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# SERAPHINE

WITH MUMS FOR  
THE JOURNEY



ANNUAL REPORT & ACCOUNTS  
FOR THE 52 WEEK PERIOD ENDED 3 APRIL 2022

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## About us

Seraphine has a simple purpose:  
**to be with mums for the 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.

The group prides itself on its  
in-house design and production,  
whereby the group has full  
ownership of product creation.  
This allows the group to ensure that  
the brand remains relevant and  
high quality output is maintained.

The brand's product range is  
underpinned by a core 'continuity'  
offering of timeless, staple pieces  
and supported by two seasonal  
lines covering spring/summer  
and autumn/winter.

Supplementary information  
to the annual report

## Seraphine at a glance

### With mums for the journey

Pregnancy brings all kinds of surprises; there are decisions to make, piles of information to absorb and changing bodies to contend with.

At Seraphine, we help women through it all.

Founded in 2002, we're led by CEO David Williams, CFO Lee Williams and Creative and Brand Director, Chelsey Oliver - a mother of four who's been designing maternity and nursing clothes for over 15 years.

### Seriously clever clothing

We're proud of our technical expertise. Our clothes aren't just stylish, they're seriously clever too.

Our in-house product team love innovating and every time we find a new solution for a motherhood challenge, it's a victory for us.

### Style and comfort in equal measure

When you're pregnant, comfort is everything, but you don't need to compromise on style. We want women to look and feel great, so soft fabrics and adjustable fits are at the foundation of everything we do.

### Sustainable and responsible fashion

We take sustainability and responsible fashion seriously and put thought into what we make, always designing with longevity in mind. We're helping nurture the next generation after all so we have to look after the world they'll inherit.

### Mum-approved

We test on real mums and mums-to-be of all shapes, sizes, and motherhood stages. We show our commitment to parents in other ways too, such as with our leading parental leave policies and Corporate Social Responsibility initiatives.

### We're mum-first, through and through

# **Annual Highlights**

## **Three new market specific websites**

**Canada, Switzerland, Netherlands**

## **Eleven markets with dedicated websites**

**Australia, Canada, France, Germany, Italy, Netherlands, Spain,  
Switzerland, Rest of Europe, United Kingdom, United States**

## **Two new digital partnerships**

**Zalando and Next**

## Annual Highlights

About Seraphine

Strategic Report

Managing a Responsible Business

Our Governance

Our Results

Currency sales growth

+25.5%

Digital Platform

+53.1%

North America

+36.5%

European Union

+87.5%

Digital Partnerships

+33.0%

Total Group

£135.5

Average Basket Value

15.6m

Visits

3.0%

Conversion

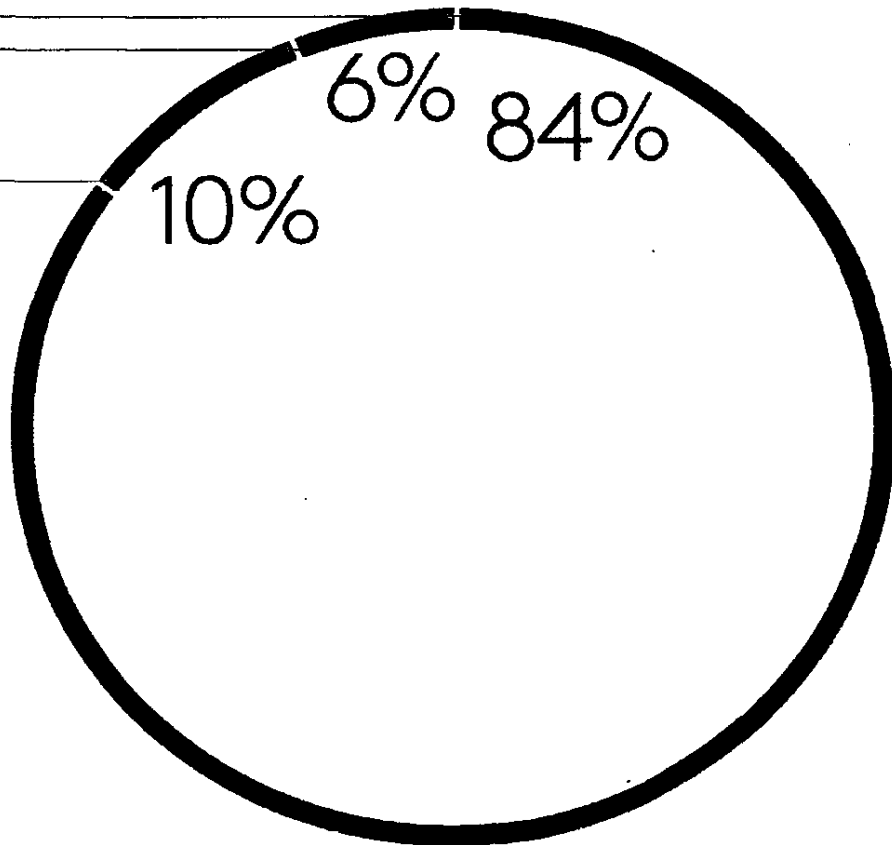


## Revenue Performance

By Channel

Own Digital Platform  
Retail Stores

Digital Partnerships



### Own Digital Platform\*

Financial Year 2022  
Financial Year 2021

£38.2m  
£30.5m

+25.5%

### Digital Partnership\*

Financial Year 2022  
Financial Year 2021

£4.5m  
£2.4m

+87.5%

### Retail Stores\*

Financial Year 2022  
Financial Year 2021

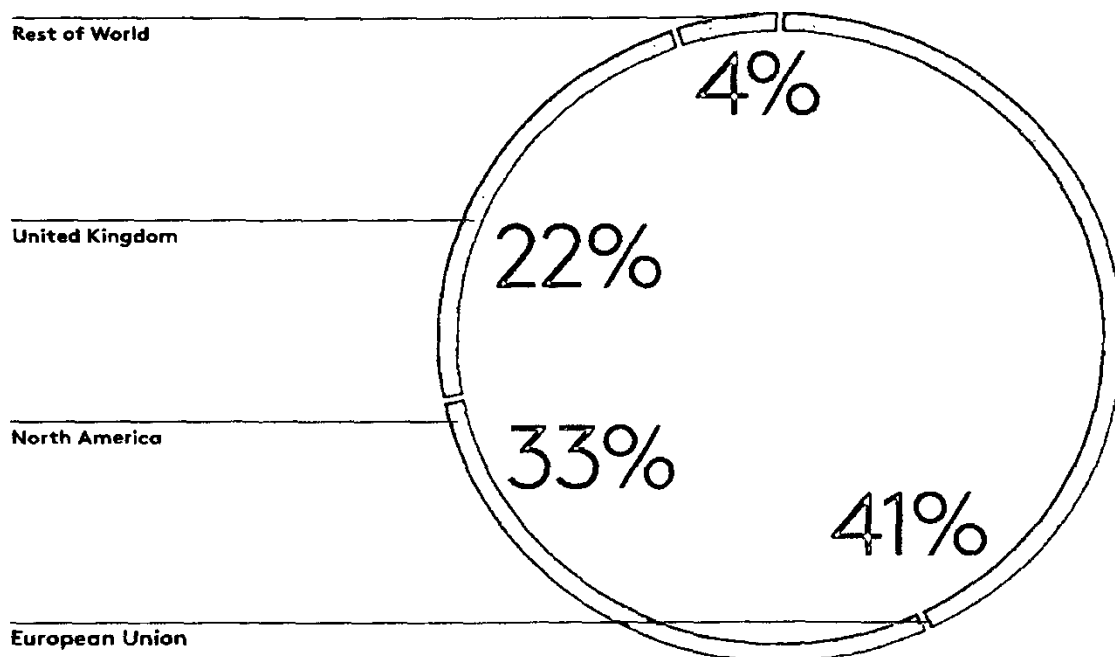
£2.7m  
£1.2m

+125%

\* Constant currency

## Revenue Performance

By Geography



<b>United Kingdom</b>			
Financial Year 2022	£10.0m		+12.4%
Financial Year 2021	£8.9m		
<b>European Union*</b>			
Financial Year 2022	£18.7m		+36.5%
Financial Year 2021	£13.7m		
<b>North America*</b>			
Financial Year 2022	£15.0m		+53.1%
Financial Year 2021	£9.8m		
<b>Rest of World*</b>			
Financial Year 2022	£1.8m		+5.9%
Financial Year 2021	£1.7m		

\* Constant currency



# Strategic Report

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## Chair's Statement

Sharon Flood

In a challenging  
year, we have  
continued to  
follow our  
strategy



## 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 the CEO review, 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 numbers and we continued to see very encouraging international growth. In this 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 and 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.

## Chair's Statement

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.

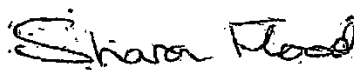
This year we have established the framework of what will become our new sustainability strategy. At the heart of the new framework are three key pillars: Product, People and Planet. Our strategy recognises the importance of managing the risks and opportunities connected to these pillars, in order to 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.



**Sharon Flood**  
Chairman  
31 July 2022



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## Chief Executive Officer's Statement

David Williams

Seraphine is  
synonymous with  
the creation of life  
and we constantly  
strive to leave a  
better planet for  
all our children



# Chief Executive Officer's Statement

**This is our maiden full year 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.**

*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 29 for further detail.*

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 summer 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 sales 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 sales tax and duty costs in relation to 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 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 (+20bps) 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 sales.

# Chief Executive Officer's Statement

Our European sites also performed well in the period, with growth in our established markets and the launch of Switzerland and the Netherlands. 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 all markets.

Delivering this growth against the backdrop of huge challenges did not come without mistakes or learnings – notably the aforementioned issues around sales 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 period 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.

# Chief Executive Officer's Statement

## People

Our people are our greatest strength and core to everything we do. Our culture is inclusive, innovative and collaborative – and it is a 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 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. We 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.

## Chief Executive Officer's Statement

In addition, we have 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 the 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 ingrained 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 later 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 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 sales in line with prior year.

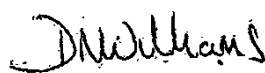
Our customer KPIs remain resilient. Return rates have increased marginally above budget but have been offset by increased basket sizes. As a result, net baskets (the amount customers keep) have improved in all markets YoY, and the average net revenue per customer visit is only marginally softer than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



David Williams  
Chief Executive Officer  
31 July 2022

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## Chief Financial Officer's Statement

Lee Williams

Despite this  
year's many  
challenges, the  
business delivered  
strong revenue  
performance





# Chief Financial Officer's Statement

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

*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 29 for further detail.*

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 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 the financial statements.

## 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 sales

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 (+£0.6m).

## 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 their 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% CCR) 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 margin 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.

## Chief Financial Officer's Statement

### 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.

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 have increased to £6.0m (FY21: £4.2m). This was £0.7m 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 (18.1%).

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
- 0.6m 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 used, 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.

### Earnings per share

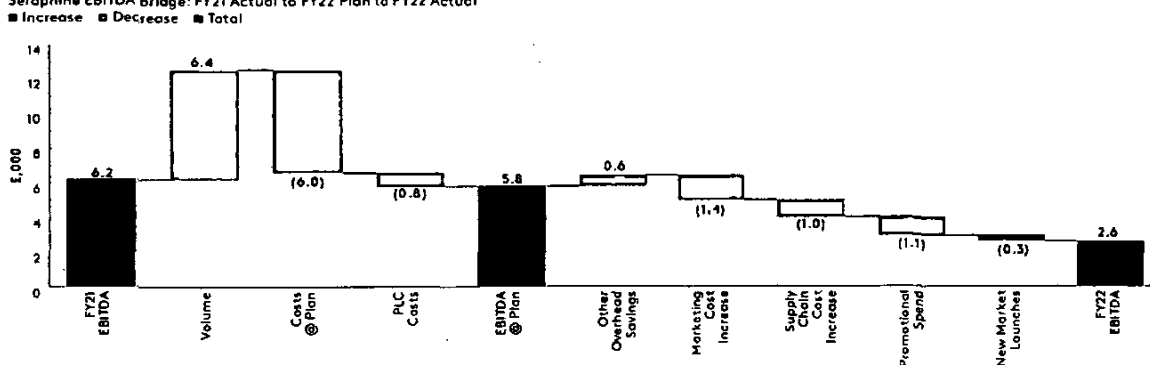
Basic loss per weighted average shares was 75.6p.

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.

Seraphine EBITDA Bridge: FY21 Actual to FY22 Plan to FY22 Actual



# Chief Financial Officer's Statement

## 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 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 non-cash 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 £1.0m, an increase of 100% driven by the product revenue growth in the Digital Partners channel of 83.2% year-on-year. Prepayments and other debtors at £0.7m was flat on the year.

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 resulted in total trade and other payables increased to £12.8m (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 £1.9m, an improvement of £1.8m on the year.

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.

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.

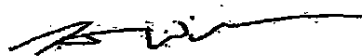
Seraphine's net cash generated in financing activities up to 3 April 2022 was £2.8m, representing net cash flow from IPO proceeds after loan notes and bank debt repayments.

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 cash flow 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.



**Lee Williams**  
Chief Financial Officer  
31 July 2022

## Chief Financial Officer's Statement

### Proforma Consolidated Statement of Total Comprehensive Income

#### 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. References to revenue and sales in the CEO and CFO statement relate to the revenue from sales before income from other services as described in note 10 on page 151.

	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
<b>Total Revenue</b>	<b>46.0</b>	<b>35.7</b>	<b>9.2</b>
Product Cost of Sales	(16.2)	(11.7)	(3.0)
Service Cost of Sales	(5.2)	(4.0)	(1.5)
<b>Total Cost of Sales</b>	<b>(21.4)</b>	<b>(15.7)</b>	<b>(4.4)</b>
<b>Product Gross Profit</b>	<b>27.8</b>	<b>22.5</b>	<b>5.7</b>
<b>Service Gross Profit</b>	<b>(3.2)</b>	<b>(2.1)</b>	<b>(1.0)</b>
<b>Total Gross Profit</b>	<b>24.6</b>	<b>20.4</b>	<b>4.7</b>
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)
<b>Operating (loss)/profit</b>	<b>(31.9)</b>	<b>(2.1)</b>	<b>(4.9)</b>
Finance costs	(4.1)	(1.7)	(1.4)
<b>Profit/(loss) before taxation</b>	<b>(36.0)</b>	<b>(3.8)</b>	<b>(6.4)</b>
Taxation	2.1	(0.5)	0.0
<b>Profit/(loss) for the period</b>	<b>(33.9)</b>	<b>(4.3)</b>	<b>(6.3)</b>
<b>Other comprehensive income</b>			
Exchange gains arising on translation	(0.0)	0.0	0.0
<b>Total comprehensive income/(loss)</b>	<b>(33.9)</b>	<b>(4.2)</b>	<b>(6.3)</b>

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

## Chief Financial Officer's Statement

### Reconciliation of operating profit to Adjusted EBITDA pre-IFRS 16

	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)
<b>Adjusted EBITDA pre-IFRS</b>	<b>2.6</b>	<b>6.2</b>
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	
<b>Adjusted EBIT</b>		
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
	<b>2.2</b>	<b>5.6</b>
<b>Adjusted PAT</b>		
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)
<b>Adjusted PAT</b>	<b>1.5</b>	<b>4.4</b>

# Chief Financial Officer's Statement

## Alternative Performance Measures Definitions

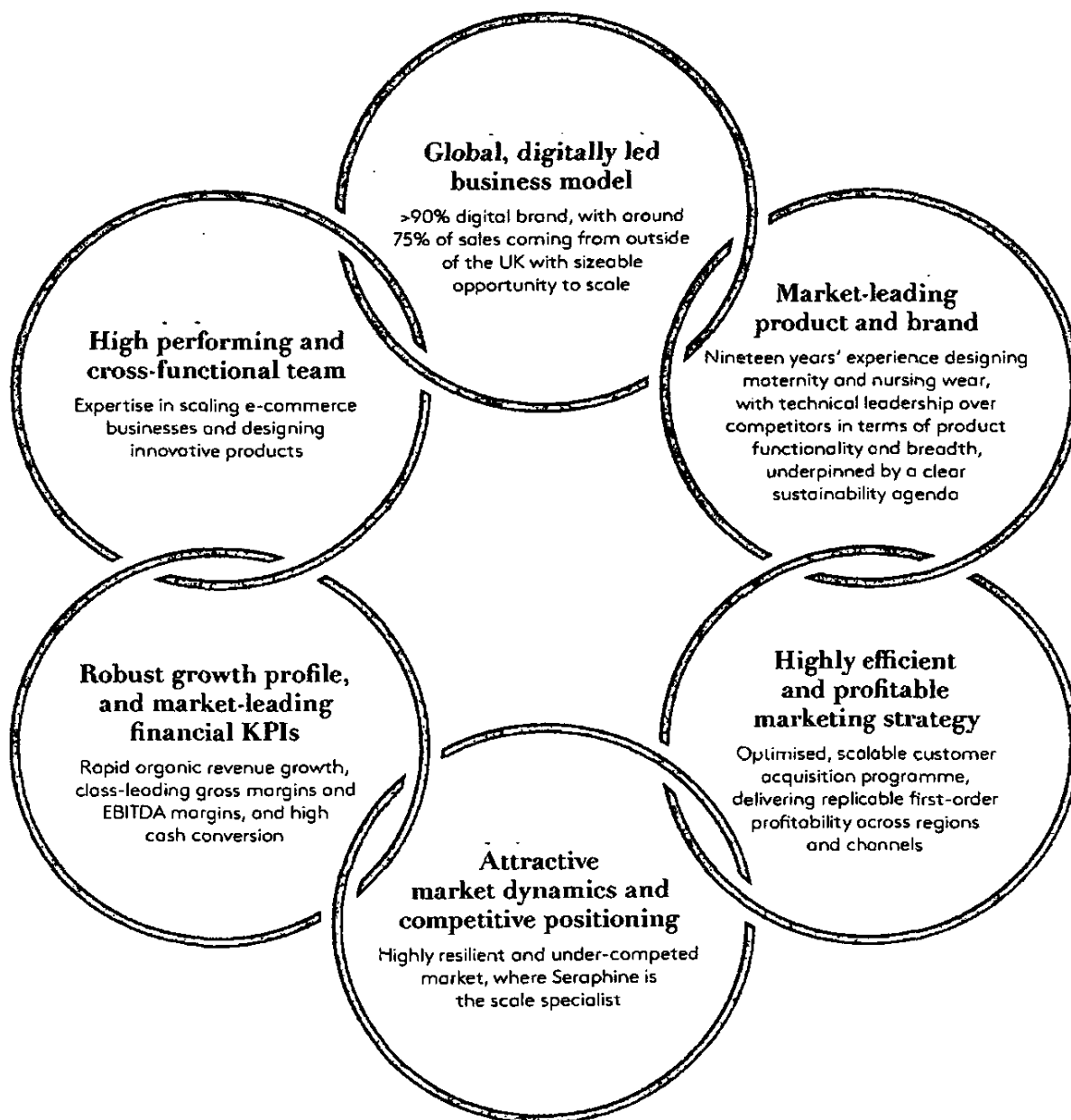
Performance measure	Definition	How we use the measure
Product revenue	Product revenue of goods through our own digital platform, digital partnerships and stores reported net of discounts, value added taxes and returns	A measure of the group's trading performance focusing on the sale of products to end customers. It is used by management to monitor overall 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 cash flow 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 4 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.

## Business Model



**SERAPHINE**

WITH MUMS FOR  
THE JOURNEY

# Strategy

The group's strategy is focused on growing both its own digital platform and digital partnerships:

## Own digital platform

Seraphine will expand its digital platform via continued growth in existing markets, where it has significant potential for further growth in Western Europe and North America, and the continuation of its capital efficient platform rollout strategy in new markets, such as the Nordics. It will seek to further enhance its digital marketing capabilities, backed up by investments in traditional brand building, to drive greater traffic to its websites and penetration of global markets.

## Digital partnerships

At the same time Seraphine will seek to increase its customer reach by expanding its business with existing digital distribution platform partners and seeking new partnerships including other digital specialists and multi-channel retailers.

## Superior technical product expertise

This consistent digital strategy is supported by the group's sharp focus on maternity and nursing products which marks Seraphine out as a leading specialist brand with superior technical product expertise and powerful digital marketing scale and specialism.

## Leading specialist brand

The group's strong focus on maternity and nursing products has enabled it to become a market leader in this sector. With over 19 years' experience in designing maternity and nursing wear exclusively, the Seraphine brand is synonymous with innovative and functional products which has given Seraphine a strategic advantage over its competitors.

## Powerful digital marketing scale and specialism

Seraphine's international reach through its digital approach brings global brand recognition, with exports to over 100 countries in FY22. Seraphine is recognised globally as a leading maternity and nursing wear brand and this brand status, underpinned by celebrity and press endorsement, is an acknowledgment of Seraphine as a market leader in its sector.

*The group will continue to invest in its highly effective marketing strategy which drives brand awareness and customer conversion.*

The group's marketing strategy is to target women at each lifestyle stage of pregnancy and motherhood and takes an interlocked threefold approach:

### Paid digital

Including paid search optimisation covering the likes of Google Shopping and AdWords and paid social through global platforms such as Facebook and Instagram.

### Organic digital

Which focuses on generating business over longer time frames through increasing brand awareness. Methods include the creation of SEO-optimised website content, customer database email send-outs and expanding the brand's own social media following.

### Traditional marketing & PR

Gaining coverage in web and print publications for dressing influencers, celebrities and royals through traditional PR. Placing highly targeted advertising with other key partners in the motherhood journey.

The group utilises an in-house advertising and content creation team, which allows greater control over brand positioning and messaging and works with expert third party agencies for the deployment of its digital marketing strategy.

## Non-financial information statement

The company has complied with the Non-Financial Reporting Directive contained in sections 414CA and 414CB of the Companies Act 2006.

## Where to find related information

Environmental	Page 43	Social	Page 66	Principal risks	Page 74	Business model	Page 32
Employees	Page 60	Human rights	Page 122	Anti-corruption and anti-bribery	Page 99	Non-financial key performance indicators	Page 34



## Key Performance Indicators

We use these key performance indicators as measures to track both the financial value we create for our shareholders and the strategic value in growing our business and delivering our purpose.

### Financial KPIs

#### Product revenue

Financial Year 2022	£44.0m
Financial Year 2021	£34.2m

#### Revenue growth

Financial Year 2022	£9.9m (28.8%)
Financial Year 2021	£6.1m (21.8%)

#### Product gross profit margin

Financial Year 2022	63.8%
Financial Year 2021	65.9%

#### Product gross profit

Financial Year 2022	£27.8m
Financial Year 2021	£22.5m

#### Adjusted EBIT<sup>1</sup> pre-IFRS 16

Financial Year 2022	£2.5m
Financial Year 2021	£5.6m

#### Adjusted EBITDA<sup>2</sup> pre-IFRS 16

Financial Year 2022	£2.6m
Financial Year 2021	£6.2m

### Operational KPIs

#### Total active customers<sup>3</sup>

Financial Year 2022	321,213
Financial Year 2021	270,687

#### Conversion rate

Financial Year 2022	3.0%
Financial Year 2021	2.8%

#### Website traffic

Financial Year 2022	15,577,354
Financial Year 2021	13,818,962

#### Average basket value<sup>5</sup>

Financial Year 2022	£135.5
Financial Year 2021	£127.17

#### Gross order value<sup>4</sup>

Financial Year 2022	£63.6m
Financial Year 2021	£50m

#### Customer acquisition cost

Financial Year 2022	£7.6m
Financial Year 2021	£5.2m

<sup>1</sup> Adjusted EBIT Operating (loss)/profit adding back exceptional items and brand value amortisation. IFRS 16 adjustment added back for pre-IFRS adjusted EBIT

<sup>2</sup> Adjusted EBITDA Operating (loss)/profit adding back Exceptional items, depreciation and amortisation, private equity fees and share based payments. IFRS 16 adjustment added back for pre-IFRS 16 adjusted EBITDA

<sup>3</sup> Total active customers An active customer is defined as a customer who has purchased a business entity's products at least once in a 12-month period

<sup>4</sup> Gross order value The gross order value includes the sum of all transacted orders – any deductions by cancellations, returns, sales costs or discounts are not yet taken into consideration.

<sup>5</sup> Average Basket Value The Average Basket Value of products sold in a single purchase. This is calculated by dividing the total value sales by the total number of order transactions.

## Market Overview

### Global maternity and nursing wear market

Seraphine operates in the global maternity and nursing wear market.

A market overview report from Armstrong estimates that the size of this market in Seraphine's core geographies, being North America, the UK and Western Europe, was £2.4 billion in 2019 (the 'Core TAM'), out of a global £4.7 billion global market.

Within these markets, Seraphine specifically targets customers in the premium, affordable luxury and mid-market price segments (the 'Core SAM'); Armstrong estimates this market was worth £109 million in the UK and £408 million in the US in 2019, against a Core TAM of £190 million (57%) and £1.2 billion (35%), respectively.

In respect of its Core SAM in 2019, Seraphine had only a 7% share in the UK, 1% in the US, 3% in France and 2% in Germany (Armstrong). This indicates that Seraphine has successfully established a presence in these geographies, but with substantial opportunity for future growth. This material headroom for growth is complemented by consistent growth within the online maternity and nursing wear market where Seraphine is focused.

Between 2017 and 2019, this market grew at a CAGR of 6% in the UK and 18% in the US according to Armstrong analysis.

This trend is expected to continue between 2019 and 2026 with healthy CAGRs of 8% and 11% projected, respectively, in the UK and US, based upon Armstrong analysis.

The high degree of resilience, within the maternity and nursing wear market, as compared with the broader womenswear industry has proven out during economic downturns, including during the Covid-19 pandemic, reflecting the needs-based requirement of maternity wear compared to the discretionary aspect of purchases in the wider apparel market (Armstrong).

There are a number of important barriers to entry to the maternity and nursing wear market, including:

- The level of technical expertise required in the design process, which the group has accumulated over the period of 19 years since Seraphine was founded
- The level of technical expertise required in the manufacturing process, which limits the number of suppliers and manufacturers and provides an advantage to established players, who are able to achieve the minimum order quantities necessary to maintain competitive pricing

- Changing customer needs throughout the product lifecycle, which make it more difficult for new entrants to cater for each phase of the pregnancy and motherhood journey, particularly when combined with high customer acquisition costs and a shorter timeline from which to derive value from this investment.

In this respect, the emphasis placed on meaningful branding is key in order to reach prospective customers at the earliest point in their pregnancy and motherhood journey and encourage them to return to the brand for subsequent pregnancies or postpartum.

Seraphine provides a distinct offering through its strong digital platform, where almost 15 years of digital marketing investment has enabled the brand to accumulate know-how, experience and data to accurately target its Core SAM; this level of differentiation would not be straightforward for a competitor to replicate. In addition, Seraphine maintains a sole and dedicated focus on maternity and nursing wear, with limited deviation into other product ranges, which gives it a technical advantage. This is complemented by Seraphine's commitment to designing innovative, functional and fashionable maternity and nursing wear at an *affordable premium price point*. Seraphine combines this focus with continuous product innovation, including its skin-to-skin offering, which provides a competitive advantage against competitors with narrower or less specialist product ranges.

### Geographic breakdown

Armstrong estimates that the maternity and nursing wear market generated approximately £2.4 billion in revenue across North America, the United Kingdom and Western Europe in 2019. The group distributed products to over 100 countries in FY22 and the group's current geographic footprint, in terms of total group revenue, is 33% North America, 23% UK and 41% Western Europe.

### North America market

The North American (US and Canada) maternity and nursing wear market was valued at an estimated £1.3 billion per annum in 2019 (Armstrong). In the US (which comprises 90% of the North American market), the Core SAM accounted for 35% of the market in 2019, of which it is estimated that Seraphine holds only an estimated 1% share (Armstrong). The online segment of the US maternity and nursing wear market grew at a CAGR of 18% between 2017 and 2019, with CAGR of 11% anticipated between 2019 and 2026, based on Armstrong estimates.

Source: Armstrong market model, Armstrong analysis

# Market Overview

## United Kingdom market

The UK maternity and nursing wear market was valued at an estimated £190 million in 2019, with Seraphine's Core SAM accounting for 57% of total spend (Armstrong). The online segment of the UK maternity and nursing wear market grew at a CAGR of 6% between 2017 and 2019, with a projected CAGR of 8% from 2019 to 2026, based on Armstrong estimates. This represents growth in online penetration from 28% of the market in 2017 to up to 48% projected in 2026, based on Armstrong estimates.

## Western Europe market

The Western European maternity and nursery wear market was valued at an estimated £850 million in 2019, with France and Germany (valued at approximately £155 million and £179 million, respectively) forming the most substantial markets for the group (Armstrong).

The structure of these markets varies slightly; the Core SAM accounts for 59% of both the French and German maternity and nursing wear markets, based on Armstrong estimates. However, the composition is more fragmented in Germany with a higher number of participants and key players serving multiple pan-European markets. In contrast, the French maternity market is characterised by fewer, fashion-forward specialist players with an established presence and reputation, including brands such as Envie de Fraise. Germany has shown higher levels of growth in recent years.

## Rest of the World market

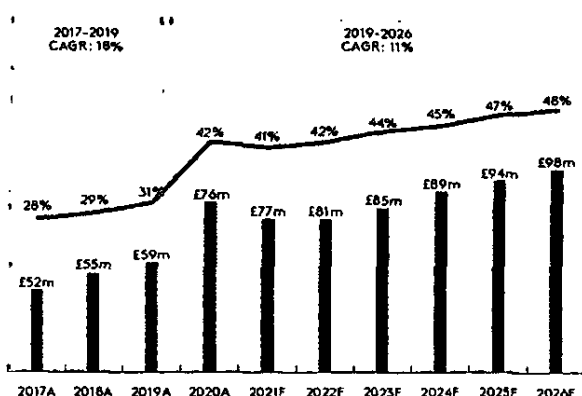
The Rest of the World (RoW) maternity and nursing wear market had an estimated value of £1.6 billion in 2019 (Armstrong). There is substantial opportunity for growth in these markets, where Seraphine's Core SAM comprises an increasing proportion of the overall maternity and nursing wear market, due to a rising number of women in the working population in emerging economies contributing to a similar trend towards fashion-forward maternity wear.

## Market trends

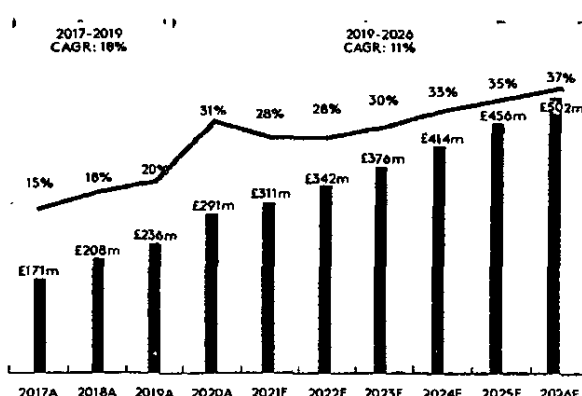
### Shifting customer demographic and lifestyle demands driving spend per birth

Changes in lifestyles and customer demographics are key trends driving growth in the maternity and nursing wear market, particularly within Seraphine's Core SAM (Armstrong). In particular, there has been an increase in the average age of first-time mothers in developed countries (in the UK, increasing from 27.7 years old in 2010 to 28.9 years old in 2019), which means that expectant mothers have a higher level of disposal income to spend on purpose-designed maternity and nursing wear (ONS; Armstrong). These shifts in customer demographics are complemented by substantive lifestyle changes, including a much higher proportion of women in the workforce, a trend towards women remaining active during their pregnancies, and a greater desire to remain fashionable during pregnancy. The stabilisation of fertility rates has therefore been offset by an increasing number of women continuing to work until much closer to their due date, increasing demand for maternity workwear and extending the lifecycle for products which carry a higher margin and fall within Seraphine's core product lines.

UK online market size and online penetration



US online market size and online penetration



# Market Overview

## Ongoing consumer shift to e-commerce

The last decade has seen a significant shift in consumer spending habits, most notably the rise of e-commerce and increase in online consumer expenditure. Convenience as a driving force for e-commerce carries even greater weight in the maternity and nursing wear market, where the target demographic often has less time, may prefer shopping for such items with greater privacy, and may be less able or less inclined to visit retail stores. This is reflected within the composition of the market, with a rising proportion of purchases in the UK and US maternity and nursing wear market (42% and 31% in 2020, respectively) taking place online (Armstrong).

This trend is set to continue; we estimate that, by 2025, over 50% of the maternity and nursing wear market will comprise of the Millennial and Generation Z demographic who present a higher affinity for e-commerce, providing confidence in the continued growth of the online maternity market and reinforcing Seraphine's competitive position within this market. The rise in online consumer expenditure will also inevitably have been influenced by the Covid-19 pandemic, where governmental restrictions and local lockdowns have reduced reliance on traditional bricks-and-mortar retail stores. Depending on their supply chain and distribution networks, brands with a larger online presence also typically carry fewer overheads and are therefore less susceptible to global economic downturns.

## Market resilience

Maternity and nursing wear is typically purchased as a result of necessity, to accommodate the biological changes which occur during pregnancy. As a result, this market is characterised by higher levels of resilience throughout periods of economic downturn, particularly when compared to the general apparel markets which are often more discretionary in nature. This was demonstrated during the global financial crisis, where the UK maternity and nursing wear market increased by 0.7% in 2009, while the UK general apparel market fell by 1.9% in 2008 and was static in 2009, based on Armstrong analysis. Further, Seraphine has continued to grow despite the ongoing Covid-19 pandemic (21.8% CAGR FY20-FY21), where it is expected that Seraphine's Core SAM will have experienced less volatility than the value segment of the market. In this respect, Seraphine benefits from a more affluent target demographic than other market participants, given that these customers are generally in more resilient financial positions than other demographics (Armstrong; Company information).

## Competition

Seraphine competes with a wide range of both specialist maternity and nursing wear retailers and non-specialist general retailers, including those with a focus on baby, childrenswear and baby hardware, across its Core TAM and the RoW market. Within the luxury price segment, a high proportion of Seraphine's competition comes from maternity pure-plays. Within the affordable premium and mid-market price segment, the company faces competition from global specialists and more generalist apparel and womenswear retailers.

Seraphine has carved a space for itself on this platform where it can compete effectively across both markets. It achieves this through replicating the scale advantage achieved by larger mass-market retailers (which is atypical within the specialist maternity wear market), leveraging its supplier relationships and economies of scale to price competitively and generate higher margins. In comparison to the generalist apparel players, the brand benefits from its streamlined focus on maternity and nursing wear, and targeted investment on design and innovation. In this respect, Seraphine maintains its competitive position through a combination of scale and technical advantage.

While Seraphine competes in a fragmented market, the directors believe that there are many factors that differentiate the group from its competition, including its price point and price-to-quality ratio; the opportunity for its digital proposition to expand its international reach; its strong performance marketing capabilities; a concentrated focus on designing and creating functional products in the maternity and nursing wear market which support the entire pregnancy and motherhood journey at an affordable premium price point; the group's continued development of innovative products complementary to its existing offering (for example, the launch of its post-partum shapewear and babywearing products), which provides a competitive advantage against competitors with narrower or less specialist product ranges; and its emphasis on brand awareness and reputation.



# Managing a Responsible Business

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## Sustainability Statement

We are at the start of our sustainability journey and are fully committed to building a better business to offer the best products to our customers throughout their motherhood journey.

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# Introduction

We recognise the importance and increasing consumer focus on sustainability, as well as the wider impact of the fashion industry on the environment. The company is building a framework to create and maintain a positive relationship with our employees, supply chain and the environment. We want to share our story highlighting our focus on longevity of product, with clothing designed to be worn throughout pregnancy and the postpartum stage.

We are dedicating time and effort towards achieving responsible sourcing targets and people initiatives. In this way, we ensure that the care, attention, energy and resources that go into our clothes are never wasted. Our primary focus is to produce responsibly and our roadmap to achieve our 'Better Planet' mission can be seen below.

Driven by three key pillars, we aim to use the power of the group's supplier relationships to ensure that the people making our clothes thrive and that the products are made in ways that leave the environment in a better state for the next generation.

## Product

Our design ethos is centred on creating high quality, well-constructed functional clothes with a strong focus on longevity and durability. We focus on the product's cumulative wear and lifespan to ensure it works through every stage of the pregnancy journey.

## People

At Seraphine people are at the core of what we do; we aim to build a company with shared values that are inclusive for all.

## Planet

Protecting the planet is really important to us. Our teams are committed to developing a sustainable business, with a transparent supply chain that is future-proofed and reduces our waste and carbon footprint.

