
Joint Administrators' Sixth Progress Report

For the period from 21 January 2017 to 20 July 2017

Phones 4U Limited

High Court of Justice, Chancery Division, Companies Court
Case no. 6516 of 2014

11 August 2017

Phones 4U Group Limited

High Court of Justice, Chancery Division, Companies Court
Case no. 6507 of 2014

Phones4U Finance plc

High Court of Justice, Chancery Division, Companies Court
Case no. 6506 of 2014

MobileServ Limited

High Court of Justice, Chancery Division, Companies Court
Case no. 6511 of 2014

Phosphorus Acquisition Limited

High Court of Justice, Chancery Division, Companies Court
Case no. 6508 of 2014

Policy Administration Services Limited

High Court of Justice, Chancery Division, Companies Court
Case no. 6504 of 2014

(all in administration)

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1. Key messages

As required by insolvency legislation, this is our sixth report to creditors providing an update on the progress of the administrations of the Companies (as defined below). This report provides a high-level overview of the key matters in each case and does not attempt to report fully on the detail and extent of our work. The key messages for the various stakeholders are set out below.

Customers of Phones 4U Limited

The website at www.pwc.co.uk/phones4u contains all the relevant information and contact details for previous and existing customers. If you are a customer (or previous customer), you have received this report because you may be a creditor. This may arise if you are owed cashback or free gifts (such as tablets or watches); or if you had an unfulfilled phone order (e.g. iPhone 6). The fact that you have received this report does not necessarily mean that you are a creditor and any claims of this nature, if not already submitted, should be made against Phones 4U Limited. Details of how to lodge a claim are set out below.

Creditors

If you are a creditor and have not already done so, please submit a claim form (which is available on the above website) in respect of amounts owed at the time of our appointment, in order to lodge your claim for dividend purposes. A copy can also be obtained by writing to the address below.

Contact details (for claim forms only): Phones 4U, c/o PwC, Central Square, 8th Floor, 29 Wellington Street, Leeds, LS1 4DL

Employees

If you are a former or current employee, you have received this report because our records show that you may be owed money by Phones 4U Limited in relation to the period prior to our appointment. If so, please submit a claim (as explained above) if you haven't done so already or alternatively, contact us at phones4u.employees@uk.pwc.com, if you have any questions.

We have paid the 'preferential' element of former employees' claims in full. Unclaimed preferential dividends have now been passed to the Insolvency Service. Any former employees who did not cash their preferential dividend cheques should therefore contact the Insolvency Service on 0121 698 4268.

The balance of any amounts owed to former employees will rank as unsecured claims which are dealt with separately. Further information is provided in Section 5.6.

Noteholders

The holders of the £430,000,000 9.500% senior secured notes ("the Notes") due 2018 ("the Noteholders") are expected to have the primary economic interest in the progress of the Companies' administrations. An informal committee ("the Committee") consisting of Noteholders was formed in October 2014 for the purposes of consulting with us in relation to various issues arising in the administrations of the Companies. We communicate regularly with the Committee, in addition to public calls and releases of information on PwC's dedicated website.

Contact details: phones4u.bondholders@uk.pwc.com

Distributions

We made a first interim distribution to the Noteholders in the period of, in aggregate, some £43,000,000 (equating to 10% of the Noteholders' principal claims).



We expect to make a further interim distribution of £51,600,000 (equating to 12% of the Noteholders' principal claims) within two months of the date of this report. We continue to believe it is unlikely that there will be sufficient realisations to pay the principal outstanding on the Notes in full. Please refer to Section 5.6 for further details.

There is the prospect of a dividend being paid to unsecured creditors of certain (but not all) of the Companies from the ring-fenced prescribed part fund. However, due to the estimated and significant level of total claims, any dividend is likely to be very small and the timing is as yet unconfirmed. Please refer to Section 5.6 for further details.

Commercially sensitive matters

In Section 5.1 we explain the actions we are taking to realise the assets and deal with the liabilities of Phones 4U Limited. Although we have reflected the receipts to 20 July 2017, consistent with previous reports we have not disclosed the future estimated realisable value for MNO receivables as to do so would be to disclose potentially commercially sensitive information and may prejudice the value of realisations in the administration. We have not included any expenses in relation to the MNO receivables work stream within our estimated outcome calculations (see Section 10), except to the extent that PwC and third party costs have been incurred to 20 July 2017.

The same approach has been taken in respect of our investigatory work, from which no prospective income has been assumed and no associated costs have been reflected, except to the extent that PwC and third party costs have been incurred to 20 July 2017.

In line with previous reports and consistent with legal advice obtained, our estimates of dividend prospects do not include these significant items referenced above and the actual dividend outcomes may be materially different. Therefore, our estimates of dividend prospects should be treated with caution.

2. Abbreviations used in this report

| | |
|--|---|
| “the Companies” | Phones 4U Limited, Phones 4 U Group Limited, Phones4U Finance plc, MobileServ Limited, Phosphorus Acquisition Limited, Policy Administration Services Limited |
| “the Group” or “Phones 4U” | the above Companies together with 4U Limited, 4U Wi-Fi Limited, Jump 4U Limited, Life Mobile Limited and Phosphorus Holdco plc (see www.pwc.co.uk/phones4u for details of insolvency procedures affecting these companies). |
| “the Administrators”, “Joint Administrators” or “we” | David James Kelly, Ian David Green and Robert John Moran in respect of Phones 4U Limited, Phones 4 U Group Limited, Phones4U Finance plc, MobileServ Limited, Phosphorus Acquisition Limited. Douglas Nigel Rackham and Ian David Green in respect of Policy Administration Services Limited |
| “Aon” | Aon Insurance Managers Isle of Man Limited |
| “EE” | Everything Everywhere Limited |
| “FCA” | Financial Conduct Authority |
| “FOS” | Financial Ombudsman Service |
| “HMRC” | HM Revenue & Customs |
| “ICAEW” | Institute of Chartered Accountants in England and Wales |
| “IA86” | The Insolvency Act 1986 |
| “IR16” | The Insolvency (England and Wales) Rules 2016 |
| “ING” | ING Bank N.V. |
| “LoC” | Letter of credit |
| “LGI” | London and General Insurance Company Limited |
| “Lloyds” | Lloyds Bank Plc |
| “LSG” | Lifestyle Services Group Limited |
| “MNO” | Mobile Network Operator |
| “Notes” | £430,000,000 9.500% senior secured notes due 2018 issued by Phones4U Finance plc, listed on the Irish Stock Exchange |
| “Noteholders” | Holders of the above Notes |
| “P4U” | Phones 4U Limited |
| “P4UC” | Phones 4U Care Limited |
| “PAS” | Policy Administration Services Limited |
| “Proposals” | The Administrators’ statement of proposals for achieving the purpose of the administrations, dated 6 November 2014 |
| “PwC” | PricewaterhouseCoopers LLP |
| “RCF” | Revolving credit facility “VAT” Value added tax |

3. Introduction

We previously wrote to all known creditors to give notice that we were appointed administrators of certain companies in the Phones 4U group, as summarised below:

| Company | Date of appointment |
|--|----------------------------|
| Phones 4U Limited * | 15 September 2014 |
| Phones 4 U Group Limited * | 15 September 2014 |
| Phones4U Finance plc * | 15 September 2014 |
| MobileServ Limited * | 15 September 2014 |
| Phosphorus Acquisition Limited * | 15 September 2014 |
| Policy Administration Services Limited * | 16 September 2014 |
| 4U Limited (now dissolved) | 15 September 2014 |
| 4U Wi-Fi Limited | 15 September 2014 |
| Jump 4U Limited | 15 September 2014 |
| Life Mobile Limited | 15 September 2014 |
| Phosphorus Holdco Plc | 8 October 2014 |

This progress report covers only the six Companies contained within a common security structure (all indicated by * above). Separate reports will be issued to the creditors of 4U Wi-Fi Limited, Jump 4U Limited, Life Mobile Limited (all now in liquidation) and Phosphorus Holdco Plc (which remains in administration), as they are outside of the security structure.

In accordance with Rule 18.6 IR16, we write to provide creditors with details of the progress of each administration in the six months to 20 July 2017.

We refer you to our Proposals for an explanation of why the Companies were put into administration and how the purpose of each administration is expected to be achieved. Subsequent progress reports explained the progress in each case since our appointment. These reports continue to be available on our website at: www.pwc.co.uk/phones4u, the content of which is not repeated here unless considered beneficial or necessary for the purposes of this update.

We anticipate that our next report will be circulated in approximately six months' time.

Yours faithfully
For and on behalf of the Companies



Ian Green, Joint Administrator

David James Kelly, Ian David Green and Robert John Moran have been appointed as Joint Administrators of Phones 4U Limited, MobileServ Limited, Phosphorus Acquisition Limited, Phones 4 U Group Limited and Phones4u Finance Plc to manage their affairs, business and property as agents without personal liability. Douglas Nigel Rackham and Ian David Green have been appointed as Joint Administrators of Policy Administration Services Limited to manage its affairs, business and property as agents without personal liability.

All are licensed in the United Kingdom to act as insolvency practitioners by the ICAEW. The Joint Administrators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the administrations. 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>

4. Summary of the possible outcome for creditors

The table below provides a summary of the possible outcomes for the various classes of creditors, based on current information and excluding potential future realisations from MNO receivables, potential realisations from ongoing investigations and certain associated costs of each work stream. An estimated financial outcome statement is provided in Section 10. Please note this guidance on dividends is only an indication and should not be used as the main basis of any bad debt provision.

| | Phones 4U Limited | Phones 4 U Group Limited | Phones4U Finance plc | MobileServ Limited | Phosphorus Acquisition Limited | Policy Administration Services Limited |
|--|--|--------------------------|----------------------|--------------------|--------------------------------|--|
| | Estimated recovery for secured creditors <i>(creditors with security in respect of their debt, in accordance with Section 248 IA86)</i> | | | | | |
| Estimated total debt: | £19,810,000 RCF £430,000,000 Notes | | | | | |
| Estimated % recovery for secured creditors : | 100% for RCF lenders and between 42% and 44% for the Noteholders (on the basis set out in Section 5.6 and in 'Commercially sensitive matters' in Section 1 above.) | | | | | |
| Forecast timing: | We expect to make a further interim distribution of £51,600,000 (equating to 12% of the Noteholders' principal claims) within two months of the date of this report. . The timing and quantum of any further distributions remains uncertain and is dependent on the matters set out in Section 5 of this report, most notably the progress of the investigations and MNO receivable work streams. | | | | | |
| | Estimated dividend prospects for preferential creditors <i>(for unpaid wages up to £800 and holiday pay only, and unpaid pension contributions in certain circumstances)</i> | | | | | |
| Amount owed to preferential creditors: | £1.7 million | Note 1 | | | | |
| Estimated % recovery for preferential creditors: | 100% | Note 1 | | | | |
| Forecast timing: | Paid | Note 1 | | | | |

Note 1 All employees were contracted with Phones 4U Limited.



| | Phones 4U Limited | Phones 4 U Group Limited | Phones4U Finance plc | MobileServ Limited | Phosphorus Acquisition Limited | Policy Administration Services Limited |
|---|--|--------------------------|----------------------|------------------------------------|--------------------------------|--|
| | Estimated dividend prospects for unsecured creditors <i>(creditors who are neither secured nor preferential)</i> | | | | | |
| Amount owed to unsecured creditors: <i>(as per the statement of affairs)</i> | £168,069,816 | £69,220,516 | £92,428,369 | £801,796,910 | £561,308,251 | £44,220,422 |
| Estimated % recovery for unsecured creditors: | Less than 0.4% | Nil | Nil | Less than 0.1% | Nil | Less than 1.4% |
| Forecast timing: | See comment below and Section 5.6 | Nil | Nil | See comment below and Section 5.6. | Nil | See comment below and Section 5.6. |

Note that the level of unsecured claims as per the statement of affairs will increase by £37.4m across all companies except for PAS as a result of the resolution of the VAT issue outlined in Section 5.1.

Where dividends are possible, these are only expected to arise from the ring-fenced funds under the ‘prescribed part’ provisions of the IA86. We explain further in Section 5.6.

Unsecured creditors are encouraged to submit a claim (if not already done so), but should note that prior to being able to finalise the claims value and declare a distribution to the unsecured creditors, there are a number of matters that are required to be addressed. Further details are provided in Section 5.6. In respect of PAS, we anticipate making a distribution within six months, because it is not affected by matters in Phones 4U Limited and MobileServ Limited that may take longer to resolve.

5. Progress in the period

In this section we focus on progress in the period covered by this report and only repeat details from our previous reports where necessary or beneficial for the purposes of this update. Therefore, creditors may wish to read this section in conjunction with our previous reports.

Collectively these administrations are large and complex and therefore we have only provided an update on the significant areas of our work, those matters likely to affect the outcome for creditors and key ongoing matters and future work. Our progress is also illustrated in the enclosed receipts and payments accounts for each Company in Section 8.

The following is a summary of our work in the period across the administrations:

- Payment of the first interim distribution to the Noteholders of, in aggregate, £43,000,000 in respect of their secured claims (equating to 10% on the Noteholders' principal claims);
- Issuing an application for directions and resolving the remaining complex VAT matter after detailed and prolonged correspondence with HMRC;
- Collection of MNO receivables;
- Progressing our strategy and initiating proceedings in relation to certain MNO receivables;
- Continued trading of the PAS business;
- Application to Court for the proposed extension of the administrations;
- Continued pre-action correspondence with third parties as a result of investigations by the Administrators;
- Continued surrender of property leases;
- Progressing the unsecured claim agreement process in preparation for a prescribed part distribution in PAS; and
- Resolving the legacy trading issues such as winding down the property portfolio.

For more detailed background on these issues, please refer to our previous progress reports.

5.1 Phones 4U Limited

Sale and wind-down of store network

During the period we have managed to surrender 29 properties either through negotiations with landlords or operation of law. Our legal advisors have issued surrender letters to the landlords of the remaining properties and we await their response.

MNO Receivables

P4U remains entitled to be paid amounts in respect of underlying customer contracts procured by P4U for the MNOs, hereby referred to as "MNO receivables". Total receipts in the period 21 January 2017 to 20 July 2017 are £21.6m as seen in the enclosed receipts and payments account please refer to Section 8.o.

The process for calculating and agreeing the MNO receivables balance due from each MNO is complex. We continue to work closely with the former senior management and employees of P4U, for among other things, the management of the MNO contracts and the provision of professional advisory services to P4U for the purpose of collecting the MNO receivables over time.



Work continues to be performed by us and the former employees to construe the relevant calculation provisions of the MNO contracts, to quantify the current financial position and projected value of outstanding MNO receivables based on customer behaviour.

