



For further information, please
refer to our guidance at
www.gov.uk/companieshouse

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 2 | ^y 0 |
| To date | ^d 0 | ^d 4 | ^m 0 | ^m 5 | ^y 2 | ^y 0 | ^y 2 | ^y 1 |

7 Progress report

☒ I attach a copy of the progress report

8 Sign and date

Administrator's
signature

Signature

X 

X

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| Signature date | ^d 2 | ^d 7 | ^m 0 | ^m 5 | ^y 2 | ^y 0 | ^y 2 | ^y 1 |
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**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 **Matt Duckworth**

Company name **PricewaterhouseCoopers LLP**

Central Square

Address **29 Wellington Street**

Post town **Leeds**

County/Region

Postcode

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| L | S | 1 | | 4 | D | L |
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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.

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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. ❶
Attach this to the relevant form.
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 2020 to 4 May 2021

**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

27 May 2021

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

| | |
|-------------------------------|---|
| Administrators | Zelf Hussain, Mark James Tobias (Toby) Banfield and David Robert Baxendale |
| Augment stock | This was 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 increasing footfall and therefore sales. The margin on Augment stock is typically high given that the stock is normally bought at a significant discount. |
| FCA | Financial Conduct Authority |
| IA86 | Insolvency Act 1986 |
| IR16 | Insolvency (England and Wales) Rules 2016 |
| The Companies | Mothercare UK Limited and Mothercare Business Services Limited - both in administration |
| MUKL | Mothercare UK Limited - In administration |
| MBSL | Mothercare Business Services - in administration |
| NOID | Notice of Intended Dividend |
| 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 Hussain, Mark James Tobias (Toby) Banfield and David Robert Baxendale as Joint Administrators of the Companies, solely to comply with the Joint Administrators' statutory duty to report to creditors under IR16 on the progress of the administrations, 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 Companies.

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 Companies 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 Hussain, Toby Banfield and David Baxendale have been appointed as Joint Administrators of the Companies to manage their affairs, business and property as their 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' appointments. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the Joint Administrators.

Why we've sent you this report

I'm writing to update you on the progress of the administration of the Companies since our last report dated 3 December 2020.

You can still view our proposals and our previous report on our website at <https://www.mothercare.com> 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.

| | | |
|-------------------------------|-------------|------------|
| Secured creditor(s) | | |
| - MUKL | 69% - 73% | 76% - 79% |
| - MBSL | 69% - 73% | 76% - 79% |
| <hr/> | | |
| Preferential creditors | | |
| - MUKL | 100% | 100% |
| - MBSL | 100% | 100% |
| <hr/> | | |
| Unsecured creditors | | |
| - MUKL | 0.5% - 0.7% | < 1% |
| - MBSL | 40% - 50% | 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 continue to think that preferential creditors of MUKL and MBSL (mainly employees) totalling £452k and £135k will be fully repaid. We issued a notice of intended dividend ("NOID") to both Companies' preferential creditors with a final date for proving of 10 May 2021. We are now adjudicating these claims and will shortly pay a dividend of 100p in the £.

We stated in our proposals that we thought there could be a distribution to the unsecured creditors other than from the prescribed part. As we previously reported, due to the results of trading the business, the position has changed. As we do not believe the secured creditors will be paid in full in the administration, there will not be a distribution to the unsecured creditors of both MUKL and MBSL, other than via the prescribed part.

We continue to believe that the unsecured creditors of MUKL totalling £70.3 million (based on claims received so far, which excludes claims of approximately £332m mitigated as a result of the sale to MGBL) will get a dividend of less than 1% from the prescribed part, based on what we currently know.

We think the unsecured creditors of MBSL totalling £396k (based on claims received so far and our estimate of the unsecured element of employee claims) could receive a dividend of between 40% to 50% from the prescribed part, based on what we currently know.

We've asked for outstanding claims from unsecured creditors by 7 June 2021 and are adjudicating them for dividend purposes.

What you need to do

The unsecured creditors will note that we issued our NOIDs on 14 April 2021 which invited the unsecured creditors of the Companies to submit their claims by the deadline of 7 June 2021. The dividends must be declared by 7 August 2021, and are currently expected to be around 0.5 - 0.7p in the pound in MUKL and 40 - 50p in the £ in MBSL. If you haven't already done so, please send your claim to us immediately so that we can agree it. A claim form can be downloaded from our website at

The preferential creditors of the Companies will also note that we issued our NOIDs on 14 April 2021, which invited the preferential creditors to submit their claims by the deadline of 10 May 2021. The dividends will be declared and paid shortly, and in any event must be declared by 10 July 2021, and is currently expected to be 100p in the pound for both Companies.

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 progress report to creditors will cover the fourth 6 month period of the administrations from 5 May 2021 to 4 November 2021 and will be posted on the website no later than 3 December 2021.

As explained in our first report, we have undertaken a number of different workstreams in order to progress and achieve the purpose of the administration. Below is a brief outline of the work done in the first eighteen months of the administrations. Please refer to our proposals and previous reports for more detailed information on these matters.

Sale of business and assets

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 was non-cash with the Purchaser assuming liabilities from MUKL of £162.9m and mitigation for dividend purposes of a further £168.8m of creditor claims. 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 funds for unsecured creditors will be distributed to a smaller pool of creditors.

Under the sale contract, the Purchaser also agreed to pay an additional top up cash consideration adjustment, sufficient to ensure the secured creditors will be paid in full.

Trading

We thought 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 traded 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. They worked directly with the Administrators and consulted on planned discounts, planned store closures and planned expenditure to ensure that the best possible outcome to creditors was achieved.

The stores traded from 5 November 2019 and were closed in a safe and organised manner over the period from 4 January 2020 until 12 January 2020, 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.

Since the stores closed, the Administrators have continued to finalise outstanding trading liabilities and to collect in outstanding trading receipts.

VAT & Duties

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. We reached a solution with HMRC to allow both companies to remain in the Mothercare plc VAT group for an agreed period of time, allowing us to continue to trade and to ensure recovery of import VAT from HMRC.

MUKL and MBSL were removed from the Mothercare Plc VAT group with an effective date of 31 January 2020, with MUKL then registered for VAT on a standalone basis. The first MUKL VAT return, for the period 1 February 2020 - 31 August 2020 was submitted to HMRC, showing a repayment due of £725,160.83. Following a routine enquiry into the VAT return by HMRC, the VAT refund was received by MUKL on 29 October 2020.

Tax

We have worked with management to complete the pre-appointment tax compliance for both MUKL and MBSL for the year ended 31 March 2019 and period ended 4 November 2019 and these were submitted in the current reporting period.

