

# AM10

## Notice of administrator's progress report



Companies House

WEDNESDAY



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A11

06/10/2021

#220

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

County/Region London

Postcode SE1 2RT

Country United Kingdom

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

AM10

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Period of progress report

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

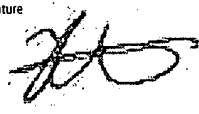
7

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	3	m	1	m	2	y	2	y	0	y	2	y	0	

## 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 **Matt Duckworth**

Company name **PricewaterhouseCoopers LLP**

Address **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](http://www.gov.uk/companieshouse) or email [enquiries@companieshouse.gov.uk](mailto: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](http://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. ①  
 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

① 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 May 2020 to 4 November 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

3 December 2020



**pwc**

Strictly private and confidential

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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
<b>Administrators</b>	Zelf Hussain, Mark James Tobias (Toby) Banfield and David Robert Baxendale
<b>Augment stock</b>	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 increasing footfall and therefore sales. The margin on Augment stock is typically high given that the stock is normally bought at a significant discount.
<b>FCA</b>	Financial Conduct Authority
<b>IA86</b>	Insolvency Act 1986
<b>IR16</b>	Insolvency (England and Wales) Rules 2016
<b>The Companies</b>	Mothercare UK Limited and Mothercare Business Services Limited - both in administration
<b>DWP</b>	Department for Work and Pensions
<b>MUKL</b>	Mothercare UK Limited - In administration
<b>MBSL</b>	Mothercare Business Services - in administration
<b>MGBL, the Purchaser</b>	Mothercare Global Brand Limited
<b>PPF</b>	Pension Protection Fund
<b>Preferential creditors</b>	Creditors with claims for: <ol style="list-style-type: none"> <li>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);</li> <li>2. accrued holiday pay for any period before 5 November 2019; and</li> <li>3. unpaid pension contributions in certain circumstances.</li> </ol>
<b>Prescribed part</b>	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
<b>ROT</b>	Retention of title
<b>RPS</b>	Redundancy Payments Service (part of the Insolvency Service, an executive agency of the Department for Business, Energy & Industrial Strategy)
<b>Secured creditors</b>	Creditors with security in respect of their debt, in accordance with Section 248 IA86
<b>SIP</b>	Statement of Insolvency Practice (issued by regulatory authorities, setting out principles and key compliance standards with which insolvency practitioners are required to comply)
<b>SIP 9</b>	Statement of Insolvency Practice 9: Payments to insolvency office holders and their associates
<b>Unsecured creditors</b>	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](https://www.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 last report dated 1 June 2020.

You can still view our proposals and our previous report on our website at [www.pwc.co.uk/mothercareuk](http://www.pwc.co.uk/mothercareuk). Please get in touch with the case team at [uk\\_mothercare@pwc.com](mailto: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 (%)
<b>Secured creditor(s)</b>	
- MUKL	76% - 79%
- MBSL	76% - 79%
<b>Preferential creditors</b>	
- MUKL	100%
- MBSL	100%
<b>Unsecured creditors</b>	
- 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 continue to think that preferential creditors (mainly employees) totalling £1.3m will be fully repaid.

We stated in our proposals that we thought there could 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 in the administration therefore there will not be a distribution to the unsecured creditors, other than via the prescribed part. We continue to think that the unsecured creditors of MUKL totalling £59.1 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 also think the unsecured creditors of MBSL could receive a dividend of between 50% to 100% from the prescribed part, based on what we currently know. We are in the process of reviewing these claims as we believe that some claims have been incorrectly submitted in MBSL that were meant for MUKL.

We've started asking for outstanding claims from unsecured creditors and have begun the process of adjudicating them for dividend purposes. The timing of any future dividends still remains uncertain as it is dependent on future asset realisations referred to below (specifically for MBSL), as well as the outcome of any employment tribunal claims which are also referred to below (specifically for MUKL).

## **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](http://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](http://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 second 6 month period of the administrations from 5 November 2020 to 4 May 2021 and will be posted on the website no later than 4 June 2021.

# Overview of what we've done to date

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 twelve months of the administrations:

## Sale of business and assets

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 was 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 concluded that each of these options would most likely have led to a poorer return to MUKL's creditors. This was explained in "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](http://www.pwc.co.uk/mothercareuk).

And as mentioned above, the Purchaser 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).

## 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 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. Gordon Brothers were chosen following a competitive tender process and appointed under a contract which guaranteed a minimum return to the administration, with a fee structure linked to performance. 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.

It was important to liaise with MUKL's key service providers, such as warehousing and logistics, 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 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 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.

Since closing the stores, the administrators continue to finalise any outstanding payments and also continue to work with the merchant service providers and other debtors to obtain the release of any withheld funds. In addition, the administrators continue to seek a claim from the ongoing litigation between Mastercard and Visa.

## **VAT & Duties**

Prior to our appointment, MUKL and MBSL were members of the wider Mothercare plc VAT group and were therefore authorised to operate a customs warehouse and a VAT & duty deferment scheme. However, on appointment, the customs warehouse and VAT & duty deferment authorisations were automatically revoked by HMRC. In addition, due to the insolvency event, HMRC would have ordinarily removed MUKL and MBSL from the wider Mothercare Plc VAT group. This subsequently would have left all import VAT and customs duties as immediately payable and prevented the administrators being able to remove stock from the warehouse to allow the continuation of trading until all outstanding import VAT and customs duties were paid.

However, after discussions with HMRC to seek a practical solution which allowed trade to continue whilst ensuring any VAT and customs due were paid, the administrators were able to obtain customs warehouse approval which enabled MUKL to continue to remove goods from the warehouse and continue to trade. It was agreed with HMRC that the administrators' paid weekly interim payments of £202,753 in respect of the import VAT and duties due, which helped cash flow in the administration. In addition, the administrators asked for and were granted approval for MUKL and MBSL to exceptionally remain in the Mothercare plc VAT group for an agreed period of time. These agreements and arrangements enabled the administrators to continue to trade, whilst managing cash flow and ensuring recovery of import VAT. Import VAT paid by the administration was subsequently recovered from HMRC through the monthly VAT returns mentioned below.

Our VAT team immediately started working with management to assist with preparation of monthly Mothercare Plc VAT returns for periods from November 2019 to February 2020. Overall, these VAT returns resulted in MUK receiving net payments of £266,493. MUKL and MBSL were subsequently removed from the Mothercare Plc VAT group with an effective date of 29 February 2020. Regular VAT returns have been submitted since then.

## **Tax**

We have been working with management to complete the pre-appointment tax compliance for both MUKL and MBSL (these are in respect of the year ended 31 March 2019 and period ended 04 November 2019).

