



Phones 4u – in administration

Questions & Answers

1 May 2015

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Introduction

This document has been prepared in response to questions received from various parties during the 'Presentation to creditors' on 1 May 2015.

The Joint Administrators act in accordance with the powers set out in Schedule B1 of Insolvency Act 1986.

The financial information reflected below has been drawn from books and records of the Phones4u group ("P4u"), and has not been audited or otherwise verified. It is provided for illustrative purposes only and may be subject to material change. Possible financial outcomes, where provided, are estimates only at this stage and should not be relied upon for the purposes of investment decisions.

Responses to certain questions have been provided in general terms, as certain information is commercially sensitive and we consider disclosure may result in a reduced return for creditors.

1) Mobile Network Operator (MNO) receivable

Have you settled any receivable balances with MNOs to date?

As at the 14th March, we had not entered into a settlement agreement with any of the major MNOs. We have subsequently settled with one party. A non-disclosure paragraph within the settlement agreement prevents us from providing the identity of this party or the value agreed.

Can you disclose whether the current MNO receivable balance is higher than the £65m book value at the date of administration?

As creditors will understand there are a range of possible outcomes in this area. We would expect the balance to exceed the £65m but due to commercial sensitivity will not provide any additional details at this time. Potential outcomes exist where the receivable may be less than the £65m.

Is the £12.4m received to date in relation to the MNO receivable included within the £65m book value at the date of administration?

Yes the £12.4m received to date is included within the £65m book value at the date of administration. Both the receipt to date and the book value are presented net of any applicable VAT.

2) VAT

Is the illustrative VAT expense of £38.5m in relation to Bills of Exchange a worst case scenario?

The £38.5m is the total potential liability in relation to Bills of Exchange. This liability will either be treated as a pre administration claim, becoming an unsecured claim alternatively as an expense of the administration. There is a second, larger, uncertainty in relation to receipt of the MNO receivable which may substantially deplete returns to secured creditors.



What is HMRC's stance on the treatment of potential VAT expense of £38.5m in relation to Bills of Exchange?

It is too early to comment on HMRC's likely decision. We are in discussion with HMRC in order to reach the right outcome. We have yet to apply for clearance on this specific matter and continue to discuss the right treatment with HMRC.

3) PAS

Is the £6.6m realised to date alongside PAS in the EFO part of the estimated financial outcome range (£15.7m to £23.3m) or is it in addition to this range?

The £6.6m achieved to date is included within the overall range and forms a part of the £15.7m-£23.3m estimated outcome.

4) RCF

You referred to a set-off against cash by RCF lenders in the progress report. Can you provide an update on this matter?

There are a group of super senior creditors, RCF lenders, who rank ahead of senior noteholders in order of distribution. One of the RCF lenders is contractually entitled to set off their liability against cash held in a pre-administration bank account. This process is not in the control of the administration. The funds involved in the set off have been passed to the Security Trustee and have been distributed proportionally amongst RCF lenders. Our records show that sufficient funds have now been removed to set-off all liabilities, including fees and default interest. No more default interest is now being incurred. We are waiting for final confirmation from the RCF lenders that the process is complete.



Policy Administration Services Limited

Dan Yoram Schwarzmann, Douglas Nigel Rackham, Robert Jonathan Hunt and Ian David Green have been appointed as joint administrators of Policy Administration Services Ltd to manage its affairs, business and property as agents without personal liability. All are licensed to act in the United Kingdom as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

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.

Phosphorous Holdco plc

Robert Jonathan Hunt, Ian David Green and Paul David Copley have been appointed as joint administrators of Phosphorous Holdco plc to manage its affairs, business and property as agents without personal liability. All are licensed to act in the United Kingdom as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

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.

Other Entities

Robert Jonathan Hunt, Ian David Green and Robert John Moran have been appointed as joint administrators of Phones 4u Limited, Life Mobile Limited, 4u Wi-Fi Limited, 4u Limited, Jump 4u Limited, MobileServ Limited, Phosphorus Acquisition Limited, Phones 4U Group Limited and Phones4u Finance Plc to manage their affairs, business and property as agents without personal liability. All are licensed to act in the United Kingdom as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

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