Seraphine is at in entering those markets.

**16. Intangible assets (continued)**

The post-tax discount rate used in the value in use calculations represent the Group's assessment of the current market and other risks specific to the Group following external advice. A post-tax discount rate of 14.0% per annum was used, the pre-tax discount rate is 18.67.

The value used in the model assumes a compound annual sales growth rate over the five-year forecast period of 18.6 per cent. A reduction in the long-term margin rate has been assumed based on FY22 experience and cost pressures. This has negatively impacted the cashflows which has correspondingly reduced the goodwill valuation to nil.

The tax rate has been assumed at 25.0%.

The Group has undertaken a sensitivity analysis based on changes to key assumptions considered to be reasonably possible by management. These sensitivities of revenue growth rate and operating profit growth rate have been considered as to whether they are reasonably possible to further increase impairment or give risk of material adjustment to carrying values. Analysis showed when applying a reasonably possible sensitivity scenario further impairment to intangibles could occur. For example, a 1% increase in the discount rate would result in a further impairment of £2.5m. A reduction in the revenue growth of 1% would result in a further impairment of £1.3m. An increase in operating expenses of 1% would result in a further impairment of £2.2m.

**17a. Property, plant and equipment – Owned assets**

| | **Leasehold improvements** | **Fixtures and fittings** | **Total** |
|---|---|---|---|
| | **£** | **£** | **£** |
| **Cost** | | | |
| **At 21 December 2020** | **-** | **-** | **-** |
| Additions | - | 1,954 | 1,954 |
| Acquisition of subsidiaries | 78,458 | 173,967 | 252,425 |
| **At 4 April 2021 – unaudited** | **78,458** | **175,921** | **254,379** |
| Additions | 324,437 | 54,672 | 379,109 |
| Exchange differences | (4,722) | 507 | (4,215) |
| **At 3 April 2022** | **398,173** | **231,100** | **629,273** |

| | | | |
|---|---|---|---|
| **Accumulated depreciation and impairment** | | | |
| **At 21 December 2020** | **-** | **-** | **-** |
| Charge for the period | (12,153) | (18,722) | (30,875) |
| **At 4 April 2021 – unaudited** | **(12,153)** | **(18,722)** | **(30,875)** |
| Charge for the period | (67,824) | (78,021) | (145,845) |
| Exchange differences | 2,894 | (991) | 1,903 |
| **At 3 April 2022** | **(77,083)** | **(97,734)** | **(174,817)** |
| | | | |
| **Net book value** | | | |
| **At 3 April 2022** | **321,090** | **133,366** | **454,456** |
| **At 4 April 2021 – unaudited** | **66,305** | **157,199** | **223,504** |

**17b. Property, plant and equipment – Right-of-use**

| | **Leasehold property £** |
|---|---|
| **Cost** | |
| **At 21 December 2020** | **-** |
| Acquisition of subsidiaries | 6,399,931 |
| Lease Modifications | (354,825) |
| **At 4 April 2021 – unaudited** | **6,045,106** |
| Additions | 1,406,273 |
| Lease Modifications | (1,665,000) |
| **At 3 April 2022** | **5,786,379** |
| | |
| **Accumulated depreciation and impairment** | |
| **At 21 December 2020** | **-** |
| Impairment | (2,292,177) |
| Charge for the period | (233,010) |
| **At 4 April 2021 – unaudited** | **(2,525,187)** |
| Charge for the period | (960,052) |
| Impairment charge | (21,742) |
| Gain on lease modifications | 1,461,000 |
| **At 3 April 2022** | **(2,045,981)** |
| | |
| **Net book value** | |
| **At 3 April 2022** | **3,740,398** |
| **At 4 April 2021 – unaudited** | **3,519,916** |

The impairment testing of right-of-use assets consisted of comparing the carrying value of the asset to the recoverable amount derived from the latest, Board approved Group cash flow projections.

The recoverable amount has been determined on a value in use basis. The key assumptions are those regarding the projected operating cashflows, the long-term growth rate and the discount rates applied. A long-term growth rate of 2 per cent has been applied for all leases.

Estimate future cash flows are determined by reference to the budget for the year following the reporting date and forecasts for the following 5 years, after which a long-term perpetuity growth rate is applied. The most recent financial budget approved by the Board of Directors has been prepared after considering the current economic environment in each of the Group's markets. These projections represent the Director's best estimate of the future performance of these businesses.

