

Business Recovery Services

*Phones 4u Group Limited and  
various subsidiaries – in  
administration*

**Presentation to senior secured  
creditors**

15 October 2014

*Strictly private and  
confidential*

15 October 2014

# *Introduction*



***Ian Green***  
*Joint administrator*



***Rob Hunt***  
*Joint administrator*



***Rob Moran***  
*Joint administrator*



***Paul Copley***  
*Joint administrator*



***Nigel Rackham***  
*Joint administrator*

Phones 4u Group Limited and various subsidiaries – in administration  
Presentation to senior secured creditors

---

# *Agenda*

## *Phones 4u*

1. Background to the administration
2. Phones 4u administration
3. Actions taken by the Administrators to date
4. Further areas of realisations
5. VAT
6. Investigations
7. Estimated financial outcomes
8. Committee and next steps
9. Q&A

---

## ***Important notice***

- This document has been prepared to support the presentation to senior secured creditors of Phones4U Finance plc and various subsidiaries of the Phones 4 U group of companies in administration, on 15 October 2014.
- The group companies in administration are listed on page 12 of this presentation.
- This document should therefore be considered in conjunction with the above referred to presentation.
- The Joint Administrators act in accordance with the powers set out in Schedule B1 of Insolvency Act 1986.
- Possible financial outcomes, where provided, are estimates only at this stage and should not be relied upon for the purposes of investment decisions. Financial information has not been audited or otherwise verified by third parties.
- This document should not be shared or otherwise discussed with parties other than senior secured creditors and the contents of this document together with the accompanying presentation remain strictly confidential.
- Certain information has not been provided where it is considered commercially sensitive and where disclosure may result in a lower return for creditors.

---

# *Background to administration*

# *1*

## Overview of the business

P4U was one of the UK's leading mobile phone retailers and insurance providers. It had ongoing network agreements with **Vodafone** (expiry: October 2014 with 6 months notice provision) and **EE** (expiry: September 2015) and until January 2014 also had a contract with **O2**.

Three main trading businesses:

### Store Network

Sold handsets and network contracts on an agency basis in return for commissions on value of airtime contract with network provider. 1.7m connections in 2013.

### PAS

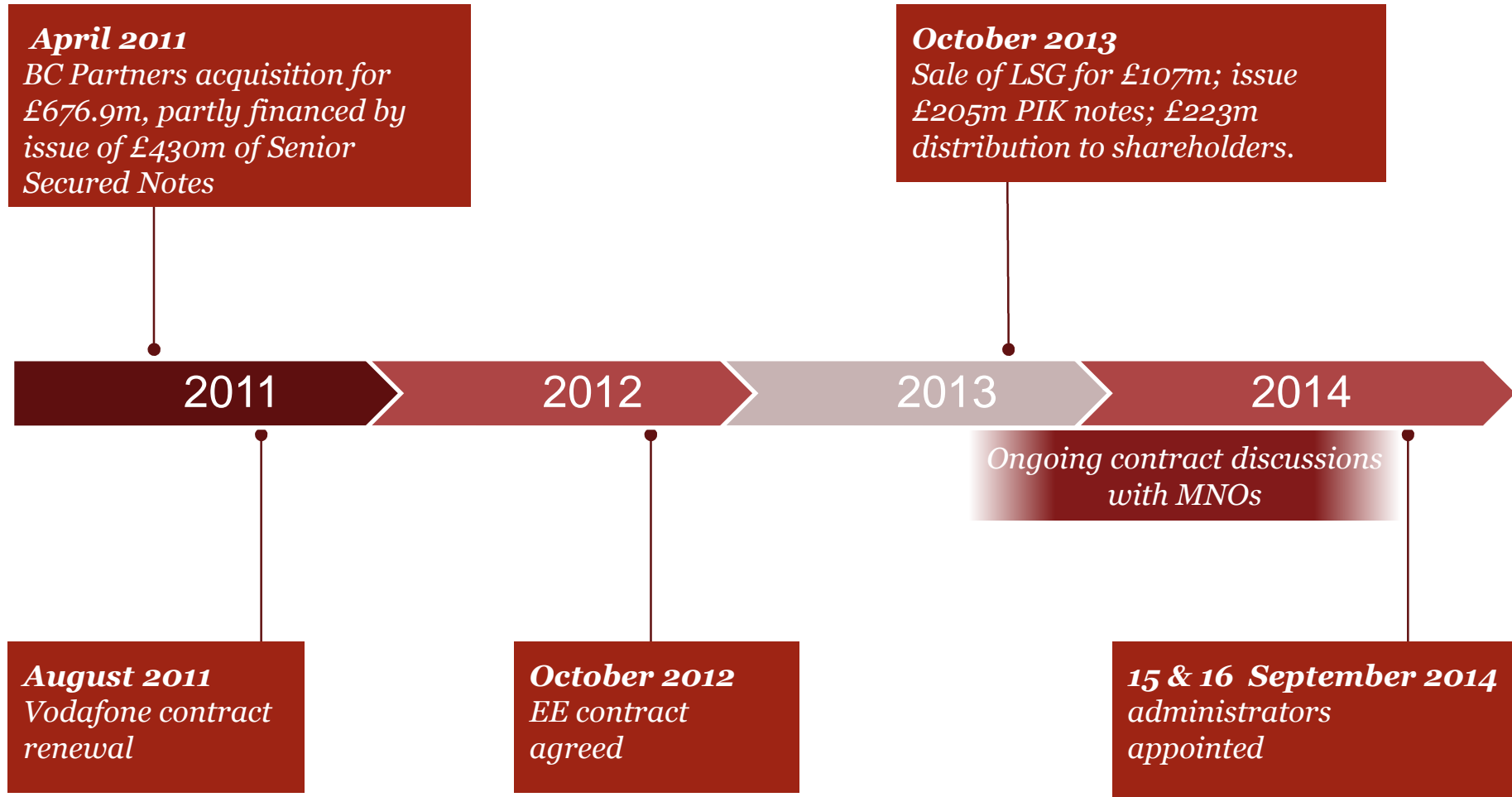
Mobile phone insurance business with c.800,000 customers

