

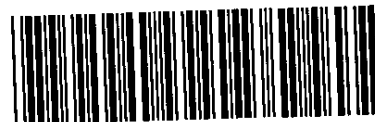
AM10

Notice of administrator's progress report



Companies House

MONDAY



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01/06/2020

#297

COMPANIES HOUSE

1 Company details

Company number 00533087

Company name in full Mothercare UK Limited

→ Filling in this form
Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Zelf

Surname Hussain

3 Administrator's address

Building name/number PricewaterhouseCoopers LLP

Street 7 More London Riverside

Post town London

County/Region

Postcode SE1 2RT

Country United Kingdom

4 Administrator's name ①

Full forename(s) Mark James Tobias

Surname Banfield

① Other administrator
Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number PricewaterhouseCoopers LLP

Street 7 More London Riverside

Post town London

County/Region

Postcode SE1 2RT

Country United Kingdom

② Other administrator
Use this section to tell us about
another administrator.

AM10

Notice of administrator's progress report

6 Period of progress report

From date	d	0	d	5	m	1	m	1	y	2	y	0	y	1	y	9
To date	d	0	d	4	m	0	m	5	y	2	y	0	y	2	y	0

7 Progress report

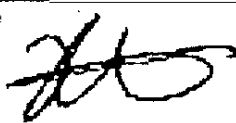
☒ I attach a copy of the progress report

8 Sign and date

Administrator's
signature

Signature

X



X

Signature date	d	0	d	1	m	0	m	6	y	2	y	0	y	2	y	0
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AM10

Notice of administrator's progress report



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name **Matthew Duckworth**

Company name **PricewaterhouseCoopers LLP**

Address **Floor 8, Central Square**

29 Wellington Street

Post town **Leeds**

County/Region

Postcode **L S 1 4 D L**

Country **United Kingdom**

DX

Telephone **0113 289 4916**



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed the form.



Important information

All information on this form will appear on the public record.



Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



Further information

For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

Continuation page

Name and address of insolvency practitioner

✓ **What this form is for**
Use this continuation page to tell us about another insolvency practitioner where more than 2 are already jointly appointed. Attach this to the relevant form. ❶
Use extra copies to tell us of additional insolvency practitioners.

✗ **What this form is NOT for**
You can't use this continuation page to tell us about an appointment, resignation, removal or vacation of office.

→ **Filling in this form**
Please complete in typescript or in bold black capitals.
All fields are mandatory unless specified or indicated by *

1 Appointment type

Tick to show the nature of the appointment:

- ☒ Administrator
- ☐ Administrative receiver
- ☐ Receiver
- ☐ Manager
- ☐ Nominee
- ☐ Supervisor
- ☐ Liquidator
- ☐ Provisional liquidator

❶ You can use this continuation page with the following forms:

- VAM1, VAM2, VAM3, VAM4, VAM6, VAM7
- CVA1, CVA3, CVA4
- AM02, AM03, AM04, AM05, AM06, AM07, AM08, AM09, AM10, AM12, AM13, AM14, AM19, AM20, AM21, AM22, AM23, AM24, AM25
- REC1, REC2, REC3
- LIQ02, LIQ03, LIQ05, LIQ13, LIQ14,
- WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

2 Insolvency practitioner's name

Full forename(s) David Robert

Surname Baxendale

3 Insolvency practitioner's address

Building name/number PricewaterhouseCoopers LLP

Street 7 More London

Riverside

Post town London

County/Region

Postcode S E 1 2 R T

Country

Joint administrators' progress report from 5 November 2019 to 4 May 2020

**Mothercare UK Limited and Mothercare Business Services
Limited** (both in administration)

High Court of Justice, Business and Property Courts of England &
Wales, Insolvency & Companies list

Case no. CR - 2019 - 007351 and CR - 2019 - 007353

1 June 2020

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Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used in this report

Abbreviation or definition	Meaning
Administrators	Zelf Hussain, Mark James Tobias (Toby) Banfield and David Robert Baxendale
Augment stock	This relates to additional stock bought directly by Gordon Brothers during the Administration, and sold in Mothercare stores. The purpose of this was to supplement Mothercare stock, with the estate set to receive a percentage of any profit generated. The stock brought was of a similar nature to the products that MUK would normally sell. Augment stock allows for the benefit of additional sales, with a higher profit expected given that the stock is normally bought at a significant discount.
Firm	PricewaterhouseCoopers LLP
IA86	Insolvency Act 1986
IR16	Insolvency (England and Wales) Rules 2016
The Companies	Mothercare UK Limited and Mothercare Business Services Limited - both in administration
DWP	Department for Work and Pensions
MUKL	Mothercare UK Limited - In administration
MBSL	Mothercare Business Services - in administration
MGBL, the Purchaser	Mothercare Global Brand Limited
PPF	Pension Protection Fund
Preferential creditors	Creditors with claims for: <ol style="list-style-type: none"> 1. unpaid wages for the whole or any part of the period of four months before 5 November 2019 (up to a maximum of £800); 2. accrued holiday pay for any period before 5 November 2019; and 3. unpaid pension contributions in certain circumstances.
Prescribed part	The amount set aside for unsecured creditors from floating charge funds in accordance with Section 176A IA86 and the Insolvency Act 1986 (Prescribed Part) Order 2003
ROT	Retention of title
RPS	Redundancy Payments Service (part of the Insolvency Service, an executive agency of the Department for Business, Energy & Industrial Strategy)
Secured creditors	Creditors with security in respect of their debt, in accordance with Section 248 IA86
SIP	Statement of Insolvency Practice (issued by regulatory authorities, setting out principles and key compliance standards with which insolvency practitioners are required to comply)
SIP 9	Statement of Insolvency Practice 9: Payments to insolvency office holders and their associates

Unsecured creditors

Creditors who are neither secured nor preferential

This report has been prepared by Zelf Hussein, Mark James Tobias (Toby) Banfield and David Robert Baxendale as Joint Administrators of the Company, solely to comply with the Joint Administrators' statutory duty to report to creditors under IR16 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and it is not suitable to be used, to inform any investment decision in relation to the debt of or any financial investment in the Company.

Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcome for creditors.

Any persons choosing to rely on this report for any purpose or in any context other than under IR16 do so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any liability in respect of this report to any such person.

Please note you should read this report in conjunction with the Joint Administrators' proposals issued to the Company's creditors, which can be found at <https://www.pwc.co.uk/mothercareuk>. Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

Zelf Hussein, Toby Banfield and David Baxendale have been appointed as Joint Administrators of the Company to manage its affairs, business and property as its agents and act without personal liability. All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. The Joint Administrators are bound by the Insolvency Code of Ethics which can be found at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>.

The Joint Administrators may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the Joint Administrators.

Key messages

Why we've sent you this report

I'm writing to update you on the progress of the administration of the Companies since our proposals dated 20 December 2019.

You can still view our proposals on our website at www.pwc.co.uk/mothercareuk. Please get in touch with the case team at uk_mothercare@pwc.com if you need the password to access the proposals.

How much creditors may receive

The following table summarises the possible outcome for creditors, based on what we currently know.