We have drafted the tax computations and returns for the 31 March 2019 and are hoping to finalise and submit these shortly. We are still awaiting management accounts from management to assist with the tax computations for the period ending 4th November 2019.

The next tax return will be for the period ended 31 March 2020, which will be prepared on a receipts and payments basis (note that there will be an additional tax return for MUKL for the sub period from 05 November 2019 to 13 January 2020 being the period to cessation of trade).

Additionally, we are still working with management 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. We are hoping to finalise this alongside completion of the pre-appointment tax compliance.

## **Employees**

The total number of employees on appointment, comprising both head office and store members of staff was 2,992. Upon appointment, 156 employees also TUPE transferred across to MGBL in connection with the sale of the brand and international business.

155 redundancies within the head office function were made on appointment or within the first week, being a combination of both MUKL and MBSL employees. These roles were identified as no longer being required for the purposes of trading.

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 left the business in January 2020, with the final employee being made redundant 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 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.

## Pensions

Our internal pensions team have ensured that all the statutory notices and searches have been carried out. As the sale to MGBL resulted in the liability for the pension schemes transferring to the purchaser, this has 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 (group life and private medical insurance) remained 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.

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

On administration, 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. 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. We instructed agents, CAPA, to negotiate rent reductions with a significant proportion of the landlords of the trading stores.

The leases for two stores had expired during the first six monthly period. Following the cessation of trading activities, all stores were vacated and offers of surrender were issued to the landlords. To date, only three surrenders have been completed.

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, further details of rates savings and rates payments are detailed later on in this report.

We had also 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. Whilst the liabilities of most of the water companies and some of the energy utility providers have been settled, we continue to chase for final invoices and remain in discussions with the main energy utility provider.

## ROT Claims

7 ROT claims were agreed and have been paid based on legal advice suggesting the claims were valid. The 7 suppliers were owed c.£2.5m. The settlement negotiated for the £1.6m of stock held on appointment was £0.7m on payment terms ranging from 30-45 days. This represents an average settlement rate of 42%.

# Progress since we last reported

## Trading

As mentioned in our last report the stores traded from 5 November 2019 and were closed over the period from 4 January 2020 until 12 January 2020.

Since the stores closed, the administrators have continued to finalise outstanding trading liabilities and to collect in outstanding trading receipts. The administrators have worked closely with merchant service providers Amex, Global Pay and Paypal, to release outstanding trading funds. To date £3.6m of funds have been realised, with a potential further £0.5m still to be recovered. The administrators continue to seek the release of these funds, which are being withheld as a surety against possible section 75 claims. The merchant service providers are currently stating that the funds need to be held for up to 7 years; the administrators are seeking to negotiate a settlement claim.

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.

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 it is still no longer possible to continue to agree to any refund requests, all customers who believe they are due a refund can submit a claim in the administration as an unsecured creditor.

## VAT & Duties

Subsequent to MUKL leaving the Mothercare Plc VAT group, MUKL made an application to register for VAT on a standalone basis, with effect from 1 February 2020. 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. HMRC raised a routine enquiry into the VAT return, and as a result, work was undertaken by the administrators' VAT team to collate the necessary information to respond to HMRC's enquiries. HMRC have since approved the VAT repayment of £725,160.38, which was received by MUKL on 29 October 2020.

## Tax

During the period, we have been liaising with management with regards to the tax computation for the year ended 31 March 2019 and are hoping to finalise these shortly.

We are still awaiting management accounts from management to assist with the tax computations for the period ending 4th November 2019.

The next tax return will be for the period ended 31 March 2020, which will be prepared on a receipts and payments basis (note that there will be an additional tax return for MUKL for the sub period from 05 November 2019 to 13 January 2020 being the period to cessation of trade). These are in the process of being drafted.

Discussions are still ongoing with management in relation to the allocation of consideration (in connection with the sale of assets to the Purchaser) across assets set out in the asset sale agreement.

## Other assets

Our internal pensions team continue to pursue potential refund from annual premium paid for the group life assurance scheme.

CAPA has continued to negotiate with local authorities to finalise rating liabilities for the period of our occupation for all properties. As of 4 November 2020, MUKL has paid £2,225,020 in respect of rates and we are awaiting final invoices in respect of the remaining properties. We have also managed to secure £429,537 in respect of historic overpayments of rates to local authorities, which were paid prior to the administration.

In addition the administrators have been liaising with lawyers around the 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 in relation to 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 continue 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.

## 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). 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 for 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.

We continue to monitor queries and respond accordingly. A number of former employees have challenged the calculation of a week's pay and where evidence is provided the calculations are being reviewed and if appropriate amendments notified to the Redundancy Payments Service.

Former employees who would have been entitled to receive statutory maternity pay have been directed to contact HMRC's Statutory Payment Disputes team and we are responding to information requests to allow these payments to be processed.

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 £1,580,803 for the trading period. As of 4 November 2020, MUKL has paid £1,214,771 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 eight leases have been surrendered through negotiations with landlords or through operation of law.

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 also 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.

We have not yet managed to completely settle all accounts and remain in discussions with the main utility provider, however we have made good progress during the period and there are now only three stores where the landlord hasn't taken on supply and/or the meter has not yet been disconnected.

As of 4 November 2020, MUKL has paid £579,316 in respect of electricity, gas and water for the trading period.

## **Extension of the administrations and retrospective appointment application**

The administrations of the Companies were due to come to an end on 4 November 2020. In order to progress the outstanding matters in the administrations, we sought to extend the administrations as detailed below:

### **MUKL**

Given the complexity of the outstanding matters in the MUKL administration, we sought an extension of two years to 4 November 2022 by applying to Court. Our application was submitted to Court, and following a subsequent hearing on 12 October 2020, we are pleased to confirm that the extension of the administration to 4 November 2022 was granted by the Court.

As creditors will be aware from our previous reports, prior consent to the appointment of the administrators was required from the FCA, which was only obtained after the appointment had been made.

The administrators took legal advice on the validity of their appointment at that time and were advised that case law indicated that the failure to obtain the FCA's consent prior to the administration appointment was a defect which could be remedied by the subsequent filing in court of the consent.

Earlier this year there was a subsequent case on a similar matter which has recently been reported and reached a different judgment, concluding that this defect was not capable of being remedied. Given the current uncertainty of the law on this matter, an application was made to the court to make a retrospective appointment of the administrators at the same time and date as the original appointment and this was granted.

### **MBSL**

In order to progress the outstanding matters in the MBSL administration, we sought to extend the administration by one year to 4 November 2021 by consent of the general body of creditors.