### LIFE

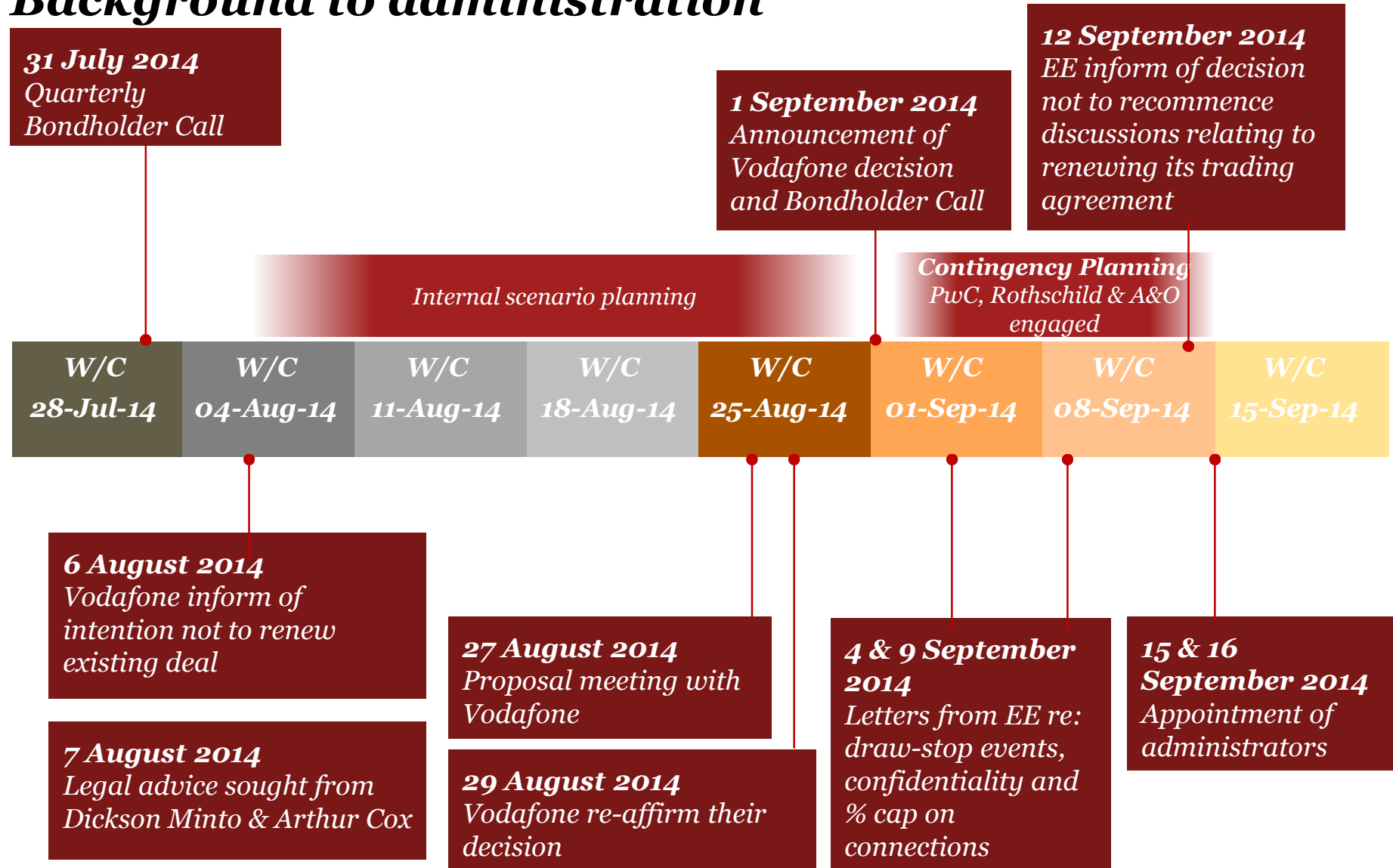
Mobile Virtual Network Operator with airtime supplied by EE and c.85,000 end user customers

Financial and operational information	2010	2011	2012	2013	15 Sep 14
Sales (£m)	912	976	1,141	1,158	n/a
EBITDA (£m)	128	124	132	100	n/a
Net cash flow from operating activity (£m)	156	106	136	96	n/a
Connections ('000)	1,249	1,254	1,592	1,676	n/a
Stand alone stores / Total stores	451 / 502	493 / 586	531 / 681	557 / 717	563 / 724
Employees	4,973	5,299	5,811	5,800	5,592

# Background to administration



# Background to administration





# ***Background to the appointment of administrators***

## ***Why appoint administrators?***

Following the expiry of the O2 contract in January 2014, P4U had 2 ongoing network agreements with:

### **Vodafone**

Commenced August 2011 due to expire in October 2014 with a 6 month notice provision

### **EE**

Commenced October 2012 due to expire in September 2015

**1 September** – P4U announced that Vodafone would not be renewing its current network agreement

Meaning P4U would have been entirely reliant on EE for its network connections (with the exception on Life Mobile) and would have breached certain terms of the current EE agreement

**12 September** – EE informed P4U that they did not intend to renew their current network agreement

With no network support, restructuring the business was not viable. The group was about to enter a working capital cycle which meant cash, which would otherwise be available for bondholders, would be used to pay trade payables and buy inventories and there was an increased likelihood that eventually the group would run out of cash.