Class of creditor	Forecast return (%)
Secured creditor(s)	
- MUKL	59% - 73%
- MBSL	59% - 73%
Preferential creditors	
- MUKL	100%
- MBSL	100%
Unsecured creditors	
- MUKL	< 1%
- MBSL	50% - 100%

We don't think the secured creditors will be fully repaid their lending of £34m in MUKL and £24m in MBSL out of their security over the Companies' assets. However, it should be noted that as part of the sale agreement for the international franchise contracts and intellectual property of the MUKL business, MGBL, the Purchaser agreed to pay an additional top up cash consideration adjustment, as follows:

- an uncapped commitment to the secured creditors of MUKL to ensure they are paid in full; and
- provided the secured creditor is repaid in full, the Purchaser will pay a cash amount in the administration which will be calculated on an agreed formula to ensure that a certain distribution to creditors is underpinned (subject to a cap).

We think preferential creditors (mainly employees) totalling £1.3m will be fully repaid.

We stated in our proposals that we believed there would be a distribution to the unsecured creditors other than from the prescribed part. Since then, due to the results of trading the business, the position has changed. We do not believe the secured creditors will be paid in full therefore there will not be a distribution to the unsecured creditors, other than via the prescribed part. We think the unsecured creditors of MUKL totalling £415m (based on claims received so far) will get a dividend of less than 1% from the prescribed part, based on what we currently know. We also think the unsecured creditors of MBSL, totalling £71.2k, will receive a dividend of between 50% to 100% from the prescribed part, based on what we currently know.

We've started asking for outstanding claims from unsecured creditors so that we can agree them for dividend purposes.

What you need to do

If you haven't already done so, please send your claim to us so that we can agree it. A claim form can be downloaded from our website at www.pwc.co.uk/mothercareuk

We may decide that some or all creditors who are owed £1,000 or less by the Company won't be required to submit a proof of debt in order to receive the anticipated dividend payment.

A creditor who we decide is not required to submit a proof of debt will be notified when we deliver notice of our intention to pay a dividend of the amount we'll treat as their admitted debt for the purpose of the dividend, unless the creditor advises us that the amount is incorrect (in which case a proof of debt will be required) or not owed.

Please note that should you wish to vote in relation to any decision procedure during the administration or object to a decision sought by deemed consent, you'll need to submit a proof of debt, even if one is not required for dividend purposes.

Our next reports

As we have issued creditors with a general website notice, we will deliver our formal reports to creditors by posting them to the website www.pwc.co.uk/mothercareuk. We will also use the website for any informal communications with creditors.

Our next report to creditors will be a Remuneration Report, setting out the basis we are proposing for our fees and providing more detailed information on the work we have undertaken and expect to undertake in the administrations. This will also provide information on the estimated expenses to be incurred in the administrations. We anticipate the Remuneration Report will be posted to the website by 23 June 2020.

We will be seeking a decision by correspondence from the creditors of the Companies to set the basis of our fees and asking whether the creditors wish to appoint a creditors committee for each company, should there be sufficient creditors willing to serve on it.

Our next progress report to creditors will cover the second 6 month period of the administrations from 5 May to 4 November 2020 and will be posted on the website no later than 4 December 2020.

Background and initial strategy

You'll remember from our proposals for achieving the purpose of administration that when we were appointed, the position was as follows:

The Mothercare Group is an international retailer of prams, pushchairs, maternity and baby clothing and other items. In the UK, products were sold through the Group's own multi-channel retail operations (79 UK stores and online) and via a smaller wholesale operation. Internationally, the Group's products are sold through its franchise partners' retail stores, online and via a wholesale business for territories where there are not currently franchise partners.

The main trading company in the Group is MUKL. MBSL is a provider of general head office services to MUKL, including support to IT systems and HR. It was wholly dependent on MUKL. We were appointed administrators of MBSL because MUKL had been in a loss making position. Management therefore pursued a number of restructuring options to try and preserve the business.

Company Voluntary Arrangements

In light of the financial position of the Group, in May 2018, MUKL and other Group entities proposed CVAs to close a number of stores and seek rent reductions at others. The CVA supervisors were insolvency practitioners from KPMG LLP. The CVA was successfully approved for all legal entities (including MUKL), other than Children's World Limited (a company holding the legal interest in a number of leased properties) where sufficient creditor votes in favour of the CVA were not obtained.

As a consequence of its CVA not being approved, Children's World Limited entered administration on 9 July 2018. This administration has since been concluded.

Continued losses and cash flow pressure

The MUKL CVA did not ultimately solve its problems and the UK business continued to be loss making, whilst the international franchise business remained profitable.

Management therefore explored a number of options to split the UK and international businesses. Mothercare plc, the Group's parent company, engaged Numis as advisors to run a sales process primarily focused on the UK business but also providing potential buyers with the opportunity to bid for the Group as a whole.

While 35 potential purchasers were approached, resulting in two parties making indicative offers and undertaking additional due diligence, ultimately neither party made an offer to buy the business or separately the brand.

Additionally, PwC was engaged in May 2019 through to August 2019 by Mothercare plc to assist with the development of a strategy and options to potentially restructure the Group and separate the UK and international operations.

One of the options identified was a CVA which the Group chose to develop further with another advisor. However, this option was ultimately not implemented and PwC was asked to consider the remaining options.

Given the cash flow position of MUKL, and lack of offers for the UK business, the directors resolved that the Companies were insolvent. The directors filed a Notice of Intention to appoint administrators for each of the Companies on 4 November 2019. Zelf Hussain, David Baxendale and Toby Banfield were thereby appointed as joint administrators on 5 November 2019. The Notice of Appointment for each of the Companies was filed by the directors of the Companies on 5 November 2019. The FCA consent for the administration of MUKL was subsequently obtained and filed on 15 November 2019, upon which the appointment of MUKL formally took effect. All acts of the Administrators between 5 November 2019 and 15 November 2019 are validated pursuant to the provisions of the Insolvency Act 1986.

Immediately following the administration appointments, we successfully completed a sale of the beneficial interest in the international franchise contracts and intellectual property of the MUKL business together with rights to key operating contacts. The purchaser was Mothercare Global Brands Limited. Details of this sale were circulated to creditors on 11 November 2019. We concluded that the best outcome for creditors as a whole would be achieved by this sale, followed by trading the UK retail business under our supervision for a period to dispose of the stock, rather than affecting an immediate shutdown of stores.

Progress of the administrations

Trading

We believed the best outcome for creditors would be achieved by allowing the business to continue to trade under our supervision, rather than actioning an immediate shutdown of stores. Consequently, MUKL and MBSL continued to trade for ten weeks post administration to affect a disposal of the stock.

We instructed Gordon Brothers to act as retail agents overseeing the running of the stores during the trading period. As part of our contract with Gordon Brothers, a minimum level of net realisations into the administration estate was agreed. The fee structure incentivised Gordon Brothers to drive sales at competitive prices in the stores and to keep trading costs as low as possible, ultimately, to protect the administration estate and realisations for creditors. Gordon Brothers worked directly with PwC and consulted on planned discounts, planned store closures and planned expenditure to ensure that the best possible outcome to creditors was achieved. At times this meant that plans were altered, with the planned shut down of the website being an example of this. Initial plans were to shut the website down at the end of November, however, after Gordon Brothers performing a cost benefit analysis, it was decided that the website would continue to operate until the end of December, resulting in increased value for the estate.