Employees

On appointment, the Companies had 2,992 employees. 156 employees immediately TUPE transferred to MGBL in connection with the sale of the brand and international business. A subsequent deal with Boots and MGBL saw the TUPE transfer to MGBL of 23 MUKL employees who worked in connection with the Mothercare Group's Mini Club joint venture with Boots.

A number of redundancies were made from head office during the first week, with the majority of store based staff being made redundant in January 2020, and the final employee leaving on 31 January. We operated an employee helpline via telephone and email to support leavers with queries such as requesting references. Redundant employees and pre appointment leavers made claims to the RPS for statutory amounts. We liaised with both claimants and the RPS to deal with any queries on the information contained in the Company records and, when necessary, submit corrected details.

Pensions

We submitted all the required statutory notices in relation to the pensions schemes; as the sale to MGBL resulted in the liability for the pension schemes transferring to it, this included the issuing of statutory scheme rescue notices for the Mothercare Staff Pension Scheme and the Mothercare Executive Pension Scheme to the PPF.

Arrangements were put in place to ensure that employee risk benefits previously arranged on a group basis (including life and private medical insurance) remained on risk. Work was also undertaken to ensure that pension contributions during the trading period were paid over for the relevant employees, that the contribution positions for the various pension, life assurance and medical insurance schemes were determined and claims submitted to the RPS where appropriate.

Property

MUKL occupied over 80 leasehold properties, the majority being retail stores used during the trading period. We negotiated with landlords and obtained significant discounts on the passing rents for the period of occupation.

The leases for two stores expired during the first six months. Following the cessation of trading activities, all stores, warehouses and the Head Office were vacated and offers of surrender were issued to the landlords. As at 4 November 2020, 11 surrenders had been completed.

CAPA was appointed to negotiate with local authorities to finalise rating liabilities for the period of our occupation for all properties, further details of rates savings and rates payments are detailed later on in this report.

We had previously 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 the majority of the water companies and remain in discussions with further water companies who have not yet provided final invoices.

We have continued to settle the gas and electricity for a lot of stores following the completion of surrenders of leases and/or landlords agreeing to take on the supply. For any stores where the landlord did not take on the supply of utilities, we have instructed agents to disconnect the meters at the store in order to mitigate the Company's losses. As a result of this exercise, several landlords have agreed to take on the supply as opposed to having the meter disconnected. For the remaining few who did not agree, the meters have been disconnected.

Other assets

We identified and were pursuing a potential refund from annual premium paid for the group life assurance scheme.

CAPA was continuing to finalise business rates liabilities for the period of our occupation for all properties. As at 4 November 2020, MUKL had paid £2,225,020 in respect of rates for the trading period, but we were awaiting final invoices in respect of certain properties. Up to 4 November 2020 we had recovered £429,537 in respect of historic overpayments of rates to local authorities, which were paid prior to the administration.

The Administrators had been liaising with lawyers concerning ongoing litigation that MUKL has with Visa and Mastercard. MUKL is part of a group of claimants that are in the process of taking action against Visa and Mastercard to recover multilateral interchange fees that have been found by the European Commission as being in restriction of competition. In the summer of 2020, the UK Supreme Court upheld this view in separate litigation brought by a number of UK supermarkets. The total value of MUKL's claim is not disclosed here for commercial reasons. The Administrators were continuing to work with the lawyers to achieve a favourable settlement, but this matter may proceed to full litigation if a settlement cannot be reached on behalf of the claimants.

Trading

Since the stores closed in January 2020, the Administrators have continued to finalise outstanding trading liabilities and to collect outstanding trading receipts. The Administrators have worked closely with merchant service providers Amex, Global Pay and Paypal, to release outstanding trading funds which were being retained as collateral against contingent chargeback liabilities. To date £3.6m of funds have been realised (of which c.£39k was recovered in the current period), with a potential further £0.4m still to be recovered. We continue to seek the release of the remainder of these funds and negotiate a settlement without needing to wait for the full liability period to expire.

We have continued to negotiate and settle outstanding liabilities for rent, rates and utility providers. There remains one significant utility supplier where we remain in dispute over the amount owing, but hope that a commercial settlement can be reached.

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 merchant services suppliers which will change these reported figures.

As previously advised, following the cessation of trading, the Administrators set aside £100,000 for customer refunds in respect of faulty goods received and issues regarding the delivery of goods during the trading period. Following the review of all refund requests, a total of £28,891.02 was paid. As the period in which refund requests could be submitted has expired, any customers who believe they are due a refund would need to submit a claim in the administration as an unsecured creditor.

We are aware of instances where customers who purchased a Mothercare product after the Companies ceased trading have been advised to contact the Administrators. Unfortunately, we are unable to assist with any faulty product queries, requests for replacement parts or consider any claims where the purchase was made after the Companies ceased trading.

VAT & Duties

During the period, MUKL submitted an additional two quarterly VAT returns for the periods ending November 2020 and February 2021. The VAT returns showed VAT repayments due to MUK of £615,232 and £181,611, respectively. The November 2020 VAT repayment was received from HMRC on 10 February 2021. The February 2021 repayment remains outstanding but should be received from HMRC shortly.

During the period, a VAT reconciliation was also carried out to ensure that all VAT payments / refunds had been made / received by both MUKL and MBSL.

Tax

During the period, we have completed the tax compliance for the year ended 31 March 2019, period ended 4 November 2019, the period ended 13 January 2020 (for MUKL only) and the period ended 31 March 2020. We worked with management to agree asset consideration allocation for the acquisition of various assets as set out in the asset sale agreement, which has been reflected in the submitted tax returns.

The next tax return will be for the period ended 31 March 2021, which will be prepared on a receipts and payments basis. These are in the process of being drafted.

Prior to the administrations' closure, we will work to seek prior tax clearance and bring all outstanding tax compliance up to date.

Other assets

We successfully pursued the refund from the group life assurance scheme relating to premiums paid for annual employee life cover pre-appointment. The amount refunded was £31,967, as shown on our receipts and payments account at Appendix A.

CAPA are continuing to negotiate with local authorities to finalise rating liabilities for the period of our occupation for all properties. As of 4 May 2021, MUKL has paid £2,247,289 in respect of rates, but we are awaiting final invoices in respect of a small number of properties. We currently believe that there are 10 local authorities who have not yet been paid, and we are continuing to liaise with them and CAPA accordingly. We have now managed to secure £536,771 (£107,234 in the current period) in respect of historic overpayments of rates to local authorities, which were paid prior to the administration and/or changes to historic rateable values. These recoveries have been netted against the rates liability for the trading period in the attached receipts and payments account.