The directors concluded they had no choice but to appoint administrators

# ***Background to the appointment of administrators***

## *What is an administration?*

An administration is an English insolvency procedure. Administrators can be appointed in 3 ways:

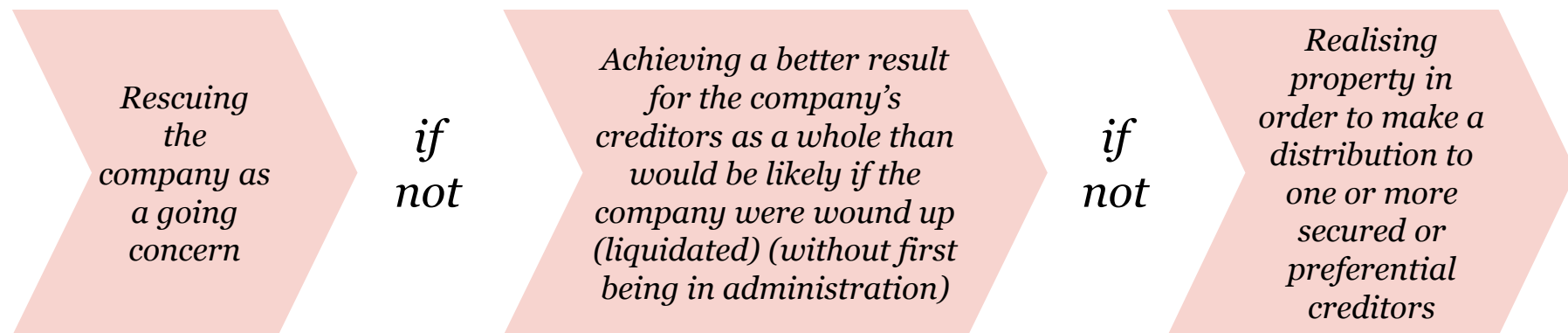
*Qualifying  
floating charge  
holder  
appointment*

*Company or its  
directors  
appointment*

*Court  
appointment*

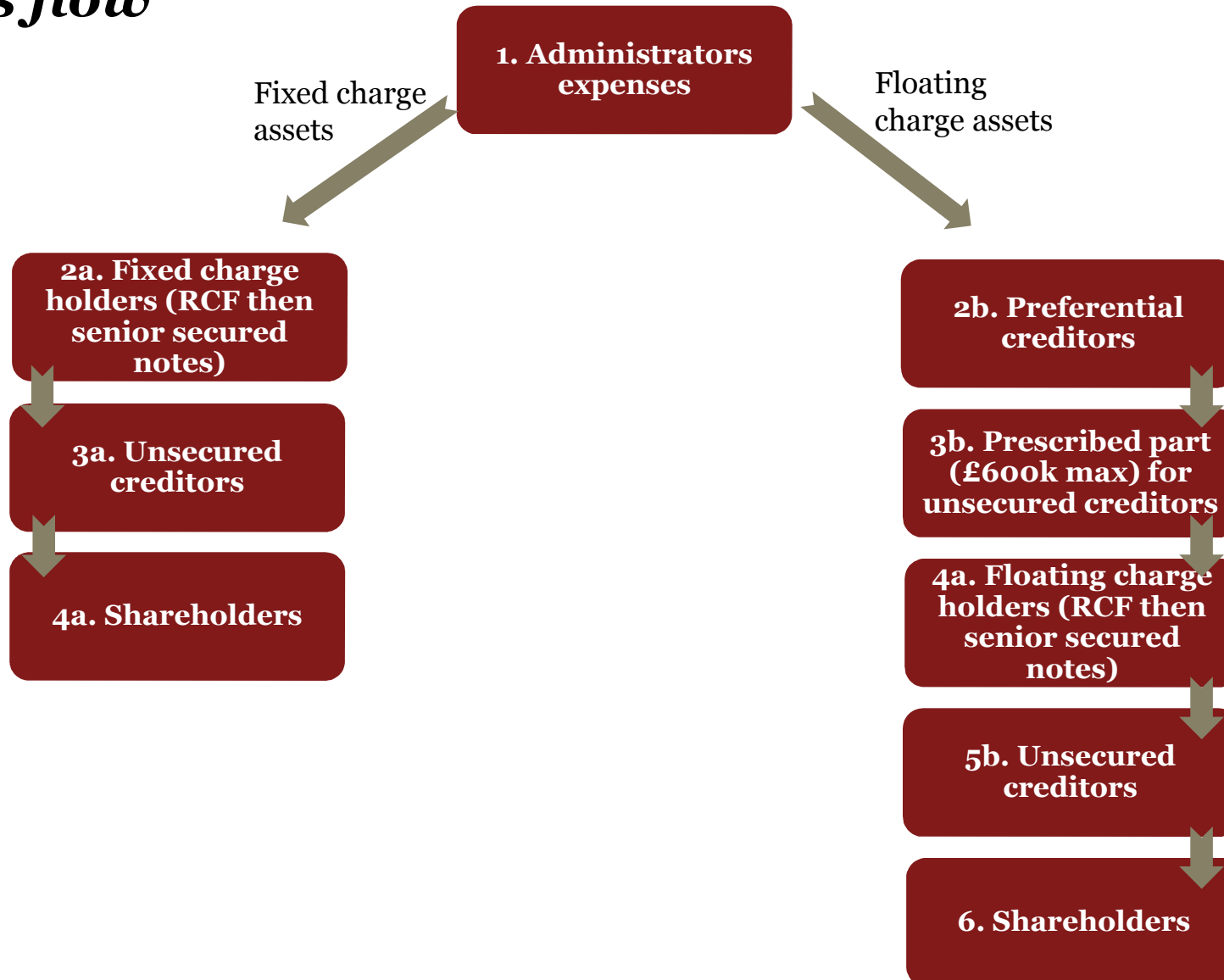
Administration stops any legal action or process (including creditors' actions) against a company from proceeding, unless the Administrators or the English Court give permission.

An Administrator must perform his functions with the objective of:



The administrators must act in the interest of the creditors.

# *Funds flow*



## *Comparison of Administration and Chapter 11*

	<b>Administration</b>	<b>Chapter 11</b>
<b>Control of the company</b>	Appointed insolvency practitioners assume full executive control.	Existing management usually retains day-to-day control.
<b>Moratorium</b>	Effective from petition date. Application to court or administrator consent required to lift the stay.	Automatic stay on all litigation upon filing of bankruptcy petition until confirmation of a plan. Application to court required to lift the stay.
<b>Duties</b>	Maximise recoveries for creditors.	Directors retain responsibilities to all stakeholder groups, which can include equity.
<b>Involvement of the court</b>	Minimal involvement post-appointment.	Court approval required for initial Chapter 11 petition, any action outside the ordinary course of business and of the re-organisation plan.