Following the expiry of the decision date on 2 October 2020, we are pleased to confirm that the extension of the administration to 4 November 2021 was approved by the general body of creditors.

## **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 Glynn 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](http://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.

## **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 May 2020 to 4 November 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.

## 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](http://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 (trading agents, utilities, business rates, rent and service charge and other suppliers);
- 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, Employment Tribunals and former employee queries;
- Finalise outstanding property and insurance matters;
- Preparation of the November 2020, and other 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.

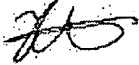
More details can be found at Appendix C.

## 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.*

# Appendix A: Receipts and payments

## Mothercare UK Limited - GBP account

Directors' statement of affairs (£)	5 November 2019 to 4 May 2020 (£)	5 May 2020 to 4 November 2020 (£)	5 November 2019 to 4 November 2020 (£)
<b>Trading Account</b>			
<b>Trading Receipts</b>			
Sales	55,204,479.69	542,591.31	55,747,071.00
Sales - Concessionary Sales	2,015,884.22	-	2,015,884.22
Debtor receipts due to MGBL	10,243,184.41	-	10,243,184.41
Debtor receipts due to MGBL - Payroll contribution from MGBL	610,718.33	-	610,718.33
Debtor receipts due to MGBL - PAYE/NIC contribution from MGBL	480,931.39	-	480,931.39
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 1)	105,424.53	-	105,424.53
<b>Total Trading Receipts</b>	<b>68,819,853.58</b>	<b>753,275.98</b>	<b>69,573,129.56</b>
<b>Trading Payments</b>			
Payments to concession partners	4,442,809.10	-	4,442,809.10
Expeditors carriage costs	325,264.81	1,100.63	326,365.44
Indirect Labour	24,459.00	-	24,459.00
Rents	593,436.67	621,334.35	1,214,771.02
Rates	1,338,630.71	456,852.42	1,795,483.13
Telephone	657.61	-	657.61
Warehouse Costs	5,814,109.43	-	5,814,109.43
IT Consultancy & Professional Fees (Note 2)	615,788.46	-	615,788.46
Refunds / write offs	25,840.63	703.83	26,544.46
Lease/Hire/HP Payments	639.17	-	639.17
Dues & Payments	4,999,328.11	-	4,999,328.11
Repairs & Maintenance	259,240.13	-	259,240.13
Sundry Expenses	500.00	-	500.00
Store Running Costs	1,064,539.53	1,547.32	1,066,086.85
Distribution costs	622,857.40	-	622,857.40
Licences, trade marks, royalties etc	20,525.17	-	20,525.17
Agents' Fees & Disbursements (Note 3)	8,027,100.34	3,113,816.79	11,140,917.13
Duty Tax	1,275,894.36	-	1,275,894.36
Marketing & Office costs	128,304.60	-	128,304.60
Irrecoverable VAT	63,893.00	-	63,893.00
Utilities	183,869.61	385,446.39	569,316.00
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
<b>Total Trading Payments</b>	<b>40,351,463.66</b>	<b>4,590,801.73</b>	<b>44,942,265.39</b>
<b>Trading Surplus / (Deficit)</b>	<b>28,468,389.92</b>	<b>(3,837,525.75)</b>	<b>24,630,864.17</b>

<b>Floating Charge Account</b>			
<b>Receipts</b>			
Cash / Balance at Bank	238,115.00		238,115.00
Bank, debts	221,517.07	3,329,458.48	3,550,975.55
Pre-appointment VAT refund		381.42	381.42
Insurance claims and refunds	34,754.38		34,754.38
Sundry debts & refunds	560.50	11,080.12	11,640.62
Bank Interest Gross	50,040.03		50,040.03
Trading Surplus	28,468,389.92	(3,837,525.75)	24,630,864.17
<b>Total Receipts</b>	<b>29,011,376.90</b>	<b>(496,607.73)</b>	<b>28,514,769.17</b>
<b>Payments</b>			
Legal Fees / Disks	108,699.07	88,497.76	196,196.83
Licences, trade marks, royalties		318.48	318.48
Office costs, Stationery & Postage		519.00	519.00
Pre-appointment legal fees		241,008.88	241,008.88
Professional fees		4,800.00	4,800.00
Office holders' fees (Fixed fee)		2,095,000.00	2,095,000.00
Insurance		62,672.80	62,672.80
Statutory advertising	77.00		77.00
Finance / Bank interest & charges	157,542.44	29.50	157,571.94
<b>Total Payments</b>	<b>266,318.51</b>	<b>2,430,844.42</b>	<b>2,757,162.93</b>
<b>Balance on Floating Charge Account</b>	<b>28,745,058.39</b>	<b>(2,987,452.15)</b>	<b>25,757,606.24</b>
<b>Secured Creditor</b>			
Distribution to the floating charge creditor	10,000,000.00	8,225,000.00	18,225,000.00
<b>Total secured creditor entitlements</b>	<b>10,000,000.00</b>	<b>8,225,000.00</b>	<b>18,225,000.00</b>
VAT control account	(221,529.95)	(519,849.84)	(741,379.79)
<b>Total</b>	<b>18,523,528.44</b>	<b>(11,732,301.99)</b>	<b>6,791,226.45</b>
<b>Represented by:</b>			
Administration bank account (Barclays)	18,509,569.07	(15,493,298.49)	3,016,270.58
Administration bank account (HSBC)		3,700,994.50	3,700,994.50
ELC client account			
Reserve account	13,959.37		13,959.37
<b>Total held in interest bearing current accounts</b>	<b>18,523,528.44</b>	<b>(11,732,301.99)</b>	<b>6,791,226.45</b>

Note 1 - As we noted in our previous report, 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.

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.

Note 4 - Following a reconciliation of the VAT accounts after the cessation of the trading period, we have updated our receipts and payments account to correctly reflect the VAT position, which has resulted in differences to our brought forward balances when compared to our previous report.