The strategy undertaken by Gordon Brothers and PwC ensured that stock could continue to be sold to customers under business as usual trading conditions, maximising realisations in comparison to a forced sale. Ultimately, this had the best outcome for creditors, as rather than disposing of the stock through a forced sale at an auction, where the return would be minimal. The guarantee provided by Gordon Brothers ensured that a minimum return was made.

It should be noted that the fees and disbursements paid to Gordon Brothers as shown in the receipts and payments account and expenses statement include £1.6m for costs incurred by Gordon Brothers during the administration (for expenses such as marketing) and £4.3m of expenses incurred in the purchase of augment stock, as well as Gordon Brothers' fees as agents.

In order to facilitate orderly administration trading and the release of funds to the estate, we had discussions with merchant services (credit card machine) providers to obtain the timely release of funds held by them. Merchant services providers typically retain a certain portion of funds as collateral against any claims they have to meet to customers. Global Pay, Paypal and Amex are continuing to withhold funds. These funds can be held for up to 180 days after the trading period has ceased. We continue to liaise with the providers, seeking the release of further funds.

It was also important to liaise with MUKL's key service providers, such as warehousing, in order to maintain business as usual during trading. The administrators provided purchase orders and undertakings to a number of suppliers in order to safeguard supply, as well as to key suppliers of back office functions. In some cases it was necessary to make duress payments, of which a total of £5m were paid. These payments were only made to suppliers which were irreplaceable (either because it would be more expensive to get a new supplier in or there was not a new supplier that was willing to provide services during the administration) and the amount of duress was subject to significant negotiation. The largest duress payment made was to DHL for £4.2m, in order for them to continue running the warehouse and process deliveries both to stores and to customers who had placed online orders. This balance was an outstanding payable that was due to DHL at the start of the administration, and DHL would not facilitate the ongoing use of the warehouse without the payable being satisfied in full. This duress payment was on top of the ongoing running costs, which amounted to near £5m. The costs of running the warehouse cover payroll costs as well as physical running costs for the warehouse. Other duress payments included suppliers responsible for the day-to-day operation of the stores, i.e. store security and the operation of tills and ipads.

The administrators worked with freight forwarders and stock suppliers, to release stock from UK and international ports and thereby maximise the assets available for recovery. This required direct correspondence with multiple stock suppliers who had placed a commercial lien against stock, and the negotiation of settlements, to release stock to MUKL. As a result of a certain amount of stock being held on the water, there were delays in receiving the stock into the warehouse, and hence additional costs had to be spent on keeping the warehouse open for longer. Whilst there were additional costs, the estate benefitted as the stock was able to be sold on to customers at a higher price, rather than if it had been job lotted or abandoned. However, the delays did mean that we were not able to proceed with all the releases of stock in transit where a commercial settlement could not be agreed. This meant total stock available for sale was less than originally expected, with the result that trading sales were less than originally anticipated.

The costs of trading were funded from trading revenues and other asset realisations. In order to ensure sufficient cash availability in the initial stages, we secured funding of £8m from Gordon Brothers, who were also a secured lender to MUKL. This funding was repaid in the week commencing 9 December 2019.

The stores traded from 5 November 2019 and were closed over the period from 4 January 2020 until 12 January 2020. A detailed store closure plan was followed, which meant that all the stores were closed in a safe and organised manner, with all employees being kept informed and supported during the process. There was no residual stock as Gordon Brothers ensured that the stock was sold in-situ through the stores. Following the closure of the stores, the properties were handed back to the respective landlords, with an offer to surrender the respective leases.

Our trading receipts and payments to date are detailed in Appendix A. We are still awaiting confirmation of final trading expenses and release of funds from suppliers which will change these reported figures.

VAT & Duties

Prior to our appointment, MUKL and MBSL were members of the wider Mothercare plc VAT group and were authorised to operate a customs warehouse and a VAT & duty deferment scheme. Upon appointment, the customs warehouse and VAT & duty deferment authorisations were automatically revoked by HMRC. In addition, HMRC would have ordinarily removed MUKL and MBSL from the wider Mothercare Plc VAT group following the insolvency event.

This presented a significant risk to the administrators as import VAT and customs duties became immediately payable on all goods held within the customs warehouse. As well as this, the administrators were unable to remove stock from the warehouse to facilitate trading until the outstanding import VAT and customs duties were paid.

The administrators opened discussions with HMRC to seek a practical solution in continuing to trade whilst paying any VAT and customs duties due. In doing so, the administrators were able to obtain customs warehouse approval which enabled MUKL to continue to remove goods from the warehouse and continue to trade. HMRC also agreed to the administrators' making weekly interim payments of £202,753 in respect of the import VAT and duties due, which has helped cash flow in the administration. In addition, the administrators asked for and were granted approval for MUKL to exceptionally remain in the Mothercare plc VAT group for an agreed period of time.

Overall, these agreements and arrangements have enabled the administrators to continue to trade by releasing stock from the customs warehouse with the minimum disruption, whilst managing cash flow and ensuring recovery of import VAT.

During the period, our VAT team have also been working with management to assist with preparing the monthly Mothercare Plc VAT returns for November and December 2019 and January and February 2020. Overall, these VAT returns show a net repayment to MUK of £266,493, which has been received from Mothercare Plc. To date, all import VAT paid in the administration has been recovered from HMRC through the monthly VAT returns.

An application was made to HMRC, to remove MUKL and MBSL from the Mothercare Plc VAT group with effect from 29 February 2020.

Tax

During the period, our internal tax team have been working through the management accounts provided by the Companies to assist in preparing the tax computations for the period ending 31 March 2019. The normal deadline for submission of the tax computation would be 31 March 2020. To the extent the tax computation isn't submitted on time (due to the time required to get the necessary information from the Companies and understanding historic tax treatments), we will write to HMRC to request for any potential late filing penalties to be removed which HMRC usually accept in relation to pre-appointment periods. We continue to be in discussions with management to obtain the necessary information for these returns.

Additionally, we have been awaiting management accounts from the Companies to assist with the tax computations for the period ending 4th November 2019. The tax filing deadline for the period would be 4 November 2020. As above, to the extent that the computation is not submitted on time, as this also relates to a pre-appointment period, we can liaise with HMRC to avoid any late filing penalties.

The next tax return will be for the period ended 31 March 2020, which will be prepared on a receipts and payments basis.

Additionally, we have been working with the Companies to agree the allocation of consideration (in connection with the sale of assets to the Purchaser) across assets set out in the asset sale agreement. This involved a review of historic tax computations and accounts to ascertain a reasonable valuation of such assets.

Employees

The total number of employees on appointment, comprising both head office and store members of staff was 2,992. 140 of these individuals were pre-appointment leavers, but will be entitled to claim from the RPS for arrears of wages and holiday accrued but not taken. Upon appointment, 156 employees also TUPE transferred across to MGBL.

149 redundancies within the head office function were made on appointment, being a combination of both MUKL and MBSL employees. These roles were identified as no longer being required for the purposes of trading. Following a further review, an additional six roles were made redundant a week later on 12 November 2019.