Former P4U senior management and employees have a commission-based programme in place to incentivise them to maximise recoveries. During the period covered by this report, commission amounts have accrued in line with the MNO receipts discussed above. Commission payments from 21 January 2017 to 20 July 2017 in this area of the administration can be seen in the enclosed receipts and payments account. At the start of the period there were three team members assisting with the collection of MNO receivables. One employee left the business in April 2017, with two employees remaining.

We anticipate that substantial further payments will be received under the MNO contracts during the course of the administration. As previously reported, litigation has been commenced against one MNO seeking recovery of amounts which we consider are due. In response, the MNO has asserted that it has a substantial counterclaim against P4U. Although we consider this counterclaim is without merit and are defending it, the process for realising the total amount due from the MNO is likely to be significantly delayed. We have applied for Summary Judgement on the counterclaim and a hearing of the application has been set for December 2017. Even if we are successful on the Summary Judgment application, we may nonetheless have to proceed to trial to recover amounts due under the MNO contracts. We will provide an update in the next progress report.

VAT liabilities

The remaining significant VAT issue related to financing arrangements entered into by P4U in June 2013 and September 2013 which involved Trade Bill Discounting Facility Agreements between P4U and Barclays. The amount in question relates to VAT that, pursuant to P4U's previous practice (which was agreed with HMRC), was considered by P4U to be payable to HMRC on maturity of the relevant bills.

As previously noted, we have analysed this issue in detail and consider this methodology of accounting for VAT to be incorrect. We submitted an error correction to HMRC in September 2015 and whilst HMRC expressed its views on this issue, no written response was received until December 2016 when a VAT Assessment was raised. A review of this assessment was subsequently sought.

In April 2017 we, as administrators of the Companies (other than PAS, which is outside of the VAT group), issued an application for directions as to whether the VAT liability (in an aggregate amount of £37.4m) ranks as a provable debt or an expense in the administrations or liquidations of the Companies and HMRC was joined as a party to the application.

We continued to liaise with HMRC in the hope that the issue could be resolved without the need for time consuming and costly court intervention.

Although outside the period of this report, HMRC has now accepted our interpretation and arguments, and confirmed to us, that the VAT Liability ranks as a provable claim and not as an expense. Accordingly, we will administer the assets of the estates on that basis and this is reflected in this progress report (including the estimated outcome statement). We will also take the necessary steps to discontinue the directions application.



Investigations

As part of our duty to investigate what assets are available to the Companies, we consider what potential claims against third parties exist. We appointed the law firm Quinn Emmanuel Urquhart & Sullivan LLP to assist us in our investigations in this area, which remain ongoing.

Pre-action correspondence has been issued to potential defendants and we continue to actively progress these claims. The nature of these third party claims is commercially sensitive and confidential, as such we do not think it would be appropriate to disclose any further information at this stage.

5.2 Policy Administration Services Limited

PAS is a FCA authorised insurance intermediary that sold mobile phone insurance to the public on behalf of its underwriter LGI. On appointment, there were approximately 800,000 policyholders of which approximately 75% had a Phones 4U Care policy and approximately 25% had a Premierplan policy. All policies are automatically renewed on a monthly basis and customers can cancel these at any time.

Trading

We are pleased to report that the PAS business continues to perform well overall and broadly in line with our expectations. The customer base has declined more slowly than expected to approximately 194,000 policyholders as at the end of June 2017, of which approximately 114,000 have a Phones 4U Care policy and approximately 80,000 have a Premierplan policy. The cost of claims has been in line with our expectations. We continue to expect the customer base to reduce steadily until March 2019. The policies of a number of Phones 4U Care policyholders will reach their maximum five year duration from March 2019 onwards, resulting in significant attrition thereafter. This has been factored into the estimated financial outcome statement (see Section 10).

We have adopted strategies to promote the longevity of the business including:

- i. Allowing policyholders to switch between Premierplan and Phones 4U Care policies; and
- ii. From 1 June 2017 Insurance Premium Tax increased again from 10% to 12%. The business has absorbed these costs, as with previous increases, as passing them on to policyholders may have resulted in increased cancellations, which would be disadvantageous to the scheme.

As mentioned above, all policies automatically renew on a monthly basis until they are cancelled by customers. We send policyholders annual reminder letters to check that they continue to need their policy. This is in accordance with industry 'best practice' to ensure that customers are treated fairly.

As part of this year's customer contact strategy we will take the opportunity to notify Phones 4U Care policyholders of a small change to their terms and conditions in relation to the timing of receipts for cash settlements where an identical or suitable alternative phone is unavailable. The letters will be sent to customers during the course of the summer.

We continue to monitor the supply chain to ensure that the service provided by LSG is as efficient and cost effective as possible. During the period, we were able to secure an arrangement with LSG which allows PAS to benefit from LSG's supply chain relationships in securing Apple stock at more favourable prices.



A Board meeting was held with the underwriter LGI in June 2017, where a full report was given in respect of the operation of the PAS scheme. No concerns were raised by the underwriter. We continue to produce detailed monthly management information reports for the underwriter to enable them to meet their regulatory obligations. LGI also carried out an audit of PAS's internal processes and controls in January 2017 and no issues were identified.

We commenced discussions with LSG in the period in relation to planning for a smooth exit of the business once it is no longer viable for PAS to continue trading.

Asset realisation

We estimate the business will generate a net profit of approximately between £42m to £44m over the period from the date of administration to March 2020 (before tax, legal and Administrators' fees, and payment of the prescribed part to unsecured creditors). This estimate is highly sensitive to policy cancellations.

Regulatory update

PAS continues to be authorised and regulated by the FCA for insurance mediation activities and manages customer claims and complaints processes on behalf of the underwriter LGI.

We continue to monitor and regularly audit these processes and our findings have found no major or systemic risk in the way the outsourcer handles these claims. PAS receives very few complaints and the FOS upheld rate of PAS complaints during the last 12 months is 7% (two cases), which compares very favourably to the industry norm of 35%.

The Insurance Distribution Directive will be implemented on 23 February 2018 for new business. We, together with LGI, do not consider this to be relevant to PAS as rolling monthly insurance contracts do not meet the definition of new business. We continue to monitor regulatory changes impacting the market.

Subsidiary

PAS is the parent company of a captive reinsurer in the Isle of Man, P4UC, which reinsures the insurance business. Aon became the captive manager of P4UC from 1 July 2016 and is operating in accordance with the management agreement.

A board meeting of P4UC was held in May 2017 when a full report of the business was given and the independent directors continue to be satisfied with trading and governance arrangements. An internal audit of P4UC was also conducted during the period and no concerns were raised.

We have agreed with the board of P4UC that the solvency buffer held by the captive will remain at £1.1m.

As at 20 July 2017, some £27.6m has been paid in dividends from P4UC to PAS, of which £4.2m was paid during the period.



5.3 Other companies

In earlier sections we have provided details of the main trading companies. We set out below further information on the other Companies that are subject to this report, including the following summary of asset realisations to date.

During the period, the only asset realisations were interest of £1,302 and £3 in MobileServ and Phosphorus Acquisition Limited respectively.

| Asset realisations (£'000s) | Phones4U Finance plc | MobileServ Limited | Phosphorus Acquisition Limited | Phones 4 U Group Limited |
|---------------------------------|-------------------------|-----------------------|--------------------------------------|-----------------------------|
| Cash at bank (Sterling account) | 5 | 4,020 | 69 | - |
| Cash at bank (currency account) | - | 726 | - | - |
| Investments | - | 445 | - | - |
| Interest received | - | 267 | 1 | - |
| Total realised | 5 | 5,458 | 70 | - |

We previously reported that in February 2014, certain directors or members of the senior management team entered into loans with MobileServ Limited. The purpose of the agreement was to provide funding for the directors to acquire shares in Phosphorus Jersey Limited (the Group's parent company). To date we have not agreed an early repayment with any of the counterparties, which fall due for payment in 2019.

Aside from this, there are no further known assets to realise in any of these four companies. The administrative ease of all Companies exiting administration concurrently will result in some benefit to creditors through the likely cost savings (as compared to piecemeal exits) and therefore we believe that each of these four companies should remain in administration for the time being.

We will bring these administrations to an end as soon as it is possible and appropriate to do so, bearing in mind any benefits to the wider Group for them continuing in administration under our control.

5.4 Secured creditors

As previously reported, the RCF lenders relied upon set-off, pro-rata sharing and reinstatement provisions under the finance documentation to effect a series of set-offs. The effect of this process was that the RCF lenders have been fully repaid (except for a nominal sum), in effect leaving only the Noteholders as secured creditors with balances outstanding in the administrations.

We have previously reported that during the set off process the Security Trustee exercised its right under the inter-creditor agreement to withhold funds in order to indemnify itself. As part of the first interim distribution, the Security Trustee agreed to release £8.0m of the withheld funds (less £0.5m legal and trustee fees) to secured creditors. In total at 20 July 2017, the Security Trustee held approximately £2m (less certain legal and trustee fees) and a further £1m is held on trust by GLAS Trust Corporation Limited in relation to potential claims of the Senior Note Trustee.

We expect that all retained funds (net of any legal and trustee fees) will be returned to the secured creditors, but have reflected the risk that £2m is required to be used to fund any future claims in our lower case estimated financial outcome statement (see Section 10).



5.5 Administrators' remuneration

We have now drawn fees up to 31 March 2017 in respect of P4U and PAS. Fees incurred to 31 December 2016 for all other Companies were drawn during this and prior periods and are shown in the receipts and payments accounts in Section 8.

Further information on our remuneration policy, together with all information and analysis required by Statement of Insolvency Practice No.9 and insolvency legislation is set out in Section 7.

Section 7 includes an estimate of the time costs that we expect to be incurred in the future as we continue to progress the outstanding matters in the administrations (as set out in Section 5). It is these matters that determine our future cost estimates. In addition, there are certain ongoing matters (such as statutory matters and accounting and treasury functions) that will continue on each administration until they come to an end. As noted elsewhere in this report, we have not included any expected future costs in relation to MNO receivables and investigatory work.

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 IR16. This information can also be found in the guide to fees at:

<http://www.icaew.com/~media/Files/Technical/Insolvency/creditors-guides/creditors-guide-administrators-fees-final.pdf>

A copy may also be obtained free of charge by telephoning Katharyn Froggett on +44(0)113 289 4155.



5.6 Outcome for creditors

Secured creditors

As previously mentioned, we consider that the Noteholders are the stakeholders with the primary economic interest in the realisations made in the administrations of the Companies.

Since our last report we have amended our outcome statement to include forecast costs for the period ending March 2020 on a lower case and March 2019 on a higher case. We had previously forecast costs to September 2017 but we have extended the period in light of our application to court to extend the administrations of the Companies to March 2020.

Although we remain of the view there will be insufficient funds to repay the Noteholders in full, the range of estimated outcomes for the Noteholders has increased from 30% to 31% in our previous progress report to 42% to 44%. This increase is primarily driven by:

- The resolution of the remaining significant VAT issue and the release of £37.4m provision;
- MNO receipts for the period to 20 July 2017 offset by the accrued commission costs payable to previous P4U employees as outlined in Section 5.1;
- An extended period of profitable trading in PAS to September 2019 and a six month exit process through to March 2020 on both a higher and lower case; and
- The return of £4.0m LoC to P4U from ING (as referenced in the fifth progress report).

We provide our estimated financial outcome statement in Section 10.

Consistent with our previous progress report, we have not disclosed the estimated future realisable value from MNO receivables nor any potential future recoveries from our investigatory work, as to do so would be to disclose potentially commercially sensitive information and may prejudice the value of realisations in the administrations of the Companies. Similarly, office holder, legal and other professional fees incurred to date with regards to the MNO receivables and investigatory work have been incorporated, but potential future costs have not been forecast.

We expect to make a further interim distribution of £51,600,000 (equating to 12% of the Noteholders' principal claims) within two months of the date of this report.

Estimated dividend prospects

Unsecured creditors

As outlined in our previous reports, the prescribed part applies in each of the Companies and we outline below what we believe the dividend prospects may be for each of the Companies. These are unchanged from our previous reports.

| Company | Dividend likely? | Estimated prescribed part fund | Estimate of unsecured claims * | Dividend prospects |
|--|------------------|--------------------------------|--------------------------------|--------------------|
| Phones 4U Limited | ✓ | £600k | £168m | Less than 0.4% |
| Policy Administration Services Limited | ✓ | £600k | £44m | Less than 1.4% |

| Company | Dividend likely? | Estimated prescribed part fund | Estimate of unsecured claims * | Dividend prospects |
|--------------------------------|------------------|--------------------------------|--------------------------------|--------------------|
| MobileServ Limited | ✓ | £600k | £802m | Less than 0.1% |
| Phosphorus Acquisition Limited | ✗ | Nil | £561m | Nil |
| Phones4U Finance plc | ✗ | Nil | £92m | Nil |
| Phones 4 U Group Limited | ✗ | Nil | £69m | Nil |

* Based on directors' statement of affairs. Note that the level of unsecured claims will increase by £37.4m as a result of the resolution of the VAT issue outlined in Section 5.1.

Where dividends are shown as likely, please note that this is only by virtue of a prescribed part fund. The expectation is that secured creditors will suffer a shortfall on their lending due to the considerable amounts owed to the Companies' secured creditors.

Dividend prospects are calculated by reference to the amount owed to unsecured creditors as stated in the directors' statement of affairs only, and do not take account at this stage of the costs associated with agreeing claims and distributing the prescribed part fund. In addition, as a result of the resolution of the VAT issue outlined in Section 5.1, the level of unsecured claims across those companies that are part of the VAT group will increase by £37.4m. The estimates are therefore subject to change and should be treated with caution.

Work has commenced to review the unsecured claims in P4U, PAS and MobileServ, and unsecured creditors are encouraged to submit a claim (if not already done so). Prior to being able to finalise the claims value and declare a distribution to the unsecured creditors, there are a number of matters that are required to be addressed.

In respect of PAS, work is well progressed in identifying creditors and determining the value of claims. A number of claims have been adjudicated in this period, most notably a significant claim from HMRC in respect of corporation tax, interest thereon and also VAT. We anticipate making a distribution to unsecured creditors within the next six months.

With regards to MobileServ and P4U, work has commenced on identifying creditors and considering our claims agreement strategy. This work stream will be progressed in the next period but due to the size of the unsecured creditor pool the issue may take some time to resolve and the timing of the distribution remains uncertain.

5.7 Extension of the administrations

As noted in our previous reports, the period of each administration was extended to 15 September 2017 by consent of the Court. We consider that it is necessary to extend the period of each administration in order to pursue the ongoing asset realisations and deal with the outstanding matters outlined in the table below.