With regard to MUKL's claim against Visa and Mastercard, the date by which the legal claim must be submitted expires in July 2021; we continue to work with the lawyers to ensure progress of the litigation by July 2021, in the event that a settlement is not reached before this date.

The major realisable asset of MBSL is a debt due from Mothercare Plc in the sum of £1,041,724. The administrators have reached an agreement with Mothercare Plc whereby the recovery of this debt will be effected during the next reporting period. This should provide sufficient funds for payment of expenses of the administration, payment in full of the preferential creditors, a prescribed part dividend to the unsecured creditors and a distribution to the secured creditor under its floating charge.

Employees

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). One claim with 27 claimants has been settled under the terms of a Consent Judgment. There are 14 remaining claims which remain in progress.

Former employees will be preferential creditors for any unpaid pre administration wages (up to £800) and for holiday accrued but not paid. We have written to all known employees issuing a NOID and inviting them to make a preferential claim by 10 May 2021. We are in the process of adjudicating the claims received and expect to pay a dividend of 100p in the £ shortly.

We have also written to all employees with NOID inviting them to submit an unsecured non-preferential claim in respect of any other monies owed to them with a final date for proving of 7 June 2021. These claims will be adjudicated alongside other unsecured claims.

We continue to monitor queries and respond accordingly. We continue to provide references to prospective new employers based on factual information only.

We have continued to update information held for the purposes of claims agreement. This has included updating changes of address, average pay rates and we have received a notice of underpayment for national minimum wage.

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 £1,670,240 for the trading period. As of 4 May 2021, MUKL has paid £1,210,380 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.

During the period of this report, a further 15 leases have been surrendered through negotiations with landlords or through operation of law. In total, 26 leases have been surrendered or have expired.

We have not yet managed to completely settle all accounts and remain in discussions with the main utility provider, but we have made good progress during the period. As a result of our exercise to disconnect the meters, there is now only one store where the landlord hasn't taken on supply and/or the meter has not yet been disconnected. We are in the process of liaising with our agents and the utility company to establish the best course of action.

As of 4 May 2021, MUKL has paid £584,481 in respect of electricity, gas and water for the trading period (taking into account credit notes and refunds from utility companies).

Connected party transactions

As previously disclosed, MUKL and MGBL, the purchaser of the international franchise contracts and intellectual property of the MUKL business, have a common ultimate parent, being Mothercare plc.

There were 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

The role of MBSL was 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.

MBSL's post administration activity was effectively undertaken for the benefit of MUKL and 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. Asset realisations are expected in the next reporting period, from which certain outstanding expenses of the administration will be met.

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 2020 to 4 May 2021.

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.

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:

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 (trading agents, utilities, business rates, rent and service charge);
- Recover balances due from merchant service providers;
- Recovery from the potential interchange claims against Visa and Mastercard;
- Recovery of remaining debtor balances due to MUKL;
- Pension and employee matters, such as refunds and former employee queries;
- Finalise outstanding property and insurance matters;
- Preparation of future quarter end VAT returns as applicable;
- Deregistration of MUKL for UK VAT once the making of taxable supplies has ceased. MUKL will thereafter recover ongoing input VAT by way of a VAT 426 submission;
- 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;
- 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 expect to send our next report to creditors in about six months, in which we will provide an update on the outstanding matters referred to above.

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.

Mothercare UK Limited - GBP account

| Directors' statement of affairs (£) | | 5 November 2019 to 4 November 2020 | 5 November 2020 to 4 May 2021 | 5 November 2019 to 4 May 2021 |
|-------------------------------------|---|------------------------------------|-------------------------------|-------------------------------|
| | | (£) | (£) | (£) |
| | Trading Account | | | |
| | Trading Receipts | | | |
| | Sales | 61,036,941.97 | 38,868.95 | 61,075,810.92 |
| | Sales - Concessionary Sales | 2,015,884.22 | - | 2,015,884.22 |
| | Debtor receipts due to MGBL | 3,025,638.67 | - | 3,025,638.67 |
| | Debtor receipts due to MGBL - Payroll contribution from MGBL | 2,285,099.27 | - | 2,285,099.27 |
| | Debtor receipts due to MGBL - PAYE/NIC contribution from MGBL | 460,931.39 | - | 460,931.39 |
| | Miscellaneous Income | 3,249.13 | - | 3,249.13 |
| | Sales commission | 175,981.88 | - | 175,981.88 |
| | Sundry fixed assets | 210,684.67 | - | 210,684.67 |
| | Suspense Account (Note 6) | 105,424.53 | - | 105,424.53 |
| 32,575,733 | Total Trading Receipts | 69,319,835.73 | 38,868.95 | 69,358,704.68 |
| | Trading Payments | | | |
| | Payments to concession partners | 4,442,809.10 | - | 4,442,809.10 |
| | Expeditors carriage costs | 326,365.44 | - | 326,365.44 |
| | Indirect Labour | 24,459.00 | - | 24,459.00 |
| | Rents | 1,214,771.02 | (4,390.72) | 1,210,380.30 |
| | Rates | 1,795,299.31 | (84,964.14) | 1,710,335.17 |
| | Telephone | 657.61 | - | 657.61 |
| | Warehouse Costs | 5,777,374.39 | - | 5,777,374.39 |
| | IT Consultancy & Professional Fees (Note 7) | 285,988.28 | - | 285,988.28 |
| | Refunds / write offs | 26,544.46 | - | 26,544.46 |
| | Lease/Hire/HP Payments | 639.17 | - | 639.17 |
| | Duress Payments | 4,999,328.11 | - | 4,999,328.11 |
| | Repairs & Maintenance | 259,240.13 | - | 259,240.13 |
| | Sundry Expenses | 113,923.21 | - | 113,923.21 |
| | Store Running Costs | 1,066,086.85 | - | 1,066,086.85 |
| | Distribution costs | 622,857.40 | - | 622,857.40 |
| | Licenses, trade marks, royalties etc | 20,525.17 | - | 20,525.17 |
| | Agents' Fees & Disbursements (Note 8) | 11,140,917.13 | 838,134.81 | 11,979,051.94 |
| | Duty Tax | 1,275,894.35 | - | 1,275,894.35 |
| | Marketing & Office costs | 126,304.60 | - | 126,304.60 |
| | Irrecoverable VAT | 63,893.00 | - | 63,893.00 |
| | Utilities | 579,316.00 | 5,164.57 | 584,480.57 |
| | Wages & Salaries | 8,280,589.15 | - | 8,280,589.15 |
| | PAYE/NIC and Pension Deductions | 2,224,412.57 | - | 2,224,412.57 |
| | Employee/Subcontractor Costs & Expenses | 20,776.11 | - | 20,776.11 |
| | Total Trading Payments | 44,688,971.56 | 753,944.52 | 45,442,916.08 |
| | Trading Surplus / (Defecit) | 24,630,864.17 | (715,075.57) | 23,915,788.60 |