## *Comparison of UK Administration to Chapter 11*

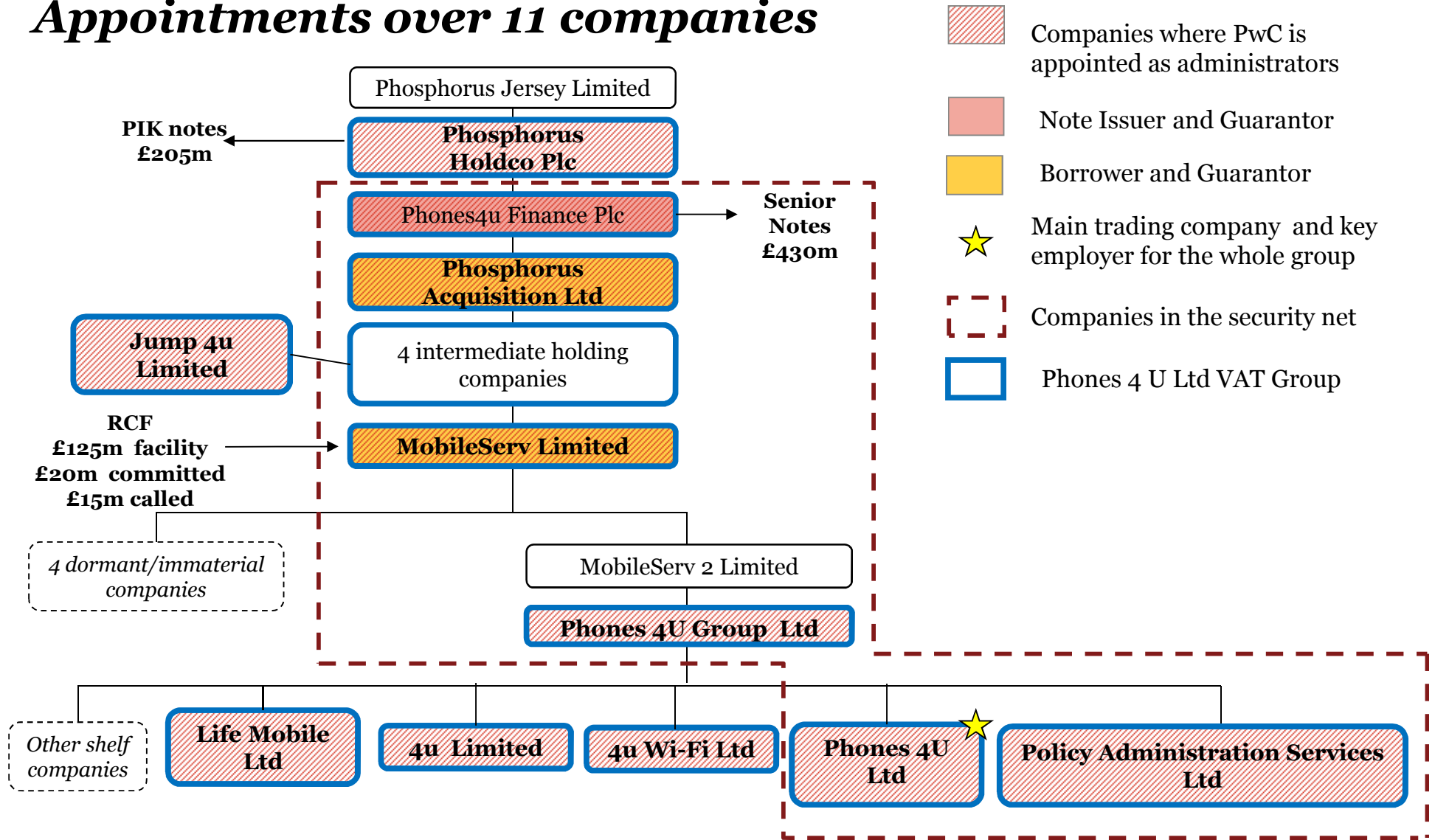
	<b>Administration</b>	<b>Chapter 11</b>
<b>Statutory unsecured creditors' committee</b>	Required if approved by creditors' meeting and comprises three to five creditors but in practice unlikely where no material returns to unsecured creditors.	Appointed by United States Trustee usually comprising seven largest unsecured creditors willing to serve. Often other committees appointed of different creditor classes.
<b>Disclosure</b>	Limited statutory requirements.	Court docket publically available.
<b>Costs</b>	Minimal court involvement but administrators' costs are generally greater than those of existing management	Greater court involvement and any additional advisers to creditors committee usually funded by the estate.
<b>Contracts</b>	Administrator has no power to disclaim onerous contracts. No statutory termination of contracts.	Ability of debtor to 'cherry-pick' favourable contracts
<b>Exit</b>	Typically administrators sell or run off business and assets, distribute to creditors and the corporate entity is liquidated at the conclusion of the administration.	Confirmation of the plan of reorganisation discharges obligations to creditors other than as provided for in the plan and often the corporate entity survives.