We made an application to Court on 5 June 2017 to request an extension of the administrations of the Companies to 15 March 2020. We have been given a Court hearing date of 4 September 2017 and we will write to creditors shortly thereafter to advise on the outcome of the application.

| Company | Extension required until | Summary of reasons for extension |
|---------|--------------------------|----------------------------------|
|---------|--------------------------|----------------------------------|



| | | |
|--|---------------|--|
| Phones 4U Limited | 15 March 2020 | <ul style="list-style-type: none"> • Collection of further MNO receivables which are due under respective MNO contracts • Ongoing litigation against one network operator in order to recover amounts the Administrators consider are due under the relevant MNO contract, and defence of the counterclaim raised by the MNO which we believe is without merit and delaying the recovery of the MNO receivable • Pre-action correspondence and potential litigation against a number of third parties as a result of investigations by the Administrators. Litigation against third parties is likely to raise complex issues of fact and law which will take considerable time to resolve • Making further distributions to secured creditors • Agreeing claims and distributing the prescribed part fund to unsecured creditors |
| Policy Administration Services Limited | 15 March 2020 | <ul style="list-style-type: none"> • Facilitating ongoing trading and implementation of the current strategy to maximise realisations from the company's assets, being principally a long-term customer run-off scenario expected to last for at least the next two years • Agreeing claims and distributing the prescribed part fund to unsecured creditors |
| MobileServ Limited | 15 March 2020 | <ul style="list-style-type: none"> • Collection of certain loans outstanding which are repayable by a number of former directors and members of the senior management team which are not due to be repaid until 13 February 2019 • Agreeing claims and distributing the prescribed part fund to unsecured creditors |
| Phones4U Finance plc Phosphorus Acquisition Limited Phones 4 U Group Limited | 15 March 2020 | <ul style="list-style-type: none"> • We believe that exiting the administrations concurrently will result in some benefit to creditors through the likely cost savings compared to piecemeal exits |

5.8 Ending the administrations

The administrations are separate insolvency processes and therefore may end at different times and in different ways depending on the circumstances in each case. Each administration will be brought to an end once its purpose has been achieved, our work has been completed and statutory obligations fulfilled.

As a result of the *Small Business, Enterprise and Employment Act 2015* coming into force, we will need to distribute the prescribed part funds (where they arise) prior to the end of each administration.



5.9 Discharge from liability

As we were appointed by the Court on an application of the directors of the Companies, we will need to apply to Court to obtain discharge from liability in respect of our actions as Joint Administrators. We have yet to seek such approval but intend do so in due course and at the appropriate time.

5.10 Next report

We anticipate that we will circulate our next report to creditors in approximately six months, or earlier if any administration is capable of being concluded in the meantime.

6. Statutory and other information relating to the administrations

| Registered name: | Phones 4U Limited | Phones 4 U Group Limited | Phones4U Finance plc | MobileServ Limited | Phosphorus Acquisition Limited | Policy Administration Services Limited |
|--|--|--------------------------|----------------------|--------------------|--------------------------------|---|
| Trading name: | Phones4U, Dialaphone | | | | | |
| Court details: | High Court of Justice, Chancery Division, Companies Court | | | | | |
| Court reference: | 6516 of 2014 | 6507 of 2014 | 6506 of 2014 | 6511 of 2014 | 6508 of 2014 | 6504 of 2014 |
| Registered number: | 03154198 | 04943837 | 07552754 | 05863265 | 07405102 | 03907386 |
| Registered address: | Central Square, 8 th Floor, 29 Wellington Street, Leeds, LS1 4DL | | | | | |
| Appointment date: | 15 September 2014 | | | | | 16 September 2014 |
| Administrators' names and addresses: | David James Kelly and Ian David Green of PwC, 7 More London, Riverside, London, SE1 2RT Robert John Moran of PwC, Cornwall Court, 19 Cornwall Street, Birmingham, B3 2DT | | | | | Douglas Nigel Rackham and Ian David Green (both of the London address shown on the left) |
| Extensions to the administrations: | Extension granted by the Court to 15 September 2017 Further extension sought from the Court to 15 March 2020 | | | | | |
| Objective being pursued: | Objective (b) or (c) - achieving a better result for the company's creditors as a whole than would be likely if the company was wound up (without first being in administration) or realising property in order to make a distribution to one or more secured or preferential creditors. | | | | | |
| Appointor's/applicant's name and address: | Court order following an application by the directors of each company, based at Osprey House, Ore Close, Lymedale Business Park, Newcastle-under-Lyme, Staffordshire, ST5 9QD. | | | | | |
| Split of the Administrators' responsibilities: | In relation to Paragraph 100(2) Sch.B1 IA86, during the period for which the administration order is in force any act required or authorised under any enactment to be done by either or all of the Administrators may be done by any one or more of the persons for the time being holding that office. | | | | | |

7. Administrators' remuneration and disbursements

7.1 Office holders' charging policy

The time charged to the administrations is by reference to the time properly given by the Administrators and various grades of their staff in attending to matters arising.

It is our policy to delegate tasks in the administrations to appropriate members of staff considering their level of experience and any requisite specialist knowledge, supervised accordingly, so as to maximise the cost-effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or the Administrators themselves.

7.2 Hourly rates

Set out below are the relevant charge-out rates per hour worked for the grades of staff actually or likely to be involved on these assignments. Time is charged by reference to actual work carried out on these assignments. There has been no allocation of any general overhead costs. The rates for the Administrators and their staff are our normal rates for complex assignments.

Specialist departments within our firm such as tax, VAT, property and pensions may charge time to these assignments if and when we require their expert advice. Such specialists' rates vary but the figures below provide an indication of the maximum rate per hour.

All staff who work on these assignments (including cashiers, support and secretarial staff) charge time directly to these assignments and are included within any analysis of time charged. Each grade of staff is allocated an hourly charge out rate which is reviewed from time to time. Work undertaken by cashiers, support and secretarial staff is charged for separately and is not included in the hourly rates charged by partners or other members of staff. Time is charged by reference to actual work carried out on these assignments in six minute units. The minimum time chargeable is three minutes (i.e. 0.5 units).

In common with all professional firms, the scale rates used may periodically rise (for example to cover annual inflationary cost increases) over the period of the administrations. The following tables show the applicable rates for the periods from 1 July 2016 and 1 July 2017.

| <i>With effect from 1 July 2017</i> | Administrators' and their staff | Specialist staff |
|---|--|----------------------------------|
| | Rate per hour (£) | Maximum rate per hour (£) |
| Partner | 865 | 1,445 |
| Director | 760 | 1,210 |
| Senior Manager | 575 | 1,230 |
| Manager | 495 | 735 |
| Senior Associate (qualified/consultant) | 412 | 545 |
| Senior Associate (unqualified) | 304 | - |
| Associate | 258 | 270 |
| Support staff | 129 | 160 |

Hourly rates quoted are exclusive of VAT.



| <i>For the period 1 July 2016 to 30 June 2017</i> | Administrators' and their staff | Specialist staff |
|---|--|----------------------------------|
| | Rate per hour (£) | Maximum rate per hour (£) |
| Partner | 840 | 1,375 |
| Director | 740 | 1,150 |
| Senior Manager | 560 | 1,170 |
| Manager | 480 | 700 |
| Senior Associate (qualified/consultant) | 400 | 515 |
| Senior Associate (unqualified) | 295 | - |
| Associate | 250 | 255 |
| Support staff | 125 | 162 |

Hourly rates quoted are exclusive of VAT.

Any material amendments to these rates will be advised in our next report to creditors.

7.3 Payments to associates

We have paid £1,263 to PwC Legal LLP in the period covered by this report, relating to work done since our appointment. This payment was for fees in relation to provision of employee legal services and was approved as a Category 2 disbursement.

7.4 Narrative of work undertaken

Later in this section we have included tables showing our time costs from 21 January 2017 to 20 July 2017 by grade of staff and area of work for the period covered by this progress report. The following table provides further narrative on the key areas of work during the period.

| Area of work | Work undertaken during the period | Financial benefit to creditors |
|---------------------|--|---|
| Strategy & planning | <ul style="list-style-type: none"> • Oversight of case progression and strategic decisions by appointment takers and other project management. • Budgeting and cost analysis. • Team strategy and progress meetings. • Liaising with key stakeholder groups. • Preparing various forecasts, including but not limited to: cash flows, outcome statements and financial model analysis. • Detailed analysis and liaison with legal and other advisors on the impact of legislative/regulatory changes. • Consideration of strategic approach in dealing with complex and interrelated work streams with associated legal/financial input and analysis. <p>This work was necessary for planning and project managing the many different work streams and drafting and circulating detailed information on the administrations to secured and unsecured creditors.</p> | Assists in the efficient management of the administrations, leading to a faster completion and return to creditors. |
| Trading | <ul style="list-style-type: none"> • Accounting and treasury functions, including bank account transfers and payment requisitions. • Regulatory reporting. | Ensuring there is proper stewardship and accounting for the funds realised for the benefit of creditors. |

(Policy Administration Services Limited only)

| Area of work | Work undertaken during the period | Financial benefit to creditors |
|------------------------|--|---|
| | <ul style="list-style-type: none"> • Monitoring of the insurance business, its trading activities and claims handling processes on a daily basis. • Monitoring performance of LSG customer call centres on a daily basis. • Reviewing data, analytics and all management information. • Attending monthly board meetings with the LSG PAS team to discuss the strategy and progress of the scheme. • Monthly operational meetings with LSG to discuss performance. • Reviewing service level agreements and qualitative metrics used to measure the outsourcer performance. • Drafting and reviewing the addendum to the LSG contract in respect of stock fulfilment and cost savings. • Updating and reviewing amended terms and conditions in respect of cash settlements and notifying customers as appropriate. • Reviewing claims referred to the FOS and identifying root causes. • Ongoing review of claims and complaints from policyholders so that systems and processes are improved. • Reviewing product governance and compliance. • Ongoing monitoring and planning for the agents used to handle customer claims and queries. • Reviewing staff remuneration and bonus incentives. • Reviewing and agreeing text of the annual reminder letters to policyholders of their cover. • Project management and provisions of technical oversight with respect to IT upgrade and storage of customer information. • Discussing and reviewing proposals put forward by LSG on the storage of customer information. • Ongoing monitoring of taxable profits position to assess corporation tax payments on accounts. • Preparing tax returns for post-administration periods. • Considering the tax efficiency of the PAS scheme. • Preparing for the payments of income tax on interest payments made to customers. • Agreeing HMRC unsecured claims. <p>This work is necessary for the ongoing successful and profitable trading of the PAS business, enabling us to monitor the activity of the PAS scheme and to determine its levels of profitability for forecasting and cost monitoring purposes. The work ensures that customers are treated fairly and PAS complies with regulatory requirements.</p> | <p>Maintaining ongoing profits from the PAS business.</p> |
| <p>MNO Receivables</p> | <ul style="list-style-type: none"> • Reviewing and assessing MNO receivable balances. • Liaising with retained employees to quantify the current financial position and projected value of outstanding MNO receivables based on customer behaviour. • Monthly meetings with our operational teams • Initiating proceedings in relation to the collection of certain MNO receivables and defending against the MNO counterclaim. <p>Due to the potentially material commercially sensitive nature of these investigations, we do not think it would be appropriate to disclose any further information.</p> | <p>Enhanced asset realisations.</p> |

| Area of work | Work undertaken during the period | Financial benefit to creditors |
|-----------------------|---|---|
| Investigations | <ul style="list-style-type: none"> Investigating potential claims against third parties. <p>Due to the potentially material commercially sensitive nature of these investigations, we do not think it would be appropriate to disclose any further information.</p> | Enhanced asset realisations. |
| Sale of stock | <ul style="list-style-type: none"> Completing the sale of residual stock. <p>This work was necessary for dealing with and realising the residual stock.</p> | Enhanced asset realisations. |
| Property | <ul style="list-style-type: none"> Liaising with landlords and their agents / solicitors regarding surrender of leases. Liaising with landlords and responding to queries. Working alongside our agents on managing utility costs. <p>This work was necessary to negotiate with landlords and liaise with agents in order to reduce P4U's liabilities in respect of its property portfolio and utility costs.</p> | Mitigates claims against the administrations. |
| Other assets | <ul style="list-style-type: none"> Liaising with JLT (insurance broker) for the purpose of ongoing insurance cover for assets and risks in the post-appointment period. Renewing of Trade Marks and domains and determining the most appropriate strategy for their treatment. Submission of inter-company unsecured creditor claims within other group companies. <p>This work was necessary to ensure proper insurance of assets and to ensure that assets were dealt with appropriately.</p> | Enhanced asset realisations and mitigates risk of claims against the administrations and loss of assets. |
| Creditors & Committee | <ul style="list-style-type: none"> Facilitating the distribution of the first interim dividend to Noteholders. Correspondence with lawyers and Security Trustee regarding the release of all or part of the Security Trustee retained funds. Planning and preparation of financial and operational information for creditors. Liaising with the informal creditors committee, and creditor trustees by way of calls, meetings and notices. Bondholder meetings planning, preparations and follow up. Responding to queries from stakeholder groups. Maintaining information on our dedicated website. Providing progress updates to the secured creditors. Formulating and delivery of our communications strategy. General creditor / customer calls and enquires. Maintaining creditor claims database. Adjudicating on lower value creditor claims. <p>This work was necessary to prepare and review correspondence with creditors and ensure that creditors are provided with updates on matters in the administrations.</p> <p><i>(Policy Administration Services Limited only)</i></p> <ul style="list-style-type: none"> Assessing unsecured creditor claims received by reference to the Statement of Affairs and third party documentation to enable adjudication of the claims and to ensure that the correct balances are captured for dividend purposes. | <p>Provides information necessary to creditors (who have an economic interest in the outcome of the administrations), both collectively and individually.</p> <p>Unsecured creditors will benefit from the distribution of the prescribed part (in certain of the Companies).</p> |