At appointment, 431 individuals were employed by Mini Club UK Limited. There were a further 23 "Mini Club" employees whose roles were assigned to head office, but who were employed by MUKL. Following the appointment, Boots, MUKL and MGBL agreed to the novation of the Miniclub contract from MUKL to MGBL. This led to the TUPE transfer of the 23 employees from MUKL to MGBL on 27 November 2019 and provided further security to the 431 existing Mini Club employees across the Boots store portfolio. Weekly consultation forums were held throughout the trading period with elected representatives of both MUKL and MBSL.

All retained MUKL and MBSL employees have now left the business. The final employee was made redundant on 31 January. We have operated an employee helpline via telephone and email to support leavers with queries such as requesting references.

Redundant employees and pre appointment leavers have been making claims to the RPS for statutory amounts. We have been liaising with both claimants and the RPS to deal with any queries on the information contained in the Company records. Some of the information was disputed and so we have had to work with the remaining HR function to establish where amended information should be provided to the RPS to allow it to recalculate employee claims.

To ensure that all employees were paid in full for the hours worked in the days leading up to the store closure programme, we have had to work with the payroll team to calculate and pay amounts still owed.

A number of redundant employees have made claims in the Employment Tribunal (for a protective award for failure to enter into collective consultation in relation to their redundancies). Where those claimants are legally represented, we will typically try to reach agreement on the terms of a consent judgment to limit their protective award to 8 weeks' pay, rather than allowing the claim to proceed to a hearing where the claimants could each be awarded 13 weeks' pay. Where individual claimants aren't legally represented, the costs of reaching this type of consent judgment are likely to outweigh the benefit and so we are likely to allow those claims to proceed to Tribunal, given that any amount of the protective award not paid by the RPS will rank only as an unsecured claim against the administration.

Former employees will be preferential creditors for any unpaid pre administration wages (up to £800) and holiday accrued but not paid. We expect that there will be around 500 residual claims with value, the majority of which will be in respect of pay in lieu of holiday accrued but not taken. We expect to shortly be in a position to commence the residual preferential claims agreement process.

Pensions

Our internal pensions team have worked on the following since our appointment over the Companies:

- Review of the PPF online database, DWP tracing search and accounts for pensions information;
- Issuing statutory notices in respect of occupational pension schemes to the PPF and the Pensions Regulator advising of our appointment;
- Liaising with Mayer Brown International LLP in relation to the wording to be contained on the 'scheme rescue' notices in respect of the Mothercare Executive Pension Scheme and Mothercare Staff Pension Scheme;
- Issuing of statutory 'scheme rescue' notices in respect of the Mothercare Executive Pension Scheme and Mothercare Staff Pension Scheme to the Pension Protection Fund advising that the schemes will be rescued;
- Liaising with numerous parties to ascertain pensions and employee risk benefits information;
- Liaising with DHL regarding Mothercare UK Limited being identified as a participating employer in the DHL Group Retirement Plan by the Government's DWP Pensions Tracing Service website;
- Work determining the outstanding pension contribution and premium positions for the Companies' pension schemes with Legal and General, group life assurance scheme and private medical insurance scheme;
- Work ensuring employee risk benefits (group life and private medical insurance) remain on risk. This was of particular importance as both of these covers had been arranged on a group basis in the past and private medical insurance cover was temporarily suspended for those employees that had been retained;

- Liaising with AXA with regards to private medical insurance cover no longer being required as all employees who were covered under the policy have now been made redundant;
- Liaising with Legal and General to discuss the way to proceed with future pension contributions due to the Legal and General Worksave Plan;
- Organising completion of RP15 and RP15a claim forms in respect of outstanding pre-appointment pension contributions due to Legal and General along with organising submission of the claim to the RPS; and
- Work ensuring post-appointment pension contributions are paid in line with statutory deadlines to Legal and General and that contributions are allocated to member accounts.

Property

As reported in our proposals, MUKL occupied 79 stores (78 were trading) in Great Britain and Northern Ireland together with a Head Office building and warehouse accommodation. All the properties were held on a leasehold basis.

All the relevant property information was collected from MUKL's staff and we wrote to all landlords to notify them of our appointment and to set out arrangements while trading continued.

Rent accruing on leasehold properties during the administration is payable as an expense of the administration whilst the company remains in beneficial occupation of the property. Our agents, CAPA, successfully negotiated rent reductions with a significant proportion of the landlords of the trading stores, resulting in a saving in rent costs of some £1.25m for the trading period. As of 4 May 2020, MUKL has paid £593,437 in respect of rent, service charge and insurance for the period of our occupation, taking into account credit notes, rebates and recharges from MGBL in respect of the licence to occupy.

We reported in our proposals that the lease on one of the stores was due to come to an end shortly after our appointment, and since then a further lease has expired on another store. Following the cessation of trading activities, all stores have now been vacated and offers of surrender were issued to all landlords. To date, only three surrenders have been completed, however a further four are in progress and we expect to complete these within the coming weeks.

We have also vacated the Head Office building and warehouse accommodation. The lease for the Head Office building has been transferred to MGBL, and a surrender offer has been issued to the landlord of the warehouse accommodation.

CAPA has also been negotiating with local authorities to finalise rating liabilities for the period of our occupation for all properties. As of 4 May 2020, MUKL has paid £1,659,313 in respect of rates and we are awaiting final invoices in respect of the remaining properties. We have also managed to secure £320,866 in respect of historic overpayments of rates to local authorities, which were paid prior to the administration.

We have written to all utility companies who provide water, gas and/or electricity to the properties to notify them of the vacation dates and request final invoices for the period of our occupation. We have settled with a lot of water companies and remain in discussions with further water companies who have not yet provided final invoices. We have also settled the gas and electricity for a lot of stores, however we have not yet managed to completely settle all accounts and remain in discussions with the main utility provider.

Sale of business and assets

As mentioned above, immediately following the administration appointments, Mothercare Global Brand Limited, purchased the beneficial interest in the international franchise contracts and intellectual property of the MUKL business together with rights to key operating contacts.

The initial consideration for the purchase is non-cash. The Purchaser assumed certain MUKL liabilities, notably the MUKL defined benefit pension schemes with a s75 buyout deficit of £159.1m and certain trade creditor balances totalling £3.75m. In addition, as part of the transaction, it has been agreed that intercompany balances due from MUKL to other members of the Group of £168.8m will not participate in any dividend distribution made in MUKL. This significantly reduced the value of unsecured creditor claims in MUKL and is expected to result in a higher ultimate dividend to the remaining unsecured creditors as the value of stock and other assets recovered in MUKL will be distributed to a smaller pool of creditors.

We considered various alternative options to this pre-packaged sale (including a new CVA, a trading administration with no pre-pack sale and a liquidation), but each of these options would have led to a poorer return to the Companies' creditors due to the termination of the international franchise agreements.

The Purchaser has also agreed to pay an additional top up cash consideration adjustment, as follows:

- an uncapped commitment to the secured creditors of MUKL to ensure they are paid in full; and

- provided the secured creditor is repaid in full, the Purchaser will pay a cash amount in the administration which will be calculated on an agreed formula to ensure that a certain distribution to creditors is underpinned (subject to a cap).