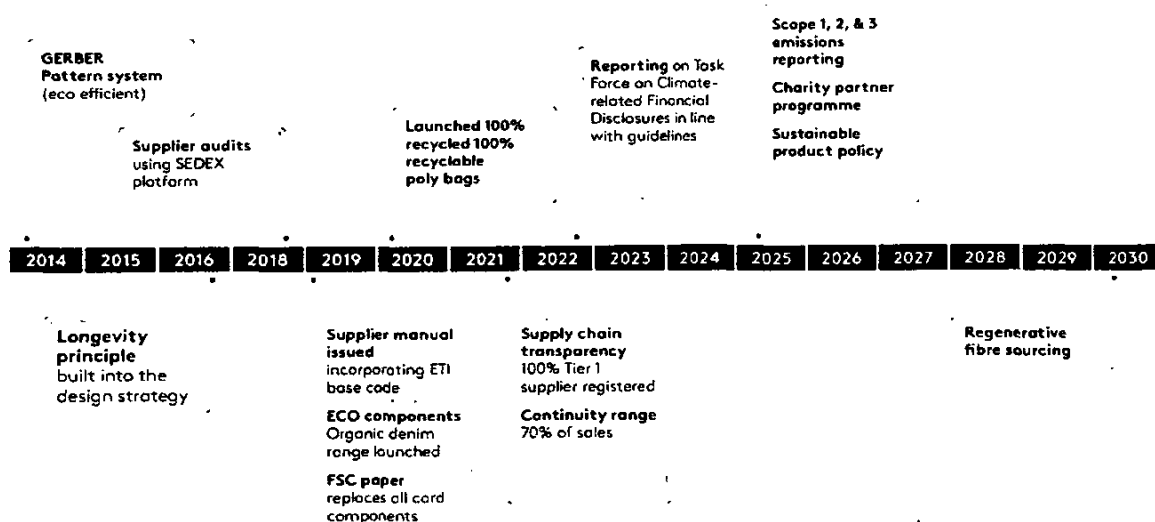
Our roadmap to achieving our 'Better Planet' mission

**Strong focus on longevity of products**

**Continuity of range, reducing unnecessary production**

**Commitment to greener packaging**

**Continuous improvement in supply chain and ESG performance**

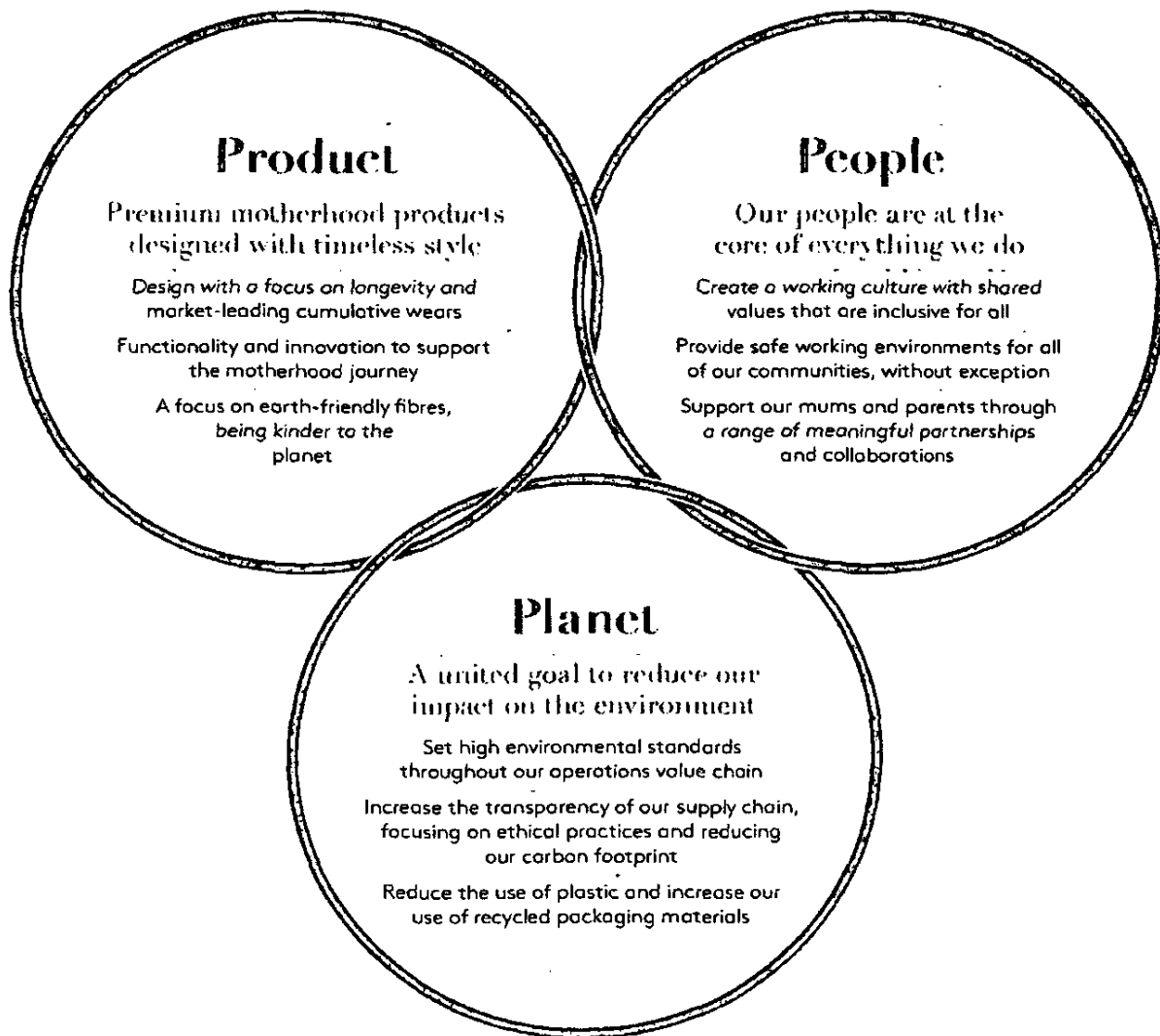


The milestones shown present a subset of the a more detailed list of actions which the company has completed and plans to implement as part of the on-going ESG strategy as outlined in the Prospectus



## Introduction

### 'Better Planet' framework



## Sustainability Approach

Over the year, we have identified five key Environmental, Social and Governance (ESG) priorities for the business:

1. Ensuring clear strategy and KPIs are in place for our expanding team with all stakeholders signed up to the journey
2. Committing to our net zero pledge and working towards our goal: 2050
3. Continuing our focus on sustainable product and longevity of design with increased use of planet-friendly fabrics
4. Increasing company transparency of all sourcing with a focus on Tier 1 suppliers utilising The Higg Index to support this
5. Reducing the use of plastic throughout the business and ensuring we have recyclable options where it is required

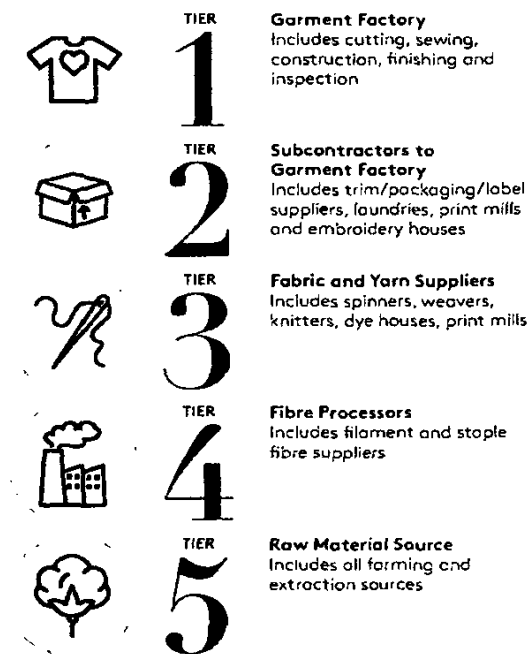
### Governance

This year, we have re-established our ESG sub-committee. With our new talent on board, we want to ensure that all departments are aligned and aware of Seraphine's direction creating a fully integrated plan reflective of our core values.

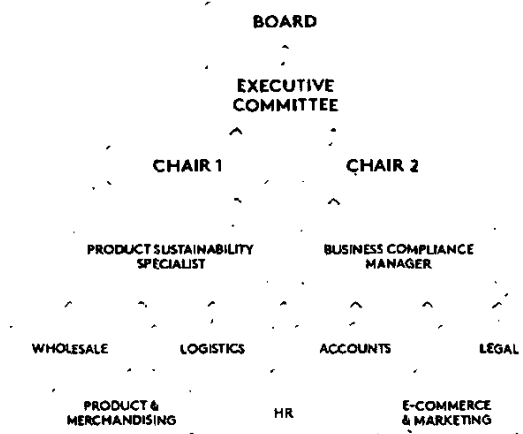
Our mission is to accelerate progress utilising our new combined industry knowledge and expertise. Having a focused sub-committee in place enables us to scale and drive the business forward, measuring tangible ESG results along the way.

The executive committee are accountable for ensuring objectives are met and reporting back to the board.

Tier structure from delivery (Tier 1) to production (Tier 5)



Governance structure



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## Product

Product

About Seraphine

Strategic Report

Managing a Responsible Business

Our Governance

Our Results

## Designed by Mums for Mums

Our carefully curated collections have been designed and developed in-house for nearly 20 years.

Our expertise comes from a highly skilled product development team, many of whom have been through the motherhood journey themselves.

They understand key pregnancy milestones and how the body changes, so fit and functionality is always at the forefront of our designs. For us, it's about empowering mums to feel good in what they're wearing, whatever stage they are at.

SERAPHINE GROUP PLC

ANNUAL REPORT & ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024

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Product

SERAPHINE

WITH MUMS FOR  
THE JOURNEY

Seraphine is a leading  
international maternity  
retailer. The go-to brand  
for mums-to-be.

## Product

The strength of the Seraphine brand is derived from

### Heritage

Launched in 2002 with the vision of creating clothing so beautiful you would want to wear it even if you weren't pregnant, and remains true to that today

### Unique design

Hundreds of products designed and prototyped in-house, ensuring Seraphine has full ownership of product creation, with 19 years of perfecting technical attributes, size and fit

### Differentiated products

Seraphine outperforms competitors through its innovative and versatile products which comprise a broad range of fashionable, superior fit and quality maternity and nursing wear at an attainable price point

### Focus

Seraphine is synonymous with maternity and nursing wear, the sole focus of the brand, echoed in its ability to continually innovate in the space

### Scale

Seraphine's international reach through its digital approach brings global brand recognition. With exports to 100 countries, Seraphine has a global reputation as the go-to brand for mums to be, with a long list of celebrity and royal fans

# The four pillars of our design ethos

A pure play maternity and nursing brand combining beautiful design, expert fit and innovative functionality at an attainable price point

## Fashionably pregnant

Stylish products designed to meet the needs of today's pregnant and nursing women



## Luxury quality

Offering the quality of premium designer product at an affordable price



## High functionality

Versatile, multifunctional product ranges supporting women at all stages of motherhood, across all occasions



## Aspirational yet attainable

Seraphine is an affordable luxury brand, appealing to all lifestyles while also dressing celebrities, royals and influencers



## Product

# With mums for the journey

Designed with key pregnancy milestones in mind, our collection is differentiated by its breadth and depth of choice. We pride ourselves on developing functional, stylish, premium-quality products across a variety of price points within each category resulting in high engagement with mums across many affluence levels.

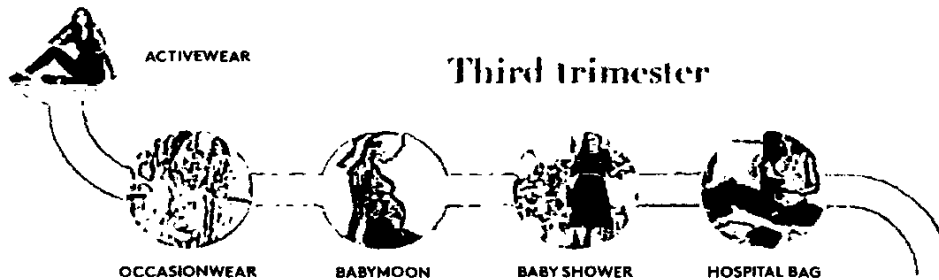
### First trimester



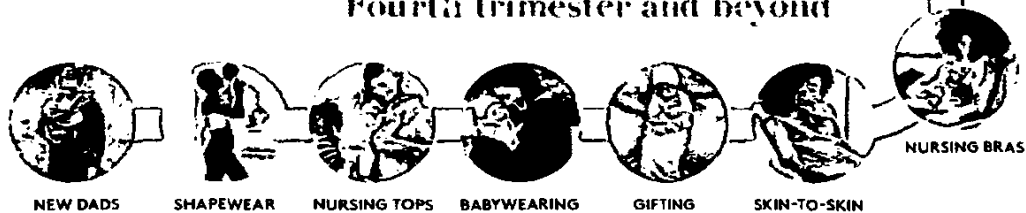
### Second trimester



### Third trimester



### Fourth trimester and beyond



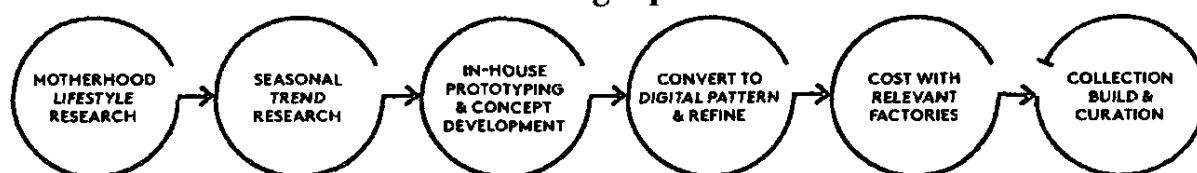


## Product

# Seriously clever designs, expertly developed in-house

We combine couture-level pattern and sample making with technical expertise to achieve a superior fit and unique functional innovations. All styles are crafted in-house, so we hold master digital copies of all patterns, enabling fast and flexible sourcing across our global supply base.

### Our design process



# Continuous innovation for motherhood solutions

## Adaptable

Pregnancy to postpartum adaptability all with discreet nursing access



## Easy

Easy change, grow-with-baby solutions



## Expert

Seamless expertise from nursing to shapewear



## Innovative

3-in-1 Babywearing technologies for mums and dads



## Product

### Championing high quality functional products designed to increase cumulative wears and product functions

#### **Continue to assess our product lifecycle to increase cumulative wears and product functions**

Seraphine's garments are designed to be functional from bump to baby and beyond therefore extending their use and purpose way beyond the nine months of pregnancy. The design team constantly assess and review the functions of the garments through live pregnant model fit sessions, customer feedback and product reviews, to ensure the product's fit and function is achieved across all sizes in the range and stages of motherhood.

#### **Expand the use of more sustainable materials across all our product areas**

We only use synthetic fabrics when they are key to the durability or performance of the product and even then, we replace them where possible with recycled options sourced from recognised third party organisations.

All our spring/summer 2022 swimwear is made from recycled fabrics. We will continue our efforts in this area, and seek viable solutions across all our product ranges.

We are looking to enhance our recycled products through certification from the Textile Exchange and we will report on these efforts over the next year.

We do recognise that denim is one of the most resource-intensive fabrics of the industry, and we are doing our part to minimise the impact on the environment through our Denim Sourcing Policy. In our Supplier Policy we require that suppliers only source from mills and laundries that demonstrate high environmental standards and provide evidence of water and energy saving systems. We will continue to find ways to improve our offering of denim and communicate this saving to the customer and through our Higg Index mapping.

#### **Report and celebrate our sustainability journey with our customers to raise awareness of our progress**

Seraphine launched its first Sustainability and Social Responsibility report online in the Q4 FY22. We report below our first TCFD and SECR report, which we plan to enhance and review within our website too, in the next year. We intend to update the steps we are taking to track and monitor our footprint, ensuring visibility of our carbon footprint and our steps to save the planet, to all our stakeholders.

## Product

### Our timeline

2021	August	Launched our 'Better Planet' mission Joined SEDEX (Supplier Ethical Data Exchange) and started mapping supply base
	September	Joined Better Cotton Initiative (BCI) Created dedicated Sustainability & Compliance department
	October	Launched work on our carbon footprint for Scope 1 & 2 Started work on mapping returns and carbon footprint analysis by region
	November	New charity partnerships - teamed up with NAYTAL and Shapewear
	December	Moved to SMETA audits on key suppliers Achieved 14% sustainable cotton sourcing through organic cotton or Better Cotton Sourcing Tracked our material use mix by percentage to review volumes and align to carbon footprint data
2022	January	Launched rebranded packaging using 100% recycled plastic which is fully recyclable, paper bags for retails and paper packaging for products from FSC certified sources
	February	Launched Sustainability & Responsible Sourcing page online and translated across our own website regions
	March	Training on Higg Index to map our Scope 3 emissions in the supply chain
	July	Included our SECR carbon footprint work for Scope 1 & 2 into the Annual Report

From FY23, Seraphine plan to run a more long-term roadmap to show a more detailed journey on how the company will meet net zero.

### Streamlined Energy and Carbon Reporting (SECR)

This statement has been prepared in accordance Streamlined Energy and Carbon Reporting Requirements in the UK, with reporting over our greenhouse gas emissions and energy consumption.

Refer to the table below which presents our emissions data for the years ended 3 April 2022 and for 4 April 2021. Our emissions have been verified to a reasonable level of assurance by an external third party according to the ISO 14064-3 standard.

	Units	FY22 2022	FY21 2021*
Total Energy Consumption	kWh/yr	171,911	157,179
Electricity (UK head office)	kWh/yr	40,816	21,808
Electricity (Global Stores)	kWh/yr	109,969	114,246
Gas (Global Stores - US)	kWh/yr	21,125	21,125
Total Emissions (gross annual)	kg CO <sub>2</sub> e/yr	47,322	39,368
<b>Scope 1 emissions (direct emissions)</b>			
Stores gas use	kg CO <sub>2</sub> e/yr	3,815	3,815
<b>Scope 2 emissions (indirect emissions)</b>			
Head Office electricity use	kg CO <sub>2</sub> e/yr	8,663	4,984
Global Stores electricity use	kg CO <sub>2</sub> e/yr	25,245	29,406
<b>Scope 3 emissions (other indirect)</b>			
Business related travel	kg CO <sub>2</sub> e/yr	9,600	1,163
<b>Operations metrics (in period)</b>			
Turnover	£'M/yr	44.4	34.2
Avg No. of employees	No. (FTE)	100.4	82.2
Total Units dispatched	No.	1,515,471	1,139,346
(e-comm)	No.	1,229,197	1,002,090
(global stores)	No.	61,553	31,406
(digital partners)	No.	224,721	105,850
Total units returned	No.	401,596	229,892
Net units	No.	1,110,353	909,454
<b>Performance Metrics</b>			
<b>Emissions/Unit</b>			
Total dispatched	kg CO <sub>2</sub> e/unit	0.0312	0.0346
Net (dispatch & returns)	kg CO <sub>2</sub> e/unit	0.0425	0.0433
Emissions/Employee	kg CO <sub>2</sub> e/FTE	471.3	479.1
Emissions/Turnover	kg CO <sub>2</sub> e/£'M	1066.0	1152.2

\* Group in current form was only in existence for 3 months of FY21 but the data covers the previous entity

# Product

## Methodology

We quantify and report our organisational GHG emissions and energy consumption in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and in alignment with the Scope 2 Guidance. In order to prepare our carbon emission data, we have worked alongside an external consultancy firm; Ainsty Risk Consulting Ltd., ensuring future compliance with the companies and Limited Liability Partnerships Regulations 2018. The GHG sources that constituted our operational boundary for the year are:

- Scope 1: Gas and refrigerant
- Scope 2: Electricity
- Scope 3: Transport fuel for business travel purposes by employees

In most cases, invoices have been used to collate the energy usage in both stores and the head office, however where data is missing, values have been estimated using either extrapolation of available data or data from the previous year as a proxy.

With regards to data not provided in kWh (such as Scope 3 business travel), a cost-based approach is taken, taking the spend figure and applying historic kg CO<sub>2</sub>e (University of Leeds Sustainable Accounting/HMRC recommended approach) to establish the associated emissions. Whilst there is a lack of accuracy and uncertainty by taking this approach, this is our first step and our action plans to make it more accurate can be seen to the right.

## Actions going forwards

**Metering and monitoring:** Move from cost-based method to actual metered energy use.

- Head Office – obtain electricity use per month with emissions intensity of the supply.
- UK stores – install smart meters and obtain HH data use.
- US & FR stores – obtain and log monthly use.

## Stores and head office

- Capture and record monthly electricity and gas consumption (kWh) by meter reads and invoices, and standardise format and procedure.
- Capture and record monthly electricity and gas consumption (kWh) by meter reads and invoices, and standardise format and procedure.
- Energy use – undertake store-by-store inspection to identify high consuming equipment to heating/lighting/ small power, identify energy use avoidance measures and efficiency measures.

## Transport and logistics (Scope 3)

- We plan to consider outbound logistics as a Scope 3 factor to monitor for FY23, given a lot of carbon emission movement is involved within our logistics and we plan to work with our warehouse operators to capture data.
- Develop policy to make environmental impact of air freight etc. visible when making operational decisions
- Liaise with Rebound to establish emissions footprint of individual returns by market.

## Business travel (Scope 3)

- Expenses forms to capture journey distance, mode, date and purpose
- Capture travel mileage, mode, and reason quarterly

## Carbon intensity of procured services and emission offsets

- Review energy procurement strategy for all stores and offices. Assess carbon emissions intensity of alternatives
- Engage with landlord to establish carbon intensity of supplied electricity and gas for Head Office

## Product

### Task Force on Climate-related Financial Disclosures

Seraphine Group PLC is committed to minimising its impact on the environment, by reducing our global carbon footprint.

Since our IPO, Seraphine has focussed on putting in place the necessary internal systems to enable it to comply with the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD"). We recognise that further work lies ahead as we develop our management and metrics reporting capabilities.

We have considered our 'comply or explain' obligation under the UK's Financial Conduct Authority's Listing Rules, and confirm that we have made disclosures consistent with the TCFD Recommendations and Recommended Disclosures in this annual report. However, as this is our first year of TCFD reporting, we have not fully met all compulsory disclosure requirements. A summary of those disclosures not included in this report is set out below.

We do not disclose impacts on revenue and costs from various scenario analysis. Due to data limitations arising from transitional challenges, our scenario analysis has been performed on a qualitative rather than a quantitative basis. We expect these data limitations to be addressed in the medium term as more reliable data becomes available.

Seraphine is not entirely compliant with the Metrics and Target Pillar. Whilst we have shown results from the current year and prior year to reflect Scope 1, 2 and mandatory 3 emissions data, the company is unable to set targets, given a lack of data. Over the coming year we will undertake a detailed risk assessment in respect of our suppliers and their use of the Higg insights platform, to determine what data they will be able to access and monitor, and what achievable targets can be set for the business.

In addition, the current year's data reflects estimates where data was unavailable, thus making it difficult to set accurate targets. Over the course of the next financial year, we will be implementing steps to ensure we have a full set of accurate data to set targets and disclose additional metrics.

### Governance

#### Board oversight & management's role

To ensure the board has sufficient oversight of Seraphine's sustainable business strategy, performance and climate change related activities, the board has approved the establishment of an ESFG sustainability Steering Committee (the "ESFG Committee").

The ESFG Committee is chaired by our COO and Product Development Director and reports into the executive committee. The ESFG Committee's principle aim is to develop a strategy to mitigate against the company's principal climate change related risks and, with the support of the executive committee and board, to ensure the strategy is incorporated into the group's objectives, annual budget and funding strategies. The strategy will be presented to the board for approval and the audit committee will be asked to approve any TCFD disclosures.

Sustainability progress updates are presented at board meetings, to ensure that company strategy is aligned, that consistent progress is made to eliminate climate related risks and that ultimately, we can reach our goal of achieving net zero emissions by 2050.

We believe we are fully compliant with all TCFD disclosure requirements relating to Governance.

#### Next steps

From FY23 the board will be asked to approve a governance timetable, with quarterly updates on ESG-related matters being provided to the executive committee by the ESFG Committee. The first of these updates was provided on 7 June 2022.

# Product

## Strategy

We recognise that both climate-related risks and opportunities have the potential to impact our business. We are therefore taking the necessary steps recommended by the TCFD to assess the risks, so we can maximise the positive impacts and minimise the negative impacts on our business. During the year, we performed a group exercise, collating ideas and identifying potential climate related risks specific to the company. Once identified, we evaluated the likelihood of occurrence and the estimated magnitude of the resulting financial impacts over the:

- Short-term (0–2 years),
- Medium-term (2–5 years) and
- Long-term (5–20 years)

## Climate-related risks and opportunities with impact analysis

Our review captures climate risks across Seraphine's physical operations in the UK, USA and Continental Europe together with the supply chain operations in China, Turkey and Portugal.

Following our risk assessment, we have identified the following headline material risks and opportunities:

- i) damage to goods due to extreme weather events; and
- ii) dramatic shift in consumer tastes and consumer preferences for eco-friendly materials e.g. rapid growth in demand for sustainable cotton and pressure to act on climate from peers, customers, regulators and shareholders.

A more comprehensive list of material climate related risks and opportunities is set out on page 57.

## Climate scenarios

Based on our current risk analysis and trajectory, we do not anticipate there to be any material adverse financial impact on the business due to climate-related risks.

We note that we have not fully complied with the TCFD disclosure requirement to describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios. However, we have performed an initial scenario analysis, albeit on a qualitative basis. This has been performed based on both <2°C and 4°C scenarios, noting the key risk factors to be transitional at <2 but with physical risks at 4 degrees Celsius. As we have had to use estimates where there are gaps within our data, the decision not to prepare a quantitative scenario analysis was made. Further work will be undertaken in respect of scenario analysis over the next financial year.

## Next steps

In order to be fully compliant with all TCFD disclosure requirements, Seraphine will work towards preparing scenario analysis. We also will be performing high level quantitative analysis gradually, as more data is gathered, by modelling the financial impact of average global temperatures if it rises by 2°C and 4°C scenarios in 2030.

## Product

Risk Type	Category Overview	Climate Factor	Risk/Opportunity Impact	Time Horizon
Transition Risk	Growing external pressures and demands for action negatively impact revenues from those companies late to react, and trigger an increase in taxation and energy prices.	GHG Emissions Pricing	GHG emissions may be taxed or tarified at an increased rate. This could impact on operational costs - though impact likely to be low as energy costs are relatively small (as % of revenue). Not as material as (e.g.) VC emissions pricing.	Medium-term
		Enhanced emissions reporting requirements	Enhanced emissions reporting regulatory and compliance requirements requiring (1) new hires and/or (2) early-retirement of existing assets and expenditure. Very high likelihood (i.e. impacts already being felt). Impact on operating costs.	Short-term
		Clean air zones	Regulation leading to introduction of clean air zones affecting logistics/transport. Operating costs will be low (a % on top of the existing figures for transport/logistics).	Short-term
		Changing customer behaviour	Customers increasingly inclined towards brands with compliant/certified sustainable supply chains (and suppliers increasingly able to capitalise on this). Customers may also move away from product lines seen as unsustainable (e.g. luxury maternity wear). Impact will be on revenue.	Medium-term
		Rising supply-side costs	Increased production costs due to changing input prices (and energy price volatility). Relative impact kept low as multiple factors affect upstream costs and seraphine is well placed with options e.g. consolidating procurement.	Medium-term
		Stakeholder concern	Stigmatization of the sector results in a continual need to justify place in the market to shareholders, consumers, regulators etc. Changing regulatory landscape makes it difficult to have consistent voice/message. Resultant impacts on stakeholder concern (particularly consumer/investor concern).	Short-term
Physical Risk	Increase in temperature and frequency of extreme weather events leads to higher energy consumption for cooling and affects the quality of radio frequency and wireless transmission.	Extreme weather causing production disruption	Issues with supply chain production capacity due to episodic extreme weather events (e.g. physical disruption, negative impact on workforce) such as cyclones/floods (multiple potential financial impacts on the business).	Long-term
		Variability in weather patterns causing supply chain disruption	Issues with supply chain production capacity due to prolonged exposure to extreme weather events (e.g. crop failure in key material such as cotton). Multiple potential financial impacts on the business.	Long-term
		Variability in weather patterns causing issues in direct operations	Retail stores or office spaces forced to relocate (e.g. due to increased flood risk).	Long-term
		Rising mean temperature	Increased recurrence of dangerous heatwaves leading to supply chain disruption (multiple potential financial impacts on the business).	Long-term
Opportunity	A shifting business landscape in a net zero world opens new opportunities to capture new market and investment opportunities.	Efficiency Gains	Overarching trends towards resource efficiency may drive down operational costs for distribution/transport and production. Typically aspired to even before climate-related risk is considered.	Medium-term
		Develop new product lines	Development and/or expansion of low emissions product lines e.g. carbon neutral products, garment rental, digital/AR, etc	Medium-term



## Product

### **Risk management**

#### **Integration of climate-related risks into our risk management processes**

Climate change related risk is included within our group principal risks strategy and reporting procedures – refer to page 64.

Our ESFG Committee consists of individuals from across the business, working closely to define a risk management methodology. This team is responsible for assessing the potential impacts for each risk, prioritising risk mitigation steps and establishing mitigation time frames.

#### **Next steps**

Seraphine will assess physical impacts on our value chain over a longer time frame. By doing so, we aim to identify mitigation actions across our raw material sourcing and operational footprints.

### **Metrics and targets**

Climate-related risks and opportunities are embedded in our financial, operational, technological and wider ESG performance; as a result of this we use a wide range of metrics to measure current and potential climate related impacts.

Refer to page 53 for details regarding our carbon emissions data.

We are not compliant with the TCFD disclosure requirement to describe the targets used to manage climate-related risks and opportunities and performance against targets. As this is our first year producing emission data and we do not have comparative data for previous years, we intend to assess which specific target and metrics are most relevant to our business and set our target for next year accordingly.

These climate related metrics will be monitored alongside those set as part of our better planet statement.

We will also be running Scope 3 assessments to identify whether there are any other Scope 3 data that it would be useful to disclose going forwards. For now, Seraphine will focus on putting together an action plan that will help produce results around logistics, which cover two additional voluntary Scope 3 disclosure areas.



## People

(2)

## With our people, for our people

We know that our people have always been at the forefront of creating innovative and pioneering designs and products.

We appreciate the important role they play in fostering our successful heritage and pushing us forward on our mission to support mums on their journey through pregnancy and beyond.

We aim to develop a culture which naturally nurtures, providing our people with continuous encouragement to support them in their unique and individual journeys of growth here at Seraphine.

## People

### Actively promote empowerment for all in the workplace

Our people have always been the foundations of creating innovative and pioneering designs and products. We understand the important role that the individual plays in creating a successful heritage and driving this forward to the future. We have invested in the HR structures that help and support our people on an ongoing basis. We are making great strides in developing our processes and practices to ensure that the foundations and building blocks that support all people related matters are strong and fit for Seraphine's future growth.

In response to many external challenges the pandemic has had on the business, we acted dynamically to create the HR team who are building and developing a people strategy based on our Employee Values, that encourages a successful workforce and great workplace.

#### **Our values**

Our HR team conduct engagement focus groups on a regular basis. Following a round of discussions with the *senior management team and employees across the company*, it was found that to enable our people to excel further, a number of HR initiatives needed to be established through our values. At Seraphine we are proud of our accomplishments and excited by our future, underpinned by the Seraphine values. As Seraphine employees drive the company forward, they will all work within the values and behaviours framework as set out below.

#### **Health and safety**

Health and safety is a critical priority for our company to ensure we are able to maintain the safety of our people. This has been a crucial aspect of our risk assessments, given the need to prioritise the wellbeing of colleagues throughout this global Covid-19 crisis and throughout a period of time where there are continuous changes in risks and regulations.

The company formulates and continuously assesses health and safety documentation following the HSE guidelines. Regular risk assessments are conducted for high-risk categories and HR has been recognised as a driver of wellbeing within the business. Learning from the Covid-19 pandemic and understanding how restrictions could impact both mental and physical health, we created a hybrid working approach, where feasible. This enables us to respond to individual needs by being flexible in our approach to working. Our people have the trust and flexibility to work the way they are able and achieve the output required.

# People

During the pandemic we reduced the need to visit the office ensuring there was a sufficient flow of communication between the business and our people. We also reduced visits to the warehouse and suppliers, and the use of technology ensured there was frequent communication regarding working and support arrangements. Our culture allows all employees to hopefully maintain positive mental wellbeing and we work to ensure that this is maintained. Our HR manager will regularly send out emails to our people, reviewing employee offerings and being a point of contact for employees to reach out to for support.

**A continued focus on diversity, equality and inclusion**  
Seraphine's value of being 'wholly inclusive' recognises that every employee has a right to work in an environment which provides equal opportunities for all, regardless of race, colour, nationality, religion, sex, sexual orientation, gender reassignment, marital status, age or disability. The company makes every effort to create and maintain such an environment and is committed to being a business in which equality of opportunity is a reality and in which every individual can seek, obtain and continue employment without unfair discrimination. We aim to make clear that it is a place where individuals are treated equally and fairly and decisions on recruitment, selection, learning and development, reward structure, flexible working, employee movement and succession-management are based solely on objective and job related criteria, with our values driving expectations.

We know that having a diverse workforce is not sustainable without an inclusive culture and our commitments reflect that.

## Gender mix

The gender mix of the group's head office employees at the end of the financial year is as shown below:

Female	68
Male	13
Total	81

All store employees are female.

We continue to look at ways to improve gender diversity. During this financial year, we successfully recruited a number of senior roles to help support the next growth phase of the company including a Chief Information Officer, Financial Planning & Analysis Director, Head of Legal & CoSec. We also strengthened our PR and Human Resources teams and at the end of the period, moved to a new, centrally located Head Office in the West End of London. This facilitated better access to talent from a diverse background and for all parts accessible to London. Within our current workforce, Women are well-represented throughout the group, with nearly 50% of our executive directors and over 80% of all our head office employees being female.

Diversity and Inclusion has always been our top priority and we are proud of the above average diverse makeup of our team.

## Benefits and reward systems

As part of our company, Seraphine plc operates a discretionary bonus scheme and further share based rewards are in the process of being launched.

Seraphine's benefits have been developed to attract, recruit and retain employees. The company is very clear that it will support all employees on their own personal journeys during their time here at Seraphine. Therefore, family friendly policies have been developed supporting employees whom are parents, becoming parents or on another personal journey in their lives.

Furthermore, the company is investing in flexible benefits, giving employees the choice to use those benefits that matter most to them. The company identifies that employees are come from diverse backgrounds and have differing needs, therefore, the benefits offerings, support the diversity of our people and make them feel included whilst on their individual journeys working at Seraphine.

## Training and development

Our focus has been on providing employees with the relevant development tools to allow them to grow and be promoted within the business and within their roles. We currently provide on the job induction training and tailored training. For those working towards formal professional qualifications, we also provide study agreements support and ongoing access to CPD.

As the Seraphine Values and Behaviours are instilled within the business, training and development will be delivered to all employees to push the company forward on its journey of growth. The company encourages employee's to be ambitious in their roles and to support this, management training will continue to be provided. The next phase is to instil a Performance Management structure that suits all levels of the business with relevant and impactful training attached to the employees development and growth in their role.

# Planet

**SERAPHINE GROUP PLC**

1970-1971

## Motherhood for Mother Earth

We design products with longevity in mind and build lasting relationships with suppliers, some of whom we've worked with for nearly 20 years.

Producing our garments ethically is really important to us - we source our manufacturers first hand, enabling us to align our values and sustainability commitments.

Where we can, we reduce our water consumption, increase the use of organic and natural fibres and reduce the use of plastics.

We know we can do more and pledge our commitment to do so, offering full transparency along the way.



## Planet

### Working towards reducing our impact on the environment

We are dedicating time and effort towards achieving various responsible sourcing targets over the coming years, with a current focus this year on:

- Continuing to refine our Responsible Sourcing Code of Practice to include environmental policies on cotton, denim and recycled fabrics, rolling out training to internal teams and suppliers
- Reducing our reliance on conventional cotton and growing our Sustainable Cotton Sourcing Policy to a minimum of 25% by 2023
- Aiming to certify key products, such as recycled and organic blended yarns via the Textile Exchange in the next year
- Mapping our suppliers beyond first tier, by rolling out the Higg Index environmental self-assessment to our top suppliers in FY23
- Encouraging the remaining 20% of our first tier suppliers to adopt the SMETA Ethical Audit method in their next audit cycle
- Maintaining and developing internal knowledge on modern slavery risks in the supply chain.