---

# *Phones 4u administration*

# 2

# Appointments over 11 companies



Phones 4u Group Limited and various subsidiaries – in administration  
 Presentation to senior secured creditors

## *Who are the joint administrators?*

*On 15 September 2014 Robert Jonathan Hunt, Ian David Green and Robert John Moran were appointed as joint administrators of:*

Phones 4U Ltd

MobileServ Limited

Phosphorus Acquisition Ltd

Phones4u Finance Plc

Phones 4U Group Ltd

Life Mobile Ltd

4u Wi-Fi Ltd

4u Limited

Jump 4u Limited

*On 16 September 2014 Dan Yoram Schwarzmamm, Douglas Nigel Rackham, Robert Jonathan Hunt and Ian David Green were appointed as joint administrators of:*

Policy Administration Services  
Ltd

*On 9 October 2014 Robert Jonathan Hunt, Ian David Green and Paul Copley were appointed as joint administrators of:*

Phosphorus Holdco Plc



## ***Appointments over 11 companies*** *Cash position as at 15 September 2014*

	<b>15/09/2014</b>	<b>Post Lloyds set off</b>
<b>Cash on appointment</b>	<b>£'m</b>	<b>£'m</b>
Phones 4U Limited	126	97
Policy Administration Services Limited	14	14
MobileServ Limited	(15)*	-
<b>Sub total (in the security net)</b>	<b>125</b>	<b>111</b>
Life Mobile Limited (outside security net)	(14)*	-
<b>Total group cash</b>	<b>111</b>	<b>111</b>

\* Shortly after appointment Lloyds cleared the overdraft positions utilising cash held by Phones 4U Limited, under the terms of an omnibus set off agreement

---

*Actions taken by Administrators to  
date*

3

---

*Stabilisation and sale of business*

**3.1**

# Overview of the business on administration

## Key drivers for actions taken



**563** stores (£5.4m monthly costs) \*  
**161** concessions  
All ceased trading pre appointment

\* Includes rent, rates and service charges



**4,523** employees in stores  
c. £5.6m monthly costs\*

**1,069** employees in head office  
c. £2.3m monthly costs\*

\* Based on August payroll. Actual cost variable based on commissions and bonuses