There is also a sell-on clause so that if the Purchaser's business is sold within 12 months from 5 November 2019, the sale agreement provides for an additional payment to the administration, where consideration for that sale exceeds a certain threshold, above which 50% of the sale price would be payable.

Further details on the sale can be found in the report called "Information regarding the sale of a specific assets of Mothercare UK Limited on 5 November 2019 as required by Statement of Insolvency Practice No.16 ("SIP16")" on the dedicated website www.pwc.co.uk/mothercareuk.

Connected party transactions

Please be advised that MUKL and the Purchaser of the international franchise contracts and intellectual property of the MUKL business have a common ultimate parent, being Mothercare plc.

There are also common directors between the two parties above, being William Glyn Lawrence Hughes and Kevin Jonathan Rusling.

Further details on why a sale to a connected party was undertaken can be found in the "Information regarding the sale of a specific assets of Mothercare UK Limited on 5 November 2019 as required by Statement of Insolvency Practice No.16 ("SIP16")" on the dedicated website www.pwc.co.uk/mothercareuk.

Management and financing of MBSL's affairs and business

As reported in our proposals, the role of MBSL is to provide back office transaction services to MGBL and MUKL such as: IT, HR, payroll and talent management, finance, accounts payable, property, procurement and legal. In other organisations such an entity is referred to as a shared service centre.

The position still remains that MBSL's activities in the administration have been for the benefit of MUKL therefore all costs of MBSL have been met to date directly from the MUKL administration estate. Accordingly, there are no receipts or payments through the MBSL administration to date. There may be recharges put through in due course to finalise the position.

We continue to believe there will be a dividend to the unsecured creditors by virtue of the prescribed part. This is dependent on receipt of an intercompany debt from MGBL, which we continue to pursue.

Other issues

ROT claims

In total, it has been agreed that 7 ROT claims will be paid. For the 7 suppliers (representing c.£2.5m of arrears / c.£1.6m stock held on appointment) we have negotiated settlement of these claims given legal advice suggests they are likely to have a valid ROT claim.

The settlement negotiated for the £1.6m of stock held on appointment is £0.7m and payment terms ranging from 30-45 days. This represents an average settlement rate of 42%.

Customer refunds

After MUKL ceased to trade on 13 January 2020, it was anticipated that a number of customer refunds would be required, not least due to difficulties concerning the delivery of goods and faulty goods received during the trading period. It was determined that only refund requests for goods purchased within the trading period would be considered and a provision of £100,000 was set aside for customer refunds, which would ultimately affect any potential dividend to creditors.

A high volume of customer refund requests were received, but it was not applicable in many cases to offer a refund due to the original date of the purchase of goods. As such, the total sum of refunds processed to date is £28,891.02, which is considerably lower than the figure originally anticipated.

It is no longer possible to continue to agree to any refund requests and all customers who believe they are due a refund will now be invited to submit a claim in the administration as an unsecured creditor.

It should be noted that this has been a highly time consuming task due to the volume of refund requests received and the correspondence required to gather the relevant information with which to determine the validity of the requests.

Approval of our proposals

On 20 December 2019, we issued creditors with our proposals for achieving the purpose of administration.

We sought the approval of our proposals by the creditors by deemed consent. This meant that the proposals would be treated as approved unless enough creditors asked us to seek a decision to approve them. As creditors did not request a decision be sought, our proposals were treated as approved on 6 January 2020.

At the time of our proposals, we thought that the Companies may have enough assets to pay a distribution to the unsecured creditors other than from the prescribed part. Since then, due to the release of less stock that was in transit than was originally anticipated, the position has changed. We do not believe the secured creditors will be paid in full therefore there will not be a distribution to the unsecured creditors, other than via the prescribed part, in either of the Companies.

Investigations and actions

We have complied with our duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No.2. During the period covered by this report, we have submitted our report to the Insolvency Service as required and are cooperating with any further information requests.

Nothing has come to our attention during the period under review to suggest that we need to do any more work in line with our duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No.2.

Our receipts and payments account

We set out in Appendix A an account of our receipts and payments in the administration from 5 November 2019 to 4 May 2020.

Our expenses

We set out in Appendix B a statement of the expenses we've incurred to the date covered by this report and an estimate of our future expenses.

The statement excludes any potential tax liabilities that we may need to pay as an administration expense in due course because amounts due will depend on the position at the end of the tax accounting period.

Our fees

We set out in Appendix C an update on our remuneration which covers our fees, disbursements and other related matters in this case.

Pre-administration costs

You can find in Appendix D information about the approval of the unpaid pre-administration costs previously detailed in our proposals.

Creditors' rights

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 18.9 IR16. Any request must be in writing. Creditors can also challenge fees and expenses within eight weeks of receiving this report as set out in Rule 18.34. This information can also be found in the guide to fees at:

www.icaew.com/~media/corporate/files/technical/insolvency/creditors%20guides/2015/guide_to_administrators_fees_oct_2015.ashx

You can also get a copy free of charge by telephoning Matthew Duckworth on 0113 289 4916.

What we still need to do

The following is a summary of the work we still need to do before the administration can be brought to an end:

- Settle the final trading expenses (utilities, business rates, rent and service charge and other suppliers);
- Liaise with the purchasers of stock as part of a final reconciliation and settlement of funds between MUKL and MGBL;
- Recover balances due from merchant service providers;
- Recovery of remaining debtor balances due MUKL;

- Obtain formal agreement to the basis of our remuneration and disbursements from the general body of creditors;
- If considered necessary, or beneficial, seek consent of the general body of creditors to extend the administration beyond the current statutory one year;
- Finalise outstanding insurance matters;
- Submit VAT returns to HMRC by way of a VAT 426 following exit from the VAT group;
- Prepare and submit the Companies' pre and post-appointment tax returns to HMRC, and receive clearance when appropriate;
- Review and adjudicate upon preferential claims and distribute funds accordingly to the preferential creditors;
- Review and adjudicate upon unsecured claims and distribute funds accordingly to the unsecured creditors by virtue of the prescribed part;
- Make distributions as appropriate to the Secured Creditors, subject to funds, based on their security over the Companies' assets;
- Pursue potential refunds from annual premium paid for the group life assurance scheme; and
- Deal with closure matters including drafting and issuing the final progress report, closure of our internal systems, obtaining clearances from third parties and removal of the Administrators' bond.

Included in the above list are tasks that we must perform that may not directly benefit creditors financially. These typically relate to fulfilling obligations imposed by statute or regulatory bodies.

More details can be found at Appendix C.

Next steps

We are currently considering the best strategy for extending / ending the administration, taking into account the outstanding matters referred to in the table above. We'll provide an update on this in our next report.

We expect to send our next report to creditors at the end of the administration or in about six months, whichever is the sooner.

If you've got any questions, please get in touch with Matthew Duckworth on 0113 289 4916.