#### **We set high standards throughout our design manufacture and value chain**

Our suppliers have committed to the requirements outlined in the Responsible Sourcing Code of Practice ensuring the quality, fit, fabric performance and production meet the highest possible standards. Within this, we set strict chemical compliance regulations to follow within our Supplier Manual to ensure our products are safe for all markets and respect the environment.

Most of the environmental impact lies within the fabric production stage. We aim to have transparency and traceability over our supply chain and the materials they use and to date, over 60% of our nominated fabric mills have the environmental Oeko-tex® 100 certification.



Seraphine also recently became a member of the Better Cotton Initiative (BCI) to reduce business reliance on conventional cotton and we have already achieved 10% of our overall cotton sourcing through BCI. Seraphine is committed to sourcing a minimum of 25% of the overall cotton consumption through BCI by 2023. We also pride ourselves on using natural fibres like bamboo and Lenzing™ Ecovero™, minimising our use of monmade fibres like polyester and using recycled alternatives where we can, for example, all our swimwear is now made in recycled fabrics.

## Planet

As part of our initiative to identify and mitigate risk in our supply chain, we use SEDEX (Supplier Ethical Data Exchange) to map out country-specific risks and inherent industry risks in our supply base. These SMETA audits are based on the Ethical Trading Initiative (ETI) base code, International Labour Organisation (ILO) and local law. All Tier 1 suppliers are members and share their audits on this system.

We have implemented processes and procedures to protect against Modern Slavery both within our supply chain and employee base and we are in the process of producing our first modern slavery statement, which will be published in due course.

We are reviewing our onboarding process and ensuring supplier forms consist of detailed checks to ensure they comply with our Supplier Ethical Code of Conduct.

### **Develop a sustainable transparent supply chain that leads on ethical practices**

Our aim is to develop a fully sustainable and transparent supply chain that leads on ethical practices. Seraphine's long-established and close working relationships with its suppliers helps to reduce exposure to social and environmental risks in the supply chain.

We have worked with the majority of our suppliers since launching Seraphine and have built excellent relationships and trust over the years, valuing them as part of our extended team. We pride ourselves on these long-term partnerships and follow the same principles with any newer suppliers we bring on board.

Fifteen percent of our supply chain have worked with us since we launched nearly 20 years ago with 20% working with the brand for over 10 years. We source globally and you can see a breakdown of our sourcing by location overleaf.

This year we have started mapping our supply chain beyond our first Tier by joining the Higg Index and this has already improved transparency which is pivotal in maintaining a robust supply chain. The Higg Index is a set of tools which assess the social and environmental performance of the entire supply chain. We will use the tools to map our energy, chemical and water used during the raw material, fabric production, customer care and end lifecycle of our chosen materials. This will help us to make more informed decisions and enhance our supplier sourcing strategy. Throughout the year we have started to integrate The Higg Index into the design process to help us map our Scope 3 environmental footprint. Members of the product team have already been trained on the system to successfully collate and report on the data and we will roll out to key suppliers later in the year.

### **Eliminate plastic waste and increase our use of recycled packaging materials across the business**

As part of Seraphine's ongoing commitment to eliminating plastic, we have rebranded and developed plastic-free alternatives for all our labelling and packaging. We have so far committed to the following sustainable components, which we are excited to be rolling out throughout FY23:

**Polybags:** 100% recycled post-consumer waste and also 100% recyclable after use

**Garment bags:** 100% recycled post-consumer waste designed to be re-used

**Plastic kimbles:** now made from corn starch seal

**Button bags:** FSC-certified paper envelopes instead of plastic bags

**All paper packaging:** FSC-certified paper and recycled options

**Denim and Hosiery:** delivered in FSC-certified, 100% recyclable, craft paper bags

**Store bags:** FSC-certified, 100% recyclable paper, including the handles

We have also taken steps to reduce plastic waste in our own operations by completely removing plastic from all sample submissions into our Head Office, saving over 8kg so far this year. We will continue to review where we can remove plastic and improve our efforts across the business as we know there is more we can do. We will enhance our efforts over the next year to include our mailer bags and review retail and warehouse operations.

## Seraphine's global production locations

### Supplier specialisms

Specialism	No. of locations
📍 Soft woven	10
📍 Jersey	9
📍 Knitwear	4
📍 Seamless & Hosiery	5
📍 Outerwear	5
📍 Swimwear & Lingerie	5
📍 Denim	3



\* Rest of the World, Poland, Romania, Bulgaria

## Planet



## Stakeholder Engagement & Section 172 Information

The directors are responsible for promoting the long-term success of Seraphine by creating and maintaining sustainable value for the benefit of Seraphine's stakeholders as a whole.

This responsibility is discharged by the role that the directors play in reviewing and making decisions of strategic importance, such as approving the group's overarching strategy, budgets and capital expenditure programmes, organisational changes and other key policy decisions.

The board recognises that pursuing effective engagement with Seraphine's key stakeholders is crucial to ensuring that such decision-making processes promote Seraphine's long-term success.

Where the board does not engage directly with certain stakeholder groups, it oversees management's engagement activities and receives regular updates from management on those activities.

At Seraphine, our key stakeholders include our colleagues, customers, suppliers, shareholders and the communities and environments in which we operate.

The following disclosure describes how the directors have had regard to the matters set out in sections 172(i)(a) to (f) of the Companies Act 2006 (the 'Act') when performing their duty to promote the success of the company.

In this section we identify our key stakeholder groups, describe the primary ways in which we engage with them and describe how their interests are considered by the board through decision-making processes and the setting of the group's strategy.

### Colleagues

At Seraphine, we recognise that we are reliant upon the skills, experience and commitment of our people to achieve our strategic goals.

Our people have always been the foundations of creating innovative and pioneering designs and products.

We understand the important role that the individual plays in creating a successful heritage and driving this forward to the future.

We have invested in the HR structures that help and support our people on an ongoing basis.

We are making great strides in developing our processes and practices to ensure that the foundations and building blocks that support all people-related matters are strong and fit for Seraphine's future growth.

In response to many external challenges the pandemic has had on the business, we acted dynamically to expand the HR team who are building and developing a people strategy based on our Employee Values, that encourages a successful workforce and great workplace.

### How do we engage?

Our HR team conduct engagement focus groups on a regular basis.

As Seraphine employees drive the company forward, they will all work within the values and behaviours framework as set out below.

### Diversity and Inclusion Council

A council of employees, championed by a member of the Executive Leadership Team, has been established, which focuses on ensuring the group operates with an inclusive culture. Recommendations from the council are presented to the board by the ELT representative for adoption across the group. This year, the board approved a wide range of initiatives including the roll out of diversity and inclusion training across the business, a Mental Health First Aiders programme and the end of our 'refer a friend' recruitment scheme.

### Pay and reward

Seraphine understands that clear benefits and an equitable reward structure is central to attracting and maintaining talent. The board recognises the importance of incentivising employees over the long-term, as demonstrated by its commitment to company-wide all-employee share plans.

### Health and safety

This is a critical priority for our company to ensure we are able to maintain the safety of our people. The company formulates and continuously assesses health and safety documentation following the HSE guidelines. Regular risk assessments are conducted for high-risk categories and HR has been recognised as a driver of wellbeing within the business. Learning from the Covid-19 pandemic and understanding how restrictions could impact both mental and physical health, we created a hybrid working approach, where feasible. This enables us to respond to individual needs by being flexible in our approach to working. Our people have the trust and flexibility to work the way they are able and achieve the output required.

## Stakeholder Engagement & Section 172 Information

**A continued focus on diversity, equality and inclusion**  
The company makes every effort to create and maintain such an environment and are committed to being a business in which equality of opportunity is a reality and in which every individual can seek, obtain and continue employment without unfair discrimination.

### Gender mix

We continue to look at ways to improve gender diversity. During this financial year, we successfully recruited a number of senior roles to help support the next growth phase of the company including a Chief Information Officer, Financial Planning & Analysis Director, Head of Legal & Company Secretary. Within our current workforce, women are well-represented throughout the group, with nearly half of our plc directors and over 80% of our workforce being female.

### Benefits and reward systems

We operate a discretionary bonus scheme and further share-based rewards as well as other benefits to attract, recruit and retain employees.

### Training and development

Our focus has been on providing employees with the relevant development tools to allow them to grow and promote within the business and within their roles. We currently provide on the job induction training and tailored training. For those working towards formal professional qualifications, we also provide study agreements support and ongoing access to CPD.

As the Seraphine Values and Behaviours are instilled within the business, training and development will be delivered to all employees to push the company forward on its journey of growth. The company encourages employees to be ambitious in their roles and to support this, management training will continue to be provided. The next phase is to instil a Performance Management structure that suits all levels of the business with relevant and impactful training attached to the employee's development and growth in their role.

### Customers

Seraphine's ambition to be with mums for the journey recognises that a positive customer experience is essential for ensuring that customers return to shop at Seraphine again.

### How do we engage?

By still maintaining a store presence in the US, France and UK we effectively engage with customers on a daily basis, listening to what they like and what they value about Seraphine and our products.

In our digital partner stream we engage regularly with customers discussing the performance of our products with them and learning what their own customers say.

With our digital customers through our own platform, as well as the normal email contact channel we take phone calls from customers and the customer service team have fluency in a number of languages. Mainly customers contact customer service when things go wrong on their customer journey, but sometimes they do contact us to say how much they value their purchase.

The board has delegated responsibility to members of Seraphine's Executive Leadership Team and logistics and sourcing managers to regularly talk with our supply chain partners to problem solve any issues, share long-term strategies and thereby cement lasting relationships.

Seraphine's strategy is 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 and strengthening our supply chain and embedding sustainability into everything we do.

The combination of investment into enhancing the customer experience by continued product innovation,, expanding our website presence into new markets and deepening brand awareness, while simultaneously embedding sustainability in our business, positions Seraphine with a highly compelling customer proposition to provide the customer what they need.

Pregnancy brings all kinds of surprises, there are decisions to make, lots of information to absorb and changing bodies to contend with. At Seraphine we help women through it all.

## Stakeholder Engagement & Section 172 Information

We're proud of our technical expertise. Our clothes aren't just stylish, they're seriously clever too. Our in-house product team love innovating. Every time we find a new solution for a motherhood challenge, it's a victory for us.

When you're pregnant, comfort is everything, but as a mum you shouldn't have to compromise on style. We want women to look and feel great, so soft fabrics and adjustable fits are at the foundation of everything we do.

We take sustainability and responsible fashion seriously and put thought into what we make, always designing with longevity in mind. We're helping nurture the next generation after all so we have to do our bit to look after the world they'll inherit.

We test on real mums and mums-to-be of all shapes, sizes and motherhood stages. We're committed to our parents and customers in other ways too, such as our Corporate Social Responsibility initiatives.

### Community and environment

We recognise the importance and increasing consumer focus on sustainability, as well as the wider impact of the fashion industry on the environment.

We are dedicating time and effort towards achieving responsible sourcing targets. By achieving this, we ensure that the care, attention, energy and resources that go into our clothes are never wasted.

Protecting the planet is really important to us. Our teams are committed to developing a sustainable business, with a transparent supply chain that is future-proofed and reduces our waste and carbon footprint.

Over the year, we have identified five key ESG priorities for the business:

1. Re-establishing our ESG Governance and ensuring clear strategy and KPIs are in place for our expanding team with all stakeholders signed up to the journey
2. Committing to our net zero pledge and working towards our goal: 2050
3. Continuing our focus on sustainable product and longevity of design with increased use of planet friendly fabrics
4. Increasing company transparency of all sourcing with a focus on Tier 1 suppliers utilising the Higg Index to support this
5. Reducing the use of plastic throughout the business and ensuring we have recyclable options where it is required

### Governance

This year, we have re-established our Environmental, Social and Governance (ESG) sub-committee as our team has grown. This includes our Product Director and Chief Operating Officer.

With our new talent on board, we want to ensure that all departments are aligned and aware of Seraphine's direction creating a fully integrated plan reflective of our core values.

Our mission is to accelerate progress utilising our new combined industry knowledge and expertise. By having a focused sub-committee in place, it enables us to scale and drive the business forward, measuring tangible ESG results along the way.

The executive committee are accountable for ensuring objectives are met and reporting back to the board on achieving the set KPIs, with remuneration reflected by this.

### Suppliers

Seraphine is committed to collaborating meaningfully.

We work with a wide range of suppliers and are proud of the close working relationships that we foster. Seraphine offers fair payment terms and supports our suppliers with volumes that match our growth.

Through partnership our suppliers have committed to the requirements outlined in the Responsible Sourcing Code of Practice ensuring the quality, fit, fabric performance and production meet the highest possible standards. Within this, we set strict chemical compliance regulations to follow within our Seraphine Supplier Code to ensure our products are safe for all markets, respect the environment and ensure adherence in respect of working conditions, remuneration, safe environment and zero tolerance to child or bonded labour.

### How do we engage?

The board has delegated responsibility to members of Seraphine's Executive Leadership Team and logistics and sourcing managers to regularly talk with our supply chain partners to problem solve any issues, share long-term strategies and thereby cement lasting relationships.

Discussions are on-going with suppliers around design, quality, delivery timing and, when faced with transport challenges, how to prioritise products.

## Stakeholder Engagement & Section 172 Information

### Sourcing

We source globally though mainly from Eastern Europe, India and the Far East. See page 68.

This year we have started mapping our supply chain beyond our first tier by joining the Higg Index and this has already improved transparency which is pivotal in maintaining a robust supply chain.

The Higg Index is a set of tools which assess the social and environmental performance of the entire supply chain.

We will use the tool to map our energy, chemical and water used during the raw material, fabric production, customer core and end lifecycle of our chosen materials.

This will help us to make more informed decisions and enhance our supplier sourcing strategy.

Throughout the year we have started to integrate the Higg Index into the design process to help us map our Scope 3 environmental footprint.

Members of the product team have already been trained on the system to successfully collate and report on the data and we will roll out to key suppliers later in the year.

### Shareholders

As a business we are focused on engaging with shareholders to be open and transparent with the performance of the business, the challenges we face and the successes and failures experienced on our journey in the public markets.

Although we have only been listed for eight months we regularly engage with shareholders and host visits to our head office in Central London to introduce them to our innovative and customer-focused product range and provide a 'behind the scenes' look.

When announcing our results and trading updates we are welcoming of in-person meetings with shareholders. Outside of these periods, we are also available to meet with interested parties to discuss the opportunities and challenges being faced by the business.

Our major shareholder, Mayfair Equity Partners has a seat at the board and is very much involved in the decisions that are made based on the information that is shared.

The directors also meet with prospective investors who in the year reported, have subsequently invested in shares of the business.

### Principle decisions

The initial plan to IPO was made before this current reporting period in January 2021, with admission to the market on 16 July 2021.

Following the successful IPO but facing an inventory shortage brought about by the delays to shipments from the Far East it was decided to issue a trading statement 23 September 2021 to update the market on the impact of this situation.

Following the decision by John Bailey the previous CFO to step down from his role it was decided by the board to recruit a new CFO which was announced in December 2021.

As headwinds started to build at the beginning of Q4 FY22 around weaker demand, an issue around accounting for tax and duty, increased promotional activity and higher inflation in warehouse and transport costs, a decision was taken to issue a further trading update to shareholders and the market in February 2022.



# Principal Risks and Uncertainties

The overall responsibility around risk management is taken by the board and has been integrated with the company's governance structure.

A corporate risk register is maintained at group level, which includes a summary of all the risks identified across each business department including any that address a change in regulations. This risk register allows easy monitoring and has created a 'bottom up' reporting structure, where important risks will be brought to the attention of the board.

A risk steering group is in place as a subset of the executive committee and reports to the audit committee on a regular basis. This team is responsible for the continuous monitoring and review of key business risks and meets on a regular basis to review and update the corporate risk register, identify emerging risks and implement risk mitigations for all risks that may have an impact on the company's business objectives.

In addition to this, the executive committee is then responsible for ensuring the relevant processes and controls are carried out, post reporting of the key risks to the board. By having this structure in place, it ensures a robust risk culture is maintained on a company-wide basis.

## Risk appetite

The company's risk appetite has been established by ensuring risks are aligned with the company's objectives and strategies. These are then used alongside the corporate core values that are used within daily operations on a day-to-day basis.

Another factor that is used as an indicator of what our risk appetite should be is via assessment of the company's key performance indicators. The board identified the need for a more ambitious approach to improve the probability that the company will be able to achieve forecasted business targets, with actions being identified to mitigate upcoming risks in a structured manner.

Our key high risk appetites are included within our risk schedule on the next page.

## Principal risks

Principal risks are considered most significant to the business, as they include risks that are material and could be detrimental to the long-term viability of the business. These risks have been identified as being likely to create the greatest impact, having been reviewed and approved at a board level. Refer to pages 75-76 to view list.

PLC BOARD

AUDIT & RISK COMMITTEE

EXECUTIVE COMMITTEE

RISK STEERING GROUP

## Principal Risks and Uncertainties

Principal risks and how we mitigate them

Principal Risks	Risk Description	Risk Type	How We Manage/Mitigate Risks
<b>Product design, quality and choice</b>	<p>Ensuring products that are designed well, appropriately priced and desirable is key to the success of the business, given that they must be aligned with customer demand and fashion trends.</p> <p>A failure to manage this risk could lead to a stock surplus that ages, becomes obsolete and is subsequently required to be written off. Not having desirable products would lead to reductions in sales with the subsequent impact on company profit levels, a key performance indicator of the business.</p> <p>Over the long-term, a failure to ensure customer expectations are matched by the production and quality of goods could impact the reputation of the company.</p>	<b>Low</b>	<p>The ongoing review of the product range compared with trends, assessing the ideal stock holding as well as identifying gaps in the range.</p> <p>The Design team research market trends, attending trade shows to keep up to date with product trends and design ideas as well as developing innovations.</p> <p>Supplier audits and product quality checks take place to ensure compliance with regulations within each country that we operate in. These are reviewed by senior product management.</p>
<b>Supply chain disruptions</b>	<p>There is a significant reliance on our supply chain to manufacture and deliver our products to a high standard and in a timely manner.</p> <p>A failure to manage this risk could lead to an inability to meet customer demand, and increase in costs or reduced conversion, all factors affecting profit margins.</p> <p>Fluctuations in prices linked to raw materials, freight charges and logistics fees would need to be monitored to understand the impact on the business and any mitigating actions that could be made to reduce impact on profitability.</p> <p>Any supplier breach of our business code of practice could increase reputational damage risk.</p>	<b>Medium</b>	<p>Maintaining a dynamic range plan which estimates units of each item to purchase.</p> <p>Maintaining a global supplier base, ensuring each supplier is monitored against agreed contract terms and via supplier audits. Regular and close relationship with all suppliers to ensure any supplier disruptions are effectively communicated.</p> <p>Our Sustainability Manager arranges for regular audits to take place on our supplier base, ensuring compliance with the standards set out in the Code.</p> <p>We train our employees and maintain regular site visits and regular communication, ensuring our standards around responsible sourcing, human rights and modern slavery are reflected.</p>
<b>Warehouse disruptions</b>	<p>Significant reliance is placed on the company's central warehouse, as it is key to the movement of stock to customers.</p> <p>Any disruption within the warehouse management system or physical warehouse could lead to orders being delayed and a backlog building.</p> <p>Failing to manage this risk could lead to increased business operational costs, reduced revenue and reputational damage.</p>	<b>High</b>	<p>Ensuring the warehouse has contingency plans in place to avoid physical or system disruption.</p> <p>Ensuring insurance policies are in place to cover the loss of profit generated due to disruption at the warehouse or in the area.</p>
<b>Dependency on IT systems</b>	<p>Office tech infrastructure is hosted internally and subject to risk of fire/flood/theft or significant hardware failure.</p> <p>ERP system (Primo) is hosted locally and subject to risk of fire/flood/theft or significant hardware failure.</p> <p>With more and more cyber, phishing and ransomware attacks taking place, there is a need to ensure risks around data protection and data privacy are covered, with a level of resilience built in.</p>	<b>Medium</b>	<p>Data is backed up to the cloud with failover solutions.</p> <p>Back-office software is cloud-based with access unrestricted by location.</p> <p>Move to ERP that supports cloud hosting or co-location and thin client applications.</p> <p>Cloud-based document management system.</p>

## Principal Risks and Uncertainties

Principal Risks	Risk Description	Risk Type	How We Manage/Mitigate Risks
<b>Regulatory Compliance</b>	<p>There is a growing risk towards non-FCA regulatory and statutory risks, including data protection, GDPR, ESG and the reporting and reduction of carbon emissions.</p> <p>With climate change reporting being a key disclosure requirement, there is a need to ensure that in the creation of our products, we and our suppliers comply with all legislation in both territory of manufacture, storage and sale.</p> <p>Failing to adapt and maintain compliance with the fast-moving regulatory framework could result in hardship for employees of our suppliers, reputational damage and ultimately financial penalties.</p> <p>The company will also need to continue the climate impact reduction, both through encouraging our suppliers to adapt and by adapting our own behaviours.</p>	<b>High</b>	<p>A Corporate Criminal Offence (CCO) workshop has been carried out and a register compiled to identify significant risks identified in our business processes.</p> <p>Processes will be tightened where possible and the remainder will be monitored on a regular basis.</p> <p>Anti-bribery and corruption policies have been revised in the year and rolled out within our new updated employee handbook.</p> <p>We work with a third-party consultancy who calculates our carbon emissions and works with us to identify realistic targets. This will be tracked and reported on a regular basis.</p>
<b>Unfavourable changes in foreign currency</b>	<p>We are a UK-based retailer and through our warehouse in Belgium sell products to customers in Europe, North America and the rest of the world. We sell to countries in multiple currencies whilst recognising total sales within our financial statements in sterling.</p> <p>As we expand further into new markets, there continues to be a foreign exchange exposure risk.</p> <p>A failure to recognise this as a risk could lead to increased costs, exchange losses and overall impact on the company's profitability.</p>	<b>Low</b>	<p>Overall, with revenue being split predominantly across sterling, euros and US dollars, while our costs of head office, warehouse and inventory are denominated in sterling, euros and US dollars respectively, we have a quite well-balanced natural hedge. However, as we continue to grow in some markets more than others that natural hedge may reduce over time which would require an updated currency policy to address this.</p> <p>We prepare constancy currency sales schedules by geography on a periodic basis.</p>
<b>Management of long-term liabilities and capital expenditure</b>	<p>Ensuring there is a constant awareness of cash utilisation within the business is key to maintaining liquidity and securing the company's future success. A risk is that the business does not have enough resources to pay all future liabilities as the amounts fall due.</p> <p>A failure to manage this risk could impact the long-term sustainability of the business.</p>	<b>Low</b>	<p>The business operates several cash flow models to manage these risks. We have a 13-week model which is updated weekly to reflect daily cash flows.</p> <p>We have a budget cash flow forecast for the initial 12-month fiscal period.</p> <p>We also have a three-year plan with integral cash flow and balance sheets to provide visibility of long-term funding needs.</p> <p>We are putting in place a monthly forecast process which will model cash flow on a rolling basis for the next 12 months. The cash flow currently forecasts out expected capital expenditures. We will use this as a tracking basis to monitor cash usage and covenant breaches.</p> <p>A fixed asset register is maintained to ensure appropriate amortisation of assets and to prevent any delayed write-offs.</p>

# Principal Risks and Uncertainties

## Emerging risks

The risk management process includes looking at emerging risks alongside identifying key principal risks. Emerging risks allows the company to evaluate the priority and time frame behind any potential changes that are likely to incur and likely to impact the business.

One of the key emerging risks that has been discussed within the executive team is the risk in being exposed to changes in circumstances due to political flash points and natural disasters. Examples include the war in Ukraine and its impact on the price of raw materials and commodities. There are continuing Covid-19 outbreaks and subsequent lockdowns in China delaying production. We also have suppliers based in Sri Lanka, who are currently undergoing a financial crisis – all factors to consider as they could impact supply chain operations.

The challenge of meeting the net zero objective has been embedded into our principal risks; however, at the moment the focus is around reducing carbon emissions towards the long-term targets of completely eradicating carbon emissions by 2050. The Task Force on Climate-related Disclosures statement on page 55 provides more detail on our risk management process specific to climate change.



# Our Governance

## Chair's Introduction to Governance



**As Chair of the board of directors of Seraphine Group plc (the 'Board'), I am pleased to introduce, on behalf of all of the directors, the Seraphine Corporate Governance Report (the 'Report') for our first year as a publicly listed company.**

In this report, we set out the corporate governance arrangements that we put in place both prior to, and following, our IPO and admission to trading on the main market of the London Stock Exchange in July 2021; summarise how the board has discharged its responsibilities in FY22; and illustrate the board's commitment to embedding high standards of governance across the group. In particular, this Report sets out:

- How we enhanced our board composition, skills and experience in preparation for our IPO
- How we have engaged with our key stakeholders
- Biographical information on our board
- Details of the role of the board, its committees and the division of responsibilities
- Audit and Risk Committee Report
- The Nomination Committee Report
- The Directors' Remuneration Report
- The Directors' Report
- Our commitment to maintaining Seraphine's culture and values.

As Chair, it is my principal role to lead the board and ensure that we operate effectively, efficiently and with the strategic aims of the group in mind, to deliver stakeholder value and promote the success of the group.

As a board, we are responsible for setting the tone and culture of the group. We recognise the weight of this responsibility and are firmly committed to doing business the right way by operating with the highest standards of professional and personal integrity.

In preparation for our IPO, we undertook a thorough review of the skills and experience of the existing directors of Seraphine, to ensure that when we became a public company, the board would have the appropriate structure, composition and skill base to not only meet the requirements of the UK Corporate Governance Code 2018 (the "Code") but also succeed in delivering Seraphine's purpose and strategic objectives. Following this review we were very pleased to welcome three new independent non-executive directors to the board in June 2021, prior to the IPO. This included myself, Sharon Flood as Non-Executive Chair, William (Bill) Ronald and Sarah Highfield who have brought with them a wealth of skills, experience and knowledge of publicly listed companies across a variety of sectors. We have also welcomed Bertie Ackroyd as a Non-Executive chair and representative of Mayfair. Full details of their skills and experience, along with those of the other members of the board can be found in the board of directors section on pages 84-87.

### **Chief Financial Officer**

In December 2021, we announced that John Bailey was to step down as finance director of the group to pursue other opportunities. As a result, we welcomed Lee Williams to the board and he assumed the position of Chief Financial Officer with effect from 28 February 2022. Lee is a strong commercial and strategic CFO with experience in both growth and established businesses with recent listed experience.

### **Corporate governance arrangements**

As a privately owned company, high standards of corporate governance were always key to how the legacy Seraphine board operated and how we conducted ourselves as a business. Therefore, when it came to preparing for Seraphine's IPO, we were able to build upon the strength of our existing governance arrangements to establish a corporate governance framework appropriate for a publicly listed company. More detail about these arrangements and our compliance with the Code can be found on pages 82-83 and 88-90.

## Chair's Introduction to Governance

### Board focus

The board and its committees have covered an important and wide-ranging agenda during the year. During the first half of the year the board were particularly focused on preparing for and completing the IPO, whilst simultaneously ensuring that the business had appropriate arrangements in place to navigate the ongoing challenges related to the Covid-19 pandemic. The challenges we faced throughout FY22 do not need restating, but I am incredibly proud and grateful for the commitment, determination and the exceptional work carried out by our teams during these challenging conditions.

Throughout the second half of the year, as well as ensuring Seraphine's transition to life as a publicly listed company, the board's focus has been on monitoring the delivery of the strategy outlined at the time of the IPO, with regular updates on progress against our key performance measures being provided at board meetings.

Details of the key topics discussed by the board during the year and up to the date of this report can be found on pages 91-93.

### Stakeholder engagement

A key focus for the board in FY22 has been maintaining and enhancing the engagement strategies that Seraphine utilises with each of our key stakeholder groups: our people, our customers, our designers and suppliers and the communities and environments in which we operate. These strategies are detailed on pages 70-73 within the Strategic Report.

The board is confident that the current strategies in place are effective in facilitating an open dialogue with our key stakeholder groups, we remain open to new ways of improving these methods. By way of example, we have appointed Bill Ronald as the Employee Director to enable the board to understand the views and experiences of our employees to help inform our decision making. It was agreed that Bill, as chair of the remuneration committee, would be well positioned to close the gap between the boardroom and our employees and to facilitate communication between them. Bill intends to meet with employees on an informal basis periodically to establish regular, direct two way communication between the board and the workforce on a range of people topics such as reward, culture, wellbeing, diversity and sustainability.

The insights from these meetings will be fed back to the full board to:

- Assist them in ensuring our culture continues to align with our strategy
- Further strengthen our engagement with employees across the business
- Ensure employee feedback is taken into consideration when making board decisions related to matters that impact our teams, such as reward, wellbeing and new ways of working.

I, along with the executive directors, continue to set aside regular time to meet with shareholders on areas of importance. We look forward to the upcoming AGM which will provide an opportunity for me to explain the company's progress and, along with the other members of the board, to answer any questions raised by our shareholders.



Sharon Flood  
Chair of the board  
31 July 2022



# Corporate Governance Statement

As a listed company, Seraphine is committed to applying the principles and complying with the provisions set out in the Code. The Code, issued by the Financial Reporting Council (FRC), provides a framework for best practice in corporate governance and covers five broad key areas:

- Board leadership and company purpose
- Division of responsibilities
- Composition, succession planning and board evaluations
- Audit, risk and control
- Remuneration

The Code is available on the FRC website at [www.frc.org.uk](http://www.frc.org.uk).

Since our IPO in July 2021 and to the date of this Report, the board has worked to ensure compliance with the principles of the Code and with all applicable provisions of the Code with the overall aim of promoting long-term sustainable success for Seraphine.

Disclosures required by the Disclosure Guidance and Transparency Rules DTR 7.2.6, with regard to share capital are presented in the Directors' Report on page 119. Disclosures required by DTR 7.2.8 relating to diversity policy are presented on page 63 and in the Nomination Committee Report on page 94.

Directors' biographies and membership of board committees are set out on pages 84-87.

In its inaugural Annual Report Seraphine has endeavoured to be compliant with the Code, with the exception of the following matters:

Code Reference	Explanation	Rationale and Action to Comply
<b>Provision 11</b>	The board considers there to be an appropriate combination of executive and non-executive directors to enable constructive challenge and stewardship of Seraphine's management teams.	The board is fully committed to ensuring compliance with Provision 11 of the Code and is actively working towards achieving at least half of the board being considered independent within the next two financial years. At IPO the board was appointed from the best candidates to see the company through its first 3 years as a plc.
<b>Provision 21</b>	There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the Chair and individual directors.	The board carried out an informal evaluation process this financial year. The Chair held meetings with the non-executive directors, the executive directors and the General Counsel during which the Chair spoke about the board and its effectiveness and opportunities for growth.
		As the board was only established in April 2021 and in light of the review work that was undertaken at the time of the IPO into the composition and effectiveness of the board, it was decided not to undertake a further, formal evaluation of the board, its committees or individual directors during the 2022 financial year. The board, supported by the nomination committee, concluded that it would be more valuable to undertake an extensive evaluation process after the existing directors had worked together as a unit for a longer period.
		Formal evaluations will take place in autumn 2022 and will be reported on in the next Annual Report. In accordance with Provision 21 of the Code, it is expected that an external evaluation will take place at least every three years.
<b>Provision 24</b>	The board should establish an audit committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two. The chair of the board should not be a member.	Upon IPO the committee was constituted of the three independent non-executive directors.
		Due to the size of the board it was agreed that all of the independent non-executive directors should form the membership of the audit committee as all three had recent and relevant financial experience and as a whole have competence relevant to the sector in which the company operates. Each individual's relevant financial experience is beneficial to the company particularly during the first three years after IPO. Should an additional independent non-executive director be appointed in the future, then consideration will be given to the Chair of the board ceasing to be a member of the Audit committee.

# Corporate Governance Statement

Code Reference	Explanation	Rationale and Action to Comply
<b>Provision 41</b>		
What engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy.	No direct employee engagement took place during FY22 regarding the executive remuneration package and its alignment with the wider company pay policies.	<p>As the remuneration committee was only established in July 2021 in connection with the IPO there was limited time before the end of FY22 in which to design and implement the executive remuneration policy to align with public company market standards. In this first year as a public company, the board and the remuneration committee considered that there was no appropriate forum in existence at Seraphine at that time to effectively engage with a cross-section of Seraphine's people to facilitate productive and constructive engagement on the remuneration policy. As such, the board and the remuneration committee concluded that it was not practical in FY22 for any direct engagement to take place. However, in designing the new remuneration policy, the remuneration committee has remained mindful of wider pay policies across Seraphine with the aim of ensuring equitability.</p> <p>An employee forum is to be established with representatives from diverse roles and regions during FY23, which will provide an appropriate channel to discuss matters, including remuneration, directly with a non-executive director going forward. As such, the company aims to be compliant with Provision 41 in FY23.</p>

For more details on how Seraphine has applied the principles and complied with the provisions of the Code please refer to the following sections of this Annual Report:

Board Leadership and Company Purpose	A Promote Long-Term Sustainable Success	pages 70-73
	B Purpose, Values, Strategy and Culture	pages 20-23
	C Resources and Control	pages 98-99
	D Stakeholder Engagement	pages 70-73
	E Policies and Practices	pages 62-63
Division of Responsibilities	F Objective Judgment, Openness and Debate	pages 80-81
	G Board Composition and Division of Responsibilities	pages 84-88
	H Non-Executive Directors	pages 84-87
	I Board Support and Functionality	page 88-89
Composition, Succession Planning and Board Evaluations	J Board Appointments, Succession and Diversity	page 94
	K Skills, Experience and Knowledge	pages 84-87
	L Board Evaluations	page 82
Audit, Risk and Control	M Auditor Independence	page 98
	N Fair, Balanced & Understandable Assessment	page 97
	O Risk Management & Internal Control	page 98-99
Remuneration	P Remuneration and Strategy	pages 100-118
	Q Developing Remuneration Policy	pages 103-112
	R Judgment and Discretion	page 113

Board of Directors



**Sharon Flood**  
Non-Executive Chair  
Appointed 30 June 2021

## Board & Committees



**Sharon Flood**  
Non-Executive Chair  
Appointed 16 July 2021

### Committees

#### Chair of Nomination Committee

Member of Audit & Risk, Remuneration and Disclosure Committees

### Experience

Sharon has extensive experience in the retail and commercial sectors having held previous roles as non-executive director of Network Rail, Chair of ST Dupont SA, Group Chief Financial Officer at Sun European Partners, Trustee of Shelter and Finance Director at John Lewis Partners.

Sharon holds a BSc in Mathematics from the University of Bath, an MBA from Huddersfield and is a Fellow of the Chartered Institute of Management Accountants.

### Contribution

During her tenure as Chair, Sharon has established an in-depth knowledge of Seraphine's business, enabling her to provide an invaluable contribution to the board, ensuring that the culture and values of Seraphine remain at the core of our strategy as we begin the next stage of growth as a publicly listed company. The strength of her experience in the consumer-facing sector provides crucial insight and value as Seraphine continues to enhance its service proposition. Sharon has shown exemplary leadership since the IPO and is affixing her skills gained through other listed appointments to effectively run the board.

### Other key appointments

Non-executive director and chair of remuneration at Pets at Home plc

Non-executive director and chair of audit at Connors & Co Ltd  
Director of B&M SA

Trustee of the University of Cambridge

Trustee and chair of Finance at the Science Museum Group



**David Williams**  
Chief Executive Officer  
Appointed 16 July 2021

### Committees

#### Chair of Disclosure Committee

### Experience

David is the Chief Executive Officer of the company. He has been instrumental in the recent growth of Seraphine, having first joined the company as Chief Operating Officer in 2017 and then succeeding as Chief Executive Officer in 2019. Prior to joining Seraphine, he was at ASDA.com, where he served for nearly seven years in various senior roles, including Digital Experience Director and Director of Customer Intelligence.

David holds a BA in Mathematics from the University of Oxford.

### Contribution

As CEO of the group, David has been integral to the design and implementation of Seraphine's strategy over the past 5 years. With his extensive retail experience of high growth e-commerce businesses, the board believes he is well placed to guide the company in its future growth.

## Board & Committees



**Lee Williams** ACMA, CGMA

Chairman of the Board

Appointed 28 February 2022

### Committees

Director

### Experience

Lee is the Chief Financial Officer of the company having joined Seraphine in early 2022. Lee brings first hand public markets experience from his tenure at Farnes Corporation, where he was instrumental in the re-structure of the business for profitability and its eventual sale to private equity, and growth experience across a number of retail brands including a year as an AGO.