| Directors' statement of affairs (£) | | 5 November 2019 to 4 November 2020 (£) | 5 November 2020 to 4 May 2021 (£) | 5 November 2019 to 4 May 2021 (£) |
|-------------------------------------|--|--|-----------------------------------|-----------------------------------|
| 10,000,000 | Fixed Charge Account | | | |
| | Receipts | | | |
| | Mothercare UK Trademark / Brand | - | - | - |
| | Total Receipts | - | - | - |
| | Balance on Fixed Charge Account | - | - | - |
| 1,900,933 | Floating Charge Account | | | |
| | Receipts | | | |
| | Cash / Balance at Bank | 236,115.00 | 38,794.85 | 274,909.85 |
| | Book debts | 3,550,973.55 | 495,001.00 | 4,045,974.55 |
| 32,575,733 | Pre-appointment VAT refund | 381.42 | - | 381.42 |
| | Insurance claims and refunds | 34,754.38 | 7,750.00 | 42,504.38 |
| | Sundry debts & refunds | 11,640.62 | 58.67 | 11,699.29 |
| | Pensions & Life Policies | - | 31,967.14 | 31,967.14 |
| | Bank Interest Gross | 50,040.03 | 1,235.43 | 51,275.46 |
| | Trading Surplus | 24,630,864.17 | (715,075.57) | 23,915,788.60 |
| | Total Receipts | 28,514,769.17 | (140,268.48) | 28,374,500.69 |
| | Payments | | | |
| | Agents' Fees for property site visits | - | 523.50 | 523.50 |
| | Legal Fees / Disbs | 195,196.83 | 125,283.65 | 320,480.48 |
| | Licenses, trade marks, royalties | 316.48 | - | 316.48 |
| | Office costs, Stationery & Postage | 519.00 | - | 519.00 |
| | Pre-appointment legal fees | 241,008.88 | - | 241,008.88 |
| | Professional fees | 4,800.00 | 8,216.43 | 13,016.43 |
| | Office holders' fees (Fixed fee) | 2,095,000.00 | - | 2,095,000.00 |
| | Insurance | 62,672.80 | 2,337.45 | 65,010.25 |
| | Storage costs for collections and retention of data | - | 13,392.00 | 13,392.00 |
| | Statutory advertising | 77.00 | 174.00 | 251.00 |
| | Finance / Bank interest & charges | 157,571.94 | 53.00 | 157,624.94 |
| | Total Payments | 2,757,162.93 | 149,980.03 | 2,907,142.96 |
| | Balance on Floating Charge Account | 25,757,606.24 | (290,248.51) | 25,467,357.73 |
| | Secured Creditor | | | |
| | Distribution to the floating charge creditor | 18,225,000.00 | 1,000,000.00 | 19,225,000.00 |
| | Total secured creditor entitlements | 18,225,000.00 | 1,000,000.00 | 19,225,000.00 |
| | VAT control account | (741,379.79) | 425,609.65 | (315,770.14) |
| | Total | 6,791,226.45 | (864,638.86) | 5,926,587.59 |
| | Represented by: | | | |
| | Administration bank account (Barclays) | 3,016,272.58 | (851,864.92) | 2,164,407.66 |
| | Administration bank account (HSBC) | 3,760,994.50 | 1,185.43 | 3,762,179.93 |
| | ELC client account | - | - | - |
| | Reserve account | 13,959.37 | (13,959.37) | - |
| | Total held in interest bearing current accounts | 6,791,226.45 | (864,638.86) | 5,926,587.59 |

1. Amounts shown exclude VAT and all VAT is recoverable.
2. All costs are treated as floating in accordance with the Secured Creditors' security over the Company's assets, other than costs incurred during the trading period, which are separated accordingly.
3. As explained further in Appendix C, our fees are based on a set fee. The receipts and payments account shows the total drawn to date.
4. Several of the brought forward figures have been adjusted to reflect a reconciliation of certain ledger codes performed during the period.
5. No payments have been made to associates or any party who could reasonably be perceived as an associate during the period of this report.

6. We consider all payments made during the period to be proportionate in the context of the administration.
7. As we noted in our previous reports, we were in the process of contacting a small number of counterparties in relation to unknown receipts that have been temporarily coded to a Suspense Account. Over half of these receipts have been correctly coded and we remain in discussions with third parties with regard to the remaining balance.
8. 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.
9. 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.
10. The brand, intellectual property and franchise agreements were sold for initial consideration which was non-cash and involved the mitigation of some £332m of liabilities. As we anticipate that there will be a shortfall to the secured creditors in the administration, further cash consideration will become payable under the sale agreement.

Mothercare UK Limited - USD account

| Directors' statement of affairs (£) | 5 November 2019 to 4 November 2020 (\$) | 5 November 2020 to 4 May 2021 (\$) | 5 November 2019 to 4 May 2021 (\$) |
|--|---|------------------------------------|------------------------------------|
| Receipts and Payments Account | | | |
| Receipts | | | |
| Mothercare Global funds received | 2,875,874.27 | - | 2,875,874.27 |
| Trademarks and Licenses | - | 71,663.32 | 71,663.32 |
| Bank Interest Gross | 537.31 | (471.30) | 66.01 |
| Total Receipts | 2,876,411.58 | 71,192.02 | 2,947,603.60 |
| Payments | | | |
| Mothercare Global funds received | 2,875,874.27 | - | 2,875,874.27 |
| Finance / Bank interest & charges | 59.00 | - | 59.00 |
| Total Payments | 2,875,933.27 | - | 2,875,933.27 |
| Net receipts | 478.31 | 71,192.02 | 71,670.33 |
| VAT control account | - | - | - |
| Total | 478.31 | 71,192.02 | 71,670.33 |
| Represented by: | | | |
| Administration bank account | 478.31 | 71,192.02 | 71,670.33 |
| Total held in interest bearing current accounts | 478.31 | 71,192.02 | 71,670.33 |