Yours faithfully
For and on behalf of the Companies



Zelf Hussain
Joint Administrator

Zelf Hussain, David Robert Baxendale and Mark James Tobias Banfield, were appointed as Joint Administrators of Mothercare UK Limited and Mothercare Business Services Limited on 5 November 2019 to manage their affairs, business and property as their agents and without personal liability. Zelf Hussain, David Robert Baxendale and Mark James Tobias Banfield are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

*The joint administrators are bound by the Insolvency Code of Ethics which can be found at:
<https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>.*

The joint administrators may act as controllers of personal data as defined by the UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the joint administrators. Personal data will be kept secure and processed only for matters relating to the joint administrators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the joint administrators.

Appendix A: Receipts and payments

Mothercare UK Limited - GBP account

Directors' statement of affairs (£)		5 November 2019 to 4 May 2020 (£)
	Trading Account	
	Trading Receipts	
	Sales	60,370,583.44
	Sales - Concessionary Sales	3,004,134.22
	Debtor receipts due to MGBL	2,895,597.98
	Debtor receipts due to MGBL - Payroll contribution from MGBL	610,718.33
	Debtor receipts due to MGBL - PAYE/NIC contribution from MGBL	460,931.39
	Miscellaneous Income	3,249.13
	Sales commission	175,981.88
	Suspense Account (Note 1)	229,798.29
	Total Trading Receipts	67,750,994.66
	Trading Payments	
	Payments to concession partners	3,609,051.54
	Expeditors carriage costs	325,264.81
	Indirect Labour	24,459.00
	Rents	593,436.67
	Rates	1,338,446.89
	Telephone	657.61
	Warehouse Costs	5,484,311.25
	IT Consultancy & Professional Fees (Note 2)	600,148.92
	Refunds / write offs	25,840.63
	Lease/Hire/HP Payments	639.17
	Duress Payments	4,963,428.70
	Repairs & Maintenance	259,240.13
	Sundry Expenses	500.00
	Store Running Costs	1,056,489.00
	Distribution costs	622,857.40
	Licenses, trade marks, royalties etc	68,645.11
	Agents' Fees & Disbursements (Note 3)	8,027,100.34
	Duty Tax	1,275,894.35
	Marketing & Office costs	126,304.60
	Irrecoverable VAT	63,893.00
	Utilities & Rates	183,869.61
	Wages & Salaries	6,606,208.21
	PAYE/NIC and Pension Deductions	2,224,412.57
	Employee/Subcontractor Costs & Expenses	20,776.11
	Total Trading Payments	37,501,875.62
	Trading Surplus / (Deficit)	30,249,119.04

Floating Charge Account	
Receipts	
Cash / Balance at Bank	236,115.00
Book debts	206,622.88
Insurance claims and refunds	34,754.38
Sundry debts & refunds	560.50
Bank Interest Gross	50,040.03
Trading Surplus	30,249,119.04
Total Receipts	30,777,211.83
Payments	
Legal Fees / Disbs	83,431.57
Statutory advertising	77.00
Finance / Bank interest & charges	157,542.44
Total Payments	241,051.01
Balance on Floating Charge Account	30,536,160.82
Secured Creditor	
Distribution to the floating charge creditor	10,000,000.00
Total secured creditor entitlements	10,000,000.00
VAT control account	(2,033,619.27)
Total	18,502,541.55
Represented by:	
Administration bank account	18,488,582.18
ELC client account	-
Reserve account	13,959.37
Total held in interest bearing current accounts	18,502,541.55

Note 1 - We are in the process of contacting a small number of counterparties in relation to unknown receipts that have been temporarily coded to a Suspense Account. These will be moved prior to our next report to creditors.

Note 2 - These payments primarily relate to payments for consultancy services relating to the operation, maintenance and development of IT systems which were vital to the ongoing trading of the business, closedown of stores and ability to transact with MGBL to allow a smooth transition period.

Note 3 - These payments relate to payments made to Gordon Brothers for acting as our retail agents.. It includes £1.6m for costs incurred by Gordon Brothers during the administration (for expenses such as marketing) and £4.3m of expenses incurred in the purchase of augment stock.

Mothercare UK Limited - USD account

Directors' statement of affairs (£)	5 November 2019 to 4 May 2020 (£)
Receipts and Payments Account	
Receipts	
Mothercare Global funds received	2,875,874.27
Bank Interest Gross	537.14
Total Receipts	2,876,411.41
Payments	
Mothercare Global funds received	2,875,874.27
Finance / Bank interest & charges	59.00
Total Payments	2,875,933.27
Net trading receipts	478.14
VAT control account	-
Total	478.14
Represented by:	
Administration bank account	478.14
Total held in interest bearing current accounts	478.14

Mothercare UK Limited - EUR account

Directors' statement of affairs		5 November 2019 to 4 May 2020
(£)		(£)
Receipts and Payments Account		
Receipts		
Mothercare Global funds received		375,803.89
Bank Interest Gross		23.57
Total Receipts		375,827.46
Payments		
Mothercare Global funds received		375,803.89
Finance / Bank Interest & charges		20.15
Total Payments		375,824.04
Net trading receipts		3.42
VAT control account		-
Total		3.42
Represented by:		
Administration bank account		3.42
Total held in interest bearing current accounts		3.42

Please note that there have been no transactions incurred in Mothercare Business Services Limited or the Mothercare UK Limited - HKD account, therefore a receipts and payment account has not been included for either of these.

Appendix B: Expenses

The following table provides details of our expenses. Expenses are amounts properly payable by us as administrators from the estate and includes our fees, but excludes distributions to creditors. The table also excludes any potential tax liabilities that we may need to pay as an administration expense because amounts becoming due will depend on the position at the end of the tax accounting period.

The table should be read in conjunction with the receipts and payments account at Appendix A, which shows expenses actually paid during the period and the total paid to date.

	Paid in the period under review	Incurred in the period under review	Estimated future	Anticipated total
Trading expenses	21,838,568.24	732,528.10	3,686,570.88	26,257,667.22
Costs of sales	1,432,154.44	20,718.09	1,233,084.54	2,685,957.07
Gross wages & salaries	8,851,398.88	-	120,212.12	8,971,611.01
Rent & rates	1,931,683.58	211,607.41	2,158,186.27	4,301,477.26
Utilities	8,815,735.99	-	185,288.09	9,001,024.08
Other operating expenses	7,135.10	-	248.27	7,383.37
Other expenses	16,714,755.75	1,388,598.01	2,732,837.88	20,836,191.64
Agents' fees and disbursements (Gordon Brothers)	8,026,999.34	2,730,089.79	-	10,817,089.13
Dues & payments	4,903,428.70	-	-	4,903,428.70
Concession Payments	3,609,051.54	-	-	3,609,051.54
Legal fees and expenses	112,199.17	86,397.76	667,057.08	855,654.01
Office holders' fees	-	-	2,120,000.00	2,120,000.00
Office holders' disbursements	-	48,253.93	5,000.00	53,253.93
Pre-administration costs (Peo)	-	380,901.20	-	380,901.20
Pre-administration costs (Kirkland & Ellis LLP)	-	276,574.00	-	276,574.00
Pre-administration costs (Moss LLP)	-	8,333.33	-	8,333.33
Stationery & advertising	77.00	-	-	77.00
Total	37,750,081.79	3,821,876.11	6,489,056.96	48,060,994.87

Appendix C: Remuneration update

During the period covered by this report we began to prepare our remuneration report to the general body of creditors, which will request that our remuneration be approved on a fixed fee basis. Our remuneration has therefore not yet been approved by the fee approving body.