### Key assets

Cash

Stock

Possible lease premiums

PAS

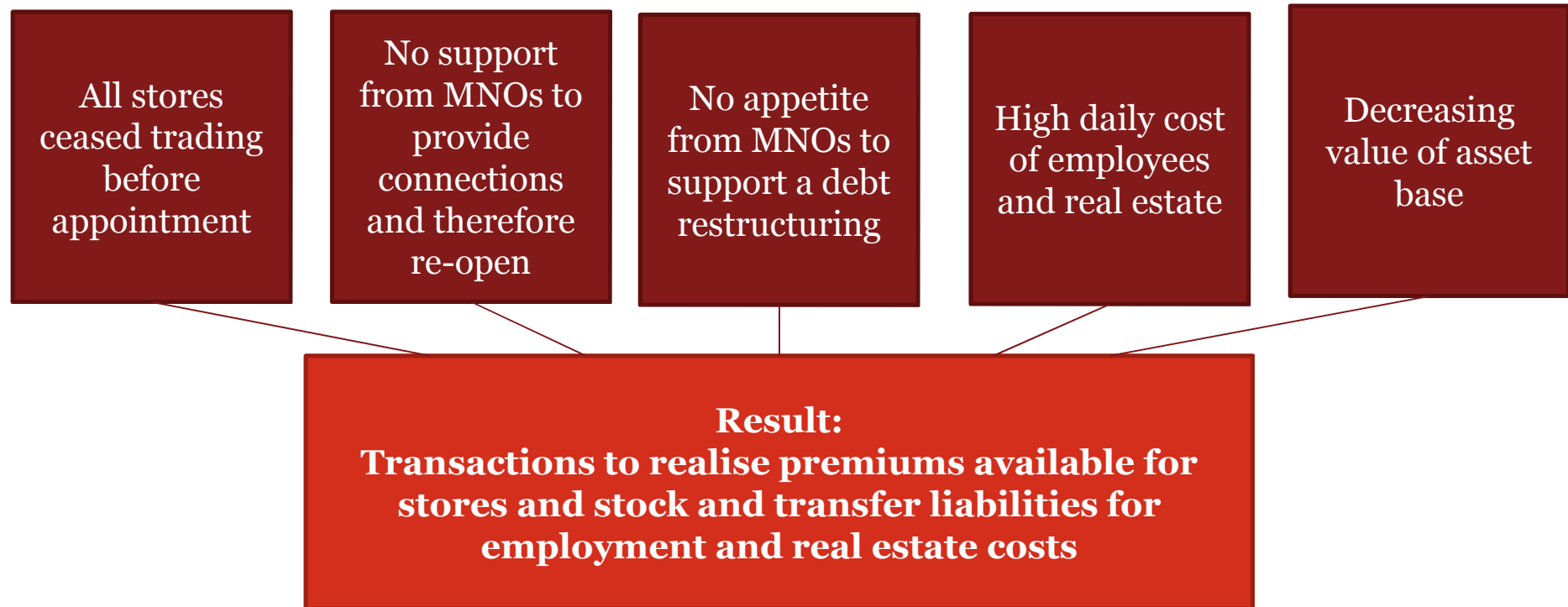
Customer information

Receivables due from network operators

Rent due on 29  
September

Payroll due 30  
September

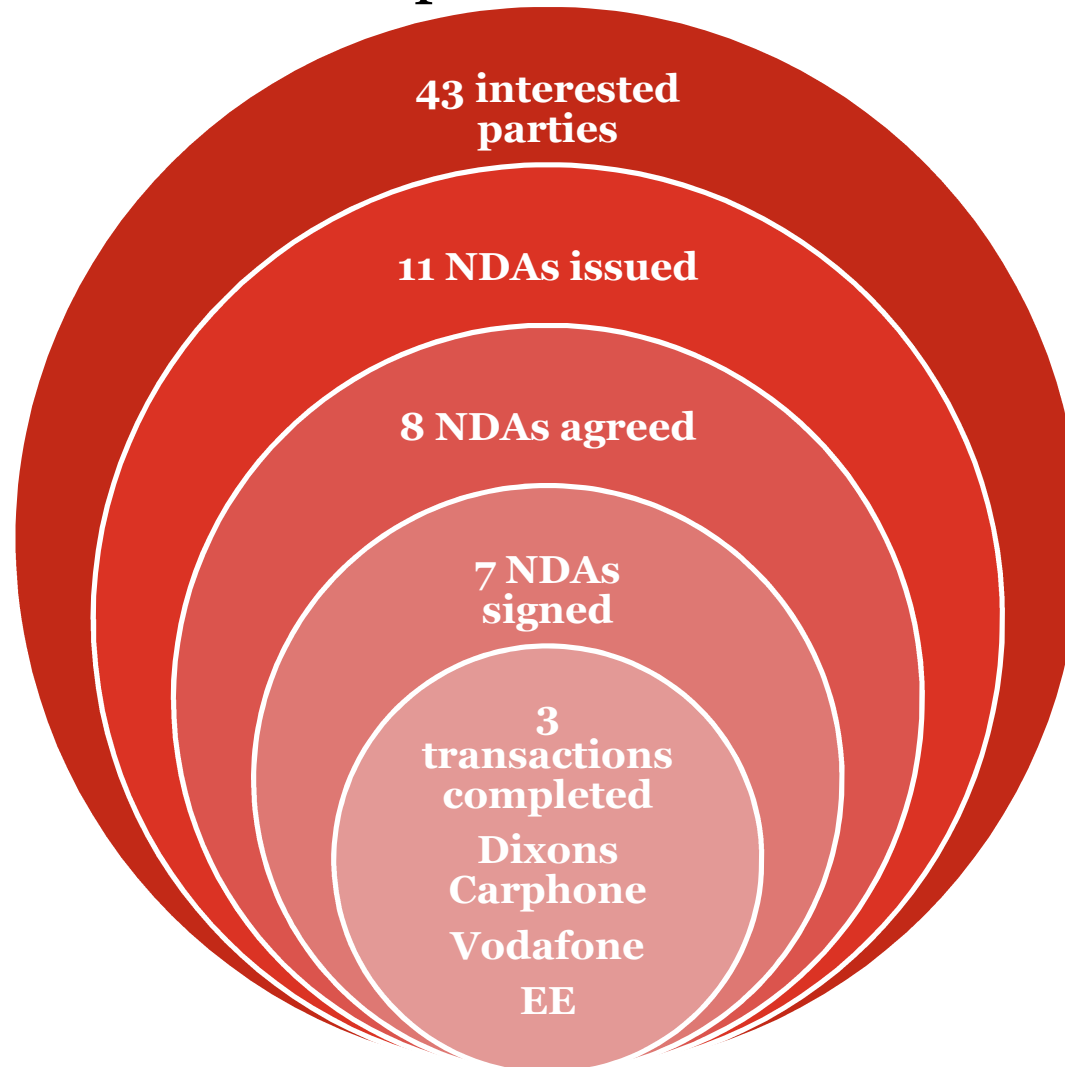
## ***Context to store sale transactions*** *Consideration of alternatives*



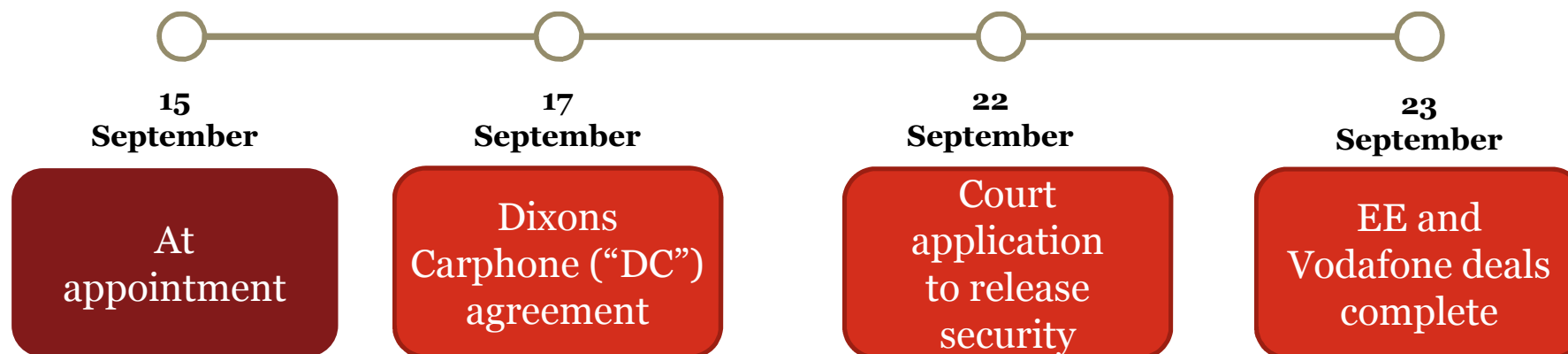
## ***Sale of business***

Immediate accelerated sale process for the store network

**15<sup>th</sup>–20<sup>th</sup> Sep**



## *Sale of business – realising value and reducing costs*



	At appointment	DC agreement	Vodafone agreement	EE agreement	Remaining post sales
<b>Stores</b>	724	(161)	(140)	(58)	<b>365</b>
<b>People</b>	5,592	(810)	(876)	(356)	<b>3,550</b>
<b>Stock</b>	£89m	x	(£7m)	x	<b>£82m</b>
<b>Price</b>			£12.5m	£2.5m	

---

*Other immediate areas of focus*

**3.2**



# ***Other immediate areas of focus***

## *Other areas*



Securing, accessing and repatriation of stock in a number of locations.  
Securing the central distribution centre



Head office (721 staff and £99k pm rent)



Call centre and customer communications (348 staff)