### Contribution

Lee's extensive background in both strategy and finance will enable him to provide integral oversight in strategising and executing the Farnes transition, ensuring that it continues to remain fit for purpose as we grow and operate as a public business.



**Chelsey Oliver**

Director

Appointed 16 July 2021

### Committees

Chair

### Experience

Chelsey is the Creative and Brand Director of Seraphine, having served in that role since 2017. She has spent with Seraphine for almost ten years, firstly as Senior Designer and then as Creative Director before taking on her current role. Prior to joining Seraphine, Chelsey spent five years at Tiffany Rose where she was a Designer.

Chelsey studied at the London College of Fashion, where she specialises in commercial.

### Contribution

Chelsey's background has enabled her to provide integral oversight for the brand in creating and executing Seraphine's vision and plans for future growth.

## Board & Committees



**William (Bill) Ronald**

Senior Independent Non-Executive Director  
Appointed 16 July 2021

### Committees

Chair of Remuneration

Member of Audit & Risk, Nomination and Disclosure Committees

### Experience

Bill has a sales and marketing background, having spent 23 years in a variety of roles at Mars, including Managing Director of the UK confectionery operation. Since leaving Mars, he has been Chief Executive Officer of Unile and has held non-executive roles in Baxter, Hektoen, Allseas, Boleyn, Pan International, Grove and the Cornish Food Group. Bill was also Chair of Trustees for the charity Muscular Dystrophy UK and Chair of Trustees for The Challenge Network.

Bill holds a BSc Hons in Statistics from Glasgow University.

### Contribution

Bill's extensive experience as a non-executive director on boards of other listed companies has supported the board's transition from a private to a public company. He brings experience of consumer marketing and business strategy and his cross-industry insight into remuneration best practice adds value as we develop and enhance Seraphine's remuneration strategy. Bill Ronald has previously been a Chair and member of various remuneration committees during his career and as Chairman of Fevertree he currently attends as guest at every remuneration committee meeting, and as such brings relevant and wide-ranging remuneration experience to the committee.

### Other key appointments

Non-Executive Chair of Fevertree Drinks plc

Member for PHSI Mentoring Foundation



**Sarah Highfield**

Lead Independent Non-Executive Director  
Appointed 16 July 2021

### Committees

Chair of Audit & Risk

Member of Remuneration, Nomination and Disclosure Committees

### Experience

Sarah is also Deputy Chief Executive Officer of Brio. Prior to joining Brio, Sarah was the Chief Financial Officer of Castle Cefuze for over five years. Sarah has a strong financial background, having been Chief Financial Officer of Insecta Hungary and several businesses after starting her career at Mars.

Sarah holds a BSc in Mathematics from the University of Birmingham and is CIMA qualified.


### Contribution

Sarah's experience as a director of both Castle Cefuze and Brio provides a well strategic value to Seraphine's ongoing success. Her financial and accounting experience is of key importance to the development and maintenance of Seraphine's cash, debt and capital framework and her guidance and leadership in these areas makes her an invaluable Chair of Seraphine's Audit and Risk Committee.

### Other key appointments

Deputy Chief Executive Officer of Brio

## Board & Committees



**Bertie Aylroyd**  
 Non-Executive Director  
 Appointed 16 July 2021

**Committees**  
 None

**Experience**  
 Bertie is a non-executive director of the company and a representative of Mayday Equity Partners. Bertie joined the board following the company's acquisition of the Seraphine business from Start Finance in December 2020. Bertie co-founded Mayday in 2014. Bertie built its private equity career at LDC, where he completed several high profile transactions including Fourtree Drinks, S&B London and Ocean Outdoor. He started his career at Barclays Bank in Leveraged Finance.

Bertie has an Honours degree from the University of Durham and is a AMCT qualified corporate treasurer.

**Contribution**  
 Bertie's background as both a director and investor in numerous companies has contributed great value to Seraphine's ongoing commitment to maintaining quality stakeholder engagement.

**Other key appointments**  
 Partner in Mayday Equity Partners LLP

### Board gender split

Male  
 Female

4  
 3

### Board tenure split

0-3 years  
 3-6 years  
 6-9 years

7  
 0  
 0

# Corporate Governance Framework

## The Board of Directors

**Chair: Sharon Flood**

The board is ultimately responsible for the strategic leadership of the Seraphine Group plc. The board determines Seraphine's fundamental management policies and oversees the performance of the business as a whole to meet its strategic objectives. It is the principal decision-making body for all matters that are significant to the group, whether in terms of their strategic, financial or reputational implications, and has adopted a schedule of matters reserved for its approval. The board has delegated some of its responsibilities to formal committees of the board (as detailed in this diagram). In addition, the group has established an Executive Leadership Team, who are responsible for the long-term growth plans of the Seraphine business and the group's day-to-day strategic and financial planning.

### Remuneration Committee

**Chair: Bill Ronald**

Responsible for designing and implementing the remuneration policy for Seraphine's executive directors, along with Seraphine's wider senior management. The committee also makes recommendations for the grants of awards under Seraphine's share incentive plans.

See pages 100-118 for the Remuneration Committee Report.

### Nomination Committee

**Chair: Sharon Flood**

Assists the board in reviewing the structure, size and composition of the board and its committees and evaluating the balance of skills, knowledge, experience and diversity.

The committee is also responsible for succession planning and advises the board on the retirements and appointments of additional and replacement directors and Seraphine's Executive Leadership Team.

See page 94 for the Nomination Committee Report.

### Audit and Risk Committee

**Chair: Sarah Highfield**

Responsible for reviewing and maintaining the group's financial control and other internal risk management systems and advises the board on Seraphine's risk strategy, policies and potential exposures. The committee also assists the board in monitoring the integrity of the group's Financial Statements and the effectiveness of the external auditors.

See pages 95-99 for the Audit and Risk Committee Report.

### Disclosure Committee

**Chair: David Williams**

A standing committee of the board, which meets on an ad hoc basis as and when required. Responsible for timely and accurate disclosure of information as required to meet the group's legal and regulatory obligations.

## Executive Leadership Team

The Executive Leadership Team supports the CEO in the execution of the group's strategy and in the management of the day-to-day activities of the group and consists of David Williams, Lee Williams and Chelsey Oliver.

# Corporate Governance Framework

## The board's role and reserved matters

The board is ultimately responsible for the overall leadership of the group, for developing and determining Seraphine's strategy and overall commercial objectives. The board is the principal decision-making body for all matters that are significant to Seraphine, whether in terms of their strategic, financial or reputational implications. The board has adopted a schedule of matters specifically reserved for its approval, which is updated and approved annually and includes:

- Overall leadership of the group, including setting Seraphine's values and standards and promoting alignment of culture
- Approval of the group's strategy, business plan and budget
- Any decision to materially change the group's business, including the nature or geographical scope.
- Approval of any changes to the group's capital and/or corporate structure
- Approving the fundamental policies of the group.
- Implementing and overseeing the group's operations, including financial reporting procedures, risk management policies and other internal and financial controls
- Approval of material contracts and/or commitments in excess of certain defined value thresholds
- Approving changes to the structure, size or composition of the board, including the appointment or removal of directors and executive management
- Determining the remuneration policy for the directors and senior management and ensuring the independence of directors and that potential conflicts of interest are managed
- Calling shareholder meetings and ensuring appropriate communication with shareholders.

## Retirement and election of directors

In accordance with Provision 18 of the Code, at the AGM each year each director shall retire from office and seek re-election by shareholders. The nomination committee considered the matter of the annual re-election of directors at the AGM based on key criteria including performance, contribution, independence and respective time commitments. On recommendation from the nomination committee and in accordance with the Articles and the Code, the board has recommended that all directors stand for re-election at the 2022 AGM.

For further details on the appointment of directors, including board inductions and succession planning, along with Seraphine's Board Diversity Policy, please see page 94 of the Nomination Committee Report.

## Board and committee meetings, attendance and independence

The board held nine monthly scheduled meetings during the period under review, which took place between the IPO in July 2021 and the end of the financial year on 3 April 2022. In addition, there were numerous ad hoc board meetings and committee meetings during the period. The board is satisfied by the commitment of the directors to discharge their duties during this time. The directors' attendance at the board and committee meetings are shown in the table below:

	Independent	Monthly Board*	Audit	Remuneration	Nomination	Disclosure
Sharon Flood	✓	9/9	6/6	6/6	2/2	2/2
David Williams		9/9	-	-	-	2/2
John Bailey <sup>1</sup>		8/9	-	-	-	-
Lee Williams <sup>2</sup>		2/9	-	-	-	-
Chelsey Oliver		9/9	-	-	-	-
Bill Ronald	✓	9/9	6/6	6/6	2/2	1/2
Sarah Highfield	✓	9/9	6/6	6/6	2/2	2/2
Bertie Aykroyd		8/9	-	-	-	-

\*Monthly meetings since IPO.

The executive directors are not members of the committees with the exception of David Williams who is Chair of Disclosure Committee

1. John Bailey resigned from the board with effect from 28 February 2022

2. Lee Williams was appointed to the board with effect from 28 February 2022



# Corporate Governance Framework

## **Independence and conflicts of interest**

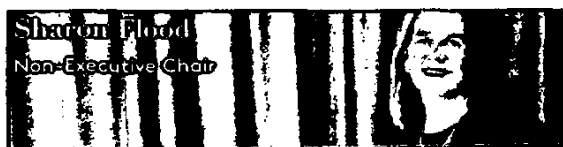
The board considers there to be an appropriate combination of executive and non-executive directors to enable constructive challenge and stewardship of Seraphine's management teams. Nonetheless, the board is fully committed to ensuring compliance with Provision 11 of the Code and is actively working towards achieving at least half of the board being considered independent within the next two financial years. Further details can be found in the Nomination Committee Report on page 94.

The directors are cognisant of their duty under the Act to avoid potential conflicts of interest with the company. Accordingly, the board has put in place processes to identify, review and, if appropriate, authorise any such conflicts in accordance with the company's articles of association (the 'Articles'), should they arise. All directors are required to inform the Company Secretary on an ongoing basis of their relationships with external companies, including directorships or other appointments. A standing item is included on the agenda of each board meeting to allow for the declaration of any conflict of interest or potential conflict of interest by the directors. If a conflict is deemed to arise then the relevant director is excluded from voting on, or being counted in quorum, for any resolution that relates to matters in which they have a conflict of interest, or potential conflict of interest. Since the IPO, no director has taken on any additional external appointments that are considered significant for the purposes of Provision 15 of the Code.

In addition, in accordance with Provision 15 of the Code, before making any new appointment to the board, potential appointees are required to disclose any significant external appointments to Seraphine, to ensure that they can dedicate sufficient time to the commitment of being a Seraphine board member and to ensure that there are no existing conflicts of interest.

All conflicts arising in respect of transactional matters are reviewed as they arise. The directors have authority to authorise conflicts of interest in accordance with the Articles.

# Summary of Key Board Activities and Work Undertaken During the Year



## Overview

Although this has been an unprecedented year for Seraphine and one of significant change, the principal role of the board remains the same: to provide clear, entrepreneurial and responsible leadership to the group, whilst ensuring that the group has an appropriate risk and internal control environment, adequate resources and appropriate values and standards to deliver its strategic objectives and promote the long-term success of the group for the benefit of its shareholders and stakeholders as a whole.

The Company Secretary, in conjunction with the executive directors and the Chair, is responsible for agreeing agendas in advance of board and committee meetings. Board papers are circulated in a timely manner to enable the directors to undertake full and detailed consideration of agenda items in advance of meetings taking place. Board papers are made available on an online board reporting portal that can be accessed by each director at any convenient time.

Key agenda items at each board meeting usually include:

- Regular updates on operational activities and trading
- Reports on the progress of strategic initiatives
- New matters arising for board approval
- Updates on action points from previous board meetings.

Each board meeting will also typically contain a standing item for the Chair of each principal board committee to report to the full board on key matters that have arisen during the previous cycle and to make recommendations for formal board approval as necessary. The open dialogue between the board and each committee ensures that the board retains sufficient oversight of its delegated authority and maintains overall strategic leadership of the group. The board's agenda cycle also makes provision for updates on the key areas of the group's business model and enabling functions, including Operations, Finance, Technology, Legal and Human Resources.

## Summary

Set out below is a summary of key activities covered during the period under review and to the date of this report:

### Strategy

- Approved the group's Three Year Strategic Plan
- Monitored the implementation and execution of the group's strategy through regular updates from the executive directors
- Reviewed the group's approach to external pressures including supply chain and freight cost risks
- Reviewed progress against the group's sustainability targets
- Received updates on the strategic technology roadmap
- Reviewed progress of key technology projects linked to execution of the strategy.

### Governance and risk

- Approved new delegation of authorities and board reserved matters schedule management
- Reviewed the adequacy of group processes in relation to whistleblowing, anti-bribery and corruption, and diversity and inclusion
- Reviewed principal risks and mitigation planning
- Reviewed the risk and control environment
- Reviewed the effectiveness of the external auditor approved the interim report.

### People and culture

- Board succession planning, appointment of new Chief Finance Officer
- Reviewed and approved salary and incentives for the board and senior managers
- Received updates from the remuneration committee on group-wide remuneration arrangements
- Reviewed arrangements for workforce engagement
- Monitored company culture and received updates from HR on employee survey results, including the bespoke ways of working survey.

### Financial performance

- Reviewed and approved the half year results
- Reviewed and approved the annual budget
- Reviewed going concern and viability status
- Reviewed liquidity arrangements and the group's financing arrangements
- Approved and appointed an auditor
- Reviewed and approved restructuring of the group
- Received regular updates from the CFO on financial performance against budget.

# Summary of Key Board Activities and Work Undertaken During the Year

## Key activities in focus

### Our people

Since IPO, Seraphine has sought to strengthen its internal expertise and senior management team through a series of key hires, including:

- Chief Financial Officer
- Chief Operating Officer
- General Counsel and Company Secretary
- Trading Director
- Commercial Finance Director
- Head of Logistics
- Product Development and Sourcing Director
- Head of Creative Operations
- Head of Merchandising

Seraphine truly values its incredible people and the skills that they bring. This financial year we have taken steps to strengthen our Human Resources policies and procedures to ensure that we are attracting industry-leading talent and expertise, as well as providing the right support and development opportunities to our staff. We are pleased to have introduced new benefits and incentive schemes across the company to ensure we are a truly competitive and rewarding place to work. In particular, we are proud to have introduced a best in class parental leave policy which recognises the significant contribution our working parents make to the business.

### Culture and values

At Seraphine we are proud of our culture and we are committed to maintaining a diverse and inclusive workplace for our employees.

Our recent focus has been on defining and reinforcing our core values and ensuring that they are reflected in our behaviours and working practices, including our recruitment processes, our people and supplier management and our ESG strategy.

The board are responsible for ensuring a healthy and supportive culture within the group. We monitor this through direct employee engagement activities and discussions with the executive directors, and other members of management. We assess and monitor this in the following ways:

- Dedicating time at board meetings, to hold discussions on culture and employee/workforce matters.
- Monitoring the levels and nature of whistleblowing reports and grievance and disciplinary hearings
- Monitoring employee turnover
- Engaging with employees directly during site visits
- Reviewing the group's key policies and initiatives.

As board members we also strive, through our own behaviours, to set the tone from the top by conducting ourselves appropriately and in line with the group's values. The actions taken by the executive team in response to the pandemic demonstrated the strength of the culture and 'of doing the right thing' that permeates the group.

### Supply chain and logistics

As a board, we have focused on addressing the significant supply chain disruption throughout FY22 caused by the Covid-19 pandemic, along with additional factors such as the blockage of the Suez Canal in March 2021 and factory closures across China. This supply chain disruption resulted in longer and less predictable lead times for our customers. As a board, we were acutely aware of the potential for such disruption to have a material adverse impact on not only reputation and brand image, but our financial performance and prospects. A key focus for the second half of FY22 has been on improving our customer experience, primarily through the reduction in product lead times, supported by the expansion of our warehouse footprint. We have identified the need to strengthen our logistics capabilities and as such we supported the recruitment of a Head of Logistics role and a 3PL partner with WMS migration to improve overall operational efficiencies.

For more information on Seraphine's response to the challenges of the global pandemic and supply chain crises please refer to pages 23-23 and 62-63 of this report.

### IT and systems

In addition to reshaping the IT team to bring in specialised skills to support planned initiatives, the focus has been on the renewing the technology landscape to ensure that it supports further growth. We have also supported the introduction of marketplace technology to facilitate digital partnerships.

### Financial management

Since IPO there has been a renewed focus on our financial management processes including refreshing and prioritising weekly cash flow, as well as ensuring the alignment between production, merchandising and finance on future stock planning.


## Summary of Key Board Activities and Work Undertaken During the Year

### Disclosure Committee

A standing committee of the board, which meets on an ad hoc basis as and when required. Responsible for timely and accurate disclosure of information as required to meet the group's legal and regulatory obligations. The committee also ensures that the company maintains insider lists, being lists of those of its personnel and advisers with access to inside information concerning the company, as required under Article 19 of Regulation (EU) 596/2014 (the "Market Abuse Regulation").

The Disclosure Committee is appointed by the board and consists of at least three members. The current members of the committee are David Williams (Chair), Sharon Flood, Bill Ronald and Sarah Highfield.

The committee met three times during the period ended 3 April 2022 to discuss matters under its remit.



**Sharon Flood**  
Non-Executive Chair  
31 July 2022

# Nomination Committee Report



## Role of the committee and key responsibilities

To regularly review the structure, size and composition of the board (including the balance of skills, knowledge, experience and diversity) and proposing changes where necessary.

To review the group's approach to succession planning for directors and senior executives, including ensuring plans are in place for an orderly succession and overseeing the development of a diverse pipeline for succession.

Keeping under review the leadership needs of the business to ensure Seraphine continues to compete effectively in the market.

Making recommendations to the board for the appointment of new directors and overseeing the recruitment process (mindful of the balance of skills, knowledge, experience and diversity on the board).

Reviewing the group's arrangements and objectives regarding equality, diversity and inclusion.

Coordinating the board evaluation process, reviewing the results in conjunction with the Chair and making any necessary recommendations to the board.

Reviewing the performance of non-executive directors annually.

## Key areas of focus during the year

The recruitment and appointment of a new CFO.

We reviewed succession planning arrangements for the executive directors and senior managers including the strengthening of the Executive team with the promotion of our existing CIO to COO and the recruitment of a Trading Director who joined the business early in Q1 FY23.

We reviewed directors' time commitments and independence and made recommendations to the board regarding any new external commitments for directors.

We reviewed the group's approach to diversity at board and senior manager level which is at the heart of our business.

We coordinated an informal board evaluation review and made plans for a formal internal board evaluation on completion of the anniversary of our initial public offering.

We considered and made a recommendation to the board on the retirement and election of directors at the 2022 Annual General Meeting.

## Statement

Dear Shareholder, I am pleased to present the first report of Seraphine's Nomination Committee (the 'committee').

Here, we set out an overview of the committee's role and the activities it has undertaken during the period under review, as well as our key focus areas for 2023.

The committee has already undertaken a significant amount of work since the IPO in July 2021, key highlights include:

- Reviewing the board's composition – we are confident that the diversity of skills, experience and backgrounds of our existing board members furnishes the board with the requisite skills needed to lead the company in its next chapter of growth in line with Seraphine's strategy.
- Leading the process for the recruitment for a new CFO, Lee Williams, who joined the board in March 2022.
- Supporting the CEO in strengthening the leadership team with a number of key leadership appointments throughout the business. This included the promotion of Fran Pillar who joined as Chief Information Officer in the summer of 2021 and was promoted to Chief Operating Officer in March 2022, and the recruitment of a new Trading Director, Seb Tarleton, who joined us early in FY23. In addition, the nomination committee/board supported us in reviewing structural plans for the level below where there has been a significant strengthening through a number of key commercial, brand, finance and supply chain appointments.

The committee and the board actively encourage, embrace and seek cognitive diversity, and recognise that good decision-making is grounded in the ability for leaders to harness their individual perspectives and challenge one another when necessary. As such, the committee will continue to keep the composition of the board under review and will make further recommendations as necessary to ensure the board has the appropriate and diverse range of skills, background, experience and attributes to achieve the group's strategic objectives.

Looking ahead to FY23, committee members remain mindful of, and committed to, their responsibilities under the Code, particularly those in relation to diversity, inclusion and culture, which will form an important part of the committee's activity and focus over the next year. For further information on the board's Diversity Policy please see page 63 of this Report.

A handwritten signature in black ink that reads 'Sharon Flood'.

**Sharon Flood**  
Nomination Committee Chair  
31 July 2022

# Audit Committee Report



## Statement

Dear Shareholder, On behalf of the board, I am pleased to present the first report of Seraphine's Audit Committee, for the 52 weeks ended 3 April 2022.

This report documents the committee's roles and activities taken to date since its IPO in July 2021 and details responsibilities to ensure compliance with legislation applicable for a publicly listed company.

## Committee membership and attendance

Sharon Flood	7/7
Bill Ronald	6/7
Sarah Highfield	7/7
Bertie Aykroyd	-

Other than those who are part of the committee, the external auditor PwC as well as the CEO, CFO, company secretary and the group accountant are invited to attend individual meetings.

## Key responsibilities

The key responsibilities and roles of the committee can be found within its terms of reference, which are available at [www.seraphinegroupplc.com](http://www.seraphinegroupplc.com) and were last updated in July 2021. The committee focuses on ensuring the integrity of the financial reporting and audit processes and the maintenance of sound internal control and risk management systems in order to safeguard shareholder interests.

In particular, it focuses on monitoring and/or reviewing:

- The integrity of financial and narrative reporting, assessing reasonableness of disclosed group accounting policies
- The viability and going concern statements
- Seraphine's systems of risk management and internal control, ensuring review of the group's overall risk appetite, tolerance and strategy
- The activities and effectiveness of the internal audit function
- The effectiveness of whistleblowing arrangements
- The effectiveness of the external audit process and the appropriateness of the relationship with the external auditor.

## Key areas of focus during the year

As part of the IPO process, we reviewed our existing system of internal controls and risk management running through each department's controls and reviewing system controls. It was confirmed that the group had a robust internal control and risk management framework, but that there were some areas that could be strengthened further.

Following this, the board of directors committed to a scheduled timetable of further improvements in relation to the company's financial position and prospects procedures, referred to as 'post-IPO FPPP actions'. The committee has taken an active role in reviewing the company's progress against these action items, and I am pleased to report that we are making excellent progress, with the formalisation of a number of policy documents across key business areas and the delivery of a business risk framework. The post-IPO FPPP actions are now substantively complete, with a small number of actions still to be completed.

The recruitment of a new CFO with a listed fashion background will further support us in our journey towards having improved and stronger business controls as well as the strengthening of financial reporting reflecting the global nature of our business.

Given the size of the business, the board took the decision to recruit RSM for internal audit services. Our intention is to implement and solidify controls so that the risks of errors are eliminated as far as possible, with the intention of developing a business control framework that can be utilised as the company grows.

Whilst this audit and risk committee report includes some of the matters identified during the period, this should be read in conjunction with the financial statements, specifically the auditor's report on page 128.

The group's risk management review can be referenced in the Principle Risks and Uncertainties section.

Since the IPO in July 2021, the audit committee has met seven times within FY22 and has also met twice since the end of the financial year. For FY23, the audit committee is meeting quarterly, with specific alignment to the timings of interim and annual financial statements.

Pre year end, the committee has focused on:

- The engagement of a new auditor
- The post-IPO restructure
- The progress of the FPPP actions
- The selection of a third party to cover internal audit
- An on-going review of controls.

## Audit Committee Report

Post year end, the committee had two additional meetings, which focused on:

- The final review and approval of the annual report, to ensure the statements are fair, balanced and understandable
- A review of the approach taken to assess judgmental items such as asset impairments, returns provisions and obsolete stock provisions
- A review of all items classified as adjusting within the P&L, to ensure the accounts reflect and portray a true reflection of the company's position and performance for the year
- Significant financial reporting issues, judgments and estimation uncertainty.

To assess the integrity of Seraphine's financial reports, an exercise to understand all key significant judgment areas included were performed. Key technical areas revolved around the transition to IFRS 16 and accounting treatments linked to IPO-related matters.

Any other sections that were material in nature were also discussed and reviewed with our external auditor throughout the audit process. Key topic areas discussed are set out below:

### Revenue recognition

Revenue is recognised when the control of goods is transferred to the customer. Revenue from own stores is recognised at the point of sale when the goods have been provided, while revenue from website and wholesale activities is recognised on the date that the goods have been delivered.

An element of estimation and judgment is required for the calculation of returns provision under IFRS 15 by analysing historic trends.

Based on discussions held with management and the external auditors, the committee have reviewed the challenges and assumptions included to determine these estimates. The committee subsequently concluded that revenue has been appropriately recognised for the 12 months ended 3 April 2022.

### IPO-related accounting

A significant amount of exceptional costs were incurred during the IPO process. These costs had to be reviewed by the committee on a line-by-line basis to ensure they were one-off costs in nature, and correctly presented and accounted for. Refer to note 13 for additional information on IPO costs.

In addition to this, the company has worked with external legal and accounting advisers to provide a restructuring steps plan, post the IPO process. The committee has reviewed the minutes and steps plan report, which reflects all adjustments that were added to Seraphine's accounts. A key focus went towards the reserves balance that were to be recognised within each entity and the valuation of each investment. The committee subsequently concluded that the reorganisation has been correctly recognised and presented within the financial statements, for the year ended 3 April 2022. Refer to note 5 and 6 for additional information on the company's reorganisation.

### IFRS 16 and asset impairment

There have been renegotiations in lease contractual terms with several stores and, as a result, we have reviewed our estimation over-expected future sales to re-run our IFRS 16 models and calculate net present value of all future liabilities. These judgments were applied consistently to both the pre-IFRS 16 results and post-IFRS 16 numbers.

During the year, because of renegotiated store lease terms, the group has also recognised impairment reversals. To determine whether this is acceptable at year end, a judgment over forecasting future cash flow projections took place.

Having reviewed these management papers, the committee have challenged the forecasted sales and assumptions involved and concluded that these judgments are reasonable and appropriate at year end.

# Audit Committee Report

## Going concern and viability

The committee have performed a detailed analysis of the group's projected cash flows, which covers the period to March 2025. A review has taken place to ensure cash levels were maintained at such a level that no limits were breached, and asset and reserve levels will remain sufficient throughout the next three years, which is what we consider to be the scope of our viability statement.

This analysis took place at a board level by reviewing the group's financial position, budget data and cash projections. These have also been performed for various scenarios, dependent on the company's principal risks, to assess how much revenue or profit would need to fall to breach convenience.

The viability of the business was assessed by the committee, based on the headroom levels that remained. Subsequently, the committee reported to the board that it believed the going concern assumptions remained appropriate.

## Brand impairment

An annual review takes place on goodwill and brand valuations, to assess whether an impairment is required. An updated calculation for FY22 was performed to assess this. This includes assumptions around the company's cash flows, inclusion of current market analysis and review of any planned or announced stores closures.

The committee have reviewed and challenged the assumptions noted within the impairment model and have concluded that although there is confidence in the long-term growth opportunities, the recent margin dilution experience as well as the guidance to increase the discount rate to reflect the relative size of the business has led to an impairment of intangibles being necessary. This impairment is for £27.86m.

## Fair, balanced and understandable

From a regulations perspective it is important that the annual report and financial statements, are fair, balanced and understandable. It should have the necessary information for shareholders to assess the position, performance, business model and strategy of the group. The board has sought advice from the committee to provide assurance that the statements are, indeed, fair, balanced and understandable.

Throughout the process of preparing the annual reports, the committee had access to live versions of the document, with reviews taking place at the key stages of production.

Feedback and regular updates were provided to the auditors, to circulate and gather sufficient data/ information for the necessary updates to take place. Any queries around the annual report disclosures were discussed further with the auditors, ensuring assurance was gained over the report reflecting a balanced view.

Other responsibilities of the committee includes checking the flow of information from front half to back half, ensuring there was a link between the numbers being presented and the detailed analysis at the front end.

As a result of these review processes, the committee and the board concluded that they are satisfied that this annual report is fair, balanced and understandable.



# Audit Committee Report

## **Appointment of external auditors**

The committee are involved with maintaining the relationship with the external auditors, on behalf of the board. In December 2021, PwC were appointed as the auditor of Seraphine Group plc. The decision to resign RSM as our auditors and appoint PwC was taken as a result of the IPO process, where the company believed an auditor from the 'big four' accounting firms should be appointed, providing support and assurance over first time reporting as a listed entity.

PwC have been involved in all audit committee meetings since their appointment, so that there is a direct link between what management intend to report in terms of controls and disclosure requirement, and a link with what the external auditors deem to be findings to the company. The intention is to continue maintaining this relationship through the year, such that the relevant assurances can be provided at interim and year end.

## **Safeguarding the auditor's independence**

The committee has taken the relevant precautions to ensure the external auditors remain independent to the company and that engagement satisfies all relevant ethical standards. Written confirmation has been received from PwC to confirm their independence and any non-audit services will require board approval.

The group has a policy relating to the provision on non-audit services that is aligned with the UK version of the EU Regulation and Statutory Audit Directive; this clarifies the type of work that is allowable for the external auditors to carry out.

As Seraphine Group plc is now a public interest entity, the company must comply with FRC 'whitelist' services, meaning PwC must cap the level of non-audit fees at 70% of total audit fees.

Total fees paid to PwC include £250,000 of audit services and £203,920 of non-audit services; non-audit services represent 81.6% of the audit fee. Refer to note 14 for a detailed breakdown of audit fees. Non-audit services provided related to other accounting services – assistance with the preparation of financial statements for Kensington Topco Limited and its related entities for the period ended 31 March 2021 and other assurance services – support from PwC on a range of ESG topics in preparation for the IPO. The committee concluded that the provision of such services was appropriate, given that it had correlations that linked with the audit process and there was a reason to approach them given their expertise.

For the financial year ended March 2023, the committee has proposed to the board that PwC are reappointed as external auditors and shareholder approval is to be sought at the next AGM in September 2022.

## **Internal audit and risk management framework**

Currently the group does not have an internal audit function. This will be reviewed on a regular basis as the group evolves.

Given the size of the group at present, a tendering process has been carried out to appoint an internal audit function. This internal audit function will be utilised to perform audits on our significant risk areas and where the committee deem further controls need to be implemented.

Despite not having an internal function, the group have still worked to implement a risk management and control framework. The group maintains a corporate risk register, which is reviewed and approved by the committee on a regular basis. During the audit committee in February 2022, a detailed review of all existing controls took place and the following committee meeting consisted of an analysis of the risk register, updating to reflect principal and emerging risks for the group.

# Audit Committee Report

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A key focus will be on risks around potential data protection requirements, emerging disruptions within the supply chain and climate change risks affecting business operations.

This risk register has been designed in a way that control processes can be established for each risk and subsequently monitored. The appointment of an external internal audit function will assist with improving the robustness of our risk management framework and our controls functions.

The board have identified the need for a risk committee, which will fall within the audit committee responsibilities.

The board has delegated responsibility of the progress of identifying, evaluating and managing risks to management – further details regarding the risk management process can be read within pages 74-77. We also have a post-IPO FPPP action list, which is monitored to ensure actions are being taken when they are required.

For the year ended 3 April 2022, the board concluded that they were satisfied with the risk management process and noted the need to develop further processes to ensure we are monitoring our internal control environment. They were satisfied with the process around identifying and ranking risks, to then monitoring and reporting on the impacts of these on the business.

## Compliance with anti-corruption and whistleblowing policies

All policies around anti-corruption and whistleblowing have been updated during the year both by our HR team and by an external service provider.

The anti-bribery policy exists to set out the responsibilities of Seraphine and those who work for the company with regards to observing and upholding a zero-tolerance position on bribery and corruption. The company expects all staff to maintain high standards and to report any wrongdoing that falls short of those standards. The committee is responsible for the review of company's systems around preventing any corrupt activities and are committed to ensuring everyone acts professionally, fairly and with integrity in all business dealings.

Included within the company's employee handbook are clear guidelines around its Anti-Bribery and Corruption Policy. By having it within the handbook, every employee has access to the policy and are made aware of it during their training sessions at recruitment stage. Seraphine will constantly uphold all laws relating to anti-bribery and corruption in all the jurisdictions in which the company operates.

The company is bound by the laws of the UK, including the Bribery Act 2010 and must ensure full compliance with the regulations.

With regards to whistleblowing, Seraphine aims to conduct its business with honesty and integrity; we believe that the company has a duty to act appropriately to identify and remedy any malpractice within or affecting the organisation.

The board has delegated oversight of the group's whistleblowing policies and procedures to the committee, the board also routinely reviews the arrangements for raising concerns in confidence and reports arising from them. The whistleblowing policy allows employees, suppliers and any other third party to raise concerns about any form of improper behaviour on a confidential basis – all reports are made to their line manager and then consolidated back at the audit committee meetings. Where it is not appropriate to report to a line manager, these are raised with the General Counsel and Company Secretary.

During the year, no issues were reported.



**Sarah Highfield**  
Audit Committee Chair  
31 July 2022

# Remuneration Report

## Statement from the Chair of the Remuneration Committee



### Statement

Dear Shareholder, I am pleased to present Seraphine's first Directors' Remuneration Report since our admission to the London Stock Exchange on 16 July 2021. I was appointed to the board and as Chair of the Remuneration Committee on 30 June 2021 and this report covers the period from Incorporation to 3 April 2022.

The Directors' Remuneration Report comprises the following three sections:

- This Annual Statement where I summarise the work of the committee and our approach to executive directors' remuneration
- The Directors' Remuneration Policy which builds on the work undertaken prior to Admission and provides the framework under which directors will be paid over the next three years
- The Annual Report on Remuneration which explains in more detail how directors have been paid since Admission, and how we intend to pay directors in FY23 under the new Policy.

At the company's first AGM in September 2022, the Directors' Remuneration Policy will be submitted to a binding shareholder vote and the remainder of the remuneration report will be subject to an advisory shareholder vote.

### Remuneration committee composition

The remuneration committee was established shortly prior to Admission. I am joined on the committee by fellow independent non-executive directors, Sharon Flood and Sarah Highfield. I am pleased to confirm that the committee has been constructed to comply with the recommendations of the UK Corporate Governance Code in relation to independence, composition and experience. The committee's terms of reference can be found on the company's corporate website.

### Review of remuneration

Seraphine listed on the London Stock Exchange in July 2021 and in preparation for the IPO, the business undertook a thorough review of its pay arrangements and made certain changes to ensure that, going forward, pay is aligned with market expectations expected of a company on the Main Market, that good governance features apply and that there is an appropriate balance between fixed and variable pay.

This included the introduction of a market standard annual bonus scheme (with deferral) and awards of shares under a Long-term Incentive Plan with both schemes designed to incentivise sustainable growth over the medium- to long-term.

Historically, salaries paid by the company have been set below market levels and the remuneration committee decided to continue to retain a conservative base salary positioning (relative to companies of a broadly similar size to Seraphine's market value at IPO) with the total package weighted towards greater variable, performance-related pay.

### Directors' Remuneration Policy

As mentioned above the review of Seraphine's pay policy was undertaken based on a company of Seraphine's size at Admission. The Policy is set out on pages 103-112 and the key features of the Policy are summarised below.

### Base salaries

Base salaries are normally reviewed annually at the start of the financial year and are set taking into account the director's role, competence, performance and experience.

### Pension

Pension contribution rates for executive directors were reduced from Admission to align with the workforce contribution rate of 3% of salary.

### Annual bonus

Executive directors have the opportunity to earn 125% of their base salary if stretching targets are achieved. One-quarter of any bonus earned will be deferred in shares for a period of three years under the Deferred Share Bonus Plan.

# Remuneration Report

Statement from the Chair of the Remuneration Committee

## Long-term incentives

Executive directors and certain senior executives will participate in the Long-term Incentive Plan, under which the first award of performance shares were granted at Admission. A two-year post vesting holding period applies for executive directors. The maximum grant level under the PSP is 150% of salary although the award in FY23 will be made at a significantly reduced level – see below.

## Governance features

In addition to bonus deferral and pension alignment, robust malus and clawback provisions apply to the incentive schemes, LTIP awards granted to executive directors will have a two-year holding period and executive directors are subject to shareholding guidelines (during and post-employment).

## FY22 performance and pay outcomes

Our first year as a listed company has been challenging in many ways. Against a backdrop of Covid, the war in the Ukraine and unprecedented supply chain disruptions, Seraphine faced challenges in navigating 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, all of which impacted profitability. Seraphine was also impacted by unforeseen duty and returns costs as we entered new markets and channels.