Our future work

We still need to do the following work to achieve the purpose of administration.

Area of work	Work undertaken	What, if any, financial benefit the work provided to creditors OR whether it was required by statute
Strategy and planning	<ul style="list-style-type: none"> Preparing fee budgets and monitoring costs; Progressing ongoing matters within the administration; and Holding team meetings not relating to trading and discussions regarding status of administration. 	<ul style="list-style-type: none"> Assist in the timely, structured and efficient completion of the administration and return to creditors.
Accounting and treasury	<ul style="list-style-type: none"> Dealing with receipts, payments and journals not relating to trading; Carrying out bank reconciliations and managing investment of funds; and Corresponding with the bank regarding specific transfers. 	<ul style="list-style-type: none"> Ensure proper stewardship of the funds held. Management of the funds will generate greater potential recoveries for creditors.
Property	<ul style="list-style-type: none"> Liaising with landlords and their managing agents to complete on the surrenders of all properties; Chasing up landlords who have not yet invoiced us for the periods of our occupation on agreed terms; Paying all outstanding rent, service charge and insurance on all properties; Liaising with all outstanding utility providers to secure final invoices for the periods of our occupation on all properties, and making payments as appropriate; Negotiations a final settlement with British Gas in respect of disputed invoices; and Liaising with CAPA and the relevant rating authorities to make payments for business rates for the period of our occupation. 	<ul style="list-style-type: none"> Mitigate claims against the administrations. Negotiations with landlords will lead to reductions in rental payments, resulting in greater potential recoveries for creditors.
Other assets	<ul style="list-style-type: none"> Finalise sales of any remaining chattel assets, including fixtures and fittings, by liaising with GB. 	<ul style="list-style-type: none"> Enhanced asset realisations for the administration.
Stock	<ul style="list-style-type: none"> Liaising with purchasers of stock as part of a final reconciliation and settlement of funds between MUKL and MGBL. 	<ul style="list-style-type: none"> Enhanced asset realisations for the administration.
Secured Creditors	<ul style="list-style-type: none"> Preparing reports to the secured creditors; Responding to the secured creditor's queries; and Making distributions in accordance with security entitlements. 	<ul style="list-style-type: none"> Direct benefit to creditors through payment of distributions and provision of information.
Preferential Creditors	<ul style="list-style-type: none"> Corresponding with employees regarding dividend; Preparing, issuing and receiving employee preferential claim agreement forms; Corresponding with the RPS regarding proof of 	<ul style="list-style-type: none"> Direct benefit to creditors through payment of distributions and provision of information.

	<ul style="list-style-type: none"> debt; • Calculating dividend rate and preparing dividend file; • Advertising dividend notice; • Preparing and paying distribution; and • Ensuring PAYE/NIC is deducted and remitted to HMRC. 	
Unsecured Creditors	<ul style="list-style-type: none"> • Receiving and following up creditor enquiries via telephone, email and post; • Reviewing and preparing correspondence to creditors and their representatives; • Receipting and filing proofs of debt when not related to a dividend; • Dealing with proofs of debt for dividend purposes; • Preparing correspondence to potential creditors inviting lodgment of proof of debt; • Receiving proofs of debt and maintaining register; • Adjudicating claims, including requesting further information from claimants; • Preparing correspondence to claimant advising outcome of adjudication and advising of intention to declare dividend; • Advertising intention to declare dividend; • Calculating dividend rate and preparing dividend file; • Preparing correspondence to creditors announcing declaration of dividend; and • Preparing and paying distributions. 	<ul style="list-style-type: none"> • Direct benefit to creditors through payment of distributions and provision of information.
Pensions	<ul style="list-style-type: none"> • Ensure claims for unpaid pre-appt pension contributions are paid by the Redundancy Payments Service; and • Pursue potential refund from annual premium paid for group life assurance scheme. 	<ul style="list-style-type: none"> • Statutory and regulatory requirements.
Trading	<ul style="list-style-type: none"> • Dealing with customer correspondence regarding faulty products/non-deliveries/refunds. • Dealing with merchant service providers regarding the release of withheld funds; and • Recovery of remaining debtor balances. 	<ul style="list-style-type: none"> • Enhanced asset realisations for the administration.
Investigations	<ul style="list-style-type: none"> • Identifying potential asset recoveries; • Instructing and liaising with solicitors regarding recovery actions; • Holding internal meetings to discuss status of litigation; and • Attending negotiations and settlement matters. 	<ul style="list-style-type: none"> • Enhanced asset realisations for the administration.
Statutory & Compliance	<ul style="list-style-type: none"> • Preparing and circulating to creditors a report giving details of the work we expect to carry out during the case, and the expenses that are likely to be incurred; • Conducting case reviews after the first month, then every six months; • Preparing and issuing periodic progress reports to creditors and the Registrar; • Making applications to creditors or court for the extension of the administration and filing relevant notices; • Preparing documents and information for the purpose of obtaining approval to fees, Category 2 disbursements and other matters in the administration; • Issuing notices and associated documentation for seeking decisions of creditors; • Dealing with records in storage; • Sending job files to storage; 	<ul style="list-style-type: none"> • Statutory and regulatory requirements.

	<ul style="list-style-type: none"> Filing of documents; and Updating checklists and diary management system. 	
Tax & VAT	<ul style="list-style-type: none"> Preparing tax computations for the pre-appointment periods to 31 March 2019 and 4 November 2019; Preparing tax computations for the post-appointment periods as they fall due; Liaising with HMRC; Liaise with and comply with the Senior Accounting Officer obligations; Preparing VAT returns by way of a VAT 426. 	<ul style="list-style-type: none"> Statutory and regulatory requirements and enables reaching certainty on the post administration tax position.
Closure	<ul style="list-style-type: none"> Withdrawing undertakings not relating to trading and obtaining clearances from third parties; Obtaining tax and VAT clearances from HMRC; Completing checklists and diary management system; and Closing down internal systems. 	<ul style="list-style-type: none"> Ensure that the Companies' affairs are wound down in an orderly manner.

Disbursements

We don't need to get approval to draw expenses or disbursements unless they are for shared or allocated services provided by our own firm, including room hire, document storage, photocopying, communication facilities. These types of expenses are called "Category 2" disbursements and they must be directly incurred on the case, subject to a reasonable method of calculation and allocation and approved by the same party who approves our fees.

Our expenses policy allows for all properly incurred expenses to be recharged to the administration but has not yet been approved by the general body of creditors where required.

The following disbursements arose in the period of this report:

MUKL:

Category	Policy	Costs Incurred (£)
2	Photocopying - At 10 pence per sheet copied, only charged for circulars to creditors and other bulk copying.	408.81
2	Mileage - At a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc).	1,124.93
1	Travel Expenses	12,932.40
1	Car Parking	43.75
1	Client Entertaining	42.40
1	Courier Costs	61.44
1	Hotels & Accommodation	12,151.30
1	Insurance	225.00
1	Technology Costs	188.32
1	Postage Costs (Note 1)	18,064.61
1	Subsistence	3,010.97
Total		48,253.93

Note 1 - we have incurred over £18k in postage costs due to the volume of letters that have been required to be sent to a large number of employees. This has included initial letters, termination and redundancy letters and letters to pre-appointment leavers.