Note 5 - The brought forward balance at bank differs to the closing balance reported in our previous report. This is due to transactions that had been received prior to 4 May 2020, however not processed until after this date due to a system error. We have now adjusted our figures to ensure the correct balance at bank is reported

**Mothercare UK Limited - USD account**

Directors' statement of affairs (2)		5 November 2019 to 4 May 2020	5 May 2020 to 4 November 2020	5 November 2019 to 4 November 2020
		(\$)	(\$)	(\$)
	Receipts and Payments Account			
	Receipts			
	Mothercare Global funds received	2,875,874.27	-	2,875,874.27
	Bank Interest Gross	537.14	0.13	537.27
	<b>Total Receipts</b>	<b>2,876,411.41</b>	<b>0.13</b>	<b>2,876,411.54</b>
	Payments			
	Mothercare Global funds received	2,875,874.27	-	2,875,874.27
	Finance / Bank interest & charges	59.00	-	59.00
	<b>Total Payments</b>	<b>2,875,933.27</b>	<b>-</b>	<b>2,875,933.27</b>
	<b>Net trading receipts</b>	<b>478.14</b>	<b>-</b>	<b>478.27</b>
	VAT control account			
	<b>Total</b>	<b>478.14</b>	<b>-</b>	<b>478.27</b>
	Represented by:			
	Administration bank account	478.14	-	478.27
	<b>Total held in interest bearing current accounts</b>	<b>478.14</b>	<b>-</b>	<b>478.27</b>

**Mothercare UK Limited - EUR account**

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

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.

MUXC	Expenses incurred brought forward from 5 May 2020	Expenses incurred in this period	Total expenses to 4 November 2020	Estimated future	Anticipated total	Initial Estimated total	Variance
Trading expenses	23,039,783.53	2,445,471.00	25,485,254.53	1,600,000.00	27,085,254.53	24,967,532.03	2,117,722.50
Costs of sales	1,050,380.16	2,251.00	1,052,631.16		1,052,631.16	2,085,937.87	1,553,306.51
Gross wages & salaries	10,550,236.83		10,550,236.83		10,550,236.83	8,571,003.01	1,579,233.82
Rent & rates	1,932,657.38	1,978,187.00	3,910,844.38		4,810,254.38	4,331,877.24	558,377.14
Distribution, utilities and other operating expenses	8,457,684.19	450,000.00	8,907,684.19	300,000.00	9,207,684.19	9,008,493.16	1,999,191.03
Office expenses	18,235,175.83	5,418,318.00	23,653,493.83	775,577.77	24,429,071.60	23,077,581.50	1,351,490.10
Agents' fees and disbursements (Gordon Brothers)	8,027,100.34	3,113,817.00	11,140,917.34	209,000.00	11,349,917.34	10,817,083.13	532,834.21
Dunes' payments	4,999,328.11		4,999,328.11		4,999,328.11	4,993,428.70	5,900.41
Concessions Payments	4,442,809.10		4,442,809.10		4,442,809.10	3,893,061.84	549,747.26
Lease fees and expenses	188,178.00		188,178.00	445,577.77	633,755.77	752,464.84	118,709.07
Office holders' fees	188,699.07	2,095,000.00	2,283,699.07	120,000.00	2,403,699.07	2,215,000.00	188,699.07
Office holders' disbursements	48,253.93	11,323.00	59,576.93	5,000.00	64,576.93	54,841.56	9,735.37
Pre-administration costs (PwC)	375,000.00		375,000.00		375,000.00	380,501.20	5,501.20
Pre-administration costs (Mott MacDonald & Ede LLP)	276,574.00		276,574.00		276,574.00	276,574.00	
Pre-administration costs (Mills LLP)	8,333.33		8,333.33		8,333.33	8,333.33	
Statutory advertising	77.00		77.00		77.00		
Total	41,325,943.43	7,863,789.00	49,189,732.43	2,375,577.77	51,565,310.20	48,045,183.68	3,520,126.52

MUXC	Expenses incurred brought forward from 5 May 2020	Expenses incurred in this period	Total expenses to 4 November 2020	Estimated future	Anticipated total	Initial Estimated total	Variance
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	5,387.63	35,000.00	40,387.63	1,000.00	41,387.63	41,387.63	

Almost all trading related expenses were incurred in the first reporting period. However, a significant proportion of these expenses were not agreed and paid until the current reporting period, and 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, and included these on a more cautious basis than previously.

Following a reconciliation of the VAT accounts after the cessation of the trading period, we have updated our receipts and payments account to correctly reflect the VAT position, which has resulted in differences to our brought forward balances when compared to our previous report. In particular, there was a proportion of concessions payments where we had expected to recover VAT, but reconciliation of the VAT position showed that the VAT had already been accounted for; these costs have therefore been grossed up by c£0.8m.

We have also performed a reconciliation of our ledger accounts and our trading systems to ensure that transactions are accurately reported. As a result of this there has 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 do not match those previously reported.

# Appendix C: Remuneration update

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. The remuneration report included decision notices and voting forms concerning the administrators' remuneration. Our fixed fee is £2,500,000, plus £130,000 for the prescribed part work, which has 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
<b>MUKL - Total</b>	<b>2,590,000</b>
MBSL - pre-appointment costs	5,000
MBSL - post appointment fees	25,000
MBSL - prescribed part fees	10,000
<b>MBSL - Total</b>	<b>40,000</b>

## *MUKL*

The decision notices and voting forms were amended on 15 July 2020 to include a decision on whether to form a creditors' committee. The last date for returning voting forms was amended to 30 July 2020. Those creditors who had already voted were contacted to allow them to update their voting forms if they wished. Following the expiry of this decision date, our fees were approved on a fixed fee basis 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*

Following the expiry of the decision date for MBSL, no votes had been received. We therefore issued a further decision notice and voting form, with the decision date amended to 2 September 2020. Following the expiry of this decision date, our fees were approved on a fixed fee basis. 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 fees have been paid to associates during the period of this report.

## Our previous work

As this progress report is the first to be issued following the approval of the basis of our fees, below are details of work done by the administrators in previous periods.