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. There has been significant focus on strengthening our internal expertise and systems and in spite of the challenges, Seraphine delivered its highest ever gross sales numbers. There has been very encouraging international growth, with new websites launched in Canada, Switzerland, and the Netherlands, and continued high growth from our successful US business.

Reflecting the challenges of this financial year, the adjusted EBITDA performance targets were not achieved and no bonus became payable.

There was no LTIP capable of vesting based on performance in FY22. The first LTIP awards were made at Admission and are based on EPS targets. The normal vesting date for these awards is July 2024 and will be based on performance for FY24. As such, there will be no LTIP capable of vesting in FY23.

## Change of chief financial officer

John Bailey stepped off the board and Lee Williams joined the board as CFO on 28 February 2022. Lee's base salary has been set at £240,000. Lee forfeited a bonus from his previous employer which was due to be paid in March 2022 and as part of the terms of his recruitment, the board agreed to compensate Lee for the remuneration forfeited. Further details of Lee's buyout award are set out in the Annual Report on Remuneration.

John Bailey was treated as a good leaver under the company's incentive schemes although no bonus was payable in respect of FY22 and his LTIP award will be pro rated and tested for performance at the normal vesting date.

## Operation of the Policy in FY23

Subject to approval of the Directors' Remuneration Policy at the September 2022 Annual General Meeting, the committee intends to operate the Policy as follows for the current financial year.

## Fixed pay

There will be no change to fixed pay arrangements for the CEO or CFO. At the time of listing, it was recognised that Chelsey Oliver's (Creative & Brand Director) base salary at £160,000 was significantly below market and did not reflect appropriately her contribution and importance to our business and therefore should be reviewed in 2022.

In ordinary circumstances, following weak corporate performance, the committee would not propose any increases to senior executive pay packages. However, in Chelsey Oliver's case, the committee has identified an anomaly and feels strongly that her base salary should be addressed from April 2022 for the following reasons:

- Chelsey Oliver joined the group in October 2011 as Senior Designer, two years later she was promoted to Creative Director and in 2017 her remit was expanded to include ownership of marketing and brand. As her role has expanded, her pay has not kept up with her increased responsibilities.
- Upon IPO, Chelsey was promoted to the main board reflecting her importance to the business and Chelsey's salary positioning at the time did not reflect her promotion.
- Chelsey is the most senior female employee at Seraphine and as a diverse employer with 81% female employees in the group, it is important that her pay is positioned appropriately internally, reflecting her relative importance to the business against other executive directors and executive committee members.
- Chelsey is key to the business' turnaround and future success and it is important that she is retained.

# Remuneration Report

## Statement from the Chair of the Remuneration Committee

### Annual bonus

A bonus opportunity of 125% of salary will apply. The committee had considered introducing other measures including ESG but given the strong focus on profit recovery, the FY23 annual bonus will be based on a sliding scale of EBITDA targets.

### Long-term incentives

The IPO Prospectus included a maximum LTIP policy grant of 150% of salary and this reflected the committee's desire to weight the overall package towards share based incentive pay over fixed pay. Granting at this level is not feasible or appropriate given the fall in share price since listing and therefore LTIP awards will be granted to executive directors at 25% of the original policy level i.e. 37.5% of salary. Awards will vest subject to an EPS measure and the targets will be disclosed in the RNS at the time of making the award.

### Concluding remarks

Considerable work was undertaken prior to and directly after the IPO to ensure the senior executive remuneration arrangements are aligned with good practice in the UK whilst also taking into account the various jurisdictions within which we operate and our employees are based. The performance of the business since listing has resulted in no performance related pay in respect of FY22 and a significantly reduced LTIP award for FY23. The committee is aware that the policy was put together based on a different set of size assumptions at the time of Admission and will ensure that the policy is implemented in a prudent manner taking into account the views of shareholders and wider stakeholders.

We look forward to engaging with shareholders and other stakeholders on an ongoing basis. I would welcome any feedback or comments on the Directors' Remuneration Report more generally.



**Bill Ronald**  
Chair of the Remuneration Committee  
31 July 2022

# Remuneration Report

## Remuneration Policy

### Remuneration policy for directors

The Directors' Remuneration Policy is submitted for approval at the 2022 Annual General Meeting, and subject to shareholder approval will take binding effect from the close of that meeting. The remuneration committee intends that the new Policy will operate for three years.

In anticipation of Admission, the company undertook a review of the group's remuneration policy for senior employees, including the executive directors, to ensure that it is appropriate for the listed company environment. In undertaking this review, the remuneration committee sought independent, specialist advice. This Policy was reviewed and approved by the remuneration committee and is consistent with the disclosures set out in the IPO Prospectus.

### Objectives of the policy

The principal objectives of the policy, which shall apply from Admission, are to attract, retain and motivate the executive directors and senior employees, incorporating incentives that align with and support the group's business strategy as it evolves, and which align executives to the creation of long-term shareholder value. To support the company's ambitions to align pay with performance, a significant proportion of potential total remuneration will be delivered in awards over ordinary shares.

The remuneration committee will oversee the implementation of the company's remuneration policy and, in particular, will seek to ensure that the executive directors are properly rewarded for the group's performance and the delivery of the group's strategy.

The proposed Directors' Remuneration Policy, effective post-shareholder approval from the date of the 2022 AGM, has been designed to meet the following objectives:

#### Clarity

The policy is designed to be simple and support long-term, sustainable performance.

The Policy is in line with standard UK listed company practice and is well understood by participants and shareholders alike.

The Policy clearly sets out the limits in terms of quantum, the performance measures which can be used and discretions which could be applied if appropriate.

#### Simplicity

Our arrangements include a market standard annual bonus and a single long-term incentive plan.

The details of each are clearly set out in our Policy.

There are no complex or artificial structures required to deliver the Policy.

#### Risk

Appropriate limits are set out in the Policy and within the respective plan rules.

The committee retains discretion to override formulaic outturns.

When considering performance measures and target ranges, the committee will take account of the associated risks and liaise with the Audit and Risk Committees as necessary.

The long-term nature of a large proportion of pay (through annual bonus deferral, post-vesting holding periods and post-cessation shareholding requirements) encourages a long-term, sustainable mindset.

Clawback and malus provisions are in place across all incentive plans.

#### Predictability

The Policy contains appropriate caps in place for each component of pay.

The potential reward outcomes are easily quantifiable and are set out in the illustrations provided in the Policy.

Performance can be reviewed at regular intervals to ensure there are no surprises in outcomes at the end of the performance period.

#### Proportionality

Incentive outcomes are contingent on successfully meeting stretching performance targets which are aligned to the delivery of the company's strategy.

Performance will be assessed on a broad basis, including a combination of financial and operational metrics. The use of different measures ensures there is no undue focus on a single metric which could be at the detriment of other stakeholders.

The committee retains discretion to override formulaic outturns.

#### Alignment to culture

The Policy encourages high performance delivery which is aligned to the culture within the business. However, this performance focus is always considered within an acceptable risk profile.

Overall pay levels are modest with base salaries below-market reflecting the pre-profit state of the company's evolution.

The measures used in the variable incentive plans reflect the KPIs of the business.

# Remuneration Report

## Remuneration Policy

### Remuneration policy for executive directors

The following table summarises each element of the remuneration policy for the executive directors, explaining how each element operates and links to the corporate strategy.

Purpose and link to strategy	Operation	Maximum potential value	Performance targets
<b>Basic salary</b>			
To provide competitive fixed remuneration.	Normally reviewed annually at the start of the financial year with increases typically effective from April. An out of cycle review may be conducted if the committee determines it is appropriate.	There is no prescribed maximum or maximum increase.	Individual performance, as well as the performance of the group is taken into consideration as part of the annual review process
To attract and retain executive directors of superior calibre in order to deliver long-term business success.	Individual salary adjustments take into account each executive director's role, competence, performance and experience. Significant adjustments are infrequent and normally reserved for material changes in role, a significant increase in the size/complexity of the group, or where an individual has been appointed on a low salary with an intention to bring them to market levels over time and subject to performance.	The normal approach will be to limit increases to the average level across the wider workforce, though increases above this level may be awarded subject to committee discretion to take account of certain circumstances, such as those stated under 'Operation'.	
Recognise knowledge, skills and experience as well as reflect the scope and size of the role		On recruitment or promotion, the committee will consider previous remuneration and pay levels for comparable companies (for example, companies of a similar size and complexity, industry sector or location), when setting salary levels. This may lead to salary being set at a lower or higher level than for the previous incumbent.	
<b>Pension</b>			
To provide cost-effective retirement benefits	The executive directors may participate in the company's pension scheme or receive a cash allowance in lieu if HMRC caps apply.  Pension contributions and allowances are normally paid monthly and are not included in bonus calculations.	The company pension contributions to defined contribution retirement arrangements or cash allowances are capped at those of the wider workforce (currently 3% of qualifying base salary).  This applies to current and any future executive directors.	Not applicable
<b>Benefits</b>			
To provide competitive, cost-effective benefits which help to recruit and retain executive directors.	Benefits may include various insurances such as life, disability, medical, car allowance and other market standard benefits. Executives will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms.	As it is not possible to calculate in advance the cost of all benefits, a maximum is not pre-determined.	Not applicable
All employee schemes encourage wider share ownership across all employees, including the executive directors.	Other benefits, such as relocation expenses or expatriate arrangements may be provided as necessary.  Reasonable business-related expenses (including any tax thereon) will be reimbursed.  Executive directors will be eligible to participate in the company's HMRC-approved Sharesave scheme or any other all-employee share plan operated by the company, on the same terms as other eligible employees.	The maximum level of participation in all-employee share plans is subject to the limits imposed by the relevant tax authority from time to time.	

# Remuneration Report

## Remuneration Policy

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Purpose and link to strategy	Operation	Maximum potential value	Performance targets
<p><b>Annual bonus</b></p> <p>The Annual Bonus Plan rewards the achievement of annual financial and business targets aligned with the group's KPIs.</p> <p>Maximum bonus only payable for achieving demanding targets.</p> <p>Deferred element encourages long-term shareholdings and discourages excessive risk taking.</p>	<p>Bonus is based on performance in the relevant financial year. Any payment is discretionary and will be subject to the achievement of stretching performance targets.</p> <p>At the end of the performance period the committee assesses the extent to which the performance targets have been achieved and approves the final outcome.</p> <p>Bonus is normally paid in cash, except 25% of any bonus which is deferred into shares for three years under the company's Deferred Share Bonus Plan (DSBP). Dividend equivalents may apply to the extent such deferred awards vest.</p> <p>Bonuses are not contractual, they are payable at the discretion of the remuneration committee and are not eligible for inclusion in the calculation of pension arrangements.</p> <p>Malus and clawback provisions apply as set out below.</p>	<p>The annual bonus policy maximum is 125% of base salary. Typically, no more than half the bonus opportunity will be payable for on-target performance and the threshold annual bonus opportunity is up to 25% of the maximum.</p>	<p>The committee will determine the relevant measures and targets each year taking into account the key strategic objectives and financial priorities at that time.</p> <p>Performance measures may include financial, strategic, operational, ESG, and/or personal objectives and at least 50% of the bonus will be linked to financial measures.</p> <p>The committee sets targets that are challenging, yet realistic in the context of the business environment at the time and by reference to internal business plans and external consensus. Targets are set to ensure there is appropriate level of stretch associated with achieving the top end of the range but without encouraging inappropriate risk taking.</p> <p>As required by the UK Corporate Governance Code, the remuneration committee will retain a power to moderate the levels of annual bonus plan outcomes for any year if this is appropriate in all of the circumstances, including consideration of Shareholder and broader stakeholder experience.</p>



# Remuneration Report

## Remuneration Policy

Purpose and link to strategy	Operation	Maximum potential value	Performance targets
<p><b>Long-term incentives</b></p> <p>To incentivise and reward for the delivery of long-term performance and shareholder value creation.</p> <p>To align with shareholders' interests and to foster a long-term mindset.</p>	<p>Awards of conditional shares or nil or nominal cost option awards under the Long-Term Incentive Plan (LTIP) which normally vest after three years subject to the achievement of performance targets and continued service.</p> <p>An additional two-year holding period applies after the end of the three-year vesting period.</p> <p>Dividend equivalents may accrue over the period from grant until the later of vesting and the expiry of any holding period.</p> <p>Malus and clawback provisions apply as set out below.</p>	<p>Executive directors may receive an award of up to 150% of basic salary per annum.</p> <p>A 10% in 10 years' dilution limit governing the issue of new shares to satisfy all share schemes operated by the company will apply.</p> <p>Furthermore, a 5% in 10 years' dilution limit governing the issue of new shares to satisfy the LTIP and DBSP and any other executive share plan adopted by the company will apply.</p>	<p>Performance measures may include, and are not limited to, relative TSR, EPS, strategic measures and ESG-related objectives.</p> <p>The committee retains discretion to set alternative weightings or performance measures for awards over the life of the policy.</p> <p>100% of awards vest for stretch performance, up to 25% of an award vests for threshold performance and no awards vest for performance below this.</p> <p>In line with the UK Corporate Governance Code, the remuneration committee retains discretion under the LTIP to adjust the level of vesting that would otherwise result (for example, that would otherwise result by reference to formulaic outcomes alone). Such discretion would only be used in exceptional circumstances and for example may include regard to corporate and personal performance.</p>
<p><b>Shareholding guidelines</b></p> <p>To align with shareholders' interests and to foster a long-term mindset.</p>	<p>The individuals will be required to retain 50% of all vesting ordinary shares from the company's Share Plans (net of sales for tax and National Insurance) until the requirement is achieved. The equivalent net value after statutory deductions of unvested ordinary shares subject to any awards held by an executive director to which only time-based vesting or a holding period applies will count towards the shareholding requirement.</p> <p>The shareholding requirement will continue to apply for a period of two years after ceasing to be a director, with the obligation being to retain the lower of the shareholding requirement or those ordinary shares held towards the shareholding requirement at the date of termination.</p>	<p>The shareholding requirement for executive directors is 200% of base salary.</p>	<p>Not applicable.</p>

# Remuneration Report

## Remuneration Policy

Purpose and link to strategy	Operation	Maximum potential value	Performance targets
<b>Chair and non-executive directors' fees</b>			
To provide a competitive fee to attract non-executives who have the requisite skills and experience to oversee the implementation of the company's strategy	<p>Fees are normally reviewed annually taking into account factors such as the time commitment and contribution of the role and market levels in companies of comparable size and complexity.</p> <p>The Chair is paid an all-inclusive fee for all board responsibilities.</p> <p>Fees for the other non-executive directors may include a base fee and additional fees for further responsibilities (for example, chairship of board committees or holding the office of Senior Independent Director).</p> <p>The company repays any reasonable expenses that a non-executive director incurs in carrying out their duties as a director, including travel, hospitality-related and other modest benefits and any tax liabilities thereon, if appropriate.</p> <p>If there is a temporary yet material increase in the time commitments for non-executive directors, the board may pay extra fees on a pro rata basis to recognise the additional workload.</p>	<p>No prescribed maximum fee or maximum fee increase.</p> <p>Increases will be informed by taking into account internal benchmarks such as the salary increase for the general workforce and will have due regard to the factors set out in the 'Operation' column of this table.</p>	Not applicable.

### Selection of performance measures and targets

The remuneration committee selects the performance measure applying to the Annual Bonus Plan (ABP) and LTIP based on the strategic priorities of the group at the time. The measures and their weightings may change from year to year to reflect the needs of the business.

Measures used may include financial metrics such as profit and operational, strategic, ESG, personal or shareholder value creation. The use of such measures is intended to ensure performance is assessed on a rounded basis and is appropriately aligned to the group's KPIs.

The targets for the ABP and LTIP are set after considering the annual business plan, external analyst consensus, relevant economic indicators and any regulatory changes. The target range is set so that it is appropriately challenging, yet realistic and does not incentivise undue risk-taking (see pages 109-114).

Details of the measures used for the annual bonus and long-term incentive schemes are given in the Annual Report on Remuneration.

### Flexibility, discretion and judgment retained by the committee in operating the incentive plans

The committee administers the ABP and LTIP in line with its rules and in accordance with HMRC and Listing rules where relevant. To ensure the efficient operation of these plans, the committee may apply certain discretions which include (but are not limited to) the following:

- The participants in the plan
- The timing of grants and/or payments under the plan
- The size of grants and/or payments (albeit within the limits set out in the policy table for executive directors)
- Any performance measures and targets for the incentive plans for each year
- Any use of discretion to amend the outcome, as appropriate and in line with the policy
- Determining leaver status and the appropriate treatment under the incentive plan
- Determining the treatment of awards in the event of a change of control
- Determining any necessary technical adjustments in certain circumstances (e.g. corporate restructuring events, variation of capital and special dividends).

# Remuneration Report

## Remuneration Policy

The committee has the discretion to vary the performance conditions applying to outstanding awards in exceptional circumstances if an event occurs (e.g. a material acquisition or divestment) which causes the committee to believe that the original condition is no longer appropriate. Any change in performance conditions will not be materially less challenging than the original condition would have been but for the event in question.

### **Legacy arrangements**

The committee will honour any commitments entered into with current executive and non-executive directors prior to Admission or to internally promoted future executive directors prior to their appointment to the board. This includes any outstanding awards under historic share option plans.

### **Recoupment (malus and clawback)**

Malus and clawback provisions apply to the company's incentive schemes. Malus permits the company to reduce the amount of any unvested award, including awards in holding periods. Clawback permits the company to reduce the amount of any vested award or any future salary or bonus and/or require the employee to pay back amounts.

Such provisions may be applied at any time before an LTIP award vests and for three years after vesting, or at any point within three years of the grant of an DBSP award or the payment of a cash bonus in the following circumstances: a material misstatement of the company's or group member's financial results, an error of calculation or assessment (including on account of inaccurate or misleading information), serious misconduct, material reputational damage or corporate failure.

### **Statement of consideration of shareholder views**

Prior to Admission the views of the major shareholder were considered when determining the Policy. The committee will consider shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally.

If the committee considered it appropriate to make material changes to the Policy, it would be subject to prior consultation with major shareholders as necessary.

### **Differences in remuneration policy for executive directors and employees in general**

As for the executive directors, general practice across the group is to recruit employees at competitive market levels of remuneration, incentives and benefits to attract and retain employees. When considering salary increases for directors, the committee will take into account salary increases and pay and employment conditions across the wider workforce. The pension contribution rate (in percentage of salary terms) for executive director appointments was reduced upon listing to be equal to that for the general workforce. Many employees are able to earn annual bonuses for delivering exceptional performance, with corporate performance measures aligned to those set for the executive directors. If and when operated, all employees, including the executive directors, have the opportunity to participate in the tax-approved share incentive plans.

There are some differences in the structure of the Remuneration Policy for the executive directors compared to that for other employees within the organisation, which the committee believes are necessary to reflect the differing levels of seniority and responsibility. At senior levels, remuneration is increasingly long-term, and 'at risk' with an increased emphasis on performance-related pay and share-based remuneration. This ensures the remuneration of the Executives is aligned with both the long-term performance of the company and the interests of shareholders.

# Remuneration Report

## Remuneration Policy

### Statement of consideration of employment conditions elsewhere in the group

The committee is kept informed of pay and employment conditions throughout the company. This will include information on base salary banding and increases, annual bonus outcomes and share usage across the workforce. We regularly conduct benchmarking exercises that inform the overall remuneration package at each level of employee seniority, paying due regard to job roles and seniority.

The input from the director responsible for employee engagement will also be considered as part of the committee's deliberations. Findings from regular employee engagement surveys will also be provided to the committee.

The committee has not, to date, formally consulted with employees on matters of the company's Remuneration Policy. However, the board is looking into ways it can understand employees' attitudes to pay benefits and provide the opportunity to discuss remuneration matters as appropriate over the coming year.

### Executive directors' external appointments

Executive directors may accept an external appointment as a non-executive director with the prior approval of the board. Any fees payable for such an appointment can be retained by the executive director.

### Recruitment of directors – approach to remuneration

The ongoing remuneration package for any new executive director will be set in accordance with the terms of the Policy in place at the time of appointment. The principles which will be applied are set out below:

Element of pay	Recruitment policy
Base salary	Set on appointment at a level which takes into account the skills and experience of the individual and the nature of the role.  The initial base salary may be set at a level below the desired market position to reflect experience. Thereafter, increases may be above those of the wider workforce to align the salary with the market level in accordance with the individual's development in the role.
Benefits	Will be in line with those offered to current executive directors. The committee will have the discretion to pay certain relocation expenses as deemed necessary.
Pension	Will be in line with the pension provision offered to the wider workforce.
Annual bonus	Will be operated in line with the terms of the Policy table. Any bonus for the year of appointment will be pro rated based on service rendered. It may be necessary to use alternative performance measures for the remainder of the initial performance period, depending on the timing and circumstances of the appointment.
Long-term incentives	An award may be made shortly after appointment, in line with the Policy table.
Buy-out awards	Additional awards may be offered in the form of cash and/or share-based elements to compensate an individual for remuneration forfeit on leaving their previous employment. To be clear, the value of any buy-out arrangements will be limited to an assessment of the value forfeit. The structure of awards will normally be delivered on a like-for-like basis where possible, replicating the form, time horizons and any performance requirements attached to the awards forfeited.
Legacy arrangements	For an internal appointment, any existing pay or contractual arrangements agreed prior to them being appointed to the board may be allowed to continue on its original terms, adjusted as relevant to take into account the new appointment.

On appointment of a new Chair of the board or non-executive director, the fees will be set taking into account the experience and calibre of the individual and the prevailing rates of other non-executive directors at the time.

# Remuneration Report

## Remuneration Policy

### Service contracts and letters of appointment

Each executive director's service agreement will be terminable by either the company or the executive director on not less than 12 months' written notice. Each executive director will continue to be eligible to participate in the company's discretionary year-end bonus plan and will be eligible to participate in such long-term incentive plans as the company may establish in the future. Any incentives or remuneration payable to the executive directors will be subject to limitation or modification to the extent reasonably deemed necessary by the remuneration committee, including to remain consistent with the company's shareholder-approved remuneration policy from time to time. Each executive director is entitled to 25 days' paid holiday per annum (excluding public holidays). The contracts are available for inspection (alongside NED letters of appointment) at the company's registered office. The date of each service contract is noted in the table below:

	Date of service contract
David Williams	13/07/2021
Lee Williams	21/11/2021
Chelsey Oliver	13/07/2021

The service contract of any new appointment is expected to be consistent with that of current executive directors.

The non-executive directors do not have service contracts with the company but instead have letters of appointment, which came into effect on Admission, for an initial period of three years and are subject to annual re-election. The date of appointment and the most recent reappointment and the length of service for each non-executive director are shown in the table below:

	Date of appointment	Length of service	Notice period
Sharon Flood	30/06/2021	1 year	3 months
William (Bill) Ronald	30/06/2021	1 year	3 months
Sarah Highfield	30/06/2021	1 year	3 months
Bertie Aykroyd	30/06/2021	1 year	3 months

### Policy on payment for departure from office

The company will be entitled to terminate an executive director's service agreement with immediate effect by payment in lieu of notice equal to the basic annual salary, excluding any bonus or benefits in kind, the executive director would have been entitled to receive during the notice period, payable in equal monthly instalments which are reduced if the executive director secures alternative employment/engagement within that period (the Executive is contractually obliged to use his/her reasonable endeavours to secure alternative employment/engagement).

The committee will take into account the contractual entitlements, rules of the incentive plans, the specific circumstances for the departure and the interests of shareholders when determining the termination treatment.

# Remuneration Report

## Remuneration Policy

### Annual bonus

As a general rule, leaving employment part way through the bonus year will normally result in no bonus being paid. However, if a participant ceases to be an employee of the group during the bonus year or after the year end but prior to the bonus payment date because of death, injury, ill health, disability, redundancy, retirement with the agreement of the remuneration committee, their employing company or the business for which they work being sold out of the group or in other circumstances at the discretion of the remuneration committee (collectively, good leaver reasons), then a bonus may be payable on a time pro rated basis for the portion of the year worked. Bonus outcomes will continue to be based on the performance achieved and such bonus can be paid in cash only or a mix of cash and deferred shares.

### DBSP

As a general rule, an award will lapse upon a participant's termination of employment within the group. However, if a participant is deemed to be a 'good leaver' (in circumstances specified above) by the remuneration committee, then their DBSP award will normally vest on the normal timetable.

Alternatively, in such 'good leaver' circumstances, the remuneration committee can decide that the participant's award will vest when they leave. In each case the remuneration committee may apply pro rating of the award to reflect the period spent in service relative to the award's normal vesting period.

### LTIP

As a general rule, an award will lapse upon a participant's termination of employment within the group. However, if a participant ceases to be an employee of the group because of death, injury, ill health, disability, redundancy, retirement with the agreement of the remuneration committee, their employing company or the business for which they work being sold out of the group or in other circumstances at the discretion of the remuneration committee, then their award will normally vest on the normal timetable. The extent to which an award will vest in these situations will depend upon two factors: (i) the extent to which the performance conditions/additional conditions (in each case, if any) have, in the opinion of the remuneration committee, been satisfied over the original performance measurement period, and (ii) ordinarily pro rating of the award to reflect the period spent in service relative to the normal vesting period.

The remuneration committee can decide to pro rate an award to a lesser extent (including as to nil) if it regards it as appropriate to do so in the circumstances. Alternatively, in such 'good leaver' circumstances specified above (including in the case of a discretionary good leaver), the remuneration committee can decide that the participant's award will vest when they leave, subject to: (i) the performance conditions/additional conditions measured at that time, and (ii) ordinarily pro rating as described above (including the remuneration committee's discretion as described above in respect of pro rating). Any holding periods applicable to awards will normally continue to apply to a good leaver's awards, although the remuneration committee may choose to relax this requirement in compassionate cases.

Any outstanding Sharesave or all-employee awards will be treated in line with HMRC regulations.

The committee will have the authority to settle any legal claims against the company, if considered to be in the best interest of shareholders. The committee may also reimburse legal costs and provide a contribution towards outplacement support if felt appropriate.

If there is a change of control or similar event, outstanding awards may vest early (subject to any performance criteria assessment) subject to time pro rating (unless the committee believes it is not appropriate).

On termination, at any time, a non-executive director is entitled to any accrued but unpaid director's fees but not to any other remuneration.

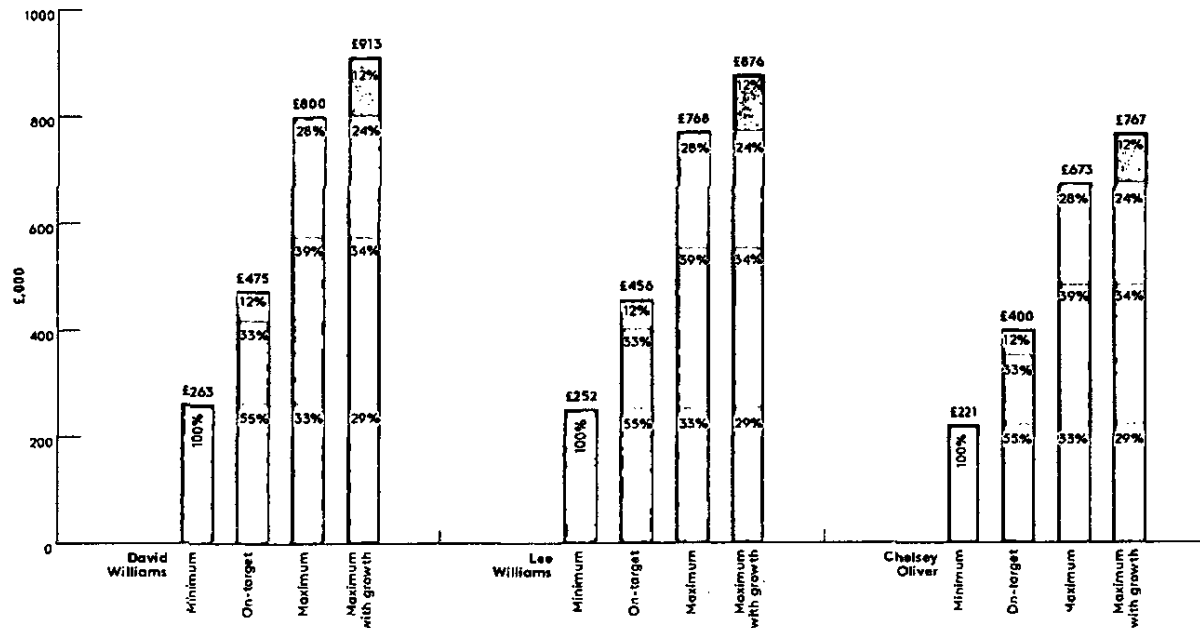
# Remuneration Report

## Remuneration Policy

### Illustration of remuneration policy

The charts below set out the potential values of the remuneration package for FY22/23 under various performance scenarios for the executive directors.

■ Fixed ■ Annual bonus ■ Long-term incentive ■ Share price growth



#### Notes

- Salary represents annual salary for FY23. Benefits have been included based on FY22 figures
- Pension represents the value of the annual pension allowance for executive directors of 3% of salary
- Minimum performance comprises salary, benefits and pension only with no bonus awarded and no PSP vesting
- Target performance comprises annual bonus payouts at target level (50% of maximum) with the PSP awards vested at 25% (no share price appreciation)
- Maximum performance comprises annual bonus awarded at maximum level (100% of maximum) and with the PSP awards vested in full (no share price appreciation). While the Policy permits a grant of up to 150% of salary, the FY23 award for executive directors has been reduced to 37.5% of salary and this reflected in the above chart
- Maximum + share price growth comprises (e) above plus an assumed increase of 50% in the value of the PSP award to take account of potential share price appreciation

# Remuneration Report

## Annual Report on Remuneration

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### Role and composition of the remuneration committee

The board is ultimately accountable for executive remuneration and delegates this responsibility to the remuneration committee. The remuneration committee is responsible for developing and implementing a remuneration policy that supports the group's strategy and for determining the executive directors' individual packages and terms of service together with those of the other members of the group Executive management team. When setting the remuneration terms for executive directors, the committee reviews and has regard to workforce remuneration and related policies and takes close account of the UK Corporate Governance Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.

The members of the committee are:

Committee member	Position	Eligible meetings	Attended meetings
Bill Ronald	Senior Independent Director and Committee Chair	6	6
Sarah Highfield	Independent Non-Executive Director	6	6
Sharon Flood	Chair of the board	6	6

Bill Ronald has been a Chair and member of various remuneration committees during his career and, as Chairman of Fever-Tree, he currently attends Fevertree's remuneration committee meetings as a guest. As such Bill brings relevant and wide ranging remuneration experience to the committee.

The chief executive officer and other members of the management team may be invited to attend meetings by invitation to provide valuable input. However, no member of management plays any part in determining his or her remuneration. The remuneration committee is required to meet at least twice a year.

### Advisors

The committee appointed FIT Remuneration Consultants LLP as their independent adviser prior to listing based on recommendations of remuneration consultants provided by financial advisors and after checking internal conflicts. FIT advised on all aspects of our Directors' Remuneration Policy and practice and reviewed remuneration structures against good practice corporate governance requirements. FIT is a member of the Remuneration Consultants' Group and complies with its Code of Conduct which sets out guidelines to ensure that its advice is independent and free of undue influence. FIT carries out no other work for Seraphine or its subsidiaries. The remuneration committee is satisfied that the advice is objective and independent taking into account that during the period from Incorporation to 3 April 2022, FIT was paid time-based fees of approximately £31,152 plus VAT in respect of advice provided to the remuneration committee. This includes FIT's advice to the company in respect of related share plan implementation matters.

### Committee key activities FY22

Received an update from advisers on market practice and good practice

Grant of LTIP awards at Admission and subsequently re-expressed targets from EBITDA to EPS

Consideration of performance metrics for FY22 and approach to long-term incentive grants

The assessment of the FY22 bonus outcomes



# Remuneration Report

## Annual Report on Remuneration

### Roles and responsibilities

The Terms of Reference for the committee were approved ahead of Admission on 13 July 2021 and are available on the company's website [www.seraphine.com](http://www.seraphine.com). The committee's responsibilities include:

- Determining and agreeing with the board the policy for the remuneration of the company's executive directors, the Chair of the board and such other members of the senior management team, having regard to remuneration trends across the group
- Establishing remuneration schemes and policies that promote long-term shareholding by directors that provide alignment with long-term shareholder interests. Pay should be designed to promote long-term sustainable success and ensure executive remuneration is aligned to company purpose and values with clear linkage to the successful delivery of the company's long-term strategy. Pay policies should help attract, retain and motivate executive management of the quality required to run the company successfully without paying more than is necessary, whilst having regard to views of shareholders and other stakeholders
- Reviewing the pay arrangements put in place for the broader workforce
- Within the terms of the agreed policy, determining the total individual remuneration package of each executive director including, where appropriate, bonuses, incentive payments, share options and pension arrangements
- Determining the targets for the performance-related bonus schemes for the executive directors and the group Executive management team
- Reviewing the design of all share incentive plans for approval by the board and shareholders
- For any such discretionary plans, determining each year whether awards will be made, the overall amount of such awards, the individual awards to executive directors and the group Executive management team (and others) and the performance targets to be used
- Providing remuneration disclosures in the Annual Report as required by the Companies Act, the FCA's Listing Rules and other relevant laws and regulations and to put the report to shareholders for approval at the AGM as necessary.

### Implementation of policy for FY23

Component of Pay	Implementation for FY23
<b>Base Salaries</b>	<p>Prior to Admission, the committee had undertaken a review of senior executive pay and had concluded that base salaries should be kept low (with a view to increasing to the market rate over time) and that incentive opportunities should be competitive to ensure appropriate pay and performance alignment.</p> <p>Performance since listing has been weaker than anticipated and reflecting the financial performance of the business and the company's share price, the CEO's salary shall not be increased and the CFO's salary will not be reviewed given his relatively recent appointment. The board is aware of inflationary pressures and the impact on employee turnover and has agreed to an average workforce increase of c.6%.</p> <p>Therefore, the CEO's and CFO's base salaries shall remain at £250,000 and £240,000 respectively.</p> <p>At the time of listing, it was recognised that the Creative &amp; Brand Director's (Chelsey Oliver) base salary of £160,000 was very significantly below market and did not reflect appropriately her contribution and importance to our business and therefore should be reviewed in 2022/23.</p> <p>In ordinary circumstances, following weak corporate performance, the committee would not propose any increases to senior executive pay packages. However, in Chelsey Oliver's case, the committee has identified an anomaly and feels strongly that her base salary should be addressed from April 2022 for the following reasons:</p> <p>Chelsey Oliver joined the group in October 2011 as Senior Designer, two years later she was promoted to Creative Director and in 2017 her remit was expanded to include ownership of marketing and brand. As her role has expanded, her pay has not kept up with her increased responsibilities.</p> <p>Chelsey is the most senior female employee at Seraphine and as a diverse employer with 81% female employees in the group, it is important that her pay is positioned appropriately internally and that it reflects her contribution to the business.</p> <p>Chelsey is key to the business' turnaround and future success and it is important that she is retained.</p> <p>Chelsey Oliver's base salary will be increased to £210,000 from April 2022 to reflect her contribution and importance to Seraphine.</p>

# Remuneration Report

## Annual Report on Remuneration

Component of Pay	Implementation for FY23
<b>Benefits and Pension</b>	<p>No changes to benefits which comprises private healthcare cover.</p> <p>Pension provision remains at 3% of base salary, in line with the contribution rate for the wider workforce.</p>
<b>Annual Bonus</b>	<p>Maximum bonus of 125% of salary with at least 75% deferred into shares which will vest after three years subject to the achievement of a sliding scale of adjusted profit before tax targets.</p> <p>Consistent with market practice, the committee considers the targets themselves to be confidential and will disclose them in next year's report.</p>
<b>Long-Term Incentive Plan</b>	<p>As disclosed in the IPO Prospectus and as set out in the Directors' Remuneration Policy, the maximum individual grant level is 150% of salary. The grant level was agreed on the premise of lower base salaries combined with competitive fixed pay, providing a more performance-based culture.</p> <p>However, reflecting the fall in share price since Admission, it is proposed that awards to executive directors will be reduced to 25% of the original policy level with grants proposed to be made after the announcement of FY22 results.</p> <p>The remuneration committee believes this level of reduction is appropriate and has taken into account the following factors:</p> <p>The importance of not granting too many shares which could result in potential windfall gains for executives and the dilution limits contained in our share schemes.</p> <p>The lack of inflight incentives in the context of the LTIP award granted at IPO having little value based on current performance combined with the need to provide a meaningful incentive to align executives with a recovery in the share price.</p> <p>A 25% of original policy level is broadly in line with typical practice for Seraphine's current size.</p> <p>The extension of LTIP participation beyond the group executive committee to bring shares into the hands of more employees.</p> <p>Shareholders' guidance to reduce the grant level in the event of a fall in share price, albeit in the context of a very short trading history at Seraphine.</p> <p>The remuneration committee had considered including a total shareholder return measure alongside EPS but given the current share price did not feel now was the right time to include such a metric. Therefore, for simplicity, the FY23 LTIP will be based on EPS performance for FY25.</p> <p>At the time of signing off the report, the remuneration committee has not concluded on the EPS target range that will apply. The EPS range will be set out in the stock exchange announcement at the time of grant.</p>
<b>NED fees</b>	<p>The Chair and NED fees shall remain unchanged:</p> <p>Chair fee £100,000</p> <p>NED base fee £45,000</p> <p>Senior Independent Director fee £5,000</p> <p>Board Committee Chair fee £5,000</p>

# Remuneration Report

## Annual Report on Remuneration

### Audited Single Total Figure of Remuneration

The figures included in the table below represent the remuneration in the period from Incorporation on 16 July 2021 to 3 April 2022.