The right-of-use asset is also considered as part of the overall CGU impairment assessment, with all relevant assumptions detailed within note 16.

Long term growth rates are applied after the forecast period. These are based on external reports on long-term GDP growth rates for the market in which the Group operates.

The Group has undertaken sensitivity analysis based on changes to key assumptions considered to be reasonably possible to management. These sensitivities of revenue growth rate and operating profit growth rate have been considered as to whether they are reasonably possible to either erode headroom or give risk of material adjustment to carrying values.

Changes in two of the US store lease agreements resulted in reduced future rental payments for the group. These changes resulted in a gain on lease modifications equal to all previous impairment recognised on these stores. In aggregate, the gain on lease modifications totalled £1,461,000.

**18. Inventories**

| | 3 April 2022 | 4 April 2021 Unaudited |
|---|---|---|
| | £ | £ |
| Finished goods and goods held for resale | 14,662,738 | 7,510,108 |

During the period, impairment of inventories amounting to £342,469 (2021 unaudited: £44,320) has been recognised within administrative expenses within the Statement of Comprehensive Income.

**19. Trade and other receivables**

| | 3 April 2022 | 4 April 2021 Unaudited |
|---|---|---|
| | £ | £ |
| Trade receivables | 816,082 | 479,394 |
| Provisions for impairment of trade receivables | - | (3,309) |
| Trade receivables - net | 816,082 | 475,855 |
| Other receivables | 423,731 | 173,355 |
| Corporation tax receivable | 180,908 | - |
| Prepayments | 305,327 | 540,232 |
| **Total trade and other receivables** | 1,726,048 | 1,189,442 |

Included within other receivables are rent deposits of £24,000 (2021: £135,779) which will be repaid in more than one year.

*Impairment of Financial Assets*
The Group applies IFRS 9 Simplified Approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the Group's historical credit losses experienced over the 12 months prior to the year end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. A table of loss rates has not been presented due to the credit risk being minimal and expected credit loss allowances recognised being immaterial to the consolidated financial statements.

The Group has taken out an insurance policy in order to cover the year end trade receivables balance and to reduce credit risk. The policy covers customers on an individual basis with a credit limit applied based on the payment history of each customer. The policy is reviewed on a regular basis to ensure that material customers are covered and that the credit risk is sufficiently mitigated. Movements in the impairment allowance for trade receivables were as follows:

| | 3 April 2022 | 4 April 2021 Unaudited |
|---|---|---|
| | £ | £ |
| Opening provision for the impairment of trade receivables | **3,309** | **3,287** |
| Movement in impairment in the year | (3,309) | 22 |

| | | |
|---|---|---|
| Closing provision for the impairment of trade receivables | - | 3,309 |

The carrying amount of trade and other receivables approximates to their fair value. Due to the nature of the Group's operating model, coupled with the Group's insurance policy, bad debts are negligible each year and no provisions for expected credit losses have been made at 3 April 2022.

**20. Trade and other payables**

| | 3 April 2022 £ | 4 April 2021 Unaudited £ |
|---|---|---|
| Trade payables | 6,931,418 | 3,075,970 |
| Other taxation and social security | 1,205,334 | 688,394 |
| Other payables | - | 3,318 |
| Corporation tax payable | - | 319,053 |
| Accruals | 4,429,307 | 3,155,056 |
| **Total trade and other payables** | 12,566,059 | 7,241,791 |

Trade payables, other payables and accruals are classified as financial liabilities, with their carrying amount approximating to their fair value.

**21. Lease liabilities**

| | Leasehold property £ |
|---|---|
| **At 21 December 2020** | - |
| Acquisition of subsidiaries | 6,399,931 |
| Lease modifications | (186,605) |
| Lease payments | (216,983) |
| Lease interest | 49,071 |
| **At 4 April 2021 – unaudited** | **6,045,414** |
| | |
| **At 5 April 2021** | 6,045,415 |
| Lease addition | 1,406,272 |
| Lease modifications | (1,794,000) |
| Lease payments | (1,076,823) |
| Lease interest accrual | 195,200 |
| **At 4 April 2022** | **4,776,062** |

Lease liabilities relate to leasehold properties used within the Group as stores and office premises. Lease terms are typically 5 – 10 years with no options to extend.

*Rent concessions*

Due to Covid-19 and resulting government policies, stores were closed for various periods during 2021 and 2022. The Group has received rent concessions from lessors due to the Group being unable to open for significant periods of time. These concessions were in the form of rent reductions for various lengths of time.