MBSL:

Category	Policy	Costs Incurred (£)
2	Photocopying - At 10 pence per sheet copied, only charged for circulars to creditors and other bulk copying.	26.24
1	Hotels & Accommodation	2.22
1	Insurance	225.00
1	Professional Fees	77.00
1	Travel Expenses	57.17
Total		387.63

Our relationships

We have no business or personal relationships with the parties who approve our fees or who provide services to the administration where the relationship could give rise to a conflict of interest.

Details of subcontracted work

The table below includes subcontractors we have used in these cases where the work could have otherwise been done by ourselves. This principally relates to the business rates refunds and property management work.

In the circumstances of the case we are satisfied that subcontracting the work was more cost effective and therefore in the best interest of creditors.

Legal and other professional firms

We've instructed the following professionals on this case:

Service provided	Name of firm	Reason selected	Basis of fees
Legal advice, including: <ul style="list-style-type: none"> Dealing with the administration appointments; Liaising with utility provider's solicitors; and General legal advice. 	Kirkland and Ellis LLP	Industry knowledge	Time costs and disbursements
Legal advice, including: <ul style="list-style-type: none"> Dealing with formal surrender requests from landlords. 	Browne Jacobson LLP	Industry knowledge	Fixed fee per surrender
Legal advice, including: <ul style="list-style-type: none"> Assisting with advice on Scottish properties 	Brodies LLP	Industry knowledge	Time costs and disbursements
Legal advice, including <ul style="list-style-type: none"> Providing advice with regard to employment matters 	Mills & Reeve LLP	Industry knowledge	Time costs and disbursements
Valuation advice, including <ul style="list-style-type: none"> Providing brand valuation advice prior to the administration 	Metis Partners	Industry knowledge	Fixed fee

Property agents, including: <ul style="list-style-type: none"> • Securing rent reductions with landlords; • Liaising with landlords for outstanding rental invoices; • Securing rates refunds; and • Liaising with local authorities for rates payable by the administrations. 	CAPA	Industry knowledge	Percentage rental reductions secured
Retail agents, including: <ul style="list-style-type: none"> • Overseeing the running of the stores during the trading period; • Facilitating the close down of the stores following the trading period; • Planned expenditure during the trading period; and • Planned discounts for stock during the trading period. 	Gordon Brothers	Industry and trading knowledge	Fee structure based on net realisations
Tax advice, including: <ul style="list-style-type: none"> • Tax filing for Indian subsidiaries; and • Transfer of shares from MUKL to MGBL. 	BDO India	Industry knowledge	Fixed fee
Tax advice, including: <ul style="list-style-type: none"> • Outstanding tax compliance work in respect of MUKL's cease of operations in Kuwait 	KPMG	Industry knowledge	Fixed fee

Appendix D: Pre-administration costs

We Set out below the unpaid pre-appointment costs as detailed in our proposals. We will be seeking the approval of creditors to be able to pay these as expenses of the administrations at the same time as seeking approval of the basis of our fees

Nature of costs	Amount (£)
Fees charged by the administrators	380,901.25
Expenses incurred by the administrators	NIL
Fees incurred by Kirkland and Ellis LLP	276,574.00
Fees incurred by Metis and Partners	8,333.33
Total	665,808.58

Details of the pre-administration work undertaken and a breakdown of expenses

Breakdown of PwC Costs:

Grade	Time (hours)	Fees (£)
Partner	58.5	53,235.00
Director	139.5	114,112.50
Senior Manager	181.75	99,793.75
Manager	197.8	96,859.00
Senior Associate/Associate	45.35	16,901.00

In summary, the pre-administration work undertaken by PwC included the following:

- Contingency planning;
- Negotiating and agreeing the sale agreement with MGBL and calculating the financial outcome under various scenarios, including
 - instructing lawyers on the sales contract
 - reviewing draft contracts
 - discussions with MGB to agree the terms
- Consideration of key practical issues to be addressed on entering Administration;
- Planning the Administration strategy, including timelines, budgets and initial workstreams
- Undertaking preparatory work in order to facilitate the Administration of the Company;
- Obtaining and discussing legal advice in relation to the appointment;
- Calls and meetings with key members of staff, directors and trading agents regarding the Administration strategy;
- Reviewing draft appointment documents and associated paperwork;
- Valuation of the IP of the brand of MUKL;
- Planning work in relation to the Administration appointments including internal compliance and risk procedures and all necessary steps to be able to provide the statutory confirmation that the objectives of the Administrations were reasonably likely to be achieved;
- Mobilisation and briefing of our team;
- Agreeing the communication strategy for stakeholders including employees, customers, suppliers and the media;
- Identification of critical suppliers to ensure minimal operational disruption;

- Negotiations and discussions with consultants (Gordon Brothers) to agree terms and post administration workstreams;
- Setting up the Administration cashflow with preliminary information available; and
- Consulting on potential Group tax and VAT implications of the Administration and proposed sale of assets to MGBL.

The pre-administration works performed by Kirkland & Ellis LLP included the following:

- Contingency planning for Administration;
- Preparation of Administration appointment documents;
- Negotiation of bank forbearance in connection with Administration appointments;
- Negotiation of pre-administration transfer agreements (IP, franchise agreements, pensions) and related structuring;
- Drafting of Administration sale agreement and related structuring;
- Advice re miscellaneous Administration matters: e.g. Gordon Brothers consultancy and funding arrangements, DHL contract, ELC contract, returns policy, retention of title claim; and
- Preparation of FCA consent in connection with Administration appointment

The pre-administration work performed by Metis Partners included providing an intellectual property valuation opinion in respect of the intellectual property (or "IP") assets of MUKL.

Please note that the above is indicative of the key areas of work performed and is not an exhaustive list.

Appendix E: Other information

	MUKL	MBSL
Court details for the administration:	High Court of Justice Business and Property Courts of England and Wales Insolvency and Companies List (ChD) Case No. CR-2019-007351	High Court of Justice Business and Property Courts of England and Wales Insolvency and Companies List (ChD) Case No. CR-2019-007353
Company's registered name:	Mothercare UK Limited	Mothercare Business Services Limited
Trading name:	Mothercare UK Limited	Mothercare Business Services Limited
Registered number:	00533087	01416572
Registered address:	Cherry Tree Road, Watford, Hertfordshire, WD24 6SH shortly to be changed to % PricewaterhouseCoopers LLP, Central Square, 29 Wellington Street, Leeds, LS1 4DL	
Date of the joint administrators' appointment:	5 November 2019	
Joint administrators' names, addresses and contact details:	Zelf Hussain, Mark James Tobias Banfield and David Robert Baxendale of PricewaterhouseCoopers LLP, 7 More London, Riverside, SE1 2RT Email address: uk_mothercare@pwc.com Telephone number: 0113 289 4000	
Extension(s) to the initial period of appointment:	Not applicable	