Mothercare UK Limited - EUR account

| Directors' statement of affairs (£) | 5 November 2019 to 4 November 2020 (€) | 5 November 2020 to 4 May 2021 (€) | 5 November 2019 to 4 May 2021 (€) |
|--|--|-----------------------------------|-----------------------------------|
| Receipts and Payments Account | | | |
| Receipts | | | |
| Mothercare Global funds received | 375,803.89 | - | 375,803.89 |
| Cash in hand | - | 105.00 | 105.00 |
| Bank Interest Gross | 23.57 | - | 23.57 |
| Total Receipts | 375,827.46 | 105.00 | 375,932.46 |
| Payments | | | |
| Mothercare Global funds received | 375,803.89 | - | 375,803.89 |
| Finance / Bank interest & charges | 20.15 | - | 20.15 |
| Total Payments | 375,824.04 | - | 375,824.04 |
| Net trading receipts | 3.42 | 105.00 | 108.42 |
| VAT control account | - | - | - |
| Total | 3.42 | 105.00 | 108.42 |
| Represented by: | | | |
| Administration bank account | 3.42 | 105.00 | 108.42 |
| Total held in interest bearing current accounts | 3.42 | 105.00 | 108.42 |

Mothercare UK Limited - HKD account

| Directors' statement of affairs (£) | 5 November 2019 to 4 November 2020 (€) | 5 November 2020 to 4 May 2021 (€) | 5 November 2019 to 4 May 2021 (€) |
|--|--|-----------------------------------|-----------------------------------|
| Receipts and Payments Account | | | |
| Receipts | | | |
| Total Receipts | - | - | - |
| Payments | | | |
| Finance / Bank interest & charges | - | 3.11 | 3.11 |
| Total Payments | - | 3.11 | 3.11 |
| Net trading receipts | - | (3.11) | -3.11 |
| VAT control account | - | - | - |
| Total | - | (3.11) | (3.11) |
| Represented by: | | | |
| Administration bank account | - | (3.11) | (3.11) |
| Total held in interest bearing current accounts | - | (3.11) | (3.11) |

Please be advised that there have been no receipts and payments in Mothercare Business Services Limited, therefore a receipts and payments account has not been included in this report.

Expenses are defined in SIP9 as any payments from the estate which are neither an office holder's remuneration nor a distribution to a creditor or a member. Expenses also include disbursements. Disbursements are payments which are first met by the office holder, and then reimbursed to the office holder from the estate. Expenses are divided into those that do not need approval before they are charged to the estate (category 1) and those that do (category 2).

1 These are payments to persons providing the service to which the expense relates who are not an associate of the office holder.

2 These are payments to associates or which have an element of shared costs. Before being paid, category 2 expenses require approval in the same manner as an office holder's remuneration. Category 2 expenses require approval whether paid directly from the estate or as a disbursement.

We incurred the following disbursements in the period of this report.

MUKL:

| | | |
|---|---|------------------|
| 2 | Photocopying – At 10 pence per sheet copied, only charged for circulars to creditors and other bulk copying. | Nil |
| 2 | Mileage – At a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc) | 238.21 |
| 1 | Accommodation | 3,905.73 |
| 1 | Air fares | 3,885.16 |
| 1 | Courier costs | 32.96 |
| 1 | Land Registry fees | 42.00 |
| 1 | Other travel expenses | 419.12 |
| 1 | Postage costs | 1,657.36 |
| 1 | Storage costs | 3,377.66 |
| 1 | Subsistence | 718.46 |
| 1 | Taxi fares | 670.15 |
| | Total | 14,746.81 |

Included in the figures above are category 1 disbursements incurred by PwC Ireland totalling £9,836.83 which were incurred by staff seconded to the administrators' team due to their relevant experience during the first progress reporting period, but which had not previously been billed to PwC UK.

MBSL:

| | | |
|----------|---|------------|
| 2 | Photocopying – At 10 pence per sheet copied, only charged for circulars to creditors and other bulk copying. | Nil |
| 2 | Mileage – At a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc) | Nil |
| 1 | All other disbursements reimbursed at cost | Nil |
| | Total | Nil |

Our expenses policy allows for all properly incurred disbursements to be recharged to the administration but only once the appropriate approval has been received.

Approval from the creditors for Category 2 expenses (mileage and photocopying) as set out above was obtained at the same time as our fees as administrators were approved..

The tables below provide details of our expenses properly payable by us as administrators from the estates 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 below 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.

We confirm that we do not consider any of the parties to whom expenses have or will be paid to be associates. All transactions are on a purely commercial basis and parties have been chosen based on their expertise in accordance with the needs of the administration.

MUKL:

| | | | | | | | |
|--|----------------------|---------------------|----------------------|---------------------|----------------------|----------------------|---------------------|
| Trading expenses | 25,485,239.55 | (255,508.00) | 25,229,731.55 | 1,074,476.51 | 26,304,208.06 | 24,967,632.08 | 1,336,575.98 |
| Costs of sales | 1,092,631.16 | - | 1,092,631.16 | - | 1,092,631.16 | 2,685,937.67 | (1,593,306.51) |
| Gross wages & salaries | 10,550,236.83 | - | 10,550,236.83 | - | 10,550,236.83 | 8,971,609.01 | 1,578,627.82 |
| Rent & rates | 3,910,254.38 | (285,195.00) | 3,625,059.38 | 704,159.67 | 4,329,219.05 | 4,301,677.24 | 27,541.81 |
| Distribution, utilities and other operating expenses | 9,932,117.18 | 29,687.00 | 9,961,804.18 | 370,316.84 | 10,332,121.02 | 9,008,408.16 | 1,323,712.86 |
| Other expenses | 23,704,492.88 | 167,938.81 | 23,872,431.69 | 226,097.31 | 24,098,529.00 | 23,077,551.60 | 1,020,977.40 |
| Agents' fees and disbursements (Gordon Brothers) | 11,140,917.34 | 113,135.00 | 11,254,052.34 | 66,857.38 | 11,320,909.72 | 10,817,089.13 | 503,820.59 |
| Duress payments | 4,999,328.11 | - | 4,999,328.11 | - | 4,999,328.11 | 4,963,428.70 | 35,899.41 |
| Concession Payments | 4,442,809.10 | - | 4,442,809.10 | - | 4,442,809.10 | 3,609,051.84 | 833,757.26 |
| Legal fees and expenses | 306,877.07 | 39,883.00 | 346,760.07 | 34,239.93 | 381,000.00 | 752,454.84 | (371,454.84) |
| Office holders' fees | 2,095,000.00 | - | 2,095,000.00 | 120,000.00 | 2,215,000.00 | 2,215,000.00 | - |
| Office holders' disbursements | 59,576.93 | 14,746.81 | 74,323.74 | 5,000.00 | 79,323.74 | 54,641.56 | 24,682.18 |
| Pre-administration costs (PwC) | 375,000.00 | - | 375,000.00 | - | 375,000.00 | 380,901.20 | (5,901.20) |
| Pre-administration costs (Kirkland & Ellis LLP) | 276,574.00 | - | 276,574.00 | - | 276,574.00 | 276,574.00 | - |
| Pre-administration costs (Metis LLP) | 8,333.33 | - | 8,333.33 | - | 8,333.33 | 8,333.33 | - |
| Statutory advertising | 77.00 | 174.00 | 251.00 | - | 251.00 | 77.00 | 174.00 |
| Total | 49,189,732.43 | (87,569.19) | 49,102,163.24 | 1,300,573.82 | 50,402,737.06 | 48,045,183.68 | 2,357,553.38 |