Area of work	Work undertaken	Why the work was necessary	What, if any, financial benefit the work provided to creditors OR whether it was required by statute
<b>Strategy and planning</b>	<ul style="list-style-type: none"> <li>Completing tasks relating to job acceptance;</li> <li>Preparing fee budgets &amp; monitoring cost; and</li> <li>Holding team meetings and discussions regarding the status and progression of the administrations.</li> </ul>	<ul style="list-style-type: none"> <li>Planning and project managing the different workstreams of the administrations.</li> </ul>	<ul style="list-style-type: none"> <li>Assisted in the efficient, structured and timely management of the administrations, leading to a faster completion of outstanding matters.</li> </ul>
<b>Accounting and treasury</b>	<ul style="list-style-type: none"> <li>Opening and closing bank accounts and arranging facilities;</li> <li>Dealing with receipts, payments and journals not relating to trading; and</li> <li>Carrying out bank reconciliations and managing investment of funds; and</li> <li>Corresponding with the bank regarding specific transfers.</li> </ul>	<ul style="list-style-type: none"> <li>Preparing and authorising receipt and payment vouchers and carrying out bank reconciliations.</li> <li>Enables proper accounting to creditors and for taxes.</li> </ul>	<ul style="list-style-type: none"> <li>Ensured funds are managed securely and that such funds are generating returns; and</li> <li>Complying with statutory and regulatory duties regarding the holding and accounting for funds.</li> </ul>
<b>Sale of business</b>	<ul style="list-style-type: none"> <li>Comparing the estimated outcomes from different strategies for the administrations to ensure a sale of the brand and franchise business delivered best value for creditors;</li> <li>Completing a sale of the brand and international franchise business for consideration which underwrote a full recovery for the secured creditors and a reduction in unsecured creditors of c85%;</li> <li>Liaising with the Purchaser and solicitors to effect the necessary transactions for the sale and dealing with other post sale matters;</li> <li>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;</li> <li>Liaising with the Purchaser regarding its continuing obligations under the sale.</li> </ul>	<ul style="list-style-type: none"> <li>Necessary to ensure the best outcome for the creditors.</li> </ul>	<ul style="list-style-type: none"> <li>Ensured creditors as a whole received the best outcome.</li> </ul>
<b>Statutory and compliance</b>	<ul style="list-style-type: none"> <li>Preparing and issuing all necessary initial letters and notices regarding the administration and our appointment;</li> <li>Circulating creditors with a report on the pre-packaged sale of part of the business and assets in compliance with SIP 16 and SIP 13;</li> <li>Preparing and circulating to creditors a remuneration report giving details of the work we expect to carry out during the case, and the expenses that are likely to be incurred;</li> <li>Conducting case reviews after the first</li> </ul>	<ul style="list-style-type: none"> <li>Necessary to satisfy statutory and regulatory responsibilities.</li> <li>Keeping creditors informed and involved.</li> </ul>	<ul style="list-style-type: none"> <li>Statutory and regulatory responsibilities.</li> </ul>



	<ul style="list-style-type: none"> <li>month;</li> <li>• Drafting and reviewing a statement of proposals to creditors including preparing receipts and payments accounts and statutory information;</li> <li>• Circulating notice of the proposals to creditors, members and the Registrar of Companies;</li> <li>• Preparing decision notice and associated documentation;</li> <li>• Preparing a record of the decision and issuing a report on the outcome to creditors;</li> <li>• Preparing and issuing periodic progress reports to creditors and the Registrar;</li> <li>• Making applications to creditors of MBSL and the court for MUKL for the extension of the administrations and filing relevant notices;</li> <li>• Liaising with our solicitors to prepare and submit a retrospective administration application to the Court following uncertainty surrounding the law of obtaining consent of the FCA prior to our initial appointment as administrators;</li> <li>• Preparing and submitting responses to DSARs that were submitted in the administration by liaising with our solicitors and performing a review of the books and records that we hold;</li> <li>• Safeguarding and collecting company books and records where not related to investigatory work; and</li> <li>• Taking steps to cancel MUKL's FCA registration and comply with the necessary procedures.</li> </ul>		
<b>Property</b>	<ul style="list-style-type: none"> <li>• Carrying out title searches and securing relevant property records;</li> <li>• Securing possession of properties;</li> <li>• Negotiating with landlords to reduce the rents payable for occupation during the trading period, resulting in savings of some £1.2m;</li> <li>• Liaising with landlords and their managing agents of all properties to seek surrenders of the leases, to date, 11 have been accepted by the landlord;</li> <li>• Chasing up landlords who have not yet invoiced us for the periods of our occupation on agreed terms;</li> <li>• Agreement and payment of all outstanding rent, service charge and insurance on all properties;</li> <li>• 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;</li> <li>• Liaising with CAPA and the relevant rating authorities to make payments for business rates for the period of our occupation and securing £429,537 of historic overpayment of business rates which were paid prior to the administration; and</li> <li>• Liaising with landlords and their</li> </ul>	<ul style="list-style-type: none"> <li>• 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;</li> </ul>	<ul style="list-style-type: none"> <li>• Rental savings enhanced the outcome for creditors by £1.2m.</li> <li>• Steps taken to effect surrenders, end ongoing utility liabilities and reclaim historic rates overpayments mitigates creditor and expense claims against the administration.</li> </ul>

	managing agents to facilitate the transfer of utilities from the Companies, and/or arranging for the meters to be disconnected.		
<b>Other assets</b>	<ul style="list-style-type: none"> <li>Corresponding with debtors including liaising with lawyers around the ongoing litigation that MUKL has with Visa and Mastercard;</li> <li>Reviewing and assessing debtors ledgers;</li> <li>Liaising with debt collectors and solicitors;</li> <li>Conducting stock takes;</li> <li>Reviewing stock values;</li> <li>Liaising with purchasers of stock as part of a final reconciliation and settlement of funds between MUKL and MGBL; and</li> <li>Finalise sales of any remaining chattel assets, including fixtures and fittings, by liaising with Gordon Brothers.</li> </ul>	<ul style="list-style-type: none"> <li>Necessary to ensure maximum asset realisations.</li> </ul>	<ul style="list-style-type: none"> <li>Maximise asset realisations in the administrations.</li> </ul>
<b>Insurance</b>	<ul style="list-style-type: none"> <li>Identifying potential issues requiring attention of insurance specialists;</li> <li>Arranging insurance and reviewing insurance policies;</li> <li>Corresponding with insurer regarding initial and ongoing insurance requirements;</li> <li>Liaising with pre and post appointment insurance claimants and brokers;</li> <li>Understanding the extent of the Companies self-insuring arrangements and consequential position of claimants;</li> <li>Realising any value within policies; and</li> <li>Notifying insurers of any surrendered leases to reduce the premium charged.</li> </ul>	<ul style="list-style-type: none"> <li>Necessary to ensure appropriate insurance of assets and to ensure that assets are properly dealt with.</li> <li>Pursuing insurance claims where appropriate to mitigate losses.</li> </ul>	<ul style="list-style-type: none"> <li>Mitigation of the risk of claims against the administration and loss of assets.</li> </ul>
<b>Retention of title claims</b>	<ul style="list-style-type: none"> <li>Arranging for the completion of retention of title claim forms;</li> <li>Maintaining retention of title file;</li> <li>Meeting claimants on site to identify goods;</li> <li>Adjudicating retention of title claims;</li> <li>Corresponding with claimants regarding outcome of adjudication; and</li> <li>Negotiating potential settlements and making payments to satisfy valid claims.</li> </ul>	<ul style="list-style-type: none"> <li>Necessary to ensure the continuity of supply to allow the Companies to trade</li> </ul>	<ul style="list-style-type: none"> <li>Allowed the Companies to continue to trade, thus enhancing asset realisations.</li> </ul>
<b>Secured creditors</b>	<ul style="list-style-type: none"> <li>Notifying secured creditors of appointment;</li> <li>Preparing reports to the secured creditors;</li> <li>Responding to secured creditors' queries; and</li> <li>Making distributions in accordance with security entitlements.</li> </ul>	<ul style="list-style-type: none"> <li>Necessary to determine the value of creditor claims so that a distribution strategy may be determined, and dividend payments made to creditors.</li> </ul>	<ul style="list-style-type: none"> <li>Direct benefit to creditors through payment of distributions and provision of information.</li> </ul>
<b>Preferential creditors</b>	<ul style="list-style-type: none"> <li>Collating information necessary to identify and agree preferential claims;</li> <li>Corresponding with employees regarding dividend;</li> <li>Preparing, issuing and receiving employee preferential claim agreement forms; and</li> <li>Corresponding with the RPS regarding proof of debt.</li> </ul>	<ul style="list-style-type: none"> <li>Necessary to determine the value of creditor claims so that a distribution strategy may be determined, and dividend payments made to creditors.</li> </ul>	<ul style="list-style-type: none"> <li>Direct benefit to creditors through payment of distributions and provision of information.</li> </ul>