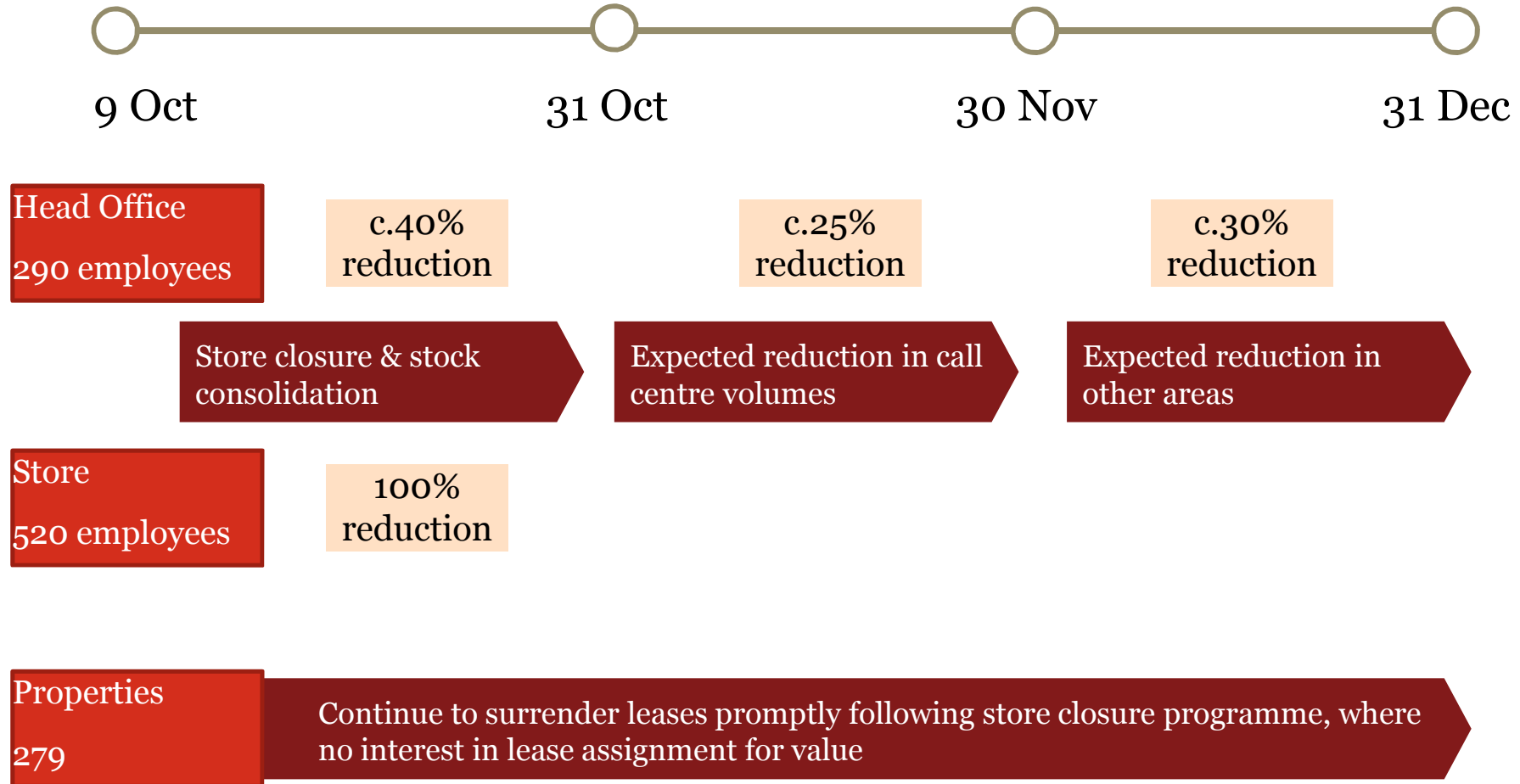
Mobile Network Operator (“MNO”) receivables

## Further cost reduction



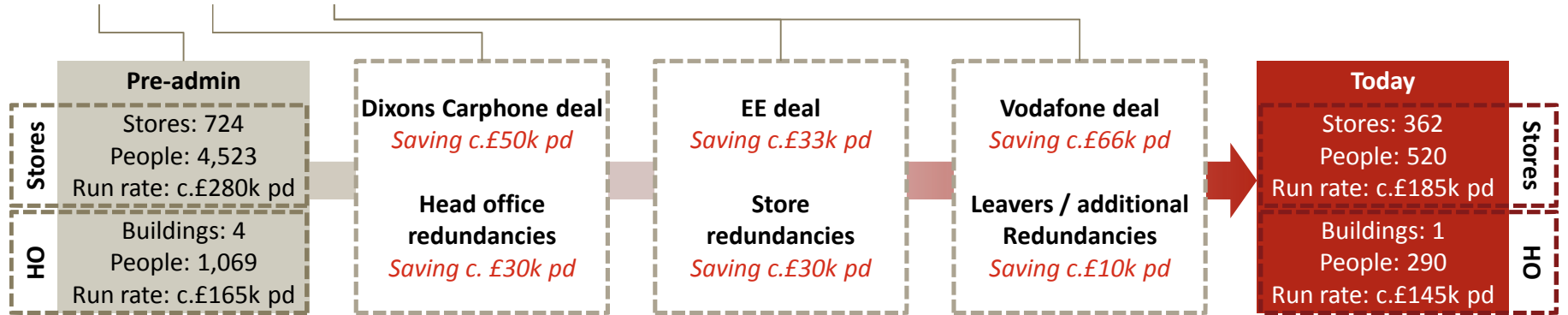
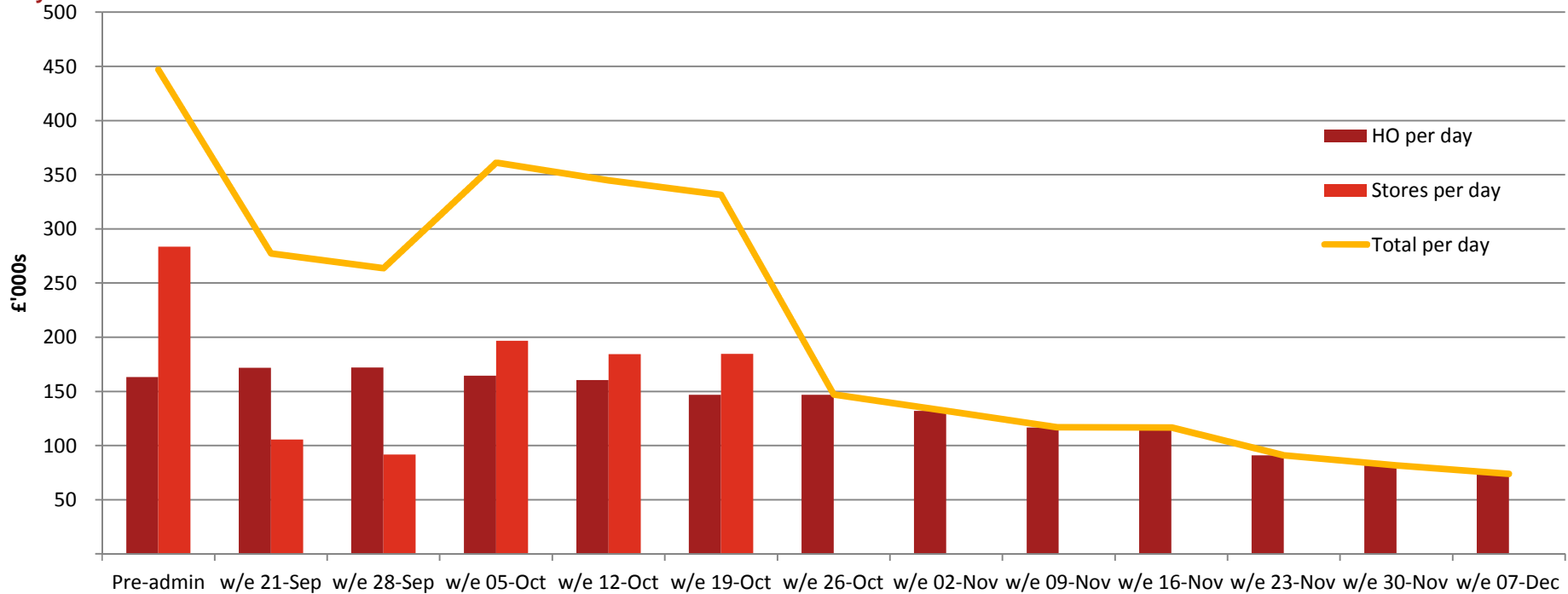
	Post sales	HO redundancies	Stores redundancies	Voluntary leavers	Current
People	3,550	(725)	(1,870)	(145)	810