Almost all trading related expenses were incurred in the first reporting period. However, a significant proportion of these expenses were not agreed and have been paid during the previous and the current reporting periods. A small proportion remain subject to negotiation or the receipt of final invoices. Amounts that were not agreed until the current reporting period are included in the "Expenses incurred in this period column" and we have included in the "Estimated future" column our best estimate of those expenses which have yet to be agreed.

During the current reporting period, we have recovered rent and rates overpayments which have offset the previously reported liability. We have also been able to finalise the liabilities of certain other trading costs, which has meant we have been able to release some contingencies made in our last progress report. We previously anticipated total expenses of £51.5m but we now anticipate total expenses of £50.4m, a reduction of £1.1m.

We had also performed a reconciliation of our ledger accounts and our trading systems to ensure that transactions were accurately reported. As a result of this there had been some re-coding and reallocation of expenses as between the way the expenses are grouped in the table above, so that the brought forward figures by category did not match those previously reported.

MBSL:

| | | | | | | | |
|--------------------------------|------------------|----------|------------------|-----------------|------------------|------------------|----------|
| Office holders' fees | 35,000.00 | - | 35,000.00 | - | 35,000.00 | 35,000.00 | - |
| Office holders' disbursements | 387.63 | - | 387.63 | 1,000.00 | 1,387.63 | 1,387.63 | - |
| Pre-administration costs (PwC) | 5,000.00 | - | 5,000.00 | - | 5,000.00 | 5,000.00 | - |
| Total | 40,387.63 | - | 40,387.63 | 1,000.00 | 41,387.63 | 41,387.63 | - |

Our fees were approved on a fixed fee basis by the general body of creditors following the issue of our remuneration report on 25 June 2020. Our approved fees total £2,500,000, plus £130,000 for the prescribed part work. The fees are been apportioned as follows:

| Entity | £ (plus VAT) |
|-----------------------------------|------------------|
| MUKL - pre-appointment fees | 375,000 |
| MUKL - from floating charge funds | 2,095,000 |
| MUKL - from prescribed part funds | 120,000 |
| MUKL - Total | 2,590,000 |
| MBSL - pre-appointment costs | 5,000 |
| MBSL - post appointment fees | 25,000 |
| MBSL - prescribed part fees | 10,000 |
| MBSL - Total | 40,000 |

MUKL

Our fees were approved on a fixed fee basis on 30 July 2020 and creditors decided not to form a committee. To date we have drawn fees of £2,095,000 in line with the approval given, as shown on the enclosed receipts and payments accounts.

MBSL

Our fees were approved on a fixed basis on 2 September 2020. To date, no fees have been drawn as there are insufficient funds to enable this.

We set out later in this Appendix details of our work to date, anticipated future work, disbursements, subcontracted work and payments to associates.

Payments to associates

No payments have been made to associates or any party who could reasonably be perceived as an associate during the period of this report.

Our work in the period

Whilst this is not an exhaustive list, in the following table we provide more detail on the key areas of work

| | | | |
|---------------------------------|---|--|--|
| Strategy and planning | <ul style="list-style-type: none"> • Holding team meetings and discussions regarding the status and progression of the administrations. | <ul style="list-style-type: none"> • Planning and project managing the different workstreams of the administrations. | <ul style="list-style-type: none"> • Assisted in the efficient, structured and timely management of the administrations, leading to a faster completion of outstanding matters. |
| Accounting and treasury | <ul style="list-style-type: none"> • Dealing with receipts, payments and journals not relating to trading; and • Carrying out bank reconciliations and managing investment of funds; and • Corresponding with the bank regarding specific transfers. | <ul style="list-style-type: none"> • Preparing and authorising receipt and payment vouchers and carrying out bank reconciliations. • Enables proper accounting to creditors and for taxes. | <ul style="list-style-type: none"> • Ensured funds are managed securely and that such funds are generating returns; and • Complying with statutory and regulatory duties regarding the holding and accounting for funds. |
| Sale of business | <ul style="list-style-type: none"> • Reconciling receipts with the Purchaser to identify funds received which are due to the Purchaser under the sale agreement, and obtaining payment for services provided to the Purchaser; • Arranging for the notarisation of franchise documents required to be transferred to MGBL; and • Liaising with the Purchaser regarding its continuing obligations under the sale. | <ul style="list-style-type: none"> • Necessary to ensure the best outcome for the creditors. | <ul style="list-style-type: none"> • Ensured creditors as a whole received the best outcome. |
| Statutory and compliance | <ul style="list-style-type: none"> • Conducting case reviews after the first month; • Responding to external queries received, and reviewing and responding to post; • Preparing and issuing periodic progress reports to creditors and the Registrar; and • Safeguarding and collecting company books and records where not related to investigatory work | <ul style="list-style-type: none"> • Necessary to satisfy statutory and regulatory responsibilities. • Keeping creditors informed and involved. | <ul style="list-style-type: none"> • Statutory and regulatory responsibilities. |
| Property | <ul style="list-style-type: none"> • Negotiating with landlords to reduce the rents payable for occupation during the trading period, resulting in savings of some £1.6m; • Liaising with landlords and their managing agents of all properties to seek surrenders of the leases, to date, 26 have been accepted by the landlord; • Chasing up landlords who have not yet invoiced us for the periods of our occupation on agreed terms; • Agreement and payment of all outstanding rent, service charge and insurance on all properties; • Liaising with all utility providers to secure final settlements and invoices for the periods of our occupation on all properties, and making payments as appropriate; • Liaising with CAPA and the relevant rating authorities to make payments for business rates for the period of our occupation and securing £536,771 of historic overpayment | <ul style="list-style-type: none"> • Necessary to negotiate with landlords and liaise with agents in order to reduce MUKL's liabilities in respect of its property portfolio and utility costs. | <ul style="list-style-type: none"> • Rental savings enhanced the outcome for creditors by £1.6m. • Steps taken to effect surrenders, end ongoing utility liabilities and reclaim historic rates overpayments mitigates creditor and expense claims against the administration. |