| Area of work | Work undertaken during the period | Financial benefit to creditors |
|-----------------|--|---|
| VAT liabilities | <ul style="list-style-type: none"> • Liaising with unsecured creditors to obtain necessary supporting documentation to support claim values. • Issuing letters to all awaited creditors requesting them to submit a claim form and monitoring responses. • Adjudication and agreement of the complex PAS HMRC claim. <p>This work was necessary to determine the value of creditor claims so that a distribution strategy may be determined and dividend payments made to creditors.</p> <ul style="list-style-type: none"> • Workings for periodic VAT returns. • In-depth VAT reconciliation of all transactions. • Meetings and general correspondence with HMRC. <p>This work was necessary to meet statutory VAT filing requirements. It was also necessary to clarify, with certainty, that P4U should only be liable to pay VAT on monies actually received from mobile network operators in the course of the administration.</p> <ul style="list-style-type: none"> • Ongoing correspondence with HMRC in relation to the second and final significant VAT issue. • Internal communication and meetings on VAT matters. • Preparation of witness statements and court technical documents in order to progress the determination of the second significant VAT issue. • Regular discussions with external legal advisors and also counsel on VAT matters. • Review of detailed legal documents setting out our view of specific and complex VAT positions. <p>This work was necessary to resolve the material outstanding VAT issue to try and prevent this being payable as an expense of the administration.</p> | <p>Statutory responsibilities and mitigates the loss of assets.</p> <p>The potential cost to the estate if we did not pursue this course of action could be £37.4m.</p> |
| Tax | <ul style="list-style-type: none"> • For P4U (and associated group companies to the extent it affects P4U's tax position) preparation and submission of post-administration tax returns. • Responding to HMRC queries in connection with: <ul style="list-style-type: none"> - Allocation of historical pre-administration Group tax payments across the group companies to 31 December 2013. - Agreeing the quantum of HMRC unsecured claim for all companies in the P4U Group. <p>This work was necessary because we have a legal obligation to submit tax returns to HMRC.</p> <p><i>(Policy Administration Services Limited only)</i></p> <p>This work was necessary because the PAS business continues to be profitable and therefore is it required to file tax returns and make quarterly payments on account. In addition, as PAS pays refunds to customers that incur interest, the business is required to calculate and pay to HMRC the income tax on these interest payments.</p> | <p>Legal and statutory requirement and reaching certainty on the post-administration tax position of the Companies.</p> |

| Area of work | Work undertaken during the period | Financial benefit to creditors |
|--------------------------|---|--|
| Employees | <ul style="list-style-type: none"> Working with relevant staff for the calculation and payment of ongoing payroll. <p>This work was necessary to ensure that payrolls are operated correctly and corresponding PAYE/NIC deductions are paid to HMRC.</p> | Ongoing statutory responsibilities in respect of retained employees. |
| Pensions and benefits | <ul style="list-style-type: none"> Responding to members' queries on pension issues. Arranging for pension contributions to be paid over to the Aegon group personal pension plan for those members who remain employed. Liaising with insurers in relation to the renewal of the employee benefit arrangements. Ensuring ongoing cover under employee benefit arrangements, including group life and private medical insurance and group income protection scheme. <p>This work was necessary to comply with statutory and regulatory obligations.</p> | Statutory and regulatory responsibilities. |
| Accounting and treasury | <ul style="list-style-type: none"> Dealing with general accounting and treasury functions including payments, receipts and journal postings. Dealing with ongoing payment of wages. Active management of cash holdings, including placing regular money market investments to increase returns whilst ensuring credit risk is appropriately managed. <p><i>(Policy Administration Services Limited only)</i></p> <ul style="list-style-type: none"> Collecting premiums and making refunds to customers and reconciliations to bank balance and cash flow. Transferring premiums to insurer account every two days, including reconciliation and sign off from appointees. Discussions with Lloyds Bank on ensuring the transfer of premiums is efficient and cost effective. Operating finance functions, including bank account transfers and payment requisitions. <p>This work was necessary for preparing and authorising receipt and payment vouchers and carrying out bank reconciliations. For PAS, it ensures the correct allocation and accounting for premiums and refunds.</p> | <p>Ensuring proper stewardship of funds held.</p> <p>Ensuring funds are managed securely and that such funds are generating returns.</p> <p>Complying with statutory and regulatory duties regarding the holding and accounting for funds.</p> |
| Statutory and compliance | <ul style="list-style-type: none"> Planning for statutory duties and collection of requisite information. Preparing and issuing our fifth and sixth progress report to creditors. Dealing with incoming correspondence. Preparing witness statement and applying to Court for administration extension. Maintaining case records and filing. Managing incoming statement of claim forms and creditor database. Completing case management prompts on the case database. <p>This work was necessary to comply with our statutory responsibilities as administrators. It was necessary to draft and circulate statutory reports to creditors with detailed information on the administrations, deal with incoming correspondence and respond on compliance matters.</p> | Statutory and regulatory responsibilities. |

| Area of work | Work undertaken during the period | Financial benefit to creditors |
|-------------------|--|--|
| Books and records | <ul style="list-style-type: none"> Liaising with third party storage providers in relation to company books and records that we have a legal obligation to maintain. <p>This work was necessary to ensure proper stewardship of company books and records.</p> | Statutory and regulatory responsibilities. |
| Subsidiary | <p><i>(Policy Administration Services Limited only)</i></p> <ul style="list-style-type: none"> Responding to queries to fulfil Aon compliance requirements. Attending board meetings with P4UC to oversee the running of the subsidiary. Overseeing and reviewing the output of an internal audit of P4UC at Aon's office. <p>This work was necessary to ensure that the captive is managed in accordance with the management agreement, thereby ensuring dividend payments to PAS are maximised.</p> | Profits from the PAS business accumulate in P4UC and are paid to PAS by way of a dividend on a quarterly basis. These dividends will form part of the distribution to creditors. |

7.5 Our future work

The following table provides a summary of the key areas of work on which we expect to focus in the coming months in order to achieve the purpose of the administrations. Note, we have only included the significant areas of work and therefore this is not an exhaustive list.

| Area of work | Work we need to do | Estimated cost to 20 March 2020 (£m) | Whether or not the work will provide a financial benefit to creditors |
|---------------------|---|--------------------------------------|--|
| Strategy & planning | <ul style="list-style-type: none"> Preparing estimated outcome statements, budgets, forecasts and other financial reporting tools. Reporting to secured creditors. In depth consideration of strategic approach in dealing with complex and interrelated work streams. Strategy meetings, decisions and project management by the appointment takers. Liaison with external advisors in relation to the various and complex work streams within the administrations. Progression of matters in the administrations. | 0.7 | Assist in the efficient completion of the administrations and return to creditors. |
| Trading | <p><i>(Policy Administration Services Limited only)</i></p> <ul style="list-style-type: none"> Actively monitoring the insurance business, its activities and claims processes. Determining how best to promote the longevity of the scheme. Managing and updating communication to all policyholders, especially with respect to the proposed extension of the administration. | 1.2 | This will lead to a more profitable business and therefore a larger distribution to secured creditors. |



| Area of work | Work we need to do | Estimated cost to 20 March 2020 (£m) | Whether or not the work will provide a financial benefit to creditors |
|---|---|--------------------------------------|---|
| Assets (including MNO receivables, investigations and other assets) | <ul style="list-style-type: none"> • Collection of the MNO debtors including pursuing legal action. • Defence against alleged counterclaim. • Payment of commissions due. • Active management of cash holdings, including placing regular money market investments to increase returns. • Pursuit of potential claims against third parties. | *0.2 | Enhanced asset realisations for the administrations. |
| Property | <ul style="list-style-type: none"> • Manage and reduce any liabilities we have with respect to the property portfolio including ongoing leases and utility payments. | 0.1 | Mitigate claims against the administrations. |
| Creditors and committee | <ul style="list-style-type: none"> • Adjudicate on unsecured creditor claims then declare and pay a dividend from the prescribed part fund where possible. • Respond to creditor enquiries. • Creditor committee meetings. • When appropriate, declare and pay future interim distributions to secured creditors. | 1.2 | Direct benefit to creditors through payment of distributions and provision of information. |
| VAT liabilities | <ul style="list-style-type: none"> • Completion of VAT returns. • Maintain dialogue with HMRC. • Internal communications and meetings on VAT. • Completion of formalities for discontinuing directions application. • Preparation for creditors (Noteholder) meetings, on VAT related matters. | 0.1 | Statutory and regulatory requirements. |
| Tax | <ul style="list-style-type: none"> • Drafting and submission of corporation tax returns. • Ongoing liaison with HMRC. | 0.3 | Statutory and regulatory requirements. |
| Employees | <ul style="list-style-type: none"> • Ongoing payroll functions in relation to the retained employees. • Responding to ex-employee queries. | 0.2 | Statutory and regulatory requirements. |
| Accounting and treasury | <ul style="list-style-type: none"> • Payment of invoices when they fall due. • Actively monitoring and dealing with funds invested on the money markets. • Carrying out periodic bank reconciliations. • Corresponding with the bank regarding specific transfers. | 0.4 | Ensures proper stewardship of the funds held. Management of funds will generate greater recoveries for creditors. |
| Statutory & compliance | <ul style="list-style-type: none"> • Drafting and circulating progress reports to creditors. • Attend court and obtain an extension of the administrations. • Compliance with regulatory requirements. | 1.5 | Statutory and regulatory requirements. |



| Area of work | Work we need to do | Estimated cost to 20 March 2020 (£m) | Whether or not the work will provide a financial benefit to creditors |
|-------------------|---|--------------------------------------|---|
| | <ul style="list-style-type: none"> Maintaining case files. Dealing with general correspondence and queries. | | |
| Books and records | <i>(Policy Administration Services Limited only)</i> <ul style="list-style-type: none"> Ongoing monitoring of the profit and loss and balance sheet, comparing forecasts and actuals. | 0.0 | Ensures profitability is maintained for the benefit of creditors. |
| Closure | <ul style="list-style-type: none"> Dealing with closure formalities. Obtaining tax and VAT clearances from HMRC. Obtaining clearances from external third parties with regard to commitments made during the administration. Closing down internal systems. | 0.4 | Ensures that the company's affairs are wound down in an orderly manner. |

* Costs relating to the MNO Receivables and Investigations work streams have been excluded from the forecast.



7.6 Disbursement policy

Our firm's expenses policy allows for all properly incurred expenses to be recharged to the administrations. Disbursements are charged to the administrations as shown below.

SIP9 defines 'Category 2' expenses as those that are "*directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that may be incurred by the office holder and their firm, and that can be allocated to the appointment on a proper and reasonable basis*".

All other disbursements are 'Category 1' disbursements which are reimbursed at cost. SIP9 defines 'Category 1' disbursements as "*payments to independent third parties where there is specific expenditure directly referable to the appointment in question*". These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the office holder or his staff.

A summary of other legal and professional firms instructed in the administrations is at Section 7.8 below.

A summary of the disbursements incurred from 21 January 2017 to 20 July 2017 is provided below.



Phones 4U Limited – in administration

Summary of disbursements incurred from 21 January 2017 to 20 July 2017

| Category | Policy | 15 September 2014 to 20 January 2017 (£) | 21 January 2017 to 20 July 2017 (£) | Total to 20 July 2017 (£) | | | | | | | | | | |
|---|--|---|---|---------------------------------|-------------|--|-------------|-----------|-------------|-------------------|-------------|------------|---|------------|
| 2 | Photocopying - at 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying | 18,366.64 | 299.60 | 18,666.24 | | | | | | | | | | |
| 2 | Mileage - at a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc) | 30,038.24 | 54.75 | 30,092.99 | | | | | | | | | | |
| 1 | <p>PwC Legal LLP - time costs and disbursements. We negotiated a reduction in rates with the PwC Legal LLP. The reduced rates were applied from 11 February 2016 and are set out below with the previous rates included in brackets. This has resulted in a reduction in the period, to the expenses previously stated.</p> <table border="0"> <tr> <td>Partner</td> <td>£395 (£495)</td> </tr> <tr> <td>Senior Manager</td> <td>£280 (£355)</td> </tr> <tr> <td>Manager</td> <td>£210 (£265)</td> </tr> <tr> <td>Solicitor</td> <td>£140 (£245)</td> </tr> <tr> <td>Trainee Solicitor</td> <td>£125 (£160)</td> </tr> </table> <p>In common with all professional firms, the scale rates used may rise periodically (for example to cover annual inflationary cost increases) over the period of the administration. Any material amendments will be advised to creditors in the next statutory report.</p> | Partner | £395 (£495) | Senior Manager | £280 (£355) | Manager | £210 (£265) | Solicitor | £140 (£245) | Trainee Solicitor | £125 (£160) | 467,619.91 | - | 467,619.91 |
| Partner | £395 (£495) | | | | | | | | | | | | | |
| Senior Manager | £280 (£355) | | | | | | | | | | | | | |
| Manager | £210 (£265) | | | | | | | | | | | | | |
| Solicitor | £140 (£245) | | | | | | | | | | | | | |
| Trainee Solicitor | £125 (£160) | | | | | | | | | | | | | |
| 2 | <p>Specialist software usage - as a result of changes in our internal reporting systems, further Category 2 disbursements have come to light during the period of this report. These costs are made up and charged as follows:</p> <table border="0"> <tr> <td>License fees - at £100 per month for each named user accessing the online review platform and £50 per Gigabyte of data processed.</td> <td>18,230.00</td> <td>9,469.00</td> <td>27,699.00</td> </tr> <tr> <td>Hosting - at £25 Gigabyte of data processed per calendar month</td> <td>46,770.00</td> <td>37,752.00</td> <td>84,522.00</td> </tr> </table> <p>We are in the process of determining the most appropriate and cost effective method of seeking approval for these costs, which may involve seeking approval from the secured creditors in due course.</p> | License fees - at £100 per month for each named user accessing the online review platform and £50 per Gigabyte of data processed. | 18,230.00 | 9,469.00 | 27,699.00 | Hosting - at £25 Gigabyte of data processed per calendar month | 46,770.00 | 37,752.00 | 84,522.00 | | | | | |
| License fees - at £100 per month for each named user accessing the online review platform and £50 per Gigabyte of data processed. | 18,230.00 | 9,469.00 | 27,699.00 | | | | | | | | | | | |
| Hosting - at £25 Gigabyte of data processed per calendar month | 46,770.00 | 37,752.00 | 84,522.00 | | | | | | | | | | | |
| 1 | All other disbursements reimbursed at cost: | | | | | | | | | | | | | |
| | External venue costs | 35,601.05 | - | 35,601.05 | | | | | | | | | | |
| | Hotel accommodation | 32,057.70 | 1,609.18 | 33,666.88 | | | | | | | | | | |
| | Rail fares | 24,707.22 | 1,725.73 | 26,432.95 | | | | | | | | | | |
| | Air fares | 40,184.90 | 582.03 | 40,766.93 | | | | | | | | | | |
| | Postage | 22,063.45 | 3,559.99 | 25,623.44 | | | | | | | | | | |
| | Subsistence costs | 8,393.40 | 238.15 | 8,631.55 | | | | | | | | | | |
| | Taxi fares | 6,344.64 | 492.61 | 6,837.25 | | | | | | | | | | |
| | Mobile phone usage | 1,834.35 | 99.42 | 1,933.77 | | | | | | | | | | |
| | Other | 11,604.57 | 4,188.91 | 15,793.48 | | | | | | | | | | |
| | Total | 763,816.07 | 60,071.37 | 823,887.44 | | | | | | | | | | |