<b>Unsecured creditors</b>	<ul style="list-style-type: none"> <li>• Setting up a dedicated website for delivery of initial and ongoing communications and reports;</li> <li>• Receiving and following up over 1,000 creditor enquiries via telephone, email and post;</li> <li>• Reviewing and preparing correspondence to creditors and their representatives;</li> <li>• Identifying potential creditors from statement of affairs, company records, correspondence from customers and suppliers and employee records;</li> <li>• Preparing correspondence to potential creditors inviting lodgment of proof of debt;</li> <li>• Receiving proofs of debt and maintaining register;</li> <li>• Adjudicating claims, including requesting further information from claimants;</li> <li>• responding to creditor queries.</li> </ul>	<ul style="list-style-type: none"> <li>• Necessary to determine the value of creditor claims so that a distribution strategy may be determined, and dividend payments made to creditors.</li> </ul>	<ul style="list-style-type: none"> <li>• Direct benefit to creditors through payment of distributions and provision of information.</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Drafting, issuing and delivering initial communications and announcements to c. 3,000 employees based at c.80 locations;</li> <li>• Arranging for the TUPE transfer of 156 employees from MUKL to MGBL, and a further 23 employees from MUKL to Mini Club UK Limited;</li> <li>• Preparing letters to employees advising of their entitlements and options available;</li> <li>• Appointing employee representatives and holding consultation meetings;</li> <li>• Preparing employee communications and rolling FAQs.</li> <li>• Receiving and following up employee enquiries via telephone, post and email;</li> <li>• Reviewing employee files and company's books and records;</li> <li>• Reviewing awards and payroll structure;</li> <li>• Calculating and paying periodic payroll;</li> <li>• Deducting and paying over PAYE/NIC to HMRC and other deductions to relevant agencies and third parties;</li> <li>• Commencing / continuing a consultation process;</li> <li>• Selecting and making redundancies; and</li> <li>• Liaising with the RPS and external agencies.</li> </ul>	<ul style="list-style-type: none"> <li>• For retained employees, necessary to meet collective consultation requirements. Also necessary to manage ongoing employee relations in a trading environment.</li> <li>• For retained employees, necessary to manage ongoing queries received from the significant number of retained employees.</li> <li>• For redundant employees, necessary to ensure all redundancy letters and associated communications were provided.</li> <li>• For redundant employees, necessary to provide support to employees making claims to the RPS (working with internal payroll and the RPS), particularly given the challenges and complexities arising from the MUK data available.</li> <li>• For redundant employees, necessary to respond to queries being sent to the Company and PwC's designated employee mailbox. Also necessary to manage sensitive issues being raised by former employees to mitigate</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory requirement to conduct collective consultation.</li> <li>• Transfer of 179 employees has provided security of employment for those individuals as well as minimising creditor claims</li> <li>• Overseeing payroll ensured that payroll costs were appropriately managed.</li> <li>• Managing the retained workforce meant trading could continue as smoothly as possible.</li> <li>• Mitigation of claims insofar as possible.</li> </ul>

		the risk of individual claims.	
<b>Pensions</b>	<ul style="list-style-type: none"> <li>• Reviewing life and statutory insurance policies;</li> <li>• Issuing statutory notices;</li> <li>• Dealing with general pension scheme issues and the Pension Protection Fund;</li> <li>• Calculating contributions and requesting payments to the relevant scheme or policy;</li> <li>• 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; and</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Contractual entitlement to certain benefits for retained employees which had to be maintained</li> </ul>	<ul style="list-style-type: none"> <li>• Issuing of notices on appointment and shortly after necessary to comply with statutory requirements</li> </ul>
<b>Trading</b>	<ul style="list-style-type: none"> <li>• Negotiating key terms in stock disposition agreement with retail agents to include a minimum net realisation into the administration estate and fee structure to drive sales;</li> <li>• Finalising stock disposition agreement with retail agents;</li> <li>• Securing 78 stores, distribution centre, warehouses and website to support trading;</li> <li>• Achieving sales of some £63.5m;</li> <li>• Liaising with suppliers, including critical systems and infrastructure suppliers;</li> <li>• Liaising with freight forwarders;</li> <li>• Negotiating with suppliers to obtain augment stock;</li> <li>• Negotiating and minimising any ransom amounts due;</li> <li>• Liaising with management and staff;</li> <li>• Attending on site at head office with limited attendance elsewhere;</li> <li>• Developing a payment process and authorised signatories within the administration team;</li> <li>• Authorising purchase orders and other commitments;</li> <li>• Maintaining purchase order registry;</li> <li>• Closing out relationships with suppliers and ensuring that all accounts are settled correctly;</li> <li>• Preparing and authorising receipt and payment vouchers;</li> <li>• Investigating discrepancies and settling disagreements re supplier accounts;</li> <li>• Preparing weekly trading reports and EOS updates;</li> <li>• Holding meetings to discuss trading position;</li> <li>• Dealing with a large volume of customer correspondence, including regarding faulty products/non-deliveries/refunds;</li> </ul>	<ul style="list-style-type: none"> <li>• Necessary to ensure that revenue was generated during the trading period</li> <li>• Ensured that the trading process went as smooth as possible.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