	Year	Basic salary & fees <sup>1</sup> £	Pension <sup>2</sup> £	Other benefits <sup>3</sup> £	Sub-total <sup>4</sup> £	Annual bonus £	LTIP £	Sub-total <sup>4</sup> £	Other <sup>4</sup> £	Total Remuneration £
<b>Executive directors</b>										
David Williams	2022	191,042	5,731	493	197,266	0	-	0	-	197,266
Lee Williams	2022	20,923	627	9,797	21,648	0	-	0	206,193	227,841
Chelsey Oliver	2022	123,541	3,706	364	127,612	0	-	0	-	127,612
John Bailey <sup>3</sup>	2022	117,500	3,525	1,032	122,057	0	-	0	-	122,057
<b>Non-executive directors</b>										
Sharon Flood	2022	70,897	-	-	70,897	-	-	-	-	70,897
Bill Ronald	2022	38,993	-	-	38,993	-	-	-	-	38,993
Sarah Highfield	2022	35,448	-	-	35,448	-	-	-	-	35,448

1. David Williams's, Chelsey Oliver's and John Bailey's base salaries were increased from Admission. The figures shown are based part on pre-IPO salaries and post-IPO salaries, effective from Admission on 16 July 2021. The post-Admission salaries for David Williams and Chelsey Oliver were £250,000p.a. and £160,000p.a. respectively. Lee Williams joined the board on 28 February 2022 and his base salary upon appointment was set at £240,000p.a.

2. Benefits are private medical cover

3. John Bailey stepped off the board on 28 February 2022

4. Lee Williams received a share award on recruitment to compensate him for forfeited remuneration at his previous employer.

### Audited annual bonus outcome for FY22

The annual bonus opportunity for FY21/22 was 125% of base salary based on a sliding scale of EBITDA targets. The target payout for the year was set 30% of maximum.

The table below summarises the performance outcomes:

	Threshold	Target	Max	Actual	Outturn
Adjusted EBITDA (£)	8.0m	8.8m	9.9m	3.0m	0%

### Audited LTIP vesting based on performance to 3 April 2022

There were no long-term incentive awards vesting based on performance to 3 April 2022. The first LTIP awards were granted at Admission and these will vest in July 2024.

### Audited share awards granted in the year

The table below provides details of LTIP awards made to executive directors at Admission on 16 July 2021:

	Type of Award	Basis of Award	Number of Shares under Award	Face value of Award (£'000)	% Vesting at threshold	End of performance period
David Williams	Nominal cost option	150% of salary	127,118	£375,000	25%	April 2024
John Bailey	Nominal cost option	150% of salary	81,355	£240,000	25%	April 2024
Chelsey Oliver	Nominal cost option	150% of salary	81,355	£240,000	25%	April 2024

The offer price of 295p was used to determine the number of awards granted.

As set out in the Admission Prospectus, these awards were subject to performance conditions requiring the company's Adjusted EBITDA pre-IFRS 16 for the year ending April 2024 achieving £13 million to £16 million with such targets to be re-expressed in EPS terms after listing.

# Remuneration Report

## Annual Report on Remuneration

The adjusted diluted EPS equivalent targets are 11.2 pence to 15.5 pence based on FY2023/24. 25 per cent. of such awards would vest for EPS of 11.2 pence rising on a straight-line basis to 100 per cent. vesting for 15.5 pence.

### CFO recruitment

Lee Williams, CFO, who joined the board on 28 February 2022, forfeited a bonus from his previous employer which was due to be paid in March 2022. As part of the terms of his recruitment and in line with common practice, the board agreed to compensate Lee for the remuneration forfeited. The committee agreed that Lee should be awarded an award of Seraphine shares in lieu of the remuneration forfeited.

Accordingly, Lee was granted a one-off share award over 307,750 shares, reflecting the value of the bonus forfeited and as part of the terms of his recruitment.

The award comprised two distinct equal parts (part one and part two) each relating to 153,875 shares and each structured as a nil cost option. The parts shall ordinarily vest on 28 February 2023 in respect of part one and on 28 February 2024 in respect of part two, in each case subject to continued service.

### Recruitment share award granted during the year (audited)

	Type of Award	Number of Shares under Award	Face value of award (£'000)	Vesting date
Lee Williams	Nominal cost option	307,750	£206,193	28 February 2023 and 28 February 2024 (in equal parts)

The remuneration committee was satisfied that the grant value was no more than the forecasted value of the bonus Lee forfeited at the time of joining Seraphine. Deferring the payment beyond when the bonus would have been due and delivering it in shares (rather than cash) did not benefit Lee beyond what he forfeited.

### Audited payments for loss of office and/or payments to former directors

John Bailey stood down as a director on 4 March 2022. The following payments were made:

- £6,153.85 one-off consultancy fee for ad hoc advice post termination
- 9 days of accrued and outstanding annual leave amounting to £5,538.46
- Paid final salary up to and including 11 March 2022 amounting to £5,538.46
- John's entitlement to an LTIP award lapsed on his resignation in accordance with the scheme's rules.

### Audited directors' shareholding

Beneficial interests of directors, their families and trusts in ordinary shares of the company at 3 April 2022 were:

	No. of Shares owned outright (including connected persons)	Unvested LTIP awards subject to performance conditions <sup>1</sup>	Unvested shares awards with no performance criteria <sup>2</sup>	Shareholding as a % of salary as 3 April 2022 <sup>3</sup>	Shareholding guidelines (200% of salary) met?
David Williams	1,849,253	127,118	-	418.7%	Yes
Lee Williams	-	-	307,750	32.8%	No
Chelsey Oliver	919,614	81,355	-	325.3%	Yes
Sharon Flood	227,190	n/a	n/a	-	n/a
Bill Ronald	63,090	n/a	n/a	-	n/a
Sarah Highfield	10,169	n/a	n/a	-	n/a

1. LTIP awards were granted at Admission

2. Lee Williams's awards relate to his buyout award granted on joining Seraphine. His shareholding of 32.8% is on a net of tax basis, using the share price at 3 April 2022.

3. Comprises the value of shares held outright and the value of unvested shares without performance criteria (on a net of tax basis) as a percentage of base salary.

There have been no other changes in shareholdings between the period and publication of this report.

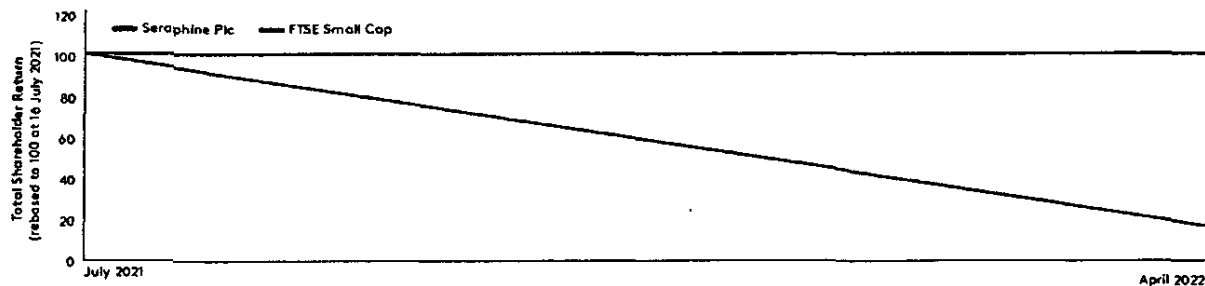
# Remuneration Report

## Annual Report on Remuneration

### TSR chart and CEO single figure history

The chart below shows the value of £100 invested in the company on Admission at the IPO price, compared with the value of £100 invested in the FTSE SmallCap Index at the same date and the movement in value until 3 April 2022.

We have chosen the FTSE SmallCap Index as it provides an appropriate and widely recognised index for benchmarking the Company's corporate performance since IPO.



### CEO single figure history

#### Total remuneration

FY22

£239,239

#### Annual bonus as % of max

0%

#### Long-term incentive shares vesting as % of max

N/A

### CEO pay ratio

The group has fewer than 250 UK employees and therefore is not required to show this information.

### Relative importance of spend no pay

In view of the fact that the company only listed in July 2021, there is no comparable year-on-year change to disclose. Full disclosure will be presented in the Annual Report on Remuneration for FY22/23.

	2022
Total employee costs (notes 11 and 12 of Financial Statements)	£3.7m
Distributions to shareholders	£0

### Percentage change in director pay

In view of the fact that the company only listed in July 2021, there is no comparable year-on-year change to disclose. Full disclosure will be presented in the Annual Report on Remuneration for FY22/23.

This report was approved by the board of directors and signed on its behalf by:

*Bill Ronald*

Bill Ronald  
Chair of the Remuneration Committee  
31 July 2022

# Directors' Report



## Introduction

The directors of Seraphine are pleased to present their Annual Report for the financial year ended 2022. The Directors' Report includes information required to be disclosed under the Act, the Code, the Financial Conduct Authorities Listing Rules ('Listing Rules') and the Disclosure Guidance and Transparency Rules ('DTRs').

The Strategic Report and this Directors' Report, together with sections of the Corporate Governance Report incorporated by reference, form the Management Report for the purpose of DTR 4.1.8R. The Directors' Report fulfils the requirements of the corporate governance statement for the purposes of DTR 7.2.3R. Certain disclosure requirements for inclusion in the Directors' Report have been incorporated into this Report by reference:

Other information relevant to the Directors' Report	Page
Employee share schemes and share ownership	115
Future business	32-33
Developments	13
Going concern and viability	123
Risk management	74
GHG emissions and energy consumption	53-55
Financial instruments and Notes	179
Information required by Listing Rules 9.8.4R1	119
Statement of capitalised interest	163
Financial Statements	138-181

1. LR 9.8.4(2)R, 9.8.4(5) and (6)R, 9.8.4(7) and (8)R, 9.8.4(7) and (8)R, LR 9.8.4R(9), 9.8.4(10) (a)R, 9.8.4(10) (b)R, 9.8.4(11)R, 9.8.4(12) and (13)R, 9.8.5G and 9.8.4(14) (a) and (b)R are not applicable.

## Fair, balanced and understandable

The board considers, on the advice of the Audit and Risk Committee, that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's and the group's position, performance, business model and strategy.

## Relating to directors

### Directors

Biographical details of each director who has held office during the 52 week period ended 3 April 2022 are provided on pages 84-87. In addition, John Bailey was a director during the period under review and stepped down from the board on 28 February 2022. Lee Williams was appointed to the board on 28 February 2022.

The appointment and retirement of directors is governed by the company's articles of association (the 'Articles'), the Code, the Act and other related legislation.

### Directors' share interests

Details regarding the share interests of the directors in the share capital of the company are set out in the Directors' Remuneration Report on page 100.

### Directors' powers

In accordance with the Articles and the Act, the board may exercise all of the powers of the company, including in relation to the allotment and issuance of shares and the buying back of shares (subject to the necessary shareholder authorities being in place). This authority will always remain subject to any directions given by the company by special resolution and any relevant statutes and regulations. Matters reserved for determination by the board are summarised on page 89.

### Directors' indemnities and insurance

In accordance with the Articles, which provide that each director is eligible to benefit from a directors' indemnity, Seraphine entered into a deed of indemnity in favour of each director at the time of the IPO. The group also maintains at its expense a directors' and officers' liability insurance policy to provide cover for any legal action brought against the directors. The policy does not provide cover where the director or officer has acted fraudulently or dishonestly.

A review will be carried out on an annual basis to ensure that the board remains satisfied that an appropriate level of insurance cover is in place.

# Directors' Report

## Substantial shareholdings

Information provided to the company by major shareholders pursuant to the FCA's Disclosure Guidance and Transparency Rules (DTR) is published via a Regulatory Information Service and is available on the company's website. As at 31 March 2022 and 25 July 2022 the company had received notification of the following interests in voting rights pursuant to Chapter 5 of the DTR12:

Being the latest practicable date prior to publication of this Annual Report.

Notification is only required when the next applicable percentage threshold is crossed, meaning these holdings may have changed since notification was last required.

Name of notifying entity/nature of holding	Number of shares disclosed as at 3 April 2022	% interest in voting rights as at 3 April 2022
Mayfair Equity Partners	21,742,685	42.71
Aberdeen	5,568,797	10.94
Lombard Odier Investment Managers	4,273,300	8.40
Gresham House Asset Management	3,800,000	7.47
Chelverton Asset Management	3,665,000	7.20
Canaccord Genuity Wealth Management	3,140,000	6.17
Independent Investment Trust	1,525,000	3.00

For the purposes of DTR 5, no changes to the shareholdings set out in this table have been disclosed to the company since 3 April 2022 to the date of the Report.

## Compensation for loss of office

There are no agreements between the company and its directors or employees providing for additional compensation for loss of office or employment (whether through resignation, redundancy or otherwise) that occurs because of a takeover bid.

## Relating to the company's share capital

### Share capital

Details of the company's issued share capital are set out in note 30 to the Financial Statements on page 168. As at 3 April 2022 the company had one class of share: ordinary shares of 0.01 pence nominal value, each of which carries the right to one vote at general meetings of the company and to an equal proportion of any dividends declared and paid. Holders of ordinary shares are entitled to receive the company's Annual Report and Accounts. Subject to meeting certain thresholds, holders of ordinary shares may requisition a general meeting of the company or the proposal of resolutions at AGMs. The rights and obligations attached to the ordinary shares are governed by English law and the company's Articles. No person has any special rights of control over the company's share capital and all issued shares are fully paid.

## Voting

Each of the company's ordinary shares carries a right to attend, speak and vote at general meetings of the company, which may be exercised in person, by proxy, or, in relation to corporate members, by corporate representatives. For the valid appointment of a proxy, notice of appointment must be received by the company not less than 48 hours before the relevant general meeting at which the person named in the Form of Proxy proposes to vote. The directors may in their discretion determine that, in calculating the 48-hour period, no account be taken of any part of a day which is not a working day. Any ordinary shares held in treasury have no voting rights.

## Restrictions on transfer of shares

Save as described below, the company is not aware of any restrictions on the transfer of the company's ordinary shares and the company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

## Relationship agreement

On 13 July 2021, the company, Mayfair Equity Partners Nominees Limited, Mayfair Equity Partners II LP, Mayfair Equity Partners II Sidecare LP, Mayfair Equity Partners II F&F LP and Mayfair Equity Partners LLP entered into a relationship agreement (the 'Relationship Agreement') which regulates the ongoing relationship between the company and the Controlling Shareholder. The principle purpose of the Relationship Agreement is to ensure that the company can carry on as an independent business as its main activity. The Relationship Agreement contains, among others, undertakings from the Controlling Shareholder, on behalf of itself and its associates, that (i) transactions and arrangements with it (and/or any of its associates) will be conducted at arm's length and on normal commercial terms (and to the extent applicable, in compliance with the related party transaction rules set out in the Listing Rules); (ii) neither it nor any of its associates will take any action that would have the effect of preventing the company from complying with its obligations under the Listing Rules; and (iii) neither it nor any of its associates will propose or procure the proposal of a Shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

## Directors' Report

Pursuant to the Relationship Agreement, the Controlling Shareholder will be able to appoint one director to the board for so long as its shareholding (together with that of any of its associates) in the company is equal to or greater than 20% of the voting rights in the company. The Controlling Shareholder will consult in advance with, and shall provide any information or confirmation reasonably requested by, the company's nomination committee regarding the identity, qualifications and suitability of any director proposed to be nominated. The Controlling Shareholder's first appointed representative director is Bertie Aykroyd.

In addition, for so long as the Controlling Shareholder's shareholding (together with that of any of its associates) in the company is equal to or greater than 30 per cent of the voting rights in the company, the Controlling Shareholder's appointed representative director may attend as an observer all meetings of the audit, remuneration and nomination committees but shall not have voting rights at such meetings.

The Controlling Shareholder has certain information rights in relation to confidential information of the company, provided that such information will only be distributed to other members of the Controlling Shareholder's group and professional advisers with the Controlling Shareholder using reasonable endeavours to procure that such professional advisers comply with the confidentiality obligations of the Relationship Agreement. The Controlling Shareholder has also undertaken to hold information it receives on the group in confidence and in accordance with applicable law. The Relationship Agreement does not restrict the Controlling Shareholder and its associates from competing with the group.

### Lock-in agreements

The controlling Shareholder and each of the directors has agreed to certain lock-in arrangements in respect of the ordinary shares they hold immediately following the IPO.

### Share dealing code

Under the company's code on dealings in securities in the company, persons discharging managerial responsibilities and some other senior executives may, in certain circumstances, be restricted as to when they can transfer shares in the company.

### Restrictions under the Articles

The board may, in its absolute discretion, refuse to register a transfer in certain situations, as specified by the company's Articles. Under the Articles the board may refuse to register the transfer of certificated shares which are not fully paid, provided that the refusal does not prevent dealings in shares in the company from taking place on an open and proper basis.

No shareholder holds securities carrying any special rights or control over the company's share capital.

### Dividends

The company intends to retain any earnings to finance the growth and deployment of the business and therefore does not intend to pay a dividend at this time. The company intends to revisit its dividend policy in future years and may revise its dividend policy from time to time.

### Relating to the company

#### Articles of association

The company's Articles may only be amended by special resolution at a general meeting of the shareholders. In accordance with the Act, the group also discloses below the subsidiary companies that have branches outside the UK:

### Subsidiaries and branches

The group has the following subsidiary companies:

Subsidiary	Jurisdiction of Incorporation	Parent
Kensington Topco Limited	Guernsey	Seraphine Group plc
Kensington Midco Limited	England and Wales	Kensington TopCo Limited
Kensington Bidco Limited	England and Wales	Kensington Midco Limited
Stark Topco Limited	England and Wales	Kensington Bidco Limited
Stark Midco Limited	England and Wales	Stark Topco Limited
Stark Acquisition Limited	England and Wales	Seraphine Group plc
Seraphine Limited	England and Wales	Stark Acquisition Limited
Seraphine Holdings Corp	Delaware, USA	Seraphine Limited
Seraphine (Europe) Limited	England and Wales	Seraphine Limited
CR Fashion Limited	England and Wales	Seraphine Limited
Shoetherapy Limited	England and Wales	Seraphine Limited
Seraphine France SARL	France	Seraphine (Europe) Limited
Seraphine Maternity LLC	New York, USA	Seraphine Holdings Corp
Seraphine, USA Inc	Delaware, USA	Seraphine Holdings Corp
Seraphine Concessions LLC	Delaware, USA	Seraphine Holdings Corp



# Directors' Report

## Significant agreements with change of control provision

The group is not party to any significant agreements, which subsisted during the period under review and that take effect, alter or terminate upon a change of control following a takeover bid.

As disclosed at the time of the IPO, the consent of Mayfair Equity Partners was obtained for the changes of control that occurred in relation to the IPO, including the pre- and post-IPO group reorganisation.

## Employment policies

Information on the group's employment policies can be found on pages 62-63 of the Strategic Report.

## Employee engagement and communication

For more information on how the board has engaged with Seraphine's employees during the year under review, please refer to the stakeholder engagement and section 172 statement on pages 70-73 of the Strategic Report.

## Customer, supplier and other stakeholder views

For more information on how the board has engaged with Seraphine's customers, designers and suppliers during the year under review, please refer to the stakeholder engagement and section 172 statement on pages 70-73 of the Strategic Report.

## Political donations

The group did not make any political donations or incur any political expenditure during the year ended 3 April 2022. Although the group has no intention of making any political donations or incurring any political expenditure it is possible that certain routine activities may unintentionally fall within the broad scope of the Act's provisions relating to the same. Accordingly, the directors will be seeking authority to incur political expenditure and make political donations at the forthcoming AGM, in accordance with relevant institutional investor guidelines.

## Human Rights and Modern Slavery

Seraphine is in the process of preparing its first Modern Slavery Statement in accordance with Section 54(1) of the Modern Slavery Act 2015. The statement will be reviewed and approved by the board annually and will be published on our website at <https://www.seraphinegroupplc.com>. The statement will include details of how Seraphine combats modern slavery across the group and throughout our supply chain.

The Seraphine sustainability team created and internally launched the business's first sustainability strategy in FY22. At Seraphine, our commitment to great design

has extended into making better business choices that minimise our impact on people and the planet and we are committed to making sustainability a part of everything we do. This is not simply business strategy, but our moral obligation. Our strategy incorporates Seraphine's social responsibility more widely. Seraphine is fully conscious of the close link between people and planet and understands that the climate crisis aggravates human rights issues, including modern slavery. That is why our approach to sustainability is strategically multi-disciplinary and ensures both elements are equally weighted.

We are focusing on three key areas:

**Responsible textile sourcing:** we're on a mission to make sure two of our key materials – cotton and polyester – are only from recycled or other sustainable sources.

**Responsible packaging:** looking at innovative ways to reduce the amount we use to protect our products, especially plastic.

**Responsible end of life:** For more information on our commitments to sustainability please refer our corporate website at Sustainability – Responsible brand – Seraphine (<https://www.seraphinegroupplc.com>)

## Disclosure of information to the auditor

Each director as at the date of approval of this Annual Report confirms that:

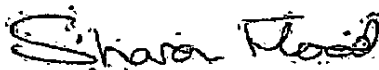
- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware
- The director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's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

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

## Annual General Meeting

The forthcoming AGM is scheduled to take place on 21 September 2022. Full details are contained in the Notice convening the AGM, which will be sent to shareholders shortly after the publication of this Report.

The Directors' Report has been approved by the board and signed on its behalf by:



Sharon Flood  
Chair  
31 July 2022

# Viability and Going Concern Statement

In accordance with the UK Corporate Governance Code 2018 (the 'Code'), the directors have assessed going concern. The assessment period determined by the directors for going concern is a 15 month period from the approval of the financial statements to October 2023 and have assessed the viability of the group over a three-year period to March 2025.

The assessment period for viability looks beyond the period considered for going concern and is aligned with the strategic outlook timeframe.

As part of this assessment, the directors have analysed the prospects of the group by reference to its current financial position, recent trading trends and momentum, forecasts and financial projections, strategy, economic model and the principal risks and mitigating factors identified on page 74-77.

## Group planning process

Our annual planning process begins in November with a detailed review of the key strategic goals by the group of directors and the executive team, following which an updated long term financial plan is derived.

A detailed, bottom-up budget for the year ahead is then prepared, which is signed off by the group in February. We monitor our performance throughout the financial year against this budget and prior year actual results with a regular formal re-forecasting process conducted on a quarterly basis, or as required.

## Viability assessment

The directors have reviewed the group's long-term forecasts and projections for the three-year period to March 2025 (the 'Assessment Period'), which is aligned to the group's current strategic long-term planning cycle. A three-year outlook is considered sufficient to capture the impact of any existing material long-term obligations, such as capital expenditure projects and any lease contracts factoring in the timing of any break clauses, whilst also providing a realistic timeframe to achieve the current strategic goals. The group has a standard investment time horizon of three years, and so again the director's believe that the three-year assessment period sufficiently captures any current investment plans.

The directors have assessed the future viability of the group by reviewing the base case and risk scenarios based on the Principal Risks. These circumstances have been evaluated based on principal and emerging risks identified by management through its risk management process.

The directors have considered the principal risks that could have a severe impact on the group's cash headroom and compliance with covenants taking into account the group's cash and cash equivalents and debt facilities. The base case has been sensitised to model the key risks identified which included a softening of sales growth assumptions, distribution cost inflation and a scenario with weakening of GBP. Under each of these scenarios the group maintains sufficient cash headroom over the assessment period.

Depending on how these hypothetical scenarios unfold, there are a series of mitigating actions within Seraphine's control that could be taken to protect the group's activities including to:

- Amend sourcing locations to reduce duty incurred and change cost prices
- Amend product range mix
- Increase prices on products with lower price elasticity to absorb any additional distribution costs
- Postpone longer-term capital expenditure in enhancement projects
- Leverage promotional activity to attract more customers
- Reduce digital marketing spend and redirect marketing spend appropriately
- Renegotiate payment terms with suppliers

Following consideration of the various risk impact assessments and scenarios and stress tests models performed and taking into account the group's current position and principal risks the directors have a reasonable expectation that the business will be able to continue in operation and meet its liabilities as they fall due over the Assessment Period.

# Viability and Going Concern Statement

## Going concern assessment

The group has reported an adjusted EBITDA (pre-IFRS 16) profit of £2.6m for the 12 months ended 3 April 2022 (2021: Adjusted EBITDA (pre-IFRS 16) of £6.2m) and is in a net asset position of £20.4m as at 3 April 2022 (4 April 2021: net liability position £(5.3)m), with a net current asset position of £2.5m (4 April 2021: £1.1m). The group had a cash balance of £2.8m at 3 April 2022 with £3.0m drawn down from our facility of £6.0m.

Since early 2020, the business has been exposed to extraordinary market conditions due to the Covid-19 pandemic. During this period, despite disruptions to its supply chain, the business has delivered ongoing strong gross sales growth, broadly aligned to levels delivered through previous years. Supply chain disruptions have meant that a shortage of summer stock impacted the customer demand over summer 2021 and increased clearance over the sale period at the end of 2021.

The directors have reviewed the group's forecasts and projections for the period to October 2023 (the 'Forecast Period'), including their assessment of trading and associated cash flow forecasts and forecast liquidity.

## Base case

The strategic plan forms the base case for the scenario modelling that underpins the viability assessment and going concern assessment. It has been built out from the FY23 group approved budget. 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 tariff and duty 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 and 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's experience of trading through the pandemic over the last two years. The severe but plausible scenario represents a downside scenario where FY23 sales remain flat with FY22 and only increasing by 5% year on year going forward, which is notably lower than revenue growth rates historically achieved. With the exception of variable cost reductions that would naturally occur with the lower sales there has been no further offsetting cost mitigation modelled. Under this scenario the group would still continue to maintain liquidity and compliance with bank covenants at October 2023.

The assumptions to which the forecasts are most sensitive are the expected growth in sales and the continued freight cost pressures.

Under stress test conditions, sales would have to fall by more than 25% of FY22 before additional funding would be required within the Assessment Period.

Following the various scenarios and stress tests performed the group would comply with bank covenants and have sufficient cash headroom and liquidity to continue trading throughout the period to October 2023.

As such, the directors considered it appropriate to adopt the going concern basis of accounting in preparation of the group's financial statements.

## Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the Annual Report including the directors' Remuneration Report and Policy and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. The directors are required by the IAS Regulation to prepare the group Financial Statements under UK-adopted international accounting standards and have elected to also prepare the company financial statements in accordance with UK-adopted international accounting standards.

The Financial Statements are also required by law to be properly prepared in accordance with the Act and Article 4 of the IAS Regulation. Under company law, the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and the group for that period.

In preparing the company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgments and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the company will continue in business

International Accounting Standard 1 requires that the Financial Statements present fairly for each financial year the relevant entity's financial position, financial performance, and cash flows. This requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable reporting standards.

Directors are also required to:


- Properly select and apply accounting policies and present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in UK-adopted international accounting standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Make an assessment of the company's and the group's (as the case may be) ability to continue as a going concern

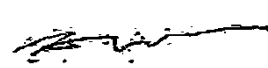
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions on an individual and consolidated basis and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the Financial Statements comply with the Act. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions. Each director confirms that, to the best of his or her knowledge:

- The group and company Financial Statements in this Annual Report, which have been prepared in accordance with the applicable financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and of the group taken as a whole; and
- The Annual Report includes a fair review of the development and performance of the business and the position of the company, and the group taken as a whole, together with a description of the principal risks and uncertainties they face.

This responsibility statement was approved by the board of directors on 31 July 2022 and is signed on its behalf by:

  
David Williams  
Chief Executive Officer  
31 July 2022

  
Lee Williams  
Chief Financial Officer  
31 July 2022



# Our Results

# Independent Auditors' Report to the Members of Seraphine Group plc

## Report on the audit of the financial statements

### Opinion

In our opinion:

- Seraphine Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 3 April 2022 and of the group's loss and the group's cash flows for the 52 week period then ended
- The group financial statements have been properly prepared in accordance with UK-adopted international accounting standards
- The company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law)
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report for the 52 week period ending 3 April 2022 (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and the Company Statement of Financial Position as at 3 April 2022; the Consolidated Statement of Total Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 14 of the financial statements, we have provided no non-audit services to the company in the period under audit.

# Independent Auditors' Report to the Members of Seraphine Group plc

## Report on the audit of the financial statements

### Our audit approach

#### Context

In July 2021 the Group completed an initial public offering (IPO) to the main market of the London Stock exchange and these are the Group first set of financial statements in accordance with UK IFRS. During the period the Group has continued to experience revenue growth in new and existing markets, but cost pressures and unexpected duty and sales tax costs of entering new markets has impacted the results for the period.

In planning and executing our audit we have considered the Group's climate risk assessment process (as described in the Sustainability section of the the Annual Report ("Product") and TCFD reports). As explained in these disclosures, the Group is mindful of its impact on the environment and focussed on ways to reduce climate related impacts as they continue to work towards their Net Zero goal in 2050. Whilst the Group started to qualitatively assess the impacts that may arise as they aim towards their net zero goal, the future financial impacts are clearly uncertain given the medium to long term time horizon and further work is required to quantify all impacts and fully develop a plan to achieve the Net Zero goal in 2050. We have discussed with management and the Audit Committee that the estimated financial impacts of climate change will need to be frequently reassessed and our expectation that climate change disclosures will continue to evolve as greater understanding of the actual and potential impacts on the Group's future operations are obtained. We considered how climate change risks would impact the assumptions made in the forecasts prepared by management used in their impairment assessment and going concern. We also considered the consistency of the disclosures in relation to climate change made in the other information within the Annual Report with the financial statements and our knowledge from our audit.

#### Overview

##### Audit scope

We conducted full scope audit work over the main trading entity, Seraphine Limited, and the parent company, Seraphine Group plc. With respect to the remaining entities in the Group, we performed audit procedures over certain financial statement line items where these entities contribution to the Group was 5% or more. This applied to balances in Seraphine France SARL, Kensington Bidco Limited and Seraphine USA Inc.. The audit procedures performed accounted for 95% of both the Group's revenue for the period ended 3 April 2022 and 96% of net assets as at 3 April 2022.

##### Key audit matters

- Impairment of goodwill and other intangible assets (group)
- Carrying value of Plc's investment in subsidiaries (parent).

##### Materiality

- Overall group materiality: £330,000 based on 0.75% of revenue from sales
- Overall company materiality: £273,000 based on 1% of total assets
- Performance materiality: £165,000 (group) and £136,500 (company).

##### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

##### Key audit matters

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



# Independent Auditors' Report to the Members of Seraphine Group plc

## Report on the audit of the financial statements

This is not a complete list of all risks identified by our audit.

### Key audit matter

#### Impairment of goodwill and other intangible assets (group)

As disclosed in note 19, the Group has goodwill of £nil (2021: £13.6m) and other intangible assets of £23.1m (2021: £42.6m) at 3 April 2022. These balances are after an impairment charge of £13.6m has been recorded against goodwill and £14.3m against intangible assets. The remaining intangible asset balance of £23.1m remains significant in the context of the overall balance sheet of the Group.

All goodwill and intangible assets belong to a single cash-generating unit ("CGU") and a single value in use ("VIU") calculation is performed in order to assess their recoverability.

We focused on the risk of impairment as the impairment assessment involves a number of subjective judgements and estimates by management, many of which are forward-looking. These estimates include key assumptions about the future results of the business, particularly assumptions around growth rates and the discount rate to be applied to future cash flow forecasts, where there is a higher degree of sensitivity. Refer to Key Judgements and sources of estimation uncertainty (note 7.2) and note 19, for management's disclosures of the relevant judgements and estimates involved in assessing goodwill and other intangible assets. Refer to the Audit Committee report on pages 96 and 97 for a description of its assessment of significant judgements.

### How our audit addressed the key audit matter

We obtained management's annual impairment assessment and ensured the calculations were mathematically accurate and that the methodology used was in line with the requirements of IAS 36 'Impairment of Assets'.

We evaluated the future cash flow forecasts of the CGU, and the process by which the forecasts were drawn up. In doing this, we confirmed that the forecasts used for the impairment assessment were consistent with the latest Board-approved plans.

We performed a retrospective review of the prior period estimates by comparing to actual results in the current period.

We evaluated the inputs in the VIU calculation and challenged the key assumptions including:

- Assessment of revenue growth by comparing assumptions used to third party economic and industry forecasts
- Using our internal valuation experts to assess the reasonableness of the discount rate and growth rate assumptions used by management
- Assessing corroborating or contradictory evidence relating to significant assumptions in the cash flow projections.

We recalculated management's own sensitivity analysis of key assumptions used in the VIU assessment and also performed our own independent sensitivity testing to include the application of reasonable alternative risk scenarios. This included reduced revenue growth and the consideration of potential future costs which could arise as a result of climate change, including from carbon taxes.

We considered the market capitalisation of the Group at 3 April 2022 and compared this to the outcome of our VIU assessment, noting there was alignment.

We reviewed the adequacy of disclosures made in the financial statements and assessed compliance with IAS 36 including challenging management to be transparent about the underlying risks which have been assessed and embedded into its future cash flow assumptions.

Based on our work summarised above, we have concluded that the impairment booked against goodwill and intangible assets balances is appropriate and the remaining balance at 3 April 2022 is supportable, and that appropriate assumption and sensitivity disclosures have been made in the financial statements.

# Independent Auditors' Report to the Members of Seraphine Group plc

## Report on the audit of the financial statements

### Key audit matter

#### Carrying value of plc's investment in subsidiaries (parent)

As disclosed in note 5 to the Company financial statements, investments in subsidiaries are £25.9m, this is after impairment of £121.1m.

Investments are tested for impairment if impairment indicators exist. The investment value being significantly above the market capitalisation of the Group was considered a trigger in the current year. The recoverable amounts of the investments in subsidiaries has been estimated in order to determine the extent of any impairment loss. The carrying value of the investment is supported by the recoverable amount which has been calculated on a value in use basis ("VIU").

Judgement is required in this area, particularly in assessing whether the carrying value of an asset can be supported by the recoverable value, being the net present value of future cash flows which are estimated based on the continued use of the asset in the business. There are a number of subjective judgements and estimates by management, many of which are forward-looking. These estimates include key assumptions about the future results of the business, particularly assumptions around growth rates and the discount rates applied to future cash flow forecasts, where there is a higher degree of sensitivity.

Refer to Key judgements and sources of estimation uncertainty (note 1 in the company accounts) and note 6 in the company accounts for management's disclosures of the relevant judgements and estimates involved in assessing the carrying value of investments in subsidiaries.

#### How we tailored the audit scope

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

Seraphine Group plc has both its corporate and operating headquarters in the United Kingdom. As Seraphine Group plc's corporate headquarters is based in the UK, the Group audit engagement team is also based in the UK with no support required from any auditors from other territories. The largest trading entity is Seraphine Limited. This entity, along with the Company, were the only components requiring an audit of their complete financial information for the purposes of the consolidated Group audit. In addition audit procedures have been performed on certain financial statement line items in respect of Seraphine France SARL, Seraphine USA Inc. and Kensington Bidco Limited. In total the audit work performed accounted for 95% of consolidated revenue and 96% of consolidated net assets.

### How our audit addressed the key audit matter

We have evaluated management's assessment of whether any indicators of impairment existed.

We have obtained management's calculation of the impairment of the value of the investment and verified that the recoverable value of the investment was consistent with the recoverable value of the CGU tested for goodwill and intangible assets for impairment purposes. Having confirmed this we leveraged the audit work undertaken as part of the group audit and detailed in the Impairment of goodwill and other intangible assets key audit matter.