Phones 4 U Group Limited – in administration

Summary of disbursements incurred from 21 January 2017 to 20 July 2017

| Category | Policy | 15 September 2014 to 20 January 2017 (£) | 21 January 2017 to 20 July 2017 (£) | Total to 20 July 2017 (£) |
|--------------|--|--|---|---------------------------------|
| 2 | Photocopying - at 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying | 98.20 | - | 98.20 |
| 2 | Mileage - at a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc) | 79.73 | - | 79.73 |
| 1 | All other disbursements reimbursed at cost | 290.96 | 22.03 | 312.99 |
| Total | | 468.89 | 22.03 | 490.92 |

Phones4U Finance plc – in administration

Summary of disbursements incurred from 21 January 2017 to 20 July 2017

| Category | Policy | 15 September 2014 to 20 January 2017 (£) | 21 January 2017 to 20 July 2017 (£) | Total to 20 July 2017 (£) |
|--------------|--|--|---|---------------------------------|
| 2 | Photocopying - at 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying | - | - | - |
| 2 | Mileage - at a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc) | 85.26 | - | 85.26 |
| 1 | All other disbursements reimbursed at cost | 1,811.07 | 22.03 | 1,833.10 |
| Total | | 1,896.33 | 22.03 | 1,918.36 |

MobileServ Limited – in administration

Summary of disbursements incurred from 21 January 2017 to 20 July 2017

| Category | Policy | 15 September 2014 to 20 January 2017 (£) | 21 January 2017 to 20 July 2017 (£) | Total to 20 July 2017 (£) |
|--------------|--|--|---|---------------------------------|
| 2 | Photocopying - at 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying | 163.17 | - | 163.17 |
| 2 | Mileage - at a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc) | 7.19 | - | 7.19 |
| 1 | All other disbursements reimbursed at cost | 419.36 | 165.88 | 585.24 |
| Total | | 589.72 | 165.88 | 755.60 |

Phosphorus Acquisition Limited – in administration

Summary of disbursements incurred from 21 January 2017 to 20 July 2017

| Category | Policy | 15 September 2014 to 20 January 2017 (£) | 21 January 2017 to 20 July 2017 (£) | Total to 20 July 2017 (£) |
|--------------|--|--|---|---------------------------------|
| 2 | Photocopying - at 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying | 99.00 | - | 99.00 |
| 2 | Mileage - at a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc) | 7.19 | - | 7.19 |
| 1 | All other disbursements reimbursed at cost | 419.36 | 22.03 | 441.39 |
| Total | | 525.55 | 22.03 | 547.58 |



Policy Administration Services Limited – in administration

Summary of disbursements incurred from 21 January 2017 to 20 July 2017

| Category | Policy | 16 September 2014 to 20 January 2017 (£) | 21 January 2017 to 20 July 2017 (£) | Total to 20 July 2017 (£) |
|----------|--|--|---|---------------------------------|
| 2 | Photocopying - at 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying | 218.98 | - | 218.98 |
| 2 | Mileage - at a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc) | 3,118.98 | - | 3,118.98 |
| 1 | All other disbursements reimbursed at cost: | | | |
| | Rail fares | 11,967.57 | 306.56 | 12,274.13 |
| | Hotel accommodation | 7,031.25 | 9.07 | 7,040.32 |
| | Subsistence costs | 2,471.16 | 33.32 | 2,504.48 |
| | Taxi fares | 2,049.03 | - | 2,049.03 |
| | Car hire charges | 1,485.92 | - | 1,485.92 |
| | Air fares | 551.64 | - | 551.64 |
| | Other | 1,482.07 | 17.91 | 1,499.98 |
| | Total | 30,376.60 | 366.86 | 30,743.46 |



7.7 Financial benefit

As shown on the enclosed receipts and payments accounts, our work to date has generated recoveries (net of costs and excluding cash at bank on appointment) in the region of £101m for the benefit of all classes of creditors.

We explained in Section 5 of this report that a considerable amount of work is still required before these administrations can be concluded. We expect that this work will generate significant further realisations and minimise liabilities against the Companies, leading to our estimated recovery of 42% to 44% for the Noteholders (who are expected to have the primary economic interest in the progress of the Companies' administrations).

Our analysis in Section 7.11 includes time spent dealing with matters required by law or other regulation that do not necessarily or directly benefit the creditors financially. This work includes 'statutory and compliance' but also other work necessary for the orderly management of a company's affairs, such as tax and VAT returns and dealing with books and records.

7.8 Summary of legal and other professional firms

To date, we have instructed the following professionals and sub-contractors on these cases:

| Service provided | Name of firm / organisation | Basis of fees |
|-------------------------------------|--|-----------------------|
| Business rates refund collections | CAPA | Commission |
| Business rates refund collections | Exacta Plc | Commission |
| Electronic data retrieval & removal | OCM Business Systems Limited | Time and expenses |
| Insurance broker | JLT Speciality Limited | Insurance policy cost |
| Lease assignments | Eversheds LLP | Time and expenses |
| Legal services | Shakespeares Legal LLP | Time and expenses |
| Legal investigation services | Quinn Emmanuel Urquhart & Sullivan LLP | Time and expenses |
| Legal services and advice | Allen & Overy LLP | Time and expenses |
| Legal services in relation to deeds | Knights Solicitors LLP | Time and expenses |
| Property consultants | Retail Agents 210 Limited | Time and expenses |
| Sale of leasehold properties agent | Prime Retail Property Consultants LLP | Commission |
| Utility management | GMS Legal Services Limited | Fixed fee per site |
| Employee legal services | PwC Legal LLP | Time and expenses |
| Property legal services | DLA Piper LLP | Time and expenses |

Please note that the above table provides only a list of professionals and agents engaged by us on behalf of the Companies and does not seek to provide an exhaustive list of all suppliers used in the ordinary course of trading.



Our choice of the above legal and professional advisors was based upon our perception of the advisors' experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of the fee arrangement with them.

We require all third party professionals to submit time costs analyses and narrative or a schedule of realisations achieved in support of invoices rendered. We review third party costs to ensure they are reasonable in the circumstances of the case.

7.9 Associates

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

7.10 Sub-contractors

The table in Section 7.8 includes sub-contractors we have used on these cases where the work could have otherwise been done by ourselves. This principally relates to the business rates refunds and utility and property management work.

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

7.11 Analysis of our time costs

The following tables provide further detail on the time spent on the various areas of work by the different grades of staff. For each company, we show (separately) the position for the period of this and earlier reports; together with the cumulative position and estimated cost of our future work.



Phones 4U Limited – in administration

Analysis of time costs for the period 21 January 2017 to 20 July 2017

| Aspect of assignment | Partner | Director | Senior Manager | Manager | Senior Associate | Associate | Support | Total hours | Time cost £ | Average hourly rate £ |
|--------------------------|---------------|---------------|----------------|---------------|------------------|---------------|--------------|-----------------|---------------------|--------------------------|
| Strategy & Planning | 120.60 | 30.50 | 75.50 | 14.55 | 121.05 | - | 1.00 | 363.20 | 217,794.85 | 600 |
| Property | - | - | 8.10 | 48.60 | 175.70 | 27.15 | - | 259.55 | 92,359.30 | 356 |
| Other assets | 2.50 | - | 4.90 | - | 9.45 | - | - | 16.85 | 7,870.70 | 467 |
| MNO Receivables | 38.40 | 20.70 | 209.35 | 37.95 | 129.90 | 35.25 | 0.75 | 472.30 | 234,179.75 | 496 |
| Investigations | - | 13.60 | 95.00 | 36.45 | 80.15 | - | 1.00 | 226.20 | 103,914.75 | 459 |
| Accounting and treasury | - | - | 9.85 | 30.10 | 150.30 | 35.30 | - | 225.55 | 76,882.50 | 341 |
| Statutory and compliance | - | - | 133.75 | 35.30 | 175.15 | 12.30 | 10.80 | 367.30 | 159,355.50 | 434 |
| Employees & pensions | - | 0.20 | 2.75 | 35.95 | 90.05 | 31.45 | 2.05 | 162.45 | 47,862.85 | 295 |
| Investigations | - | - | 3.50 | - | - | - | - | 3.50 | 1,960.00 | 560 |
| Creditors | - | 24.30 | 256.05 | 118.65 | 493.35 | 28.05 | 0.80 | 921.20 | 394,669.60 | 428 |
| Creditors committee | - | - | - | - | 14.35 | - | - | 14.35 | 5,740.00 | 400 |
| Tax | 2.25 | 2.00 | - | 0.20 | 51.94 | 47.95 | - | 104.34 | 41,614.60 | 399 |
| VAT | 34.50 | 34.10 | 110.40 | 57.25 | 77.55 | 16.00 | 0.05 | 329.85 | 220,414.40 | 668 |
| Books and records | - | - | - | - | 11.25 | - | - | 11.25 | 3,076.00 | 273 |
| Closure procedures | - | - | 0.40 | - | - | - | - | 0.40 | 224.00 | 560 |
| Total | 198.25 | 125.40 | 909.55 | 415.00 | 1,580.19 | 233.45 | 16.45 | 3,478.29 | 1,607,918.80 | 462 |



Phones 4U Limited – in administration
Aggregate time cost summary to 20 July 2017

| Aspect of assignment | Total hours | Time cost £ | Average hourly rate £ | Estimated future hours | Estimated future costs £ | Estimated total cost £ | Average hourly rate £ |
|--------------------------|------------------|-------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|
| Strategy & Planning | 3,040.93 | 1,666,593 | 548 | 1,530.50 | 479,462 | 2,146,056 | 469 |
| Sale of business | 932.15 | 497,953 | 534 | - | - | 497,953 | 534 |
| Book debt realisations | 330.03 | 149,825 | 454 | - | - | 149,825 | 454 |
| Property | 2,586.53 | 1,087,942 | 421 | 1,169.00 | 102,430 | 1,190,372 | 317 |
| Other assets | 2,144.29 | 932,831 | 435 | - | - | 932,831 | 435 |
| MNO Receivables | 2,859.54 | 1,304,932 | 456 | Note 1 | Note 1 | Note 1 | Note 1 |
| Investigations | 2,252.83 | 991,463 | 440 | Note 1 | Note 1 | Note 1 | Note 1 |
| Retention of title | 1,015.25 | 424,411 | 418 | - | - | 424,411 | 418 |
| Trading | 2,205.34 | 944,331 | 428 | - | - | 944,331 | 428 |
| Accounting and treasury | 2,004.76 | 656,969 | 328 | 1,103.00 | 256,819 | 913,788 | 294 |
| Statutory and compliance | 2,405.59 | 975,731 | 406 | 2,501.00 | 1,240,707 | 2,216,438 | 452 |
| Employees & pensions | 4,364.06 | 1,399,781 | 321 | 998.25 | 90,527 | 1,490,308 | 278 |
| Investigations | 3.50 | 1,960 | 560 | - | - | 1,960 | 560 |
| Creditors | 5,602.23 | 2,441,472 | 436 | 3,426.00 | 1,098,923 | 3,540,394 | 392 |
| Creditors committee | 210.55 | 109,331 | 519 | 104.70 | 70,615 | 179,946 | 571 |
| Tax | 2,219.52 | 1,160,390 | 523 | 511.00 | 189,833 | 1,350,223 | 494 |
| VAT | 4,221.63 | 3,111,363 | 737 | 417.00 | 109,765 | 3,221,128 | 694 |
| Books and records | 818.20 | 222,204 | 272 | 102.50 | 10,118 | 232,322 | 252 |
| Closure procedures | 3.55 | 1,741 | 490 | 600.00 | 200,000 | 201,741 | 334 |
| Total | 39,220.48 | 18,081,224 | 461 | 12,462.95 | 3,849,200 | 19,634,029 | 380 |

Note 1

Costs relating to the MNO Receivables and Investigations work streams have been excluded from the forecast.



Phones 4 U Group Limited – in administration

Analysis of time costs for the period 21 January 2017 to 20 July 2017

| Aspect of assignment | Partner | Director | Senior Manager | Manager | Senior Associate | Associate | Support | Total hours | Time cost £ | Average hourly rate £ |
|--------------------------|---------|----------|----------------|-------------|------------------|-------------|---------|--------------|-----------------|--------------------------|
| Strategy & Planning | - | - | - | - | - | 0.25 | - | 0.25 | 37.50 | 150 |
| Accounting and treasury | - | - | - | 0.50 | 0.60 | 0.30 | - | 1.40 | 492.00 | 351 |
| Statutory and compliance | - | - | 0.35 | 0.60 | 6.30 | 0.50 | - | 7.75 | 2,467.50 | 318 |
| Creditors | - | - | 0.25 | - | 0.50 | - | - | 0.75 | 265.00 | 353 |
| Tax | - | - | - | - | 0.90 | - | - | 0.90 | 265.50 | 295 |
| VAT | - | - | - | - | 0.10 | - | - | 0.10 | 30.40 | 304 |
| Total | - | - | 0.60 | 1.10 | 8.40 | 1.05 | - | 11.15 | 3,557.90 | 319 |



Phones 4 U Group Limited – in administration

Aggregate time cost summary to 20 July 2017

| Aspect of assignment | Total hours | Time cost £ | Average hourly rate £ | Estimated future hours | Estimated future costs £ | Estimated total cost £ | Average hourly rate |
|--------------------------|---------------|----------------|--------------------------------|------------------------------|--------------------------------|------------------------------|---------------------------|
| Strategy & Planning | 23.35 | 13,171 | 564 | 2.25 | 507 | 13,677.63 | 534 |
| Sale of business | 2.65 | 1,256 | 474 | - | - | 1,256 | 474 |
| Property | 1.20 | 643 | 536 | - | - | 643 | 536 |
| Other assets | 0.35 | 152 | 434 | - | - | 152 | 434 |
| Investigations | 6.40 | 2,095 | 327 | - | - | 2,095 | 327 |
| Trading | 14.05 | 3,740 | 266 | - | - | 3,740 | 266 |
| Accounting and treasury | 11.05 | 3,394 | 307 | 7.00 | 2,583 | 5,977 | 331 |
| Statutory and compliance | 98.71 | 35,345 | 358 | 43.25 | 14,905 | 50,250 | 354 |
| Employees & pensions | 1.40 | 550 | 393 | - | - | 550 | 393 |
| Creditors | 11.75 | 4,709 | 401 | 3.75 | 1,391 | 6,100 | 394 |
| Creditors committee | 0.10 | 29 | 290 | - | - | 29 | 290 |
| Tax | 33.65 | 19,108 | 568 | 4.75 | 1,471 | 20,579 | 536 |
| VAT | 6.85 | 2,305 | 337 | - | - | 2,305 | 337 |
| Books and records | 3.35 | 1,087 | 324 | - | - | 1,087 | 324 |
| Closure procedures | 2.20 | 1,098 | 499 | 35.59 | 11,589 | 12,687 | 336 |
| Total | 217.06 | 88,681 | 409 | 96.59 | 32,446 | 121,127 | 386 |