As discussed in the accounting policies (see 5.10), the Group has elected to apply the practical expedient introduced by the amendments to IFRS 16 to all rent concessions that satisfy the criteria. All rent concessions, other than those extending further than June 2022, satisfy the criteria to apply the practical expedient.

Modification of leases resulted in a net gain on lease modifications of £129,000. This is a result of two US stores where one was terminated early and the terms of another was modified.

**21. Lease liabilities (continued)**

| Maturity analysis of lease liabilities | 3 April 2022 | 4 April 2021 Unaudited |
|---|---|---|
| | £ | £ |
| Less than one year | 1,137,265 | 915,911 |
| Between two and five years | 3,089,028 | 3,777,138 |
| Over five years | 549,769 | 1,352,366 |
| | **4,776,062** | **6,045,415** |

| Amounts recognised in the Income Statement are as follows: | 52 weeks ended 3 April 2022 | 15 weeks ended 4 April 2021 Unaudited |
|---|---|---|
| | £ | £ |
| Interest expense | 195,200 | 49,071 |
| Depreciation of right-of-use assets | 960,052 | 233,010 |
| Impairment of right-of-use asset | 21,739 | 2,292,177 |
| Gain on early termination of leases | (1,590,000) | - |

The Group's total cash outflow in relation to leases during the period is £1,076,823 (2021: £216,983). There were no expenses relating to short-term leases or low value assets expensed to the Income Statement during the year (2021: £Nil).

**22. Provisions**

| | Leasehold dilapidations £ |
|---|---|
| **Non-current** | |
| **At 21 December 2020** | - |
| Acquisition of subsidiaries | 81,889 |
| Provided for during the period | 20,819 |
| **At 4 April 2021 – unaudited** | **102,708** |
| Utilised during the period | (55,258) |
| **At 3 April 2022** | **47,450** |

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease. The cost is recognised as an increase to the right-of-use asset as incurred, with the main uncertainty relating to the estimate of actual costs that will be incurred at the end of the lease.

**23. Loans and Borrowings**

| | 3 April 2022 | 4 April 2021 Unaudited |
|---|---|---|
| | £ | £ |
| **Current** | | |
| Bank loans and revolving credit facility | 3,000,000 | 2,619,049 |

| | | |
|---|---|---|
| **Non-current** | | |
| Bank loans and revolving credit facility | - | 10,075,000 |
| | | |
| £41,586,171.09 Fixed rate A Loan notes 2026 | - | 41,176,089 |
| £1,335,862.00 Fixed Rate B Loan notes 2026 | - | 842,719 |
| Total Investor Loan notes | - | 42,018,808 |
| | | |
| **Total loans and borrowings** | **3,000,000** | **54,712,857** |

The £41,586,171.09 fixed rate A Loan Notes 2026 was entered into on 22 December 2020 and was due for repayment on 30 December 2026. Interest is compounded each year at a fixed rate of 10 per cent and interest of £1,262,659 was compounded during the period (2021: £1,093,773). There are capitalised arrangement fees in relation to these loan notes of £nil (2021

**23. Loans and Borrowings (continued)**

unaudited: £2,120,486) which are released over the period of the notes. Loan notes were fully repaid during the current period as part of the group re-organisation.
The £1,335,862.00 fixed rate B Loan Notes 2026 was entered into on 22 December 2020 and was due for repayment on 30 December 2026. Interest is compounded each year at a fixed rate of 10 per cent, and interest of £40,560 (2021 unaudited: £35,135) was compounded during the period.
Both the fixed rate A Loan Notes and fixed rate B Loan Notes were repaid as part of the IPO process on 16 July 2021.
Bank loans as at 3 April 2022 consist of a £3,000,000 drawdown under a revolving credit facility taken out in July 2021, with a facility limit of £6,000,000. A fixed interest rate of 2% applies and repayment is due on the last day of the interest period unless the loan is refinanced. Bank loans at 4 April 2021 consisted of two £500,000 drawdowns under a revolving credit facility, a bank loan of £11,200,000 and an import loan facility of £494,049. The two £500,000 drawdowns under a revolving credit facility were repaid on 24 May 2021 and 30 June 2021 and carried a fixed rate of interest at 4.06013% and 4.031% respectively. These facilities were secured on the assets of the Group's subsidiary, Seraphine Limited.