| | | | |
|-------------------------------|--|---|--|
| | <ul style="list-style-type: none"> of business rates which were paid prior to the administration and/or changes in historic rateable values; and • Liaising with landlords and their managing agents to facilitate the transfer of utilities from the Companies, and/or arranging for the meters to be disconnected. | | |
| Other assets | <ul style="list-style-type: none"> • Corresponding with debtors including liaising with lawyers around the ongoing litigation that MUKL has with Visa and Mastercard; • Agreement of the basis for a settlement of the intercompany debts owed to MBSL; • Liaising with purchasers of stock as part of a final reconciliation and settlement of funds between MUKL and MGBL; and • Finalise sales of any remaining chattel assets, including fixtures and fittings, by liaising with Gordon Brothers. | <ul style="list-style-type: none"> • Necessary to ensure maximum asset realisations. | <ul style="list-style-type: none"> • Maximise asset realisations in the administrations. |
| Insurance | <ul style="list-style-type: none"> • Reviewing insurance policies; • Corresponding with insurer regarding ongoing insurance requirements; • Liaising with pre and post appointment insurance claimants and brokers; • Realising any value within policies; and • Notifying insurers of any surrendered leases to reduce the premium charged. | <ul style="list-style-type: none"> • Necessary to ensure appropriate insurance of assets and to ensure that assets are properly dealt with. • Pursuing insurance claims where appropriate to mitigate losses. | <ul style="list-style-type: none"> • Mitigation of the risk of claims against the administration and loss of assets. |
| Secured creditors | <ul style="list-style-type: none"> • Preparing reports to the secured creditors; • Responding to secured creditors' queries; and • Making distributions in accordance with security entitlements. | <ul style="list-style-type: none"> • Necessary to determine the value of creditor claims so that a distribution strategy may be determined, and dividend payments made to creditors. | <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"> • Collating information necessary to identify and agree preferential claims; • Corresponding with employees regarding dividend; • Issuing the NOID to all preferential creditors that we are aware of; • Preparing, issuing and receiving employee preferential claim agreement forms; and • Corresponding with the RPS regarding proof of debt. | <ul style="list-style-type: none"> • Necessary to determine the value of creditor claims so that a distribution strategy may be determined, and dividend payments made to creditors. | <ul style="list-style-type: none"> • Direct benefit to creditors through payment of distributions and provision of information. |
| Unsecured creditors | <ul style="list-style-type: none"> • Setting up a dedicated website for delivery of initial and ongoing communications and reports; • Receiving and following up with creditor enquiries via telephone, email and post; • Reviewing and preparing correspondence to creditors and their representatives with regard to information requests; • Identifying potential creditors from statement of affairs, company records, correspondence from customers and suppliers and employee records; • Preparing correspondence to potential creditors inviting lodgment of proof of debt; • Receiving proofs of debt and maintaining register; • Adjudicating claims, including requesting | <ul style="list-style-type: none"> • Necessary to determine the value of creditor claims so that a distribution strategy may be determined, and dividend payments made to creditors. | <ul style="list-style-type: none"> • Direct benefit to creditors through payment of distributions and provision of information. |

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| | <ul style="list-style-type: none"> • further information from claimants; • Issuing the NOID to all unsecured creditors that we are aware of; and • Responding to creditor and customer queries. | | |
| Employees | <ul style="list-style-type: none"> • Receiving and following up employee enquiries via telephone, post and email; • Reviewing employee tribunal claims; • Liaising with the RPS and external agencies; • Providing references to former employees upon their request; and • Issuing the NOID to all preferential creditors that we are aware of. | <ul style="list-style-type: none"> • Support employees to obtain compensation due from RPS. • Dealing with employee queries to mitigate the risk of individual claims. • Statutory process to try and obtain all legitimate employee claims for dividend purposes. | <ul style="list-style-type: none"> • Mitigation of claims insofar as possible. • Enables dividend to be paid. |
| Pensions | <ul style="list-style-type: none"> • Dealing with general pension scheme issues; and • Realising the refund from the group life assurance scheme relating to premiums paid for annual employee life cover pre-appointment. | <ul style="list-style-type: none"> • Necessary to ensure maximum asset realisations. | <ul style="list-style-type: none"> • Maximise asset realisations in the administrations. |
| Trading | <ul style="list-style-type: none"> • Liaising with management and staff; • Authorising purchase orders and other commitments; • Maintaining purchase order registry; • Closing out relationships with suppliers and ensuring that all accounts are settled correctly; • Preparing and authorising receipt and payment vouchers; • Investigating discrepancies and settling disagreements re supplier accounts; • Preparing weekly trading reports and EOS updates; • Dealing with a large volume of customer correspondence, including regarding faulty products/non-deliveries/refunds; • Liaising with merchant service providers in order to release funds into the estate; • Verifying the amounts due to the retail agents by agreeing all costs incurred to cost allocation workings; and • Ongoing correspondence with customer queries, including liaising with MGBL in respect of customers who have purchased products since the Companies ceased to trade. | <ul style="list-style-type: none"> • Necessary to ensure that revenue was generated during the trading period; and • Ensured that the trading process went as smooth as possible. • Necessary to complete any outstanding trading matters. | <ul style="list-style-type: none"> • Continuing to trade cost effectively and with appropriate supervision ensured trading losses were minimised and no litigation costs were incurred that could have resulted from an interruption of the services. |
| Tax | <ul style="list-style-type: none"> • Preparing and submitting tax computations for the pre-appointment periods to 31 March 2019 and 4 November 2019; • Preparing and submitting tax computations for the post-appointment periods 13 January 2020 and 31 March 2020; and • Liaising with HMRC. | <ul style="list-style-type: none"> • Necessary to comply with our legal obligation to submit tax returns, to reach certainty on the post-administration tax position. | <ul style="list-style-type: none"> • Statutory and regulatory responsibilities. |
| VAT | <ul style="list-style-type: none"> • Preparing VAT return reconciliations and reconciling the import VAT paid in the administration; • Preparing and submitting the quarterly post-appointment VAT returns; and • Ongoing liaison with HMRC. | <ul style="list-style-type: none"> • Necessary to comply with our legal obligation to submit VAT returns, to reach certainty on the post-administration VAT position. | <ul style="list-style-type: none"> • Statutory and regulatory responsibilities. • Ensure VAT recovery for the administration estate. |