Phones4U Finance plc – in administration

Analysis of time costs for the period 21 January 2017 to 20 July 2017

| Aspect of assignment | Partner | Director | Senior Manager | Manager | Senior Associate | Associate | Support | Total hours | Time cost £ | Average hourly rate £ |
|--------------------------|---------|----------|----------------|-------------|------------------|-------------|---------|--------------|-----------------|--------------------------|
| Strategy & Planning | - | - | - | - | 0.50 | 0.25 | - | 0.75 | 185.00 | 247 |
| Accounting and treasury | - | - | - | 0.50 | - | 1.10 | - | 1.60 | 515.00 | 322 |
| Statutory and compliance | - | - | 0.10 | 1.10 | 8.15 | 0.50 | - | 9.85 | 3,120.75 | 317 |
| Employees & pensions | - | - | - | - | 0.60 | - | - | 0.60 | 177.00 | 295 |
| Tax | - | - | - | - | 1.15 | - | - | 1.15 | 339.25 | 295 |
| VAT | - | - | - | - | 0.15 | - | - | 0.15 | 45.15 | 301 |
| Total | - | - | 0.10 | 1.60 | 10.55 | 1.85 | - | 14.10 | 4,382.15 | 311 |



Phones4U Finance plc – in administration

Aggregate time cost summary to 20 July 2017

| Aspect of assignment | Total hours | Time cost £ | Average hourly rate £ | Estimated future hours | Estimated future costs £ | Estimated total cost £ | Average hourly rate |
|--------------------------|---------------|----------------|--------------------------------|------------------------------|--------------------------------|------------------------------|---------------------------|
| Strategy & Planning | 18.50 | 8,477 | 458 | 4.75 | 1,281 | 9,758 | 420 |
| Sale of business | 3.40 | 455 | 134 | - | - | 454.75 | 134 |
| Property | 0.10 | 46 | 460 | - | - | 46.00 | 460 |
| Other assets | 0.35 | 152 | 434 | - | - | 152.00 | 434 |
| Trading | 4.85 | 1,860 | 384 | - | - | 1,860.25 | 384 |
| Accounting and treasury | 15.10 | 4,642 | 307 | 8.00 | 2,704 | 7,345.55 | 318 |
| Statutory and compliance | 100.16 | 35,630 | 356 | 49.25 | 15,859 | 51,488.69 | 345 |
| Employees & pensions | 10.40 | 2,615 | 251 | - | - | 2,615.00 | 251 |
| Investigations | 5.65 | 1,823 | 323 | - | - | 1,822.75 | 323 |
| Creditors | 16.85 | 7,062 | 419 | - | - | 7,061.50 | 419 |
| Creditors committee | 0.20 | 58 | 290 | - | - | 58.00 | 290 |
| Tax | 3.05 | 985 | 323 | 6.00 | 1,859 | 2,843.75 | 314 |
| VAT | 3.20 | 1,332 | 416 | 3.30 | 1,007 | 2,338.85 | 360 |
| Books and records | 0.45 | 166 | 368 | - | - | 165.50 | 368 |
| Closure procedures | - | - | - | 23.60 | 7,175 | 7,175 | 304 |
| Total | 182.26 | 65,301 | 358 | 94.90 | 29,884 | 95,185 | 343 |



MobileServ Limited – in administration

Analysis of time costs for the period 21 January 2017 to 20 July 2017

| Aspect of assignment | Partner | Director | Senior Manager | Manager | Senior Associate | Associate | Support | Total hours | Time cost £ | Average hourly rate £ |
|--------------------------|-------------|----------|----------------|-------------|------------------|--------------|-------------|--------------|-----------------|--------------------------|
| Strategy & Planning | - | - | 0.05 | - | 0.50 | 0.25 | - | 0.80 | 213.00 | 266 |
| Accounting and treasury | 0.50 | - | - | 0.60 | 1.20 | 1.95 | - | 4.25 | 1,556.70 | 366 |
| Statutory and compliance | - | - | 0.20 | 0.40 | 7.85 | 7.50 | 0.90 | 16.85 | 4,607.25 | 273 |
| Employees & pensions | - | - | - | - | 0.20 | - | - | 0.20 | 59.00 | 295 |
| Creditors | - | - | - | - | 0.25 | 3.50 | - | 3.75 | 948.75 | 253 |
| Tax | - | - | - | - | 2.35 | - | - | 2.35 | 693.25 | 295 |
| VAT | - | - | - | - | 0.25 | - | - | 0.25 | 74.65 | 299 |
| Total | 0.50 | - | 0.25 | 1.00 | 12.60 | 13.20 | 0.90 | 28.45 | 8,152.60 | 287 |



MobileServ Limited – in administration

Aggregate time cost summary to 20 July 2017

| Aspect of assignment | Total hours | Time cost £ | Average hourly rate £ | Estimated future hours | Estimated future costs £ | Estimated total cost £ | Average hourly rate £ |
|--------------------------|---------------|----------------|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|
| Strategy & Planning | 17.90 | 8,019 | 448 | 5.50 | 1,722 | 9,741 | 416 |
| Sale of business | 0.15 | 81 | 540 | - | - | 81 | 540 |
| Book debt realisations | 3.20 | 1,472 | 460 | - | - | 1,472 | 460 |
| Property | 0.10 | 46 | 460 | - | - | 46 | 460 |
| Other assets | 9.70 | 4,582 | 472 | - | - | 4,582 | 472 |
| MNO Receivables | 0.75 | 405 | 540 | - | - | 405 | 540 |
| Investigations | 5.80 | 1,890 | 326 | - | - | 1,890 | 326 |
| Trading | 0.80 | 206 | 258 | - | - | 206 | 258 |
| Accounting and treasury | 29.25 | 8,985 | 307 | 17.80 | 7,027 | 16,012 | 340 |
| Statutory and compliance | 113.25 | 39,360 | 348 | 87.00 | 25,109 | 64,469 | 322 |
| Employees & pensions | 0.20 | 59 | 295 | - | - | 59 | 295 |
| Creditors | 20.90 | 9,320 | 446 | 18.75 | 4,981 | 14,301 | 361 |
| Creditors committee | 0.40 | 116 | 290 | - | - | 116 | 290 |
| Tax | 3.70 | 1,125 | 304 | 12.00 | 3,717 | 4,842 | 308 |
| VAT | 0.40 | 131 | 328 | 2.30 | 697 | 828 | 307 |
| Books and records | 0.95 | 288 | 303 | - | - | 288 | 303 |
| Closure procedures | - | - | - | 24.11 | 6,933 | 6,933 | 288 |
| Total | 207.45 | 76,084 | 367 | 167.46 | 50,186 | 126,270 | 337 |



Policy Administration Services Limited – in administration

Analysis of time costs for the period 21 January 2017 to 20 July 2017

| Aspect of assignment | Partner | Director | Senior Manager | Manager | Senior Associate | Associate | Support | Total hours | Time cost £ | Average hourly rate £ |
|--------------------------|-------------|--------------|----------------|---------------|------------------|---------------|-------------|-----------------|-------------------|--------------------------|
| Strategy & Planning | - | - | 3.35 | 37.25 | 42.85 | 16.50 | - | 99.95 | 36,558.50 | 366 |
| Other assets | - | - | 23.50 | - | 6.15 | - | - | 29.65 | 14,975.60 | 505 |
| Trading | - | 52.20 | 208.90 | 34.35 | 174.70 | 60.25 | - | 530.40 | 239,930.45 | 452 |
| Accounting and treasury | 1.50 | - | 7.35 | 12.05 | 41.55 | 16.75 | - | 79.20 | 28,404.00 | 359 |
| Statutory and compliance | - | - | 64.40 | 21.25 | 100.50 | 4.65 | 1.10 | 191.90 | 77,906.70 | 406 |
| Employees & pensions | - | - | - | 0.10 | 5.75 | 2.00 | - | 7.85 | 2,256.75 | 287 |
| Creditors | - | - | 7.20 | 4.05 | 5.30 | 28.75 | - | 45.30 | 14,805.15 | 327 |
| Creditors committee | - | - | 23.50 | - | 1.00 | - | - | 24.50 | 13,455.00 | 549 |
| Tax | - | 3.95 | 1.40 | - | 39.66 | 6.80 | - | 51.81 | 24,732.30 | 477 |
| VAT | - | - | 7.50 | - | 4.30 | - | - | 11.80 | 10,457.90 | 886 |
| Closure procedures | - | - | 19.90 | - | - | - | - | 19.90 | 11,196.50 | 563 |
| Total | 1.50 | 56.15 | 367.00 | 109.05 | 421.76 | 135.70 | 1.10 | 1,092.26 | 474,678.85 | 435 |



Policy Administration Services Limited – in administration

Aggregate time cost summary to 20 July 2017

| Aspect of assignment | Total hours | Time cost £ | Average hourly rate £ | Estimated future hours | Estimated future costs £ | Estimated total cost £ | Average hourly rate £ |
|--------------------------|-----------------|------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|
| Strategy & Planning | 633.40 | 267,299 | 422 | 467 | 206,696 | 473,994 | 431 |
| Sale of business | 110.55 | 51,531 | 466 | - | - | 51,531 | 466 |
| Book debt realisations | 19.80 | 14,803 | 748 | - | - | 14,803 | 748 |
| Property | 13.75 | 7,579 | 551 | - | - | 7,579 | 551 |
| Other assets | 560.25 | 228,597 | 408 | 363 | 151,796 | 380,394 | 412 |
| Trading | 5,088.09 | 2,360,071 | 464 | 2,826 | 1,206,298 | 3,566,369 | 451 |
| Accounting and treasury | 777.21 | 255,667 | 329 | 465 | 169,870 | 425,536 | 342 |
| Statutory and compliance | 887.30 | 355,803 | 401 | 586 | 221,951 | 577,754 | 392 |
| Employees & pensions | 203.25 | 86,626 | 426 | 158 | 71,567 | 158,193 | 438 |
| Investigations | 9.20 | 3,239 | 352 | - | - | 3,239 | 352 |
| Creditors | 214.45 | 93,614 | 437 | 131 | 59,258 | 152,872 | 442 |
| Creditors committee | 48.70 | 21,497 | 441 | 23 | 9,636 | 31,133 | 434 |
| Tax | 284.78 | 159,404 | 560 | 150 | 53,236 | 212,640 | 489 |
| VAT | 180.75 | 140,557 | 778 | 75 | 34,523 | 175,080 | 684 |
| Books and records | 72.45 | 28,507 | 393 | - | - | 28,507 | 393 |
| Closure procedures | 62.10 | 34,827 | 561 | 350 | 145,670 | 180,497 | 438 |
| Total | 9,166.03 | 4,109,620 | 448 | 5,594 | 2,330,500 | 6,440,120 | 436 |



Phosphorus Acquisition Limited – in administration

Analysis of time costs for the period 21 January 2017 to 20 July 2017

| Aspect of assignment | Partner | Director | Senior Manager | Manager | Senior Associate | Associate | Support | Total hours | Time cost £ | Average hourly rate £ |
|--------------------------|---------|----------|----------------|-------------|------------------|-------------|-------------|--------------|-----------------|--------------------------|
| Strategy & Planning | - | - | 0.05 | - | 0.70 | 0.25 | - | 1.00 | 272.00 | 272 |
| Accounting and treasury | - | - | - | 0.20 | 0.10 | 1.25 | - | 1.55 | 438.00 | 283 |
| Statutory and compliance | - | - | 0.10 | 0.40 | 8.55 | 0.50 | 0.40 | 9.95 | 2,945.25 | 296 |
| Tax | - | - | - | - | 1.10 | - | - | 1.10 | 324.50 | 295 |
| VAT | - | - | - | - | 0.35 | - | - | 0.35 | 105.05 | 300 |
| Total | - | - | 0.15 | 0.60 | 10.80 | 2.00 | 0.40 | 13.95 | 4,084.80 | 293 |



Phosphorus Acquisition Limited – in administration

Aggregate time cost summary to 20 July 2017

| Aspect of assignment | Total hours | Time cost £ | Average hourly rate £ | Estimated future hours | Estimated future costs £ | Estimated total cost £ | Average hourly rate £ |
|--------------------------|---------------|----------------|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|
| Strategy & Planning | 17.95 | 7,401 | 412 | 6.00 | 1,738 | 9,139 | 382 |
| Sale of business | 0.15 | 81 | 540 | - | - | 81 | 540 |
| Property | 0.10 | 46 | 460 | - | - | 46 | 460 |
| Other assets | 0.85 | 272 | 320 | - | - | 272 | 320 |
| Trading | 5.85 | 2,171 | 371 | - | - | 2,171 | 371 |
| Accounting and treasury | 18.05 | 5,429 | 301 | 7.80 | 2,300 | 7,729 | 299 |
| Statutory and compliance | 94.65 | 32,874 | 347 | 52.25 | 16,237 | 49,110 | 334 |
| Investigations | 5.70 | 1,849 | 324 | - | - | 1,849 | 324 |
| Creditors | 5.05 | 1,996 | 395 | - | - | 1,996 | 395 |
| Creditors committee | 0.20 | 58 | 290 | - | - | 58 | 290 |
| Tax | 1.90 | 570 | 300 | 5.75 | 1,781 | 2,351 | 307 |
| VAT | 0.50 | 162 | 323 | 1.25 | 387 | 549 | 314 |
| Books and records | 0.45 | 166 | 368 | - | - | 166 | 368 |
| Closure procedures | 0.20 | 94 | 470 | 19.69 | 5,765 | 5,859 | 295 |
| Total | 151.60 | 53,167 | 351 | 92.74 | 28,207 | 81,374 | 333 |



8. Receipts and payments accounts

Phones 4U Limited – in administration

From 21 January 2017 to 20 July 2017

Please note that the Court ordered the redaction of certain commercially sensitive information from the directors' statement of affairs.