The remaining balance relates to a bank loan repayable in instalments commencing 30 September 2021 as follows and carries a fixed rate of interest at 4.0 per cent. plus LIBOR:

| | **3 April 2022** | **4 April 2021** |
|---|---|---|
| | | **Unaudited** |
| | **£** | **£** |
| Due within one year | 3,000,000 | 2,619,049 |
| Between one and two years | - | 1,625,000 |
| Between two and five years | - | 8,450,000 |
| | 3,000,000 | 12,694,049 |

At the 3 April 2022 the rate for the period to 30 June 2022 is fixed at 2% (2021: 4.031 per cent). The loans are secured on a fixed and floating charge over the assets of the Group.

| **24. Deferred tax** | **Fixed asset differences** | **Arising on business combinations** | **Total** |
|---|---|---|---|
| | **£** | **£** | **£** |

| | | | |
|---|---|---|---|
| **At 21 December 2020** | - | - | - |
| Acquisition of subsidiaries | 194,412 | 7,838,051 | 8,032,463 |
| Utilised through profit & loss | 8,927 | (206,152) | (197,225) |
| **At 4 April 2021 – Unaudited** | 203,339 | 7,631,899 | 7,835,238 |
| Utilised through profit & loss | 99,227 | (2,185,249) | (2,086,022) |
| **At 3 April 2022** | 302,566 | 5,446,650 | 5,749,216 |

At the reporting date, the Group has unused tax losses of £nil (2021: £nil) available for offset against profits.

**25. Equity**

| | **3 April 2022** | **4 April 2021 Unaudited** |
|---|---|---|
| | **£** | **£** |
| **Ordinary share capital allotted, called up and fully paid** | | |
| *Seraphine Group Plc* | | |
| 50,902,010 A ordinary share capital (£0.01 each) | 509,020 | - |
| *Kensington Topco Limited* | | |
| 823,556 B ordinary share capital (£0.1 each) | | 82,355 |
| 26,454 B ordinary share capital (£0.1 each) | - | 2,645 |
| 125,000 C ordinary share capital (£0.1 each) | - | 12,500 |
| | 509,020 | 97,500 |

**25. Equity (continued)**

During the period ended 3 April 2022, the following new ordinary shares were issued:

| | **Share capital** | **Share premium** | **Total consideration** |
|---|---|---|---|
| | **£** | **£** | **£** |
| 50,902,010 A ordinary share capital (£0.1 each) | 509,020 | 59,436,003 | 59,945,023 |

| | **3 April 2022** | **4 April 2021 Unaudited** |
|---|---|---|
| | **Number** | **Number** |
| **Ordinary share capital allotted, called up and fully paid** | | |
| At beginning of period | 975,000 | 975,000 |
| Extinguished on reorganisation | (975,000) | - |
| Allotted during the year | 50,902,011 | - |
| At end of period | 50,902,011 | 975,000 |

On 14 June 2021, 1 ordinary share of £0.01 was issued. On 16 July 2021, 50,902,010 ordinary shares of £0.01 each were issued. 30,224,999 ordinary shares were issued in connection with the acquisition of the entire share capital of Kensington Topco Limited. The remaining 20,677,011 ordinary shares were issued for cash at £2.95 per share.

Transaction costs of £1,354,409 in connection with the issue of shares during the year has been offset against share premium in the table above.

**Share premium**
£59,436,003 was recognised in share premium on the issue of ordinary shares during the period, net of transaction costs.

Ordinary shares have full voting and dividend rights attached to them.

**26. Reserves**

*(a) Share capital account*
Share capital represents the nominal value of share capital subscribed for.

*(b) Share premium account*
The Share premium account records the amount above the nominal value received for shares issued, less transaction costs raised on listing of the Company.

*(c) Capital reorganisation reserve*
In a capital reorganisation when Seraphine Group Plc acquired Kensington Topco Limited via share for share exchange, the group applied merger relief which means that no share premium on the Seraphine Group Plc shares issued in the share for share exchange was recorded. The group reorganisation reserve represents the reversal of the previously recorded share premium less the difference between the nominal shares of Seraphine Group Plc and Kensington Topco Limited.

*(d) Foreign exchange translation reserve*
The foreign exchange translation reserve arises from the retranslation of foreign subsidiaries to the presentational currency of the Group on consolidation.

*(e) Accumulated losses*
This reserve represents the total of all current and prior retained earnings net of distributions to owner