	<ul style="list-style-type: none"> <li>• Agreeing/declining customer refunds and arranging payments;</li> <li>• Liaising with merchant service providers in order to release funds into the estate; and</li> <li>• Verifying the amounts due to the retail agents by agreeing all costs incurred to cost allocation workings.</li> </ul>		
<b>Investigations</b>	<ul style="list-style-type: none"> <li>• Collecting and reviewing the Companies' books and records;</li> <li>• Preparing comparative financial statements and deficiency statement;</li> <li>• Preparing investigation file and lodging findings with the Department for Business, Innovation and Skills;</li> <li>• Identifying potential asset recoveries; and</li> <li>• Instructing and liaising with solicitors regarding recovery actions.</li> </ul>	<ul style="list-style-type: none"> <li>• Necessary to comply with our statutory obligations to submit CDDA returns and pursue potential asset realisations to maximise returns to creditors.</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory and regulatory responsibilities.</li> </ul>
<b>Tax</b>	<ul style="list-style-type: none"> <li>• Gathering information for the initial tax review;</li> <li>• Carrying out tax review of historic computations and subsequent enquiries;</li> <li>• Preparing tax computations for the pre-appointment periods to 31 March 2019 and 4 November 2019;</li> <li>• Preparing tax computations for the post-appointment periods 13 January 2020 and 31 March 2020;</li> <li>• Liaising with HMRC; and</li> <li>• Liaise with and comply with the Senior Accounting Officer obligations.</li> </ul>	<ul style="list-style-type: none"> <li>• Necessary to comply with our legal obligation to submit tax returns, to reach certainty on the post-administration tax position.</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory and regulatory responsibilities.</li> </ul>
<b>VAT</b>	<ul style="list-style-type: none"> <li>• Gathering information for the initial VAT review;</li> <li>• Carrying out VAT review and subsequent enquiries;</li> <li>• Negotiating with HMRC to allow the Companies to remain part of the Mothercare VAT group and allow continuation of the duty deferment scheme for goods held in the customs warehouse and agreeing weekly payments of import VAT and duties due. This eased the cash flow and facilitated greater trading;</li> <li>• Applying to remove the Companies from the Mothercare VAT group following the cessation of the trading period;</li> <li>• Preparing information for input into the group VAT returns, and obtaining VAT refunds where appropriate;</li> <li>• Preparing VAT return reconciliations and reconciling the import VAT paid in the administration;</li> <li>• Preparing and submitting the post-appointment VAT return for the period to 31 August 2020; and</li> <li>• Liaising with HMRC.</li> </ul>	<ul style="list-style-type: none"> <li>• Necessary to comply with our legal obligation to submit VAT returns, to reach certainty on the post-administration VAT position.</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory and regulatory responsibilities.</li> <li>• The unusual arrangements negotiated with HMRC reduced costs and enhanced the outcome from trading in the administration.</li> </ul>

## 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
<b>Strategy and planning</b>	<ul style="list-style-type: none"> <li>Monitoring costs;</li> <li>Progressing ongoing matters within the administration; and</li> <li>Holding team meetings regarding the status of the administration.</li> </ul>	<ul style="list-style-type: none"> <li>Assist in the timely, structured and efficient completion of the administration and return to creditors.</li> </ul>
<b>Accounting and treasury</b>	<ul style="list-style-type: none"> <li>Dealing with receipts, payments and journals not relating to trading;</li> <li>Carrying out bank reconciliations and managing investment of funds; and</li> <li>Corresponding with the bank regarding specific transfers.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure proper stewardship of the funds held. Management of the funds will generate greater potential recoveries for creditors.</li> </ul>
<b>Property</b>	<ul style="list-style-type: none"> <li>Liaising with landlords and their managing agents to complete on the surrenders of remaining properties;</li> <li>Paying all outstanding rent, service charge and insurance on all properties;</li> <li>Liaising with all outstanding utility providers to secure final invoices for the periods of our occupation on all properties, and making payments as appropriate;</li> <li>Negotiating a final settlement with British Gas in respect of disputed invoices; and</li> <li>Liaising with CAPA and the relevant rating authorities to make payments for business rates for the period of our occupation.</li> </ul>	<ul style="list-style-type: none"> <li>Mitigate claims against the administrations. Negotiations with landlords will lead to reductions in rental payments, resulting in greater potential recoveries for creditors.</li> </ul>
<b>Secured Creditors</b>	<ul style="list-style-type: none"> <li>Preparing reports to the secured creditors;</li> <li>Responding to the secured creditors queries; and</li> <li>Making distributions in accordance with security entitlements.</li> </ul>	<ul style="list-style-type: none"> <li>Direct benefit to creditors through payment of distributions and provision of information.</li> </ul>
<b>Preferential Creditors</b>	<ul style="list-style-type: none"> <li>Corresponding with employees regarding dividend;</li> <li>Preparing, issuing and receiving employee preferential claim agreement forms;</li> <li>Corresponding with the RPS regarding proof of debt;</li> <li>Calculating dividend rate and preparing dividend file;</li> <li>Advertising dividend notice;</li> <li>Preparing and paying distribution; and</li> <li>Ensuring PAYE/NIC is deducted and remitted to HMRC.</li> </ul>	<ul style="list-style-type: none"> <li>Direct benefit to creditors through payment of distributions and provision of information.</li> </ul>
<b>Unsecured Creditors</b>	<ul style="list-style-type: none"> <li>Receiving and following up creditor enquiries via telephone, email and post;</li> <li>Reviewing and preparing correspondence to creditors and their representatives;</li> <li>Dealing with proofs of debt for dividend purposes;</li> <li>Preparing correspondence to potential creditors inviting lodgment of proof of debt;</li> <li>Receiving proofs of debt and maintaining register;</li> <li>Adjudicating claims, including requesting further information from claimants;</li> <li>Preparing correspondence to claimant advising outcome of adjudication and advising of intention to declare dividend;</li> <li>Advertising intention to declare dividend;</li> </ul>	<ul style="list-style-type: none"> <li>Direct benefit to creditors through payment of distributions and provision of information.</li> </ul>