| Directors' statement of affairs £ | 15 September 2014 to 20 January 2017 £ | 21 January 2017 to 20 July 2017 £ | Total to 20 July 2017 £ |
|--|--|---|-------------------------------|
| Floating charge | | | |
| Receipts | | | |
| 1,003,700 | - | - | - |
| 35,168,467 | 30,302,660.18 | 5,747.00 | 30,308,407.18 |
| 1,526,401 | 3,035,906.21 | 950.14 | 3,036,856.35 |
| Undisclosed | 56,435,172.95 | 21,622,818.06 | 78,057,991.01 |
| 73,581,338 | 92,967,951.25 | - | 92,967,951.25 |
| | 6,708,683.05 | - | 6,708,683.05 |
| | 1,428,408.51 | - | 1,428,408.51 |
| | 6,803,928.09 | - | 6,803,928.09 |
| | 447,000.00 | - | 447,000.00 |
| | 1,500,000.00 | - | 1,500,000.00 |
| | 148,464.98 | - | 148,464.98 |
| 156,652 | - | - | - |
| | 100,000.00 | - | 100,000.00 |
| | 1,000,821.29 | 83,454.14 | 1,084,275.43 |
| 2,250,000 | 743,400.01 | - | 743,400.01 |
| | 41,036.13 | 311.47 | 41,347.60 |
| | 201,702.32 | - | 201,702.32 |
| 46,122 | - | - | - |
| | 1,222,506.93 | 897.10 | 1,223,404.03 |
| | 211,777.09 | - | 211,777.09 |
| | 14,218,577.86 | - | 14,218,577.86 |
| | 180,100.00 | - | 180,100.00 |
| 5,870,969 | - | - | - |
| 250,000 | - | - | - |
| | 192,307.12 | - | 192,307.12 |
| Undisclosed | 217,890,403.97 | 21,714,177.91 | 239,604,581.88 |



| Directors' statement of affairs £ | 15 September 2014 to 20 January 2017 £ | 21 January 2017 to 20 July 2017 £ | Total to 20 July 2017 £ |
|---|--|---|-------------------------------|
| Floating charge | | | |
| Payments | | | |
| Agents' fees | 7,659,363.95 | 6,560,471.11 | 14,219,835.06 |
| Amounts relating to stock | 556,577.00 | - | 556,577.00 |
| Bank charges | 22,873.33 | 325.75 | 23,199.08 |
| Cleaning and site clearance | 34,590.37 | - | 34,590.37 |
| Consultancy fees | 505,195.10 | - | 505,195.10 |
| Corporation tax | 100.00 | - | 100.00 |
| Duress payments | 1,131,484.96 | - | 1,131,484.96 |
| Employee expenses | 123,017.66 | - | 123,017.66 |
| Employers NIC | 2,030,288.32 | 149,684.28 | 2,179,972.60 |
| Gross wages and salaries | 7,822,518.09 | 129,585.21 | 7,952,103.30 |
| Insurance | 391,539.78 | 2,367.86 | 393,907.64 |
| Irrecoverable VAT | 179,330.03 | - | 179,330.03 |
| IT costs | 2,731,377.12 | 9,250.00 | 2,740,627.12 |
| Legal fees | 8,180,131.83 | 984,419.24 | 9,164,551.07 |
| Lease/hire charges | 3,524.80 | - | 3,524.80 |
| Office holders' fees | 14,325,213.85 | 2,839,909.65 | 17,165,123.50 |
| Office holders' expenses | 209,640.28 | 12,223.51 | 221,863.79 |
| Office holders' expenses (PwC Legal LLP) | 466,356.91 | 1,263.00 | 467,619.91 |
| Other payroll deductions | 85,565.83 | - | 85,565.83 |
| Pension schemes | 19,871.26 | - | 19,871.26 |
| Petty cash | 300.00 | - | 300.00 |
| Pre-appointment expenses | 30,255.91 | - | 30,255.91 |
| Property expenses | 8,261.76 | - | 8,261.76 |
| Purchases | 17,913.02 | - | 17,913.02 |
| Rates | 97,529.17 | - | 97,529.17 |
| Rent | 6,216,694.58 | - | 6,216,694.58 |
| Security costs | 104,451.14 | - | 104,451.14 |
| Service charges | 308,476.82 | - | 308,476.82 |
| Statutory advertising | 294.46 | - | 294.46 |
| Storage costs | 1,395,196.64 | 12,898.69 | 1,408,095.33 |
| Sundry appointment related costs | 12,110.07 | 850.00 | 12,960.07 |
| Transport and carriage | 354,899.40 | - | 354,899.40 |
| Utilities (*) | 16,319.88 | 1,035,174.53 | 1,051,494.41 |
| Total payments | 55,041,263.32 | 11,738,422.83 | 66,779,686.15 |
| Net floating charge realisations | 162,849,140.65 | 9,975,755.08 | 172,824,895.73 |
| Secured creditors | | | |
| RCF - letters of credit called up | 15,810,000.00 | - | 15,810,000.00 |
| RCF - letters of credit uncalled (held by Security Trustee) | 4,000,000.00 | (4,000,000.00) | - |
| Total RCF indebtedness | 19,810,000.00 | (4,000,000.00) | 15,810,000.00 |
| Senior secured noteholders | - | 33,961,407.25 | 33,961,407.25 |
| Total distributions to Noteholders | - | 33,961,407.25 | 33,961,407.25 |
| Cash-backed indemnities | 11,000,000.00 | (8,000,000.00) | 3,000,000.00 |
| Recovery of costs and interest | 2,289,791.18 | - | 2,289,791.18 |
| Total secured creditor entitlements | 33,099,791.18 | 21,961,407.25 | 55,061,198.43 |
| Preferential creditors | | | |
| Distribution to preferential creditors (100 pence in the £) | 1,716,511.46 | - | 1,716,511.46 |
| Total preferential creditor distribution | 1,716,511.46 | - | 1,716,511.46 |
| VAT control account | 2,293,450.49 | 186,758.76 | 2,480,209.25 |
| Balance held in interest bearing current accounts | 130,326,288.50 | (11,798,893.41) | 118,527,395.09 |
| Represented by | | | |
| Held in Barclays | | | 5,441,138.82 |
| Invested in high interest account | | | 113,086,256.27 |
| Total | | | 118,527,395.09 |

(*) After protracted negotiations, we agreed to make a payment to British Gas for utility costs that have accrued at certain properties between the date of appointment and the date of surrender. These costs were previously fully provided for in the estimated outcome statement. We continue to correspond with British Gas in regards to the claim.



Phones 4 U Group Limited – in administration

From 21 January 2017 to 20 July 2017

| Directors' statement of affairs £ | 15 September 2014 to 20 January 2017 £ | 21 January 2017 to 20 July 2017 £ | Total to 20 July 2017 £ |
|---|--|---|-------------------------------|
| Floating charge | | | |
| Receipts | | | |
| - | None | - | - |
| - | Total receipts | - | - |
| Payments | | | |
| - | None | - | - |
| - | Total payments | - | - |
| - | Net floating charge realisations | - | - |
| Represented by | | | £ |
| Held in Barclays account | | | - |
| Total | | | - |

Phones4U Finance plc – in administration

From 21 January 2017 to 20 July 2017

| Directors' statement of affairs £ | 15 September 2014 to 20 January 2017 £ | 21 January 2017 to 20 July 2017 £ | Total to 20 July 2017 £ |
|---|---|---|-------------------------------|
| Floating charge | | | |
| Receipts | | | |
| - | Bank interest | 7.52 | 7.52 |
| 4,759 | Cash at bank | 4,758.97 | 4,758.97 |
| 38,807 | Intercompany debtors | - | - |
| 43,566 | Total receipts | 4,766.49 | 4,766.49 |
| Payments | | | |
| - | Bank charges | 5.60 | 5.60 |
| - | Legal fees | 4,760.57 | 4,760.57 |
| - | Total payments | 4,766.17 | 4,766.17 |
| 43,566 | Net floating charge realisations | 0.32 | 0.32 |
| VAT control account | | | - |
| 43,566 | Balance held in interest bearing current accou | 0.32 | 0.32 |
| Represented by | | | £ |
| Held in Barclays account | | | 0.32 |
| Total | | | 0.32 |



MobileServ Limited – in administration
From 21 January 2017 to 20 July 2017

| Directors' statement of affairs | 15 September 2014 to 20 January 2017 | 21 January 2017 to 20 July 2017 | Total to 20 July 2017 | |
|------------------------------------|--|------------------------------------|--------------------------|---------------------|
| £ | £ | £ | £ | |
| Floating charge | | | | |
| Receipts | | | | |
| (19,630,391) | Cash at bank (overdraft on appointment - Sterling account) | (15,610,098.07) | - | (15,610,098.07) |
| | Transfer from Phones 4U Limited to cover overdraft | 19,630,391.02 | - | 19,630,391.02 |
| | Cash at bank (currency accounts) | - | - | - |
| | Euro account | 715,752.19 | - | 715,752.19 |
| | US Dollar account | 9,916.80 | - | 9,916.80 |
| 463,684 | Directors' loan account | - | - | - |
| 427,096 | Intercompany debtors | - | - | - |
| | Interest received gross | 266,026.16 | 1,301.75 | 267,327.91 |
| | Investments | 444,556.23 | - | 444,556.23 |
| | Sundry debts and refunds | 10.00 | - | 10.00 |
| | Third party funds | - | - | - |
| (18,739,611) | Total receipts | 5,456,554.33 | 1,301.75 | 5,457,856.08 |
| Payments | | | | |
| | Bank charges | 61,707.95 | 15.00 | 61,722.95 |
| | Legal fees | 74,209.39 | - | 74,209.39 |
| | Office holders' fees | 53,906.75 | 12,696.50 | 66,603.25 |
| | Office holders' expenses | 397.36 | 192.36 | 589.72 |
| | Sundry appointment related costs | 630.00 | 850.00 | 1,480.00 |
| | Total payments | 190,851.45 | 13,753.86 | 204,605.31 |
| | Net floating charge realisations | 5,265,702.88 | (12,452.11) | 5,253,250.77 |
| | VAT control account | (10,860.82) | 8,283.05 | (2,577.77) |
| | Balance held in interest bearing current account | 5,254,842.06 | (4,169.06) | 5,250,673.00 |
| | Represented by | | | £ |
| | Held in Barclays account | | | 5,250,673.00 |
| | Total | | | 5,250,673.00 |

Note 1

MobileServ Limited had an overdraft of £19.6m and a cash balance of £4.0m, the latter of which was not reflected on the directors' statement of affairs. Debit balances in the account of one of the Companies were set-off or transferred pursuant to the overdraft arrangements in satisfaction of MobileServ's overdraft liabilities, leaving the cash balance of £4.0m in this administration.

Note 2

MobileServ Limited held foreign currency accounts with balances of €988k and US\$15k which have now been converted to Sterling.



Policy Administration Services Limited – in administration
From 21 January 2017 to 20 July 2017

| Directors' statement of affairs £ | 16 September 2014 to 20 January 2017 £ | 21 January 2017 to 20 July 2017 £ | Total to 20 July 2017 £ | |
|---|--|---|----------------------------|-----------------------|
| Trading statement | | | | |
| Receipts | | | | |
| 27,000,000 | Customer insurance premiums | 90,355,523.13 | 9,234,885.40 | 99,590,408.53 |
| | Customer refunds and claims paid in cash | (2,279,354.81) | (151,000.21) | (2,430,355.02) |
| | Dividends received from P4UC | 23,350,000.00 | 4,200,000.00 | 27,550,000.00 |
| | Interest received gross | 231,396.75 | 17,861.24 | 249,257.99 |
| | Sales of irreparable phones | 3,592,898.91 | - | 3,592,898.91 |
| | Sale of office equipment | 583.33 | - | 583.33 |
| 27,000,000 | Total trading receipts | 115,251,047.31 | 13,301,746.43 | 128,552,793.74 |
| Payments | | | | |
| | Agents' fees | 18,968,455.27 | 1,644,195.86 | 20,612,651.13 |
| | Bank charges | 119,158.03 | 17,944.65 | 137,102.68 |
| | Duress payments | 931,978.33 | - | 931,978.33 |
| | Insurance | 42,645,615.67 | 3,861,286.05 | 46,506,901.72 |
| | IT costs | 207,579.85 | 223,572.83 | 431,152.68 |
| | Legal fees | 1,271,923.73 | 3,815.87 | 1,275,739.60 |
| | Office costs | 413,132.00 | - | 413,132.00 |
| | Office holders' expenses | 29,532.35 | 844.25 | 30,376.60 |
| | Office holders' fees | 3,106,087.95 | 704,062.70 | 3,810,150.65 |
| | Property | 18,612.88 | - | 18,612.88 |
| | Stock purchase | 18,220,090.86 | 611,827.27 | 18,831,918.13 |
| | Trade creditors | 99,535.54 | 1,570.23 | 101,105.77 |
| | Warehouse costs | 357,826.00 | - | 357,826.00 |
| | Wages and salaries | 832,199.41 | - | 832,199.41 |
| | Total trading payments | 87,221,727.87 | 7,069,119.71 | 94,290,847.58 |
| | Trading account surplus/(loss) | 28,029,319.44 | 6,232,626.72 | 34,261,946.16 |
| Floating charge | | | | |
| Receipts | | | | |
| 35,948 | Accrued income | - | - | - |
| 14,724,121 | Cash at bank | 13,825,702.60 | - | 13,825,702.60 |
| 47,960 | Prepayments | - | - | - |
| 4,912,977 | Stock | - | - | - |
| | Trading account balance (see above) | 28,029,319.44 | 6,232,626.72 | 34,261,946.16 |
| 19,721,006 | Total receipts | 41,855,022.04 | 6,232,626.72 | 48,087,648.76 |
| Payments | | | | |
| | Corporation tax | 4,234,958.84 | 845,743.86 | 5,080,702.70 |
| | Total payments | 4,234,958.84 | 845,743.86 | 5,080,702.70 |
| | VAT control account | 1,533,529.87 | 117,571.48 | 1,651,101.35 |
| | Floating charge realisations | 36,086,533.33 | 5,269,311.38 | 41,355,844.71 |
| Secured creditors | | | | |
| | Distribution to senior secured Noteholders | - | 9,038,592.75 | 9,038,592.75 |
| | Total secured creditor entitlements | - | 9,038,592.75 | 9,038,592.75 |
| | Balance held in interest bearing accounts | 36,086,533.33 | (3,769,281.37) | 32,317,251.96 |

Note 1

Stock referred to in the directors' statement of affairs was utilised during trading.

Note 2

The VAT control account shows the net position of the VAT payable and receivable by PAS. We have agreed with HMRC that VAT is recoverable at 15% of some payments. We continue to submit and agree VAT returns on a quarterly basis with HMRC and any recoveries will be reflected in the VAT control account. We also recover 100% of the VAT incurred on claims costs from the insurer.

Note 3

Cash held in P4UC is not included in this report.