We recalculated the impairment required by comparing the investment value to the recoverable amount as calculated in the VIU.

Based on our work summarised above, we have concluded that the impairment booked against investments is appropriate and the remaining balance at 3 April 2022 is recoverable.

# Independent Auditors' Report to the Members of Seraphine Group plc

## Report on the audit of the financial statements

### Materiality

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

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

	Financial statements - group	Financial statements - company
Overall materiality	£330,000	£273,000
How we determined it	0.75% of revenue from sales	1% of total assets
Rationale for benchmark applied	Revenue is considered to be the most appropriate benchmark for the financial year as this is a key metric management use to measure business performance	The company does not trade. As a result we believe that total assets is the most appropriate benchmark to use for the Company

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £136,500 to £313,500. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 50% of overall materiality, amounting to £165,000 for the group financial statements and £136,500 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the lower end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £16,500 (group audit) and £13,600 (company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and agreeing management's going concern assessment to the business's board approved plan and ensuring that the base case scenario indicates that the business generates sufficient cash flows to meet its obligations within the going concern assessment period while complying with covenant arrangements
- Validating the mathematical accuracy of the model and assessing the reasonableness of the assumptions underpinning management's base case
- Considering whether management's severe but plausible downside scenario was sufficiently severe in the circumstances of the company and ensuring this is appropriately modelled through the cash flows
- Considering the level of actual and forecast liquidity and the risk of breach of the covenant arrangements in place for external borrowings under the severe but plausible scenario
- Performing further sensitivity analysis on the severe but plausible scenario
- Considering the adequacy of the disclosures in the financial statements.

# Independent Auditors' Report to the Members of Seraphine Group plc

## Report on the audit of the financial statements

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 3 April 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

### Directors' Remuneration

In our opinion, the part of the Directors Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

# Independent Auditors' Report to the Members of Seraphine Group plc

## Report on the audit of the financial statements

### Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

# Independent Auditors' Report to the Members of Seraphine Group plc

## Report on the audit of the financial statements

About Seraphine

Strategic Report

Managing a Responsible Business

Our Governance

Our Results

### Responsibilities for the financial statements and the audit

#### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the requirements of the Companies Act 2006 and UK tax regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and management bias in significant accounting estimates. Audit procedures performed by the engagement team included:

- Enquiring of management and those charged with governance together with inspection of policy documentation as to the Group's and Company's high-level policies and procedures to prevent and detect fraud
- Enquiring of those charged with governance and management as to whether they have knowledge of any actual, suspected or alleged fraud and breaches of laws and regulations
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations (for example credit to revenue with a debit entry to an unexpected account) or journals posted by senior management
- Challenging assumptions and judgements made by management in their significant accounting estimates; in particular in relation to impairment of goodwill and intangible assets.

# Independent Auditors' Report to the Members of Seraphine Group plc

## Report on the audit of the financial statements

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

#### Companies Act 2006 exception reporting

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

- We have not obtained all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- The company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Appointment

We were appointed by the directors on 30 November 2021 to audit the financial statements for the year ended 3 April 2022 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

### Other matters

The financial statements for the period ended 4 April 2021, forming the corresponding figures of the financial statements for the period ended 3 April 2022, are unaudited.

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.



**Katherine Birch-Evans**

Senior Statutory Auditor

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

31 July 2022





# 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	9	44,018,845	8,689,006
Income from other services	10	1,997,725	468,761
<b>Total revenue</b>		<b>46,016,570</b>	<b>9,157,767</b>
Cost of sales		(21,357,620)	(4,431,814)
<b>Gross profit</b>		<b>24,658,950</b>	<b>4,725,953</b>
Distribution costs		(4,853,338)	(157,637)
Administrative expenses		(21,792,464)	(4,759,446)
Exceptional items	13	(29,922,900)	(4,726,733)
<b>Operating loss</b>	14	<b>(31,909,752)</b>	<b>(4,917,863)</b>
Finance costs	15	(4,065,338)	(1,418,817)
<b>Loss before taxation</b>		<b>(35,975,090)</b>	<b>(6,336,680)</b>
Taxation	16	2,054,517	20,449
<b>Loss for the financial period for the group</b>		<b>(33,920,573)</b>	<b>(6,316,231)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss		(2,892)	9,197
Exchange differences on retranslation of subsidiary undertakings, net of tax			
<b>Total comprehensive expense for the period</b>		<b>(33,923,465)</b>	<b>(6,307,034)</b>
Basic loss per ordinary share (pence)	17	(0.76)	(0.21)
Diluted loss per ordinary share (pence)	17	(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

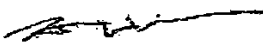
As at 3 April 2022

	Note	3 April 2022 £	4 April 2021 Unaudited £
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	19	-	13,604,406
Other intangible assets	19	23,095,305	41,390,058
Property, plant and equipment - owned assets	20a	454,456	223,504
Property, plant and equipment - right-of-use	20b	3,740,398	3,519,916
<b>Total non-current assets</b>		<b>27,290,159</b>	<b>58,737,884</b>
<b>Current assets</b>			
Inventories	22	14,662,738	7,510,108
Trade and other receivables	23	1,996,048	1,189,442
Cash and cash equivalents		2,847,116	3,168,542
<b>Total current assets</b>		<b>19,505,902</b>	<b>11,868,092</b>
<b>Total assets</b>		<b>46,796,061</b>	<b>70,605,976</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	24	(12,836,059)	(7,241,791)
Borrowings	27	-	(2,619,049)
Lease liabilities	25	(1,137,265)	(915,911)
<b>Total current liabilities</b>		<b>(13,973,324)</b>	<b>(10,776,751)</b>
<b>Net current assets</b>		<b>5,532,578</b>	<b>1,091,341</b>
<b>Total assets less current liabilities</b>		<b>32,822,737</b>	<b>59,829,225</b>
<b>Non-current liabilities</b>			
Long-term provisions	26	(47,450)	(102,708)
Borrowings	27	(3,000,000)	(10,075,000)
Investor loan notes	27	-	(42,018,808)
Lease liabilities	25	(3,638,797)	(5,129,504)
Deferred tax liabilities	29	(5,749,216)	(7,835,239)
<b>Total non-current liabilities</b>		<b>(12,435,463)</b>	<b>(65,161,259)</b>
<b>Total liabilities</b>		<b>(26,408,787)</b>	<b>(75,938,010)</b>
<b>Net assets/(liabilities)</b>		<b>20,387,274</b>	<b>(5,332,034)</b>
<b>Equity</b>			
Called up share capital	30	509,020	97,500
Share premium account	30	59,436,003	877,500
Foreign exchange translation reserve	31	6,305	9,197
Capital reorganisation reserve	31	672,750	-
Accumulated losses	31	(40,236,804)	(6,316,231)
<b>Total equity</b>		<b>20,387,274</b>	<b>(5,332,034)</b>

These consolidated financial statements for Seraphine Group plc on pages 138-141 (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 Williams  
Chief Executive Officer  
31 July 2022

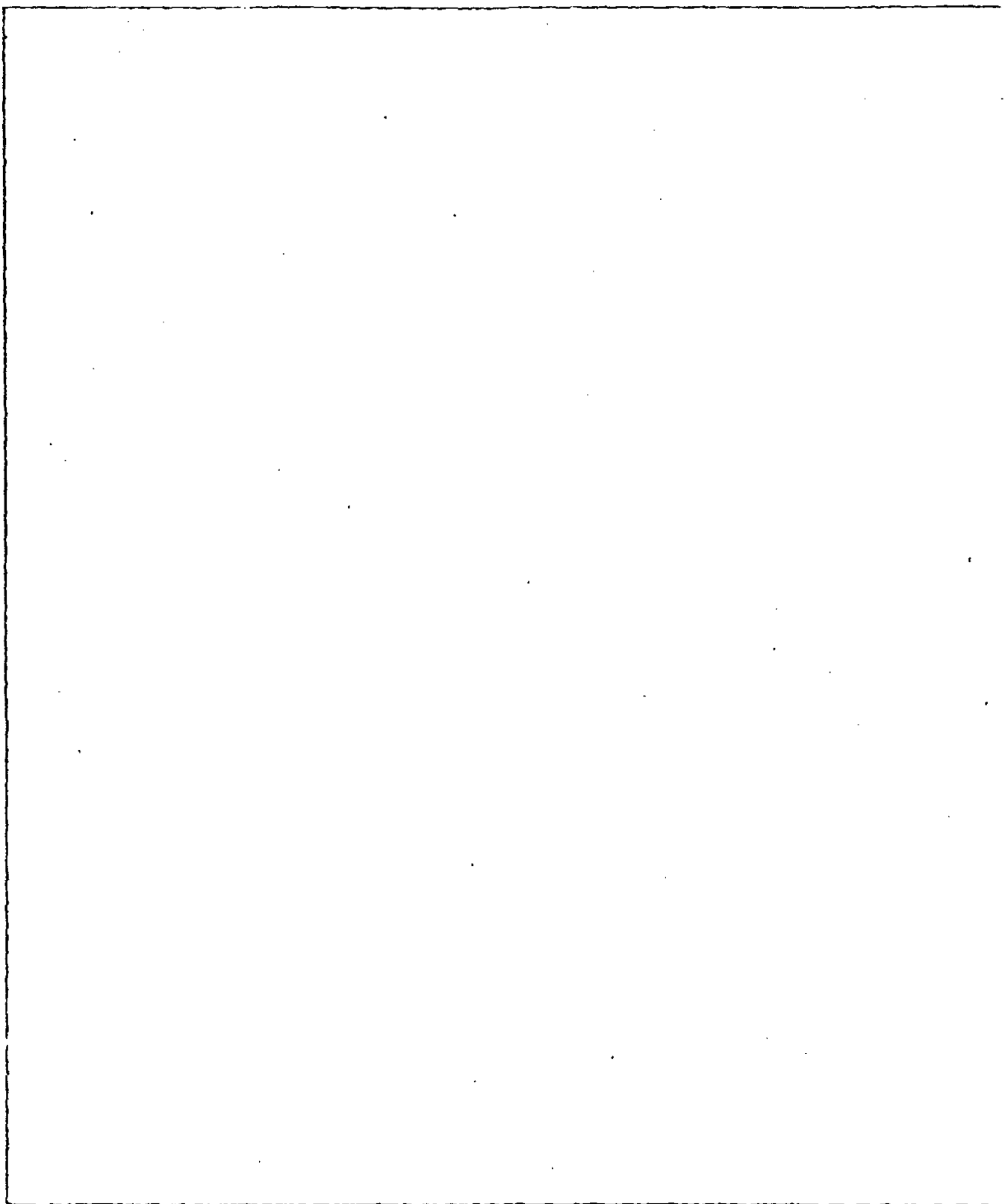


Lee Williams  
Chief Financial Officer  
31 July 2022

# 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	30	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 £
<b>Operating activities</b>		
Group loss for the period	(33,920,573)	(6,316,231)
Taxation	(2,054,517)	(20,449)
<b>Loss before tax</b>	<b>(35,975,090)</b>	<b>(6,336,680)</b>
<b>Adjustments for:</b>		
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)	-
Lease modifications	-	168,223
Goodwill and intangible asset impairment	27,860,406	-
Impairment of right-of-use assets	21,739	2,292,177
Finance costs	4,065,338	1,418,817
<b>Changes in:</b>		
Increase in inventories	(7,152,630)	(2,177,542)
Increase in trade and other receivables	(625,698)	(672,866)
Increase in trade and other payables	5,913,321	152,565
(Decrease)/increase in provisions	(55,258)	20,819
<b>Cash generated from operating activities</b>	<b>(1,941,105)</b>	<b>(3,697,953)</b>
Taxes paid	(530,674)	(303,423)
<b>Net cash flow from operating activities</b>	<b>(2,471,779)</b>	<b>(4,001,376)</b>
<b>Investing activities</b>		
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)
<b>Net cash out flow from investing activities</b>	<b>(831,053)</b>	<b>(46,941,108)</b>
<b>Financing activities</b>		
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	-	42,833,680
Loan issue transaction costs	-	(2,032,133)
Proceeds of bank borrowings	3,000,000	12,694,049
Payment of principal elements of lease liabilities	(881,623)	(167,912)
Repayment of A and B loan notes	(40,801,547)	-
Repayment of bank borrowings	(12,627,789)	-
Net interest paid	(5,348,859)	(201,556)
<b>Net cash inflow from financing activities</b>	<b>2,982,955</b>	<b>54,101,128</b>
<b>(Decrease)/increase in cash in the period</b>	<b>(319,877)</b>	<b>3,158,644</b>
Cash and cash equivalents, at the beginning of period	3,168,542	-
Effect of foreign exchange rates on cash and cash equivalents	(1,549)	9,898
<b>Cash and cash equivalents, end of period</b>	<b>2,847,116</b>	<b>3,168,542</b>

# 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 October 2023 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.

# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

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 meet 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.

## 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.

### 5.2 Revenue from sales

The group obtains revenue from contracts with customers relating to sales of goods through its own digital platform, digital partnerships and stores. Revenue represents the amount the group is entitled to for the sale of maternity clothing, and is stated net of discounts, value added taxes and returns. The transaction price is determined on an item-by-item basis. The main promotion mechanic other than price reduction is a blanket % off the items.

For all revenue types the primary performance obligation is the transfer of goods to the customer.

#### Digital Platform

For own digital platform revenue, control is considered to transfer when the goods are delivered to the customer. Revenue for goods is recognised on delivery to the customer but accounted for on despatch for practical reasons.

#### Digital Partnerships

For digital partnerships revenue, control is considered to transfer when the goods are delivered to the wholesaler. Accounts receivable balances are mainly for digital partners and wholesale customers. Revenue for goods is recognised on delivery to the customer but accounted for on despatch for practical reasons.

#### Stores

For store revenue, control is considered to transfer when the customer takes possession of the goods in store and pays for the goods. Revenues are recognized when realized and earned—not when cash is received i.e. revenue is recognised at the point of sale, when the goods have been provided.

Accruals for sales returns are estimated on the basis of historical returns and are recorded so as to allocate them to the same period in which the original revenue is recorded. These accruals are reviewed regularly and updated to reflect management's latest best estimates.

# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

## 5.3 Grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

### Coronavirus Job Retention Scheme ("CJRS")

Under this scheme, HMRC reimburses up to 80% of the wages of certain employees were asked to stop working but were being kept on the payroll ("furloughed"). The scheme was designed to compensate for staff costs, so amounts received are recognised in the Income Statement over the same period as the costs to which they relate. Payroll costs in relation to this are shown net of grant income within the Income Statement.

## 5.4 Goodwill

Goodwill arises on the acquisition of subsidiaries and is the excess of the cost of the acquisition together with the value of any non-controlling interest, over the fair value of the identifiable net assets acquired. Goodwill on acquisition is recorded as an intangible asset, recognised at cost. Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable.

At the year end the value of Goodwill has been tested and largely due to an increase in the level of discount rate used, an impairment of the value has been made. Refer to note 19 for details on the impairment assessment.

## 5.5 Other Intangible Assets

The cost of acquiring other intangible assets, such as brand value and Website & Business Systems, is capitalised at purchase price and amortised by equal annual instalments over the period in which benefits are expected to accrue. Trademarks is considered to have an indefinite life and an annual impairment review is carried out on this value. The rates applied are:

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.

## 5.6 Property, Plant and Equipment

Tangible fixed assets are stated at cost less accumulated depreciation and impairment.

Depreciation is calculated to write off the cost or deemed cost, less residual value, of the assets in equal annual instalments over their estimated useful lives at the following rates:

Leasehold improvement	10 years
Office fixtures and fittings	5 years

Profits and losses on the disposal of property, plant and equipment represent the difference between the net proceeds and net book value at the date of sale. Disposals are accounted for when the relevant transaction becomes unconditional.

## 5.7 Impairment of non-current assets

All non-current assets are reviewed at each year end for indicators of impairment. Assets that have an indefinite useful life are not subject to amortisation and are reviewed annually for impairment. If any impairment arises, an impairment loss is recognised for the amount by which the carrying value exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. Given that the company is significantly driven by its e-commerce platform, the group overall is one operating segment and analysis of impairment has been based on one cash generating unit in the group.



# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

All non-financial assets other than goodwill are reviewed at each year end for indicators that an impairment loss recognised previously should be reversed or partially reversed. If any impairment reversal arises, an impairment reversal is recognised for the amount by which the recoverable amount exceeds the carrying value. Impairment recognised on goodwill is never reversed.

## 5.8 Cash and cash equivalents

Cash and cash equivalents comprise cash balances at bank or held in the business and on-call deposits. Bank overdrafts repayable on demand and forming an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flow only.

## 5.9 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises of all costs of purchase, cost of conversion, design costs and other costs incurred in bringing the inventories to their present location and condition. At each reporting date, the group assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell, is recognised as an impairment loss in the Income Statement.

The cost of inventories is determined using a first-in-first-out (FIFO) method, taking account of the fashion seasons for which, the inventory was offered.

## 5.10 Leases

On commencement of a contract, or a portion of a contract, they are accounted for as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- There is an identified asset
- The group obtains substantially all the economic benefits from use of the asset
- The group has the right to direct use of the asset.

The group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the group obtains substantially all the economic benefits from use of the asset, the group considers only the economic benefits that arise from use of the asset. In determining whether the group has the right to direct use of the asset, the group considers the purpose the asset is used for throughout the lease term. If the contract or portion of a contract does not satisfy these criteria, the group applies other applicable IFRS.

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

The group has also taken advantage of the practical expedient available under the amendment to IFRS 16. As such the group assessed if rent concessions that occurred as a direct consequence of the COVID-19 pandemic meet the following conditions:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- There is no substantive change to other terms and conditions of the lease.

Where these conditions were met the change in the lease payments were not accounted for as a lease modification. Qualifying rent concessions are recorded in the Statement of Comprehensive Income.

The incremental borrowing rates used in the calculation of the lease liabilities are between 2.3 per cent. and 3.9 per cent. The group leases a number of properties in the UK, U.S. and France.

# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

Right-of-use assets are included in the review for impairment of property, plant and equipment and intangible assets with finite economic lives, if there is an indication that the carrying amount of the cash generating unit may not be recoverable.

The group has elected not to recognise right of use assets and lease liabilities for leases of low-value assets and short-term leases. The group recognises the lease payments associated with these leases as an expense in the Income Statement on a straight-line basis over the lease term.

## 5.11 Provisions

Provisions are recognised when either a legal or constructive obligation as a result of a past event exists at the Balance Sheet date, it is probable that an outflow of economic resources will be required to settle the obligation, and a reasonable estimate can be made of the amount of the obligation.

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. Dilapidation provisions are calculated by applying a calculated rate across the square footage of each store. The monthly accrual for dilapidation is recorded as expense. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease, as the amount is not a contractually agreed amount and relates to general wear and tear and restoring the fit out to its former condition if required.

Leasehold decommissioning provisions are recognised within provisions and capitalised within leasehold improvements as they relate to dismantling the improvements. The amounts recognised within leasehold improvements are depreciated over the useful economic life of the asset.

The provisions are discounted to reflect the time value of money where material.

## 5.12 Financial instruments

### Recognition, initial measurement and derecognition

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial instruments are initially recognised at fair value plus directly attributable transaction costs on the Balance Sheet when the entity becomes a party to the contractual provisions of the instrument. A financial asset is derecognised when the contractual rights to the cash flow expire or substantially all risks and rewards of the asset are transferred. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

### Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

The group recognises a loss allowance for expected credit losses (ECL) on financial assets that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

The group always recognises lifetime ECL on trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

All income and expenses relating to financial assets that are recognised within the Income Statement and are presented within finance costs or finance income, except for impairment of trade receivables (£nil at FY22 (£3,309 at FY21)) which is presented within other administrative expenses.

## **Classification and subsequent measurement of financial liabilities**

The group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent to initial recognition, all financial liabilities are stated at amortised cost using the effective interest rate method.

The fair value of the group's financial assets and liabilities held at amortised cost mostly approximate their carrying amount due to the short maturity of these instruments. Where the fair value of any financial asset or liability held at amortised cost is materially different to the book value, the fair value is disclosed.

## **5.13 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax charge. Taxation is charged or credited to the Income Statement unless it relates to items recognised in other comprehensive income or directly in equity. Deferred tax is accounted for using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entities or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

## **5.14 Foreign currency**

The group includes foreign entities whose functional currencies are not Sterling. On consolidation, the assets and liabilities of those entities are translated at the exchange rates at the Balance Sheet date and income and expenses are translated at the weighted average rates during the period. Translation differences are recognised in Other Comprehensive Income.

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at year-end exchange rates. Exchange differences on monetary items are recognised in the Statement of Comprehensive Income.

When gains or losses are recognised on non-monetary items recognised in other comprehensive income, the related translation gain or loss is also recognised in other comprehensive income.

# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

## 5.15 Finance costs

Interest expenses are accrued with reference to the principal outstanding at the effective interest rate, and expensed as incurred.

## 5.16 Employee and retirement benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The costs of the defined contribution pension schemes are charged to profit or loss in the year they are payable. Differences between contributions payable in the year and contributions paid are shown as either accruals or prepayments.

## 5.17 Exceptional Items

Exceptional items are significant items of income or expense, 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. In identifying and quantifying exceptional items, the group consistently applies a policy that defines criteria that are required to be met for an item to be classified as exceptional. Exceptional items are disclosed separately in the Statement of Comprehensive Income.

The group believes that these items are useful to users of the Consolidated Financial Statements in helping them to understand the underlying business performance and are used to derive the group's principal non-GAAP measures of adjusted EBITDA, which is before the impact of exceptional items, and which are reconciled from profit from operations. A detailed analysis of all exceptional items which are not part of the group's adjusted EBITDA review can be seen within Note 13. By keeping this separated, it allows users to view merely company operational driven results and what EBITDA would be if these one-off exceptional costs were not incurred.

## 5.18 Share-based payments

The group provides benefits to certain employees (including executive directors) in the form of share-based payment transactions, whereby employees render services as consideration in exchange for equity instruments ("equity-settled transactions"). This equity settled share scheme commenced in July 2021 and has a vesting period of 3 years to July 2024.

The cost of equity-settled transactions is measured by reference to the fair value of the equity instruments at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date the relevant employee becomes fully entitled to the award.

The fair value is calculated using a Black-Scholes model and considers the impact of any market performance conditions. The impact of non-market performance conditions is not considered in determining the fair value at the date of grant. Vesting conditions which relate to non-market conditions are allowed for in the assumptions used for the number of options expected to vest. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next reporting period but may impact profit or loss and equity.

The level of vesting is reviewed at each balance sheet date and the charge adjusted to reflect actual and estimated levels of vesting. The cost of share-based payment transactions is recognised as an expense over the vesting period of the awards, with a corresponding increase in equity.

Further details of share-based awards granted in the year can be found in note 32.

## 5.19 Income from other services

Other operating income includes revenue from all other operating activities which are not related to the principal activities of the company. This includes carriage income which is recognised on delivery of goods.

# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

## 6. Reporting period

The company was incorporated on 14 June 2021 and on 16 July 2021 it acquired the entire share capital of Kensington Topco Limited. The Seraphine Group plc consolidated financial statements are prepared as a capital reorganisation which means that the financial statements are presented as if the company, and the subsidiary undertakings, had been combined since 21 December 2020, the date on which Kensington Topco Limited was incorporated.

These consolidated financial statements cover the 52 weeks ended 3 April 2022. The comparative period (unaudited) covers the period from 21 December 2020, the date on which Kensington Topco Limited was incorporated, to 4 April 2021. Kensington Bidco Limited acquired Stork Topco Limited on 30 December 2020, which represents the date when the trading business was combined.

## 7. 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:

### 7.1 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 group's 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](http://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 13.

### 7.2 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 19. 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 cash flows negatively impacted which has accordingly required the goodwill, other intangible assets and property, plant and equipment to be impaired by £27.9m.

# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

## Delivery versus despatch

Revenue for goods is recognised on delivery to the customer but is accounted for instead on despatch for practical reasons. The impact of this is assessed and is immaterial to group revenue and profits.

## 7.2 Key sources of estimation uncertainty (continued)

### 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 20b. Sensitivity analysis on the key assumption of the value in use valuations have been undertaken.

### Business combinations – valuation and asset lives of separately identifiable intangible assets

In determining the fair value of intangible assets arising in a business combination, management is required to make judgements regarding the timing and amount of future cash flows applicable to the intangible assets being acquired, discounted using an appropriate discount rate. Such judgements are based on current budgets and forecasts, extrapolated for an appropriate period taking into account growth rates and expected changes to selling prices and operating costs. The directors estimate the appropriate discount rate using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the businesses being acquired. Further details regarding these assets are provided in note 33.

The useful life of the brand value, recognised at fair value on the date of acquisition of 30 December 2020, is deemed to be 10 years.

## 8. 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
- Digital partnership which comprises wholesale customers and marketplace partners such as Amazon
- 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.

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## 9. Revenue from sales

The group's revenue from sales, 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
	<b>44,018,845</b>	<b>8,689,006</b>

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:

	52 weeks ended 3 April 2022 £	15 weeks ended 4 April 2021 Unaudited £
Own Digital platform	37,006,775	7,533,608
Digital Partnerships	4,376,045	891,388
Stores	2,636,025	264,010
	<b>44,018,845</b>	<b>8,689,006</b>

## 10. Income from other services

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

## 11. Employee expenses

	52 weeks ended 3 April 2022 £	15 weeks ended 4 April 2021 Unaudited £
Wages and salaries	3,251,656	694,679
Social security	349,943	76,886
Other pension costs	77,177	11,199
	<b>3,678,776</b>	<b>782,764</b>

The amount recognised in the Consolidated Income Statement an expense in relation to the group's defined contribution schemes is £77,177 (2021: £11,199).

The average monthly number of persons employed by the group (including directors) during the period was as follows:

	3 April 2022	4 April 2021 Unaudited
Store sales staff	34	25
Administrative staff	81	61
	<b>115</b>	<b>86</b>

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## 12. Directors and Key Management Personnel Compensation

The aggregate remuneration paid to directors (who are also considered the only key management personnel in the group) during the period was as follows:

	52 weeks ended 3 April 2022 £	15 weeks ended 4 April 2021 Unaudited £
Remuneration for qualifying services	797,758	201,978
Short-term employee benefits	2,498	594
Other pension costs	18,508	6,012
	<b>818,764</b>	<b>208,584</b>

The number of directors for whom retirement benefits are accruing under defined contribution schemes is 4 (2021: 4).

Directors' emoluments disclosed above include the following amounts paid to the highest paid director:

	52 weeks ended 3 April 2022 £	15 weeks ended 4 April 2021 Unaudited £
Remuneration for qualifying services	262,416	83,624
Other pension costs	7,290	2,500
	<b>269,706</b>	<b>86,124</b>

## 13. 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	-
	<b>29,922,900</b>	<b>4,726,733</b>

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.

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.



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## 14. 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 20a)	145,845	30,875
Amortisation of brand value (note 19)	4,125,299	1,085,008
Amortisation of other intangible assets (note 19)	365,571	87,641
Right-of-use asset depreciation (note 20b)	960,052	233,010
Gain on lease modifications (note 20b)	(1,590,000)	-
Impairment of inventories (note 22)	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	-
<b>Total audit fees</b>	<b>250,000</b>	<b>-</b>
Audit related assurance services	122,000	-
Other assurance services	81,920	-
<b>Total non-audit fees</b>	<b>203,920</b>	<b>-</b>

## 15. 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
	<b>4,065,338</b>	<b>1,418,817</b>

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## 16. 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
Overseas tax	4,321	-
<b>Total current tax expense</b>	<b>31,505</b>	<b>176,776</b>
Deferred tax credit		
Origination and reversal of timing differences	1,477,978	(195,292)
Adjustments in respect of prior periods	-	(1,933)
Exceptional items - impairment goodwill and intangible assets	(3,564,000)	-
<b>Total deferred tax credit</b>	<b>(2,086,022)</b>	<b>(197,225)</b>
<b>Total tax credit</b>	<b>(2,054,517)</b>	<b>(20,449)</b>

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 items	(655,360)	-
Permanent difference relating to goodwill impairment - exceptional items	2,584,837	-
Other movements	9,358	514,682
Other permanent differences	(233,968)	783
<b>Total tax credit</b>	<b>(2,054,517)</b>	<b>(20,449)</b>

For further information on deferred tax balances see note 29.

### 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.

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## 17. 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)

## 18. Dividends

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

## 19. Intangible assets

	Goodwill £	Brand Value £	Trademarks £	Website and Business Systems £	Total £
<b>Cost</b>					
<b>At 21 December 2020</b>	-	-	-	-	-
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)
<b>At 4 April 2021 – unaudited</b>	<b>13,604,406</b>	<b>41,252,900</b>	<b>94,600</b>	<b>1,214,962</b>	<b>56,166,868</b>
Additions	-	-	7,226	444,718	451,944
Disposals	-	-	-	(420,194)	(420,194)
Foreign exchange differences	-	-	-	208	208
<b>At 3 April 2022</b>	<b>13,604,406</b>	<b>41,252,900</b>	<b>101,826</b>	<b>1,239,694</b>	<b>56,198,826</b>
<b>Accumulated amortisation and impairment</b>					
<b>At 21 December 2020</b>	-	-	-	-	-
Charge for the period	-	(1,085,008)	-	(87,641)	(1,172,649)
Foreign exchange differences	-	-	-	245	245
<b>At 4 April 2021 – unaudited</b>	<b>-</b>	<b>(1,085,008)</b>	<b>-</b>	<b>(87,396)</b>	<b>(1,172,404)</b>
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
<b>At 3 April 2022</b>	<b>(13,604,406)</b>	<b>(19,045,356)</b>	<b>(32,583)</b>	<b>(421,176)</b>	<b>(33,103,521)</b>
<b>Net book value</b>					
<b>At 3 April 2022</b>	<b>-</b>	<b>22,207,544</b>	<b>69,243</b>	<b>818,518</b>	<b>23,095,305</b>
<b>At 4 April 2021 – unaudited</b>	<b>13,604,406</b>	<b>40,167,892</b>	<b>94,600</b>	<b>1,127,566</b>	<b>54,994,464</b>

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 7 within the key judgments section, for details regarding assumptions and impairment testing used within the discounted cash flow model. The amortisation charge for Brand Value and Website & Business Systems for the period are recognised within administrative expenses.

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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 cash generating unit (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 cash flows, 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.

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 cash flows which has correspondingly reduced the goodwill valuation to nil.

The tax rate has been assumed at 25.0%.

We have considered the impact of climate change on the group and have included all known climate related costs in the impairment assessment model.

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.

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## 20a. Property, plant and equipment – Owned assets

	Leasehold improvements £	Fixtures and fittings £	Total £
<b>Cost</b>			
<b>At 21 December 2020</b>	-	-	-
Additions	-	1,954	1,954
Acquisition of subsidiaries	78,458	173,967	252,425
<b>At 4 April 2021 – unaudited</b>	<b>78,458</b>	<b>175,921</b>	<b>254,379</b>
Additions	324,437	54,672	379,109
Exchange differences	(4,722)	507	(4,215)
<b>At 3 April 2022</b>	<b>398,173</b>	<b>231,100</b>	<b>629,273</b>
<b>Accumulated depreciation and impairment</b>			
<b>At 21 December 2020</b>	-	-	-
Charge for the period	(12,153)	(18,722)	(30,875)
<b>At 4 April 2021 – unaudited</b>	<b>(12,153)</b>	<b>(18,722)</b>	<b>(30,875)</b>
Charge for the period	(67,824)	(78,021)	(145,845)
Exchange differences	2,894	(991)	1,903
<b>At 3 April 2022</b>	<b>(77,083)</b>	<b>(97,734)</b>	<b>(174,817)</b>
<b>Net book value</b>			
<b>At 3 April 2022</b>	<b>321,090</b>	<b>133,366</b>	<b>454,456</b>
<b>At 4 April 2021 – unaudited</b>	<b>66,305</b>	<b>157,199</b>	<b>223,504</b>

## 20b. Property, plant and equipment – Right-of-use

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

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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 cash flows, 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 cash generating unit impairment assessment, with all relevant assumptions detailed within note 19.

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.

There was also a remeasurement of a lease as the group agreed with the landlord before the period end that the lease will terminate in August 2022. The remeasurement resulted in a modification gain of £129,000.

The £1,590,000 gain on lease modifications included in note 13 is the total of the two gains above.

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## 21. Investments in subsidiaries

A list of investments in subsidiaries, all of which have been included in the consolidated financial statements, are as follows:

Subsidiary	Class of shares	Country of incorporation	Nature of business	% Holding at 3 April 2022	% Holding at 4 April 2021
Kensington Topco Limited	Ordinary	Guernsey	Holding Company	100%	-
Kensington Midco Limited	Ordinary	UK	Holding Company	100%	100%
Kensington Bidco Limited	Ordinary	UK	Holding Company	100%	100%
Stork Topco Limited	Ordinary	UK	Holding Company	100%	100%
Stork Midco Limited	Ordinary	UK	Holding Company	100%	100%
Stork Acquisition Limited	Ordinary	UK	Holding Company	100%	100%
Seraphine Limited	Ordinary	UK	Retail, E-Commerce, wholesale maternity wear	100%	100%
Seraphine Holdings Corp	Ordinary	USA	Holding Company	100%	100%
Seraphine USA, Inc	Ordinary	USA	E-Commerce and wholesale soles of maternity wear	100%	100%
Seraphine Maternity LLC	Common stock	USA	Retail Sales maternity wear	100%	100%
Seraphine Concessions LLC	Common stock	USA	Retail sales maternity wear	100%	100%
Seraphine (Europe) Limited	Ordinary	UK	Holding Company	100%	100%
Seraphine France SARL	Ordinary	France	Retail Sales maternity wear	100%	100%
Shoetherapy Limited	Ordinary	UK	Dormant Company	100%	100%
CR Fashion Limited	Ordinary	UK	Dormant Company	100%	100%

Kensington Topco Limited and Stork Acquisition Limited are the only directly held subsidiaries.

The registered office address for each subsidiary is detailed in the table below.

Subsidiary	Registered office
Kensington Topco Limited	Ground Floor, Cambridge House, Le Truchot, St Peter Port, Guernsey, GY1 1WD
Kensington Midco Limited	8 Hanover Street, London, United Kingdom, W1S 1YQ
Kensington Bidco Limited	8 Hanover Street, London, United Kingdom, W1S 1YQ
Stork Topco Limited	2nd Floor, 265 Tottenham Court Road, London, England, W1T 7RQ
Stork Midco Limited	2nd Floor, 265 Tottenham Court Road, London, England, W1T 7RQ
Stork Acquisition Limited	2nd Floor, 265 Tottenham Court Road, London, England, W1T 7RQ
Seraphine Limited	2nd Floor, 265 Tottenham Court Road, London, England, W1T 7RQ
Seraphine Holdings Corp	2nd Floor, 265 Tottenham Court Road, London, England, W1T 7RQ
Seraphine USA, Inc	464 West Broadway New York NY 10012
Seraphine Maternity LLC	2nd Floor, 419 Park Avenue South, New York, 10016
Seraphine Concessions LLC	28th Floor, 120 Broadway, New York, 10271
Seraphine (Europe) Limited	2nd Floor, 265 Tottenham Court Road, London, England, W1T 7RQ
Seraphine France SARL	2-4 Palace Sulpice 75006 Paris
Shoetherapy Limited	2nd Floor, 265 Tottenham Court Road, London, England, W1T 7RQ
CR Fashion Limited	2nd Floor, 265 Tottenham Court Road, London, England, W1T 7RQ

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A parental guarantee is being provided by this company to certain subsidiary companies claiming the exemption from audit under section 479A of the Companies Act 2006. These are:

Company name	Company number
Kensington Midco Limited (Company number)	13095130
Kensington Bidco Limited (Company number)	13095296
Stork Topco Limited (Company number)	10788223
Stork Midco Limited (Company number)	10789841
Stork Acquisition Limited (Company number)	10746329
Seraphine Limited (Company number)	04406761
Seraphine (Europe) Limited (Company number)	10139367

Dormant subsidiary companies claiming the exemption from audit under section 480 of the Companies Act 2006 are:

Company name	Company number
Shoetherapy Limited	07468784
CR Fashion Limited	09869261

## 22. 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. Included within inventories is £699,824 (2021: £nil) of expected inventory returns.

## 23. Trade and other receivables

	3 April 2022 £	4 April 2021 Unaudited £
Trade receivables	1,086,082	479,394
Provisions for impairment of trade receivables	-	(3,309)
Trade receivables - net	1,086,082	476,085
Other receivables	423,731	173,355
Corporation tax receivable	180,908	-
Prepayments	305,327	540,002
<b>Total trade and other receivables</b>	<b>1,996,048</b>	<b>1,189,442</b>

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.



# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

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
<b>Closing provision for the impairment of trade receivables</b>	<b>-</b>	<b>3,309</b>

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.

## 24. 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	4,699,307	3,155,056
<b>Total trade and other payables</b>	<b>12,836,059</b>	<b>7,241,791</b>

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

## 25. Lease liabilities

	Leasehold property £
<b>At 21 December 2020</b>	<b>-</b>
Acquisition of subsidiaries	6,399,931
Lease modifications	(186,605)
Lease payments (interest and principal)	(216,983)
Lease interest accrued	49,071
<b>At 4 April 2021 – unaudited</b>	<b>6,045,414</b>
<b>At 5 April 2021</b>	<b>6,045,414</b>
Lease addition	1,406,271
Lease modifications	(1,794,000)
Lease payments (interest and principal)	(1,076,823)
Lease interest accrued	195,200
<b>At 4 April 2022</b>	<b>4,776,062</b>

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.

# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

## 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.

## 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
	<b>4,776,062</b>	<b>6,045,415</b>

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 lease modifications	(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).

## 26. Provisions

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

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.

# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

## 27. Loans and Borrowings

	3 April 2022 £	4 April 2021 Unaudited £
<b>Current</b>		
Bank loans and revolving credit facility	-	2,619,049
<b>Non-current</b>		
Bank loans and revolving credit facility	3,000,000	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
<b>Total Investor Loan notes</b>	-	<b>42,018,808</b>
<b>Total loans and borrowings</b>	<b>3,000,000</b>	<b>54,712,857</b>

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 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	-	2,619,049
Between one and two years	-	1,625,000
Between two and five years	3,000,000	8,450,000
	<b>3,000,000</b>	<b>12,694,049</b>

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.

# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

## 28. Financial instruments

The group is exposed through its operations to the following financial risks:

- Credit risk;
- Liquidity risk; and
- Foreign currency risk

The principal financial instruments used by the group, from which financial instrument risks arise, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Loan and borrowings

The group's financial instruments may be analysed as follows:

### Financial assets measured at amortised cost

	3 April 2022 £	4 April 2021 Unaudited £
Trade and other receivables	1,239,813	649,210
Cash and cash equivalents	2,847,116	3,168,542
	<b>4,356,929</b>	<b>3,817,752</b>

### Financial liabilities measured at amortised cost

	3 April 2022 £	4 April 2021 Unaudited £
Trade and other payables	(11,630,725)	(6,234,344)
Loans and borrowings	(3,000,000)	(54,712,857)
	<b>(14,630,725)</b>	<b>(60,947,201)</b>

Financial assets measured at amortised cost comprise trade receivables, other receivables and cash and cash equivalents.

Financial liabilities measured at amortised cost comprise trade payables, other payables, accruals, loans and borrowings.

The group is exposed to a variety of financial risks through its use of financial instruments which result from its operating activities. The group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the group is exposed are described below:

#### Credit risk

The group's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the reporting date, as summarised below:

	3 April 2022 £	4 April 2021 Unaudited £
Financial assets measured at amortised cost	4,356,929	3,817,752

The group's exposure to credit risk arises from cash and cash equivalents, as well as outstanding receivables (refer to note 23).

The group's cash and cash equivalents are all held on deposit with leading international banks and hence the directors consider the credit risk associated with such balances to be low. The group only uses HSBC for its banking needs; credit rating for HSBC as at 03 April 22 was AA- from Fitch.

The group provides credit to customers in the normal course of business. The amounts presented in the Statement of Financial Position in relation to the group's trade receivables are presented net of loss allowances. The group measures loss allowances at an amount equal to the lifetime expected credit losses (ECL's) using both qualitative and quantitative information and analysis based on the group's historical experience and forward-looking information.

# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

## Liquidity risk

Liquidity risk arises from the group's management of working capital and the amount of funding required for growth. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due.

The group manages its cash and borrowing requirements through preparation of annual cash flow forecasts reflecting known commitments and anticipated projects in order to maximise interest income and minimise interest expense, whilst ensuring that the group has sufficient liquid resources to meet the operating needs of the group. Borrowing facilities are arranged as necessary to finance requirements.

The following table shows the maturities of gross undiscounted cash flows of financial liabilities:

### As at 3 April 2022

	Carrying amount £	Contractual cash flows £	< 1 year £	1 – 5 years £	5 years and over £
Trade and other payables	(11,630,725)	(11,630,725)	(11,630,725)	-	-
Loans and borrowings	(3,000,000)	(3,000,000)	-	(3,000,000)	-
Lease liabilities	(4,776,062)	(4,776,062)	(1,137,265)	(3,089,028)	(549,769)
<b>Total financial liabilities</b>	<b>(19,406,787)</b>	<b>(19,406,787)</b>	<b>(12,767,990)</b>	<b>(6,089,028)</b>	<b>(549,769)</b>

### As at 4 April 2021 - unaudited

	Carrying amount £	Contractual cash flows £	< 1 year £	1 – 5 years £	5 years and over £
Trade and other payables	(6,234,344)	(6,234,344)	(6,234,344)	-	-
Loans and borrowings	(54,712,857)	(54,712,857)	(2,619,049)	(52,093,808)	-
Lease liabilities	(6,045,415)	(6,045,415)	(915,911)	(3,777,138)	(1,352,366)
<b>Total financial liabilities</b>	<b>(66,992,616)</b>	<b>(66,992,616)</b>	<b>(9,769,304)</b>	<b>(55,870,946)</b>	<b>(1,352,366)</b>

### Changes in liabilities arising from financing activities

	Bank loans £	Loan Notes £	Lease liability £	Total £
<b>Balance at 21 December 2020</b>	-	-	-	-
New lease liability on acquisition	-	-	6,399,931	6,399,931
Loan interest	152,485	1,217,261	49,071	1,418,817
Lease modifications	-	-	(186,605)	(186,605)
<b>New borrowings</b>	<b>12,694,049</b>	<b>40,801,547</b>	<b>-</b>	<b>53,495,596</b>
Interest/capital paid	(152,485)	-	(49,071)	(201,556)
Capital repaid	-	-	(167,912)	(167,912)
<b>Net cash from/(used in) financing activities</b>	<b>12,492,493</b>	<b>40,801,547</b>	<b>(216,983)</b>	<b>53,495,596</b>
<b>Balance at 4 April 2021 - unaudited</b>	<b>12,694,049</b>	<b>42,018,808</b>	<b>6,045,414</b>	<b>60,758,271</b>
<b>Loan interest</b>	<b>534,787</b>	<b>3,335,351</b>	<b>195,200</b>	<b>4,065,338</b>
<b>Acquisition of leases</b>	<b>-</b>	<b>-</b>	<b>1,406,271</b>	<b>1,406,271</b>
<b>Lease modifications</b>	<b>-</b>	<b>-</b>	<b>(1,794,000)</b>	<b>(1,794,000)</b>
<b>New borrowings</b>	<b>3,000,000</b>	<b>-</b>	<b>-</b>	<b>3,000,000</b>
<b>Interest paid</b>	<b>(601,047)</b>	<b>(4,552,612)</b>	<b>(195,200)</b>	<b>(5,348,859)</b>
<b>Capital repaid</b>	<b>(12,627,789)</b>	<b>(40,801,547)</b>	<b>(881,623)</b>	<b>(54,310,959)</b>
<b>Net cash used in financing activities</b>	<b>(10,228,836)</b>	<b>(45,354,159)</b>	<b>(1,076,823)</b>	<b>(56,659,818)</b>
<b>Balance at 3 April 2022</b>	<b>3,000,000</b>	<b>-</b>	<b>4,776,062</b>	<b>7,776,062</b>

# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

## Foreign currency risk

Foreign currency risk is the risk that movements in exchange rates affect the profitability of the business. A proportion of the group's purchases and sales are denominated in US dollars and euros. The group does not hedge against foreign exchange risk given forecasted overseas transactions are anticipated to be minimal. The group monitors exchange rate movements closely and ensure adequate funds are maintained in appropriate currencies to meet known liabilities.

A proportion of the group's purchases which are settled in US dollars are completed using Letter of Credit facilities from the company's bank. In the period \$6,211,455 (2021: \$2,486,115) was utilised. As at the balance sheet date, the company had \$990,063 (2021: \$580,547) commitments in respect of these contractual facilities.

The group's exposure to foreign currency risk at the end of the respective reporting period was as follows:

	3 April 2022 £	4 April 2021 Unaudited £
USD	(1,417,754)	860,816
EUR	(1,336,239)	(623,589)
AUD	117,213	138,394
JPY	937	937
	(2,635,843)	376,558

Liabilities include the monetary assets and liabilities of subsidiaries denominated in foreign currency.

The group is exposed to foreign currency risk on the relationship between the functional currencies of group companies and the other currencies in which the group's material assets and liabilities are denominated. The table below summarises the effect on reserves had the functional currencies of the group weakened or strengthened against these other currencies, with all other variables held constant.

## 10% strengthening of functional currency

	3 April 2022 £	4 April 2021 Unaudited £
USD	(1,275,979)	946,898
EUR	(1,202,615)	(561,230)
AUD	128,934	141,827
JPY	1,030	1,030
	(2,348,630)	528,525

## 10% weakening of functional currency

	3 April 2022 £	4 April 2021 Unaudited £
USD	(1,559,529)	774,734
EUR	(1,469,863)	(685,948)
AUD	105,492	124,555
JPY	843	843
	(2,923,057)	214,184

The impact of a change of 10% has been selected as this has been considered reasonable given the current level of exchange rates and volatility observed both on a historical basis and market expectations for future movements.

# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

## Fair value of financial instruments

The fair values of all financial assets and liabilities approximates to their carrying value.

## Capital management

The group's objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The group sets the amount of capital it requires in proportion to risk. The group manages its capital structure and makes adjustments to it in light of changes in economic conditions, and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

For the purpose of the group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent.

The primary objective of the group's capital management is to maximise the shareholder value and to ensure that it has the capital required to operate and grow the business at a reasonable cost of capital without incurring undue financial risks.

The group manages its capital structure and makes adjustments in light of changes in economic conditions.

To maintain or adjust the capital structure, the group may seek to raise funds by issuing new shares to reduce debt.

The management of debt is considered to be an important element in controlling the capital structure.

Following the impairment of the investments in Stork Acquisition Limited, the board is intending to undertake a Capital Reduction of its Share Premium to free up necessary reserves in other group companies.

The group has arranged modest debt facilities in the form of a Revolving Credit Facility to allow for fluctuations in working capital requirements.

## 29. Deferred tax

	Fixed asset differences £	Arising on business combinations £	Total £
<b>At 21 December 2020</b>	-	-	-
Acquisition of subsidiaries	194,412	7,838,051	8,032,463
Utilised through profit & loss	8,927	(206,152)	(197,225)
<b>At 4 April 2021 – Unaudited</b>	<b>203,339</b>	<b>7,631,899</b>	<b>7,835,238</b>
Utilised through profit & loss	99,227	(2,185,249)	(2,086,022)
<b>At 3 April 2022</b>	<b>302,566</b>	<b>5,446,650</b>	<b>5,749,216</b>

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

# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

## 30. 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
	<b>509,020</b>	<b>97,500</b>

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

Ordinary share capital allotted, called up and fully paid:

	3 April 2022 Number	4 April 2021 Unaudited Number
At beginning of period	975,000	975,000
Extinguished on reorganisation	(975,000)	-
Allotted during the year	50,902,011	-
<b>At end of period</b>	<b>50,902,011</b>	<b>975,000</b>

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.



# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

## 31. 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 owners.

## 32. Share based payments

The group's equity-settled share scheme was approved by the shareholders in July 2021 and has a vesting period of 3 years to July 2024. The scheme is designed to award employees through an option plan, to provide long-term incentives for senior managers and above to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of options that will vest depends on the group's total shareholder return, including share price growth, dividends and capital returns. Options are granted under the plan for no consideration and carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on the weighted average price at which the company's shares are traded on the London Stock Exchange during the week up to and including the date of the grant.

	2022		2021 Unaudited	
	Average exercise price per share option	No. of options	Average exercise price per share option	No. of options
As at 4 April 2021 - unaudited	-	-	-	-
Granted during the year	£0.01	463,034	-	-
As at 3 April 2022	£0.01	463,034	-	-
Vested and exercisable at 3 April 2022	-	-	-	-

The weighted average share price at the date of exercise of options exercised during the period ended 3 April 2022 was £2.95 (2021: Not applicable)

No options expired during the period covered by the tables above.

## Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

Share options outstanding at the end of the period have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Share options 3 April 2022	Share options 4 April 2021 Unaudited
16 July 2021	16 July 2024	£0.01	£1,365,950	-

The weighted average remaining contractual life of options outstanding at the end of the period was 2.29 years (2021: not applicable).

### Fair value of options granted

The assessed fair value at grant date of options granted during the period ended 3 April 2022 was £2.95. The fair value at grant date is independently determined using an adjusted form of the Black-Scholes model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate for the term of the option.

The model inputs for options granted during the period ended 3 April 2022 included:

- a) Exercise price: £0.1
- b) Grant date: 16 July 2021
- c) Expiry date: 16 July 2024
- d) Share price at grant date: £2.95
- e) Expected price volatility of the company's shares: 0.7%
- f) Expected dividend yield: 0%
- g) Risk-free interest rate: 0.34%

The expected price volatility is based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information. The share-based payment compensation included in the consolidated Statement of Comprehensive Income in respect of share options was £nil (2021: £nil), given latest forecast predict that the financial targets will not be met and the share options will not vest.

# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

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## 33. Business combinations - unaudited

On 30 December 2020 the group purchased 100% of the share capital of Stork Topco Limited, a retailer and wholesaler of women's maternity wear and accessories for a consideration of £54,331,673. The financial results of Stork Topco Limited have been included in the group's consolidated results from 30 December 2020.

	At fair value £
<b>Consideration</b>	<b>54,331,673</b>
<b>Assets</b>	
Trademark	90,904
Brand value	41,252,900
Other intangible assets	1,104,924
Property, plant and equipment	252,425
Right-of-use assets	6,399,931
Cash and cash equivalents	6,299,414
Trade and other receivables	516,575
Inventories	5,332,550
<b>Liabilities</b>	
Trade and other payables	(6,008,073)
Lease Liabilities	(6,399,931)
Provisions	(81,889)
Deferred tax liabilities	(8,032,463)
<b>Net identifiable assets acquired</b>	<b>40,727,267</b>
Goodwill	13,604,406
<b>Total</b>	<b>54,331,673</b>

The adjustments arising on acquisition were in respect of the following:

- The uplift in Brand value was to a third-party valuation.
- Deferred tax adjustment arising as a result of the acquisition adjustments.

### Consideration

	£
Cash	53,123,873
Contingent consideration	1,207,800
Cash paid	53,123,873
Less cash acquired	(6,299,414)
<b>Total cash outflows for payment of business acquisition</b>	<b>46,824,459</b>

Of the £53,123,873 cash consideration, £23,129,260 was paid to the management of the business as settlement of previous loan notes. Contingent consideration is payable based on the EBITDA of the Stork Topco Group for the period ended 4 April 2021. The amount payable is capped at £3,000,000. The amount recognised in the business combination is based on the consolidated accounts of Stork Topco Group for the period ended 4 April 2021.

# Notes to the Consolidated Financial Statements

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The goodwill on acquisition of the business represents the value derived from future incremental profitability over and above that which existed at the time of the acquisition, including synergies and cost savings through economies of scale. None of the goodwill recognised is deductible for income tax purposes.

From the date of acquisition to 4 April 2021, the Stork Topco Group contributed £8,689,006 of revenue and loss before tax of £360,378 to the group.

Costs directly attributable to the acquisition of Stork Acquisition Limited of £2,387,156 were expensed in the period to 4 April 2021 as non-recurring exceptional items.

## 34. Guarantees and other commitments

The group's parent company, Seraphine Group plc, has bank facilities with HSBC Bank Plc where the group has pledged a fixed and floating charge over its assets in respect of these facilities.

The group has the following facilities with HSCB Bank Plc:

- Revolving Credit Facility of £6m with an expiry date of 30 December 2024
- Documentary Letters of Credit \$3m, with the options of sight terms, usance terms and an import loan option
- Bank guarantees facility of 185,000 euros
- Forward foreign exchange contracts facility of \$250,000

As at 3 April 2022 the following facilities were drawn:

- Standby Letter of Credit dated 17 October 2014 in favour of GW Properties LLC for \$159,000 (2021: \$159,000)
- Standby Letter of Credit dated 13 May 2015 in favour of 1321 Madison Avenue Corp for \$148,568 (2021: \$148,568)
- Bank guarantee dated 4 August 2017 in favour of Mr Laurent et Didier Hirsh for 131,250 euros (2021: 35,412 euros)
- Bank guarantee dated 11 January 2021 in favour of Financien Fiscaliteit KMO for 39,500 euros (2021: 22,000 euros)
- Usance Letter of Credit commitments of \$990,063 (2021: \$580,547) for balances included in trade payables

## 35. Pension costs

The group operates a defined contribution pension scheme and an auto-enrolment pension scheme for employees. The pension charge for the period represents contributions payable by the group to the schemes and amount to £77,177 (2021 unaudited: £54,970). £Nil (2021: £Nil) of contributions were outstanding to the auto-enrolment scheme and £Nil (2021: £Nil) were outstanding to personal pension plans at the balance sheet date.

## 36. Related party transactions

On 16 July 2021, the group underwent an initial public offering ("IPO") which involved various transactions with the directors of the Seraphine Group plc, which is detailed within the table below:

Director	Repayment of loan notes £	Stamp Duty £	Commissions £	Gross proceeds from share sale £	Total £
John P Bailey	434,865	(3,762)	(20,690)	752,374	1,162,787
David N Williams	705,779	(9,189)	(50,542)	1,837,891	2,483,939
Chelsey C Oliver	270,914	(5,428)	(29,852)	1,085,514	1,321,148
Sharon E Flood	125,383	-	-	-	125,383
William D G Ronald	50,153	-	-	-	50,153
	<b>1,587,094</b>	<b>(18,379)</b>	<b>(101,084)</b>	<b>3,675,779</b>	<b>5,143,410</b>

During the period the group paid monitoring fees to Mayfair Equity Partners LLP of £28,562 (2021: £25,000).

During the period the company accrued £1,262,659 interest (2021: £1,093,773) on the £41,586,171 Fixed Rate A Loan Notes 2026 to Mayfair Equity Partners LLP and £40,560 interest (2021: £35,135) on the £1,335,862 Fixed Rate B Loan Notes 2026 to the directors, David Williams, John Bailey and Chelsey Oliver.

Balances between the company and its subsidiaries, which are related parties, have been eliminated on consolidation. All related party transactions were performed on an arm's length basis.

# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

## 37. Ultimate controlling party

Following the IPO process, there is no longer an ultimate controlling party.

## 38. Post balance sheet events

During May 2022, the New York Madison Avenue store was closed down. This was due to the store operating in a loss-making position throughout the financial year, with EBITDA of -£98,589 for the year ending 3 April 2022.

Subsequent to the period end, an additional £2,000,000 has been drawn down from the revolving credit facility, leaving £1,000,000 available to be drawn down.

## 39. Transition to IFRS

This is the first year the group have presented its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the UK. The last unaudited financial statements under FRS 102 were for the 15 weeks ended 4 April 2020, and the date of transition to IFRS was 22 December 2020.

Set out below is the FRS 102 to IFRS reconciliation for the Statement of Total Comprehensive Income and Statement of Financial Position, for the 15-week period ended 4 April 2021. At the date of transition to IFRS, being 22 December 2020, there were no adjustments to the group's opening Statement of Financial Position, given this represents the date of incorporation of Kensington Topco Limited. As a result of this, a transitional Statement of Financial Position at 22 December 2020 has not been presented.

### Effect on cash flows

The transition to IFRS had no effect on the cash flows reported in accordance with FRS 102, except that the presentation in the Consolidated Statement of Cash Flows in accordance with IFRS differs from the presentation in accordance with FRS 102 as follows:

The implementation of IFRS 16 has resulted in various changes throughout. The rental payments of £252,251 previously included within the underlying loss before tax for 15 week period ended 4 April 2021, has now been replaced with a depreciation charge of £233,010 and lease interest of £49,071, both reported within operating activities. In addition, lease repayments of £237,296 are included within financing activities to represent the payment of rentals from the unwinding of the lease liabilities.

## Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

### Reconciliation of transition to IFRS

Refer to the following table for the reconciliation between FRS 102 and IFRS for the 15 week period ended 4 April 2021.

## Consolidated Statement of Total Comprehensive Income

For the 15 weeks ended 4 April 2021

Loss as previously reported under FRS 102 - unaudited	£ (1,715,022)
<b>Adjustments arising from transition:</b>	
1) Leases	(2,742,977)
2) Goodwill amortisation	482,030
3) Transaction costs	(2,525,477)
4) Other	194,412
<b>Loss as restated under IFRS</b>	<b>(6,307,034)</b>

# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

## Consolidated Statement of Financial Position

For the 15 weeks ended 4 April 2021

	FRS 102 unaudited £	Leases £	Goodwill £	Transaction costs £	Other £	Reclassifi- cations £	IFRS restated £
<b>Assets</b>							
<b>Non-current assets</b>							
Goodwill	17,845,178	(359,604)	482,030	(4,557,610)	194,412	-	13,604,406
Other intangible assets	40,262,492	-	-	-	-	1,127,566	41,390,058
Property, plant and equipment - owned assets	1,351,070	-	-	-	-	(1,127,566)	223,504
Property, plant and equipment - right-of-use	-	3,519,916	-	-	-	-	3,519,916
<b>Total non-current assets</b>	<b>59,458,740</b>	<b>3,160,312</b>	<b>482,030</b>	<b>(4,557,610)</b>	<b>194,412</b>	<b>-</b>	<b>58,737,884</b>
<b>Current assets</b>							
Inventories	7,510,108	-	-	-	-	-	7,510,108
Trade and other receivables	1,387,289	(197,847)	-	-	-	-	1,189,442
Cash and cash equivalents	3,168,542	-	-	-	-	-	3,168,542
<b>Total current assets</b>	<b>12,065,939</b>	<b>(197,847)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,868,092</b>
<b>Total assets</b>	<b>71,524,679</b>	<b>2,962,465</b>	<b>482,030</b>	<b>(4,557,610)</b>	<b>194,412</b>	<b>-</b>	<b>70,605,976</b>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Trade and other payables	(7,735,840)	-	-	-	-	494,049	(7,241,791)
Borrowings	(2,125,000)	-	-	-	-	(494,049)	(2,619,049)
Lease liabilities	-	(915,911)	-	-	-	-	(915,911)
<b>Total current liabilities</b>	<b>(9,860,840)</b>	<b>(915,911)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,776,751)</b>
<b>Net current assets/(liabilities)</b>	<b>2,205,099</b>	<b>(1,113,758)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,091,341</b>
<b>Total assets less current liabilities</b>	<b>61,663,839</b>	<b>2,046,554</b>	<b>482,030</b>	<b>(4,557,610)</b>	<b>194,412</b>	<b>-</b>	<b>59,829,225</b>
<b>Non-current liabilities</b>							
Long-term provisions	(442,682)	339,974	-	-	-	-	(102,708)
Borrowings	(10,075,000)	-	-	-	-	-	(10,075,000)
Investor loan notes	(44,050,941)	-	-	2,032,133	-	-	(42,018,808)
Lease liabilities	-	(5,129,504)	-	-	-	-	(5,129,504)
Deferred tax liabilities	(7,835,239)	-	-	-	-	-	(7,835,239)
<b>Total non-current liabilities</b>	<b>(62,403,862)</b>	<b>(4,789,530)</b>	<b>-</b>	<b>2,032,133</b>	<b>-</b>	<b>-</b>	<b>(65,161,259)</b>
<b>Total liabilities</b>	<b>(72,264,702)</b>	<b>(5,705,441)</b>	<b>-</b>	<b>2,032,133</b>	<b>-</b>	<b>-</b>	<b>(75,938,010)</b>
<b>Net assets/(liabilities)</b>	<b>(740,022)</b>	<b>(2,742,977)</b>	<b>482,030</b>	<b>(2,525,477)</b>	<b>194,412</b>	<b>-</b>	<b>(5,332,034)</b>
<b>Equity</b>							
Called up share capital	97,500	-	-	-	-	-	97,500
Share premium	877,500	-	-	-	-	-	877,500
Foreign exchange translation reserve	-	-	-	-	-	9,197	9,197
Accumulated losses	(1,715,022)	(2,742,977)	482,030	(2,525,477)	194,412	(9,197)	(6,316,231)
<b>Total equity</b>	<b>(740,022)</b>	<b>(2,742,977)</b>	<b>482,030</b>	<b>(2,525,477)</b>	<b>194,412</b>	<b>-</b>	<b>(5,332,034)</b>

# Notes to the Consolidated Financial Statements

For the 52 weeks ended 3 April 2022

## Explanation of reconciling items between FRS 102 and IFRS

The financial impacts on the Consolidated Income Statement and Statement of Financial Position have been explained below. Within the notes to the consolidated financial statements, additional information has been provided where there was a material adjustment on transition to IFRS.

### 1) Leases

Under FRS 102, leases where the group is the lessee are treated as operating leases where appropriate, and rentals charged on a straight-line basis. On adoption of IFRS 16, the group recognises lease liabilities in relation to leases which were previously classified as operating leases under FRS 102, using the cumulative catch-up approach. These liabilities are measured at the present value of remaining lease payments, discounted using the lessee's incremental borrowing rate (IBR) as at 30 December 2020. The IBRs applied to the lease liabilities on 30 December 2020 are between 2.3% and 3.9%.

Adjustments recognised on adoption of IFRS 16 are as follows:

Operating lease commitments at 22 December 2020	£ 6,559,466
Discount at transition	(514,051)
<b>Lease liability recognised at 30 December 2020</b>	<b>6,045,415</b>

The associated right-of-use assets for leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 December 2020. Right-of-use assets recognised of £3,519,916 at 30 December 2020 are all in relation to properties.

There is no impact on the group's IFRS opening Statement of Financial Position at 22 December 2020. The pre-tax impact for the 15 weeks ended 4 April 2021 is a decrease in operating charges of £252,251 due to the rentals charged offset by increased depreciation of £233,010 and an increase in finance costs of £49,071.

### 2) Goodwill

Under FRS 102, goodwill on acquisitions is capitalised and amortised over its useful economic life. Under IFRS, amortisation is no longer charged; instead, goodwill is tested for impairment annually and again where indicators are deemed to exist. Goodwill is carried at cost less accumulated impairment losses.

The transition provisions to apply IFRS 3 prospectively means that there were no adjustment to the group's IFRS opening Statement of Financial Position at 22 December 2020. The pre-tax impact for the 15 weeks ended 4 April 2021 was £482,030, representing a reduction in operations from reversal of goodwill amortisation.

### 3) Transaction costs

Under FRS 102, transaction costs were capitalised as part of the cost of the investment. However, under IFRS, the costs associated with the business combination are expensed as incurred. £2,120,485 of costs related to the investor loan notes, with £2,032,133 being reclassified against the investor loan notes as at 4 April 2021, and £88,352 being released to Statement of Total Comprehensive Income. The remaining £2,387,156 of transaction costs have been expensed within the Statement of Total Comprehensive income during the 15 week period ended 4 April 2021.

### 4) Other

IFRS accounting adjustment have been tax-amended where appropriate. Under FRS 102, deferred tax is accounted for on the basis of taxable timing differences that have originated by not reversed at the Statement of Financial Position date. Under IFRS, the Statement of Financial Position method recognises current tax consequences of transactions and events and the future tax consequences of the future tax recovery or settlement of carrying amount of an entity's assets and liabilities. Under IFRS, the Statement of Financial Position method recognises current tax consequences of transactions and events and the future tax consequences of the future tax recovery or settlement of carrying amount of an entity's assets and liabilities.

There is no impact on the group's IFRS opening Statement of Financial Position at 22 December 2020. The pre-tax impact for the 15 weeks ended 4 April 2021 includes an increase of £194,412 against corporation tax arising from transition differences. There is not expected to be a material change to the group's underlying tax rate as a result of the implementation of IFRS.

### 5) Reclassifications

On transition to IFRS, these items were identified, and management deemed it appropriate to change the classification of these items.



# Company Statement of Financial Position

As at 3 April 2022

## Seraphine Group plc

	Note	3 April 2022 £
<b>Assets</b>		
<b>Non-current assets</b>		
Investments	5	25,884,050
<b>Total non-current assets</b>		<b>25,884,050</b>
<b>Current assets</b>		
Trade and other receivables	6	1,474,652
<b>Total current assets</b>		<b>1,474,652</b>
<b>Total assets</b>		<b>27,358,702</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	7	(2,783,556)
<b>Net current liabilities</b>		<b>(1,308,904)</b>
<b>Total assets less current liabilities</b>		<b>24,575,146</b>
<b>Net assets</b>		<b>24,575,146</b>
<b>Equity</b>		
Called up share capital	8	509,020
Share premium account	8	59,436,003
Retained deficit	8	(35,369,877)
<b>Total equity</b>		<b>24,575,146</b>

As permitted by s408 of the Companies Act 2006, the company has not presented its own statement of comprehensive income and related notes as it prepares group accounts. The company's loss after tax for the period was £35,369,877.

## Company Statement of Changes in Equity

As at 3 April 2022

	Called up share capital £	Share premium account £	Retained deficit £	Total equity £
<b>At 14 June 2021*</b>	-	-	-	-
Issue of ordinary shares	509,020	59,436,003	-	59,945,023
<b>Transactions with owners</b>	<b>509,020</b>	<b>59,436,003</b>	<b>-</b>	<b>59,945,023</b>
Loss for the financial period and total comprehensive expense	-	-	(35,369,877)	(35,369,877)
<b>At 3 April 2022</b>	<b>509,020</b>	<b>59,436,003</b>	<b>(35,369,877)</b>	<b>24,575,146</b>

\* Seraphine Group plc was incorporated on 14 June 2021

# Notes to the Company Financial Statements

For the 42 weeks ended 3 April 2022

## 1. Accounting Policies

To the extent that an accounting policy is relevant to both the Seraphine Group plc and company financial statements, refer to the consolidated financial statements for disclosure of the accounting policy.

### Statement of compliance

The company's financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

### Basis of preparation

The company meets the definition of a qualifying entity under application of Financial Reporting requirements 100 as issued by the Financial Reporting Council. Accordingly, the company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

This is for the 42 week period from incorporation, being 16 June 2021 to the reporting date, representing the company's first FRS 101 financial statements.

They are presented in Pounds Sterling, with values rounded to the nearest £1, except where otherwise indicated. The financial statements have also been prepared under the historical cost convention, on a going concern basis.

### Summary of disclosure exemptions

As the company is a member of a group which prepares publicly available consolidated financial statements, it is a qualifying entity for the purposes of FRS 101. Accordingly, the following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements:

- Presentation of Cash Flows and related notes
- Financial instrument disclosures
- Disclosure of key management personnel remuneration
- Related party disclosures for transactions with wholly owned members of the group
- Disclosures of the objectives, policies and processes for managing capital
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date.

### Going concern

The directors have reviewed the group's forecasts and projections for the period to October 2023 (the 'Forecast Period'), including their assessment of trading and associated cash flow forecasts and forecast liquidity. In considering the appropriateness of adopting the going concern basis in preparing the financial statements the directors have assessed the potential cash generation of the group and considered a range of downside scenarios. The scenarios were informed by a comprehensive review of the macroeconomic environment, including the impact of the current invasion of Ukraine, and the group's experience of trading through the pandemic over the last two years.

Following the various scenarios and stress tests performed, the group would have sufficient cash headroom and liquidity to continue trading throughout the period to October 2023. Consequently, the directors have concluded that using the going concern basis for the preparation of the Financial Statements is appropriate.

### Summary of accounting policies

#### Investments in subsidiary undertakings

A subsidiary is an entity controlled, either directly or indirectly, by the company, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. Investments in subsidiaries represent interests in subsidiaries that are directly owned by the company and are stated at cost less any provision for permanent diminution in value.

# Notes to the Company Financial Statements

For the 42 weeks ended 3 April 2022

## Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

## Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

## Share capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares are recognised as a deduction from equity, net of any tax effects.

## Dividends

Dividends receivable from the company's subsidiaries are recognised only when they are approved or paid by the shareholders. Dividend distributions to the company's shareholders are recognised in the period in which the dividends are paid.

## Key judgements and sources of estimation uncertainty

The company 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:

## Recoverability of investments

Investments are subject to impairment reviews at the end of the reporting date based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on the higher of the value in use and fair value less costs to dispose. Value in use is calculated from expected future cash flows using suitable discount rates and includes management assumptions and estimates of future performance, as disclosed within note 19 of the consolidated financial statements. This resulted in an impairment of investments in subsidiaries for the period ended 3 April 2022 of £121,140,000.

## Recoverability of intercompany receivables

At each reporting date, management determines whether there is objective evidence that the loan to its subsidiary is impaired. If there is such evidence, management calculates the amount of impairment as the difference between the recoverable amount of the loan to the subsidiary and its carrying value and then recognises the loss in the income statement. Our assessment has shown no indication of impairment.

## New and amended standards adopted by the company

There are no relevant new standards and interpretations adopted or not yet adopted.

## 2. Auditors' remuneration

	3 April 2022 £
Fees payable to the company's auditors for the audit of the company's financial statements	50,000

## 3. Directors' Remunerations and employee costs

Details of directors remuneration in respect of services delivered to the group are contained in the Directors' Remuneration Report on pages 100-118. The remuneration received by the directors in respect of directly attributable services to this company is inconsequential in the context of the remuneration figure. The company has no employees other than the directors and the directors are not remunerated through this company other than by issues of share-based payments as described in Note 1 to the company financial statements. The directors are considered to be the Key Management Personnel of the company.

# Notes to the Company Financial Statements

For the 42 weeks ended 3 April 2022

## 4. Dividends

The company received dividends of £85,472,996 from other subsidiary undertakings during the period ended 3 April 2022.

## 5. Investments in subsidiaries

Investments in the company's statement of financial position consist of investment in subsidiary undertakings as follows:

	3 April 2022 £
At cost and net book value:	
At the beginning of the period	-
Additions	147,326,300
Return of capital from Kensington Topco Limited	(302,250)
Impairment	(121,140,000)
<b>At the end of the period</b>	<b>25,884,050</b>

On 16 July 2021, Seraphine Group plc acquired Stork Acquisition Limited at market value. As at 3 April 2022, the market value has been assessed for impairment indicators. Impairment of £121,140,000 has been identified following management's assessment and application of assumptions detailed within note 19 of the consolidated financial statements.

A list of investments in subsidiaries included in the consolidated financial statements, are detailed within the table in note 21 to the consolidated financial statements.

## 6. Trade and other receivables

	3 April 2022 £
Amounts owed from subsidiary undertakings	1,474,652

The amounts owed by group undertakings are interest free, unsecured and have no fixed repayment date.

## 7. Trade and other payables

	3 April 2022 £
Taxation and social security	132,702
Accruals and other payables	114,358
Amounts owed to subsidiary undertakings	2,428,724
Corporation tax payable	107,772
	<b>2,783,556</b>

The amounts owed to group undertakings are interest free, unsecured and have no fixed repayment date.

## 8. Share capital and reserves

The share capital and share premium are consistent with Seraphine Group plc consolidated financial statements. Refer to notes 30 within the notes to the consolidated financial statements.

Retained deficit represents the total of all current losses net of distributions to owners.

## 9. Related party transactions

Amounts owed by and to subsidiaries are disclosed within notes 6 and 7 respectively, of the company financial statements.

The remuneration of the directors of the company is disclosed within the Remuneration Report on pages 100-118.

Interests and related party transactions are disclosed in note 36 of the consolidated financial statements.

## Company Information and Advisors

### Shareholder Information

Seraphine Group plc is a public company limited by shares and registered in England Wales, Registered number 13454003

### Registered office and head office

2nd Floor  
265 Tottenham Court Road  
London W1T 7RQ

### Corporate website

[www.seraphinegroupplc.com](http://www.seraphinegroupplc.com)

### Consumer website

[www.seraphine.com](http://www.seraphine.com)

[E.Investor.relations@seraphine.com](mailto:E.Investor.relations@seraphine.com)

Our ordinary shares are listed on the London Stock Exchange (standard listing)

### Legal Entity Identified (LEI)

254900CQ8TMKUDD0L296

### International Securities Identification Number

GB00BNXGTY25

### Ticker Symbol

BUMP

### Advisors

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