	<ul style="list-style-type: none"> <li>• Calculating dividend rate and preparing dividend file;</li> <li>• Preparing correspondence to creditors announcing declaration of dividend; and</li> <li>• Preparing and paying distributions from the prescribed part.</li> </ul>	
<b>Pensions</b>	<ul style="list-style-type: none"> <li>• Pursue potential refund from annual premium paid for group life assurance scheme.</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced asset realisations for the administration.</li> </ul>
<b>Trading</b>	<ul style="list-style-type: none"> <li>• Dealing with merchant service providers regarding the release of withheld funds; and</li> <li>• Recovery of remaining debtor balances.</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced asset realisations for the administration.</li> </ul>
<b>Investigations</b>	<ul style="list-style-type: none"> <li>• Identifying potential asset recoveries including the credit card interchange claims;</li> <li>• Instructing and liaising with solicitors regarding recovery actions;</li> <li>• Holding internal meetings to discuss status of litigation; and</li> <li>• Attending negotiations and settlement matters.</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced asset realisations for the administration.</li> </ul>
<b>Statutory &amp; Compliance</b>	<ul style="list-style-type: none"> <li>• Conducting case reviews every six months;</li> <li>• Preparing and issuing periodic and final progress reports to creditors and the Registrar;</li> <li>• Making applications to court for the extension of the administration if needed and filing relevant notices;</li> <li>• Issuing notices and associated documentation for seeking decisions of creditors, if needed;</li> <li>• Dealing with records in storage;</li> <li>• Filing of documents; and</li> <li>• Updating checklists and diary management system.</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory and regulatory requirements.</li> </ul>
<b>Tax &amp; VAT</b>	<ul style="list-style-type: none"> <li>• Preparing tax computations for the pre-appointment periods to 31 March 2019 and 4 November 2019;</li> <li>• Preparing tax computations for the post-appointment periods as they fall due;</li> <li>• Liaising with HMRC;</li> <li>• Liaise with and comply with the Senior Accounting Officer obligations;</li> <li>• Preparing VAT returns by way of a VAT 426.</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory and regulatory requirements and enables reaching certainty on the post administration tax position.</li> </ul>
<b>Closure</b>	<ul style="list-style-type: none"> <li>• Withdrawing undertakings not relating to trading and obtaining clearances from third parties;</li> <li>• Obtaining tax and VAT clearances from HMRC;</li> <li>• Completing checklists and diary management system; and</li> <li>• Closing down internal systems.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that the Companies' affairs are wound down in an orderly manner.</li> </ul>

## 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.	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	Travel Expenses	2.78
1	Storage Costs	11,313.20
1	Postage Costs	6.73
<b>Total</b>		<b>11,322.71</b>

**MBSL:**

Category	Policy	Costs Incurred (£)
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
<b>Total</b>		<b>Nil</b>

## 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, as well as retail agents during the trading period.

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"> <li>Dealing with the administration appointments, including retrospective administration application and court extension for MUKL;</li> <li>Dealing with the sale contract and post sale matters, including assignments;</li> </ul>	Kirkland and Ellis LLP	Industry knowledge	Time costs and disbursements



<ul style="list-style-type: none"> <li>Assisting with dealing with DSARs received in the administration, and GDPR requirements of the administrators;</li> <li>Liaising with utility provider's solicitors; and</li> <li>General legal advice.</li> </ul>			
Legal advice, including: <ul style="list-style-type: none"> <li>Dealing with formal surrender requests from landlords.</li> </ul>	Br�wne Jacobson LLP	Industry knowledge	Fixed fee per surrender
Legal advice, including: <ul style="list-style-type: none"> <li>Assisting with advice on Scottish properties</li> </ul>	Brodies LLP	Industry knowledge	Time costs and disbursements
Legal advice, including <ul style="list-style-type: none"> <li>Providing advice with regard to employment matters</li> </ul>	Mills & Reeve LLP	Industry knowledge	Time costs and disbursements
Legal advice, including <ul style="list-style-type: none"> <li>Providing advice over Bill of Lading issues with suppliers</li> </ul>	Clyde & Co LLP	Industry knowledge	Time costs and disbursements
Insurance brokers, including: <ul style="list-style-type: none"> <li>Providing open cover during the first month of the administration; and</li> <li>Continuing to provide insurance cover based on the specific requirements of the administration.</li> </ul>	Insolvency Risk Services	Industry knowledge	Insurance policy cost
Notary advice, including: <ul style="list-style-type: none"> <li>Notarising trade mark assignment agreements and power of attorney documents</li> </ul>	Peter David Knight Mantell - Notary Services	Industry knowledge	Fixed fee
Valuation advice, including <ul style="list-style-type: none"> <li>Providing brand valuation advice prior to the administration</li> </ul>	Metis Partners	Industry knowledge	Fixed fee
Property agents, including: <ul style="list-style-type: none"> <li>Securing rent reductions with landlords;</li> <li>Liaising with landlords for outstanding rental invoices;</li> <li>Securing rates refunds; and</li> <li>Liaising with local authorities for rates payable by the administrations.</li> </ul>	CAPA	Industry knowledge	Percentage rental reductions secured
Retail agents, including: <ul style="list-style-type: none"> <li>Overseeing the running of the stores during the trading period;</li> <li>Facilitating the close down of the stores following the trading period;</li> <li>Planned expenditure during the trading period; and</li> <li>Planned discounts for stock during the trading period.</li> </ul>	Gordon Brothers	Industry and trading knowledge	Fee structure based on net realisations including minimum guarantees for the administration
Tax advice, including: <ul style="list-style-type: none"> <li>Tax filing for Indian subsidiaries; and</li> <li>Transfer of shares from MUKL to MGBL.</li> </ul>	BDO India	Industry knowledge and existing knowledge of the Companies	Fixed fee

Tax advice, including:	KPMG	Industry knowledge and existing knowledge of the Companies.	Fixed fee
<ul style="list-style-type: none"> <li>Outstanding tax compliance work in respect of MUKL's cease of operations in Kuwait</li> </ul>			

# Appendix D: Pre-administration costs

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.

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
<b>Total</b>	<b>665,808.58</b>

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

Approved costs	Amount (£)
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
<b>Total</b>	<b>664,907.33</b>

## 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
<b>Court details for the administration:</b>	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
<b>Company's registered name:</b>	Mothercare UK Limited	Mothercare Business Services Limited
<b>Trading name:</b>	Mothercare UK Limited	Mothercare Business Services Limited
<b>Registered number:</b>	00533087	01416572
<b>Registered address:</b>	Previously: Cherry Tree Road, Watford, Hertfordshire, WD24 6SH Now: % PricewaterhouseCoopers LLP, Central Square, 29 Wellington Street, Leeds, LS1 4DL	
<b>Date of the joint administrators' appointment:</b>	5 November 2019	
<b>Joint administrators' names, addresses and contact details:</b>	Zelf Hussain, Mark James Tobias Banfield and David Robert Baxendale of PricewaterhouseCoopers LLP, 7 More London, Riverside, SE1 2RT Email address: <a href="mailto:uk_mothercare@pwc.com">uk_mothercare@pwc.com</a> Telephone number: 0113 289 4000	
<b>Extension(s) to the initial period of appointment:</b>	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	