Our future work

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

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| Strategy and planning | <ul style="list-style-type: none"> • Monitoring costs; • Progressing ongoing matters within the administration; and • Holding team meetings regarding the status of the 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 remaining properties; • 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; • Negotiating 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, and to secure refunds in respect of historic overpayments and/or changes in rateable values. | <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"> • Pursuing and recovering the debt owed to MBSL from Mothercare plc; • Receipt of an intercompany dividend from the prescribed part dividend in MUKL into MBSL; and • Obtaining the cash consideration payment referred to in the sale and purchase agreement. | <ul style="list-style-type: none"> • Direct benefit to creditors of MBSL through payment of distributions; and • Ensures the shortfall to the Secured Creditor is covered in compliance with the sale and purchase agreement. |
| Secured Creditors | <ul style="list-style-type: none"> • Preparing reports to the secured creditors; • Responding to the secured creditors 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; • Corresponding with the RPS regarding proof of debt; • Calculating dividend rate and preparing dividend file; • Preparing and paying distribution; and • Ensuring PAYE/NIC is deducted and remitted to HMRC. | <ul style="list-style-type: none"> • Direct benefit to creditors through payment of distributions and provision of information. |
| 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; • Dealing with proofs of debt for dividend purposes; | <ul style="list-style-type: none"> • Direct benefit to creditors through payment of distributions and provision of information. |

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| | <ul style="list-style-type: none"> • Receiving proofs of debt and maintaining register; • Adjudicating claims, including requesting further information from claimants; • Calculating dividend rate and preparing dividend file; • Preparing correspondence to creditors announcing declaration of dividend; and • Preparing and paying distributions from the prescribed part. | |
| Trading | <ul style="list-style-type: none"> • 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 including the credit card interchange claims; • 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"> • Conducting case reviews every six months; • Preparing and issuing periodic and final progress reports to creditors and the Registrar; • Making applications to court for the extension of the administration if needed and filing relevant notices; • Issuing notices and associated documentation for seeking decisions of creditors, if needed; • Dealing with records in storage; • Filing of documents; and • Updating checklists and diary management system. | <ul style="list-style-type: none"> • Statutory and regulatory requirements. |
| Tax & VAT | <ul style="list-style-type: none"> • 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 final 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. |

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 or be perceived to give rise to a conflict of interest.

Details of subcontracted work

We have not subcontracted any work that we would normally do during the period of this report.

Legal and other professional firms

We've instructed the following professionals on this case:

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| Books and records assistance, including: <ul style="list-style-type: none"> The provision of P60, payslips and other payroll / employee information. | MHR International UK Limited | Existing knowledge of the Companies. | Fixed fee <i>Actual cost: £13,392</i> |
| Legal advice, including: <ul style="list-style-type: none"> Dealing with the administration appointments, including retrospective administration application and court extension for MUKL; Dealing with the sale contract and post sale matters, including assignments; Assisting with dealing with DSARs received in the administration, and GDPR requirements of the Administrators; Liaising with utility provider's solicitors; and General legal advice. | Kirkland and Ellis LLP | Industry knowledge | Time costs and disbursements <i>Actual cost: £542,295</i> |
| 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 <i>Actual cost: £4,389</i> |
| Legal advice, including: <ul style="list-style-type: none"> Assisting with advice on Scottish properties | Brodies LLP | Industry knowledge | Time costs and disbursements <i>Actual cost: £1,100</i> |
| 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 <i>Actual cost: £18,788</i> |
| Legal advice, including <ul style="list-style-type: none"> Providing advice over Bill of Lading issues with suppliers | Clyde & Co LLP | Industry knowledge | Time costs and disbursements <i>Actual cost: £6,480</i> |
| Insurance brokers, including: <ul style="list-style-type: none"> Providing open cover during the first month of the administration; and Continuing to provide insurance cover based on the specific requirements of the administration. | Insolvency Risk Services | Industry knowledge | Insurance policy cost <i>Actual cost: £65,010</i> |
| Notary advice, including: <ul style="list-style-type: none"> Notarising trade mark assignment agreements and power of attorney documents | Peter David Knight Mantell - Notary Services | Industry knowledge | Fixed fee <i>Actual cost: £4,100</i> |
| Valuation advice, including <ul style="list-style-type: none"> Providing brand valuation advice prior to the administration | Metis Partners | Industry knowledge | Fixed fee <i>Actual cost: £10,000</i> |

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| Property agents, including: <ul style="list-style-type: none"> Assistance with meter disconnections and site visits. | VPS UK Limited | Industry knowledge | Time costs and disbursements <i>Actual cost: £524</i> |
| Property agents, including: <ul style="list-style-type: none"> Securing rates refunds in respect of historic changes to the rateable value of properties. | Exacta Plc | Industry knowledge | Percentage rental reductions secured <i>Estimated cost: Unknown as yet</i> |
| 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 <i>Estimated cost: Unknown as yet</i> |
| 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 including minimum guarantees for the administration <i>Actual cost: £11,641,061 (of which £4,337,238 relates to the repayment of the Augment Stock)</i> |
| Statutory advertising, including: <ul style="list-style-type: none"> The initial advertisement of the administration appointments; and The advertisement of the preferential and unsecured NOIDs. | EPE Reynell Advertising Limited | Industry knowledge | Fixed fee per advertisement <i>Actual cost: £251</i> |
| 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 and existing knowledge of the Companies | Fixed fee <i>Actual cost: £5,000</i> |
| 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 and existing knowledge of the Companies | Fixed fee <i>Actual cost: £4,416</i> |

We took the following steps during the period covered by this report to get approval for payment of the unpaid pre-appointment costs detailed in our proposals. The creditors approved the payment of the pre-administration costs as expenses of the administrations on 30 July 2020 for MUKL and on 2 September 2020 for MBSL.

To date we have paid pre-appointment legal fees of £241,008 from MUKL in line with the approval given, as shown on the enclosed receipts and payments accounts, but we have not yet drawn our pre-appointment fees in either company.

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| 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 |

The table below details what has been approved by the creditors, whereas the table above sets out the total costs incurred:

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| Fees charged by the Administrators - MUKL | 375,000.00 |
| Fees charged by the Administrators - MBSL | 5,000.00 |
| Fees incurred by Kirkland and Ellis LLP - MUKL | 276,574.00 |
| Fees incurred by Metis and Partners - MUKL | 8,333.33 |
| Total | 664,907.33 |

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 MGBL 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.

| | MUKL | MBSL |
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| 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: | Previously: Cherry Tree Road, Watford, Hertfordshire, WD24 6SH Now: % 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: | MUKL - Extended to 4 November 2022 by order of the Court MBSL - Extended to 4 November 2021 by consent of the general body of creditors | |