Phosphorus Acquisition Limited – in administration
 From 21 January 2017 to 20 July 2017

| Directors' statement of affairs £ | 15 September 2014 to 20 January 2017 £ | 21 January 2017 to 20 July 2017 £ | Total to 20 July 2017 £ | |
|---|---|---|-------------------------------|------------------|
| Floating charge | | | | |
| Receipts | | | | |
| 69,473 | Cash at bank | 69,472.80 | - | 69,472.80 |
| | Bank interest | 506.14 | 3.00 | 509.14 |
| 129,806 | Intercompany debtors | - | - | - |
| 7,328 | Prepayments | - | - | - |
| 206,607 | Total receipts | 69,978.94 | 3.00 | 69,981.94 |
| Payments | | | | |
| | Bank charges | 3.40 | 15.00 | 18.40 |
| | Legal fees | 7,007.79 | - | 7,007.79 |
| | Office holders' fees | 44,093.25 | 4,737.75 | 48,831.00 |
| | Office holders' expenses | 333.19 | 192.36 | 525.55 |
| | Sundry appointment related costs | 425.00 | - | 425.00 |
| | Total payments | 51,862.63 | 4,945.11 | 56,807.74 |
| | Net floating charge realisations | 18,116.31 | (4,942.11) | 13,174.20 |
| | VAT control account | (8,885.29) | 7,899.27 | (986.02) |
| | Balance held in interest bearing current account | 9,231.02 | 2,957.16 | 12,188.18 |
| | Represented by | | | £ |
| | Held in Barclays account | | | 12,188.18 |
| | Total | | | 12,188.18 |

9. Statement of expenses incurred

As required by Rule 18.4 IR16, the following tables provide a summary of expenses incurred during the period of this report, and show whether those expenses have been paid or remained unpaid at the period end.

Expenses are amounts properly payable by us as administrators from the estates and include our fees but exclude distributions to creditors. The statements do not include any potential tax liabilities that may be payable as expenses of the administrations in due course because amounts due will depend on the position at the end of the tax accounting period.

The tables should be read in conjunction with the receipts and payments account at Section 8, which shows expenses actually paid during the period and the total paid to date.

Phones 4U Limited – in administration

From 21 January 2017 to 20 July 2017

| | Expenses incurred brought forward from 20 January 2017 (£) | Expenses incurred in this period (£) | Total expenses to 20 July 2017 (£) | Total expenses paid to 20 July 2017 (£) | Expenses outstanding at 20 July 2017 (£) |
|--|--|--------------------------------------|------------------------------------|---|--|
| Agents' fees | 7,673,197.05 | 6,554,642.61 | 14,227,839.66 | (14,219,835.06) | 8,004.60 |
| Amounts relating to stock | 556,577.00 | - | 556,577.00 | (556,577.00) | - |
| Bank charges | 22,873.33 | 325.75 | 23,199.08 | (23,199.08) | - |
| Cleaning and site clearance | 34,590.37 | - | 34,590.37 | (34,590.37) | - |
| Consultancy fees | 505,195.10 | - | 505,195.10 | (505,195.10) | - |
| Duress payments | 1,131,484.96 | - | 1,131,484.96 | (1,131,484.96) | - |
| Employee expenses | 123,017.66 | - | 123,017.66 | (123,017.66) | - |
| Employers NIC | 2,030,288.32 | 149,684.28 | 2,179,972.60 | (2,179,972.60) | - |
| Gross wages and salaries | 7,839,294.46 | 124,784.95 | 7,964,079.41 | (7,952,103.30) | 11,976.11 |
| Insurance | 391,539.78 | 2,367.86 | 393,907.64 | (393,907.64) | - |
| Irrecoverable VAT | 179,330.03 | - | 179,330.03 | (179,330.03) | - |
| IT costs | 2,731,377.12 | 9,250.00 | 2,740,627.12 | (2,740,627.12) | - |
| Legal fees (P4U) | 8,762,692.89 | 1,595,956.29 | 10,358,649.18 | (9,144,425.05) | 1,214,224.13 |
| Legal fees (other group entities) | 20,126.02 | - | 20,126.02 | (20,126.02) | - |
| Lease/hire charges | 3,524.80 | - | 3,524.80 | (3,524.80) | - |
| Office holders' fees | 16,473,305.20 | 1,607,918.90 | 18,081,224.10 | (17,165,123.50) | 916,100.60 |
| Office holders' expenses | 296,196.16 | 60,071.37 | 356,267.53 | (221,863.79) | 134,403.74 |
| Office holders' expenses (PwC Legal LLP) | 467,619.91 | - | 467,619.91 | (467,619.91) | - |
| Other payroll deductions | 85,565.83 | - | 85,565.83 | (85,565.83) | - |
| Pension schemes | 19,871.26 | - | 19,871.26 | (19,871.26) | - |
| Petty cash | 300.00 | - | 300.00 | (300.00) | - |
| Pre-appointment expenses | 30,255.91 | - | 30,255.91 | (30,255.91) | - |
| Property expenses | 8,261.76 | - | 8,261.76 | (8,261.76) | - |
| Purchases | 17,913.02 | - | 17,913.02 | (17,913.02) | - |
| Rates | 97,529.17 | - | 97,529.17 | (97,529.17) | - |
| Rent | 6,216,694.58 | - | 6,216,694.58 | (6,216,694.58) | - |
| Security costs | 104,451.14 | - | 104,451.14 | (104,451.14) | - |
| Service charges | 308,476.82 | - | 308,476.82 | (308,476.82) | - |
| Statutory advertising | 294.46 | - | 294.46 | (294.46) | - |
| Storage costs | 1,402,407.62 | 5,763.85 | 1,408,171.47 | (1,408,095.33) | 76.14 |
| Sundry appointment related costs | 12,110.07 | 850.00 | 12,960.07 | (12,960.07) | - |
| Transport and carriage | 354,899.40 | - | 354,899.40 | (354,899.40) | - |
| Utilities | 16,319.88 | 1,035,174.53 | 1,051,494.41 | (1,051,494.41) | - |
| Contribution to expenses excluding legal fees from group companies | (6,708,683.05) | - | (6,708,683.05) | 6,708,683.05 | - |
| Total | 51,208,898.03 | 11,146,790.39 | 62,355,688.42 | (60,070,903.10) | 2,284,785.32 |

Note 1

Legal fees incurred for each company are shown in their respective expenses statements on the following pages. We continue to review and recharge legal expenses paid by P4U on behalf of other Group companies and recharge them as appropriate.



Phones 4 U Group Limited – in administration

From 21 January 2017 to 20 July 2017

| | Expenses incurred brought forward from 20 January 2017 (£) | Expenses incurred in this period (£) | Total expenses to 20 July 2017 (£) | Expenses paid to 20 July 2017 (£) | Expenses outstanding as at 20 July 2017 (£) |
|--------------------------|--|--------------------------------------|------------------------------------|-----------------------------------|---|
| Legal fees | 6,143.06 | - | 6,143.06 | - | 6,143.06 |
| Office holders' expenses | 468.89 | 22.03 | 490.92 | - | 490.92 |
| Office holders' fees | 85,123.25 | 3,557.90 | 88,681.15 | - | 88,681.15 |
| Total | 91,735.20 | 3,579.93 | 95,315.13 | - | 95,315.13 |

Phones4U Finance plc – in administration

From 21 January 2017 to 20 July 2017

| | Expenses incurred brought forward from 20 January 2017 (£) | Expenses incurred in this period (£) | Total expenses to 20 July 2017 (£) | Expenses paid to 20 July 2017 (£) | Expenses outstanding as at 20 July 2017 (£) |
|--------------------------|--|--------------------------------------|------------------------------------|-----------------------------------|---|
| Bank charges | 5.60 | - | 5.60 | (5.60) | - |
| Legal fees | 6,202.30 | - | 6,202.30 | (4,760.57) | 1,441.73 |
| Office holders' expenses | 1,896.33 | 22.03 | 1,918.36 | - | 1,918.36 |
| Office holders' fees | 60,919.00 | 4,382.15 | 65,301.15 | - | 65,301.15 |
| Professional fees | 79,966.56 | - | 79,966.56 | - | 79,966.56 |
| Total | 148,989.79 | 4,404.18 | 153,393.97 | (4,766.17) | 148,627.80 |

MobileServ Limited – in administration

From 21 January 2017 to 20 July 2017

| | Expenses incurred brought forward from 20 January 2017 (£) | Expenses incurred in this period (£) | Total expenses to 20 July 2017 (£) | Expenses paid to 20 July 2017 (£) | Expenses outstanding as at 20 July 2017 (£) |
|----------------------------------|--|--------------------------------------|------------------------------------|-----------------------------------|---|
| Bank charges | 61,707.95 | 15.00 | 61,722.95 | (61,722.95) | - |
| Legal fees | 74,209.39 | - | 74,209.39 | (74,209.39) | - |
| Office holders' expenses | 589.72 | 165.88 | 755.60 | (589.72) | 165.88 |
| Office holders' fees | 67,931.00 | 8,152.60 | 76,083.60 | (66,603.25) | 9,480.35 |
| Sundry appointment related costs | 630.00 | 850.00 | 1,480.00 | (1,480.00) | 850.00 |
| Total | 205,068.06 | 9,183.48 | 214,251.54 | (204,605.31) | 10,496.23 |

Phosphorus Acquisition Limited – in administration

From 21 January 2017 to 20 July 2017

| | Expenses incurred brought forward from 20 January 2017 (£) | Expenses incurred in this period (£) | Total expenses to 20 July 2017 (£) | Expenses paid to 20 July 2017 (£) | Expenses outstanding as at 20 July 2017 (£) |
|----------------------------------|--|--------------------------------------|------------------------------------|-----------------------------------|---|
| Bank charges | 3.40 | 15.00 | 18.40 | (18.40) | - |
| Legal fees | 7,007.79 | - | 7,007.79 | (7,007.79) | - |
| Office holders' expenses | 525.55 | 22.03 | 547.58 | (525.55) | 22.03 |
| Office holders' fees | 49,081.75 | 4,084.80 | 53,166.55 | (48,831.00) | 4,335.55 |
| Sundry appointment related costs | 434.00 | - | 434.00 | (425.00) | 9.00 |
| Total | 57,052.49 | 4,121.83 | 61,174.32 | (56,807.74) | 4,366.58 |



Policy Administration Services Limited – in administration

From 21 January 2017 to 20 July 2017

| | Expenses incurred brought forward from 20 January 2017 (£) | Expenses incurred in this period (£) | Total expenses to 20 July 2017 (£) | Total expenses paid to 20 July 2017 (£) | Expenses outstanding at 20 July 2017 (£) |
|--------------------------|--|--|--|---|---|
| Agents' fees | 20,246,563.05 | 2,511,533.60 | 22,758,096.65 | (20,612,651.13) | 2,145,445.52 |
| Bank charges | 204,892.54 | 22,256.21 | 227,148.75 | (137,102.68) | 90,046.07 |
| Duress payments | 931,978.33 | - | 931,978.33 | (931,978.33) | - |
| Insurance | 43,784,404.77 | 3,852,063.52 | 47,636,468.29 | (46,506,901.72) | 1,129,566.57 |
| IT costs | 207,579.85 | 239,920.07 | 447,499.92 | (431,152.68) | 16,347.24 |
| Legal fees | 1,271,923.73 | 4,930.51 | 1,276,854.24 | (1,275,739.60) | 1,114.64 |
| Office costs | 413,132.00 | - | 413,132.00 | (413,132.00) | - |
| Office holders' fees | 3,631,702.00 | 474,678.85 | 4,106,380.85 | (3,810,150.65) | 296,230.20 |
| Office holders' expenses | 30,376.60 | 366.86 | 30,743.46 | (30,376.60) | 366.86 |
| Property | 18,612.88 | - | 18,612.88 | (18,612.88) | - |
| Stock purchase | 18,220,090.86 | 1,374,678.67 | 19,594,769.53 | (18,831,918.13) | 762,851.40 |
| Trade creditors | 124,134.78 | (23,029.01) | 101,105.77 | (101,105.77) | - |
| Warehouse costs | 357,826.00 | - | 357,826.00 | (357,826.00) | - |
| Wages and salaries | 832,199.41 | - | 832,199.41 | (832,199.41) | - |
| Total | 90,275,416.80 | 8,457,399.28 | 98,732,816.08 | (94,290,847.58) | 4,441,968.50 |

10. Estimated financial outcome statement

We provide below an estimated financial outcome statement for the Companies.

| £m | | Low | High | Progress report section |
|---|--------|--------------|--------------|-------------------------|
| Total asset realisations | Note 1 | 237.8 | 238.1 | Section 5.1 |
| Less costs of realisations | | (21.7) | (19.6) | Section 5.1 |
| Net realisations | | 216.1 | 218.4 | |
| PAS | | | | |
| Trading | | 41.6 | 43.9 | |
| Corporation tax | | (6.8) | (7.2) | |
| PAS Administrators' fees | Note 2 | (7.7) | (7.7) | |
| Legal fees | Note 2 | (1.9) | (1.9) | |
| Prescribed part | | (0.6) | (0.6) | |
| Total PAS | | 24.6 | 26.5 | Section 5.2 |
| Other costs | | | | |
| Administrators fees | | (22.2) | (20.5) | Section 5.5 |
| RCF set off costs | Note 3 | (20.1) | (18.1) | Section 5.4 |
| Other professional fees | | (13.7) | (12.0) | Section 7.8 |
| Preferential creditors | | (1.7) | (1.7) | Section 5.6 |
| Prescribed part | | (1.2) | (1.2) | Section 5.6 |
| Potential VAT expense | Note 4 | - | - | Section 5.1 |
| Total available to secured creditors | | 181.9 | 191.3 | |
| Super senior notes | | 430.0 | 430.0 | |
| Estimated return | | 42% | 44% | Section 4 |
| Total returns, £m | | | | |
| Returned to date | Note 5 | 43.0 | 43.0 | |
| Future return | | 138.9 | 148.3 | |
| Estimated return | | 181.9 | 191.3 | |
| Total returns, % | | | | |
| Returned to date | Note 5 | 10% | 10% | |
| Future return | | 32% | 34% | |
| Estimated return | | 42% | 44% | |

Note 1

As noted earlier in this report, we have not disclosed the estimated realisable value for MNO receivables, as to do so would be to disclose potentially commercially sensitive information and may prejudice the value of realisations in the administration. We have not included any expenses in relation to the MNO receivables work stream within our calculations, except to the extent that PwC and third party costs have been incurred to 20 July 2017. The same approach has been taken in respect of our investigatory work, from which no prospective income has been assumed and no associated costs have been reflected, except to the extent that PwC and third party costs have been incurred to 20 July 2017.

Our estimates of dividend prospects do not therefore include these significant items and the actual dividend outcomes may be materially different. Therefore, our estimates of dividend prospects should be treated with caution.

Note 2

Applicable PAS costs include irrecoverable VAT.

Note 3

As noted in Section 5.4, whilst we expect that all funds retained by the Security Trustee and Senior Notes Trustee (net of any legal and trustee fees) will be returned to the secured creditors, we have reflected the risk that £2m is required to be used to fund any future claims in our lower case calculation.

Note 4

As previously reported, HMRC has now accepted, and confirmed to us, that the VAT Liability ranks as a provable claim and not as an expense in the administration of the Companies. As such, we have removed the provision from the estimated outcome statement.



Note 5

Total aggregate funds includes the £43m returned to the Noteholders as part of the May 2017 distribution.