## *Future cost reductions*



# Summary of cost reduction

Daily run rate over time



---

*Further asset realisations*

3.3

## ***Stock control***

### *Stock was held in a number of locations*

Immediate actions were taken to:

- understand the value and location of stock
- negotiate/agree ongoing storage and management of stock at warehouse
- commence a large scale stock repatriation exercise to move stock from stores to the warehouse
- contact transport providers and repair provider to reach an agreement to realise stock

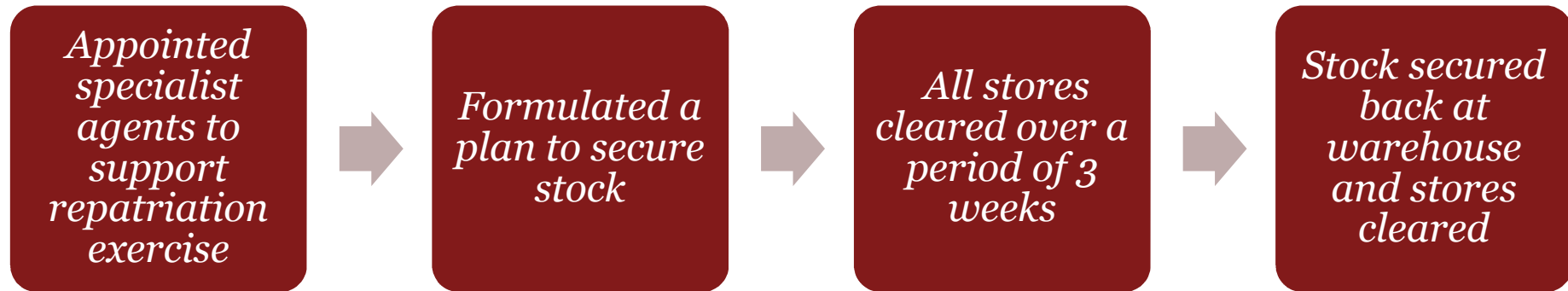


Location	Book value 15/09/2014 £m
Stores	34
Warehouse	47
In transit/at repair provider	8
<b>Total on appointment</b>	<b>89</b>
<i>Less: Vodafone sale</i>	<i>(7)</i>
<b>Stock to realise</b>	<b>82</b>
<i>Of which:</i>	
Phones 4u	73
PAS	9
<b>Total stock *</b>	<b>82</b>

**\* Subject to ROT claims**

## ***Stock in stores***

### *Large scale stock repatriation exercise*



#### Challenges overcome:

- Gaining control of the warehouse – 1 ½ weeks negotiation and duress payment required
- 20 stores trial – overcame initial IT and stock count issues identified.
- Less than 2% stock shrinkage noted compared to book values based on checks done to 3 October to be updated to 10 October.
- Own stores clearance programme completed on 14 October 2014
- Concession stores to be cleared by 20 October

## ***Stock – retention of title claims***

- A retention of title (“ROT”) clause is a provision in a contract for the sale of goods which means that the seller retains legal ownership of the goods until certain obligations are fulfilled by the buyer , principally payment of the purchase price

<b>Manufacturer</b>	<b>P4U Stock value £'m</b>	<b>Comments</b>
Apple	36.5	• Apple has no ROT clause
Samsung	13.6	• We are in commercial negotiations with Samsung
HTC Corporation	3.1	• Still reviewing HTC, Nokia and Sony ROT
Nokia	2.9	• Unlikely to be material realisations from other stocks after ROT
Sony	2.6	• We will accelerate marketing of any residual owned stock once ROT position is clear
Others (<£2m)	14.3	
<b>Total</b>	<b>73.0</b>	



## ***Stock – realising value***

£'m	Apple	Other	Total
Handsets - pristine	35.9	23.1	59.0
Handsets - refurbished	0.0	2.0	2.0
Accessories	0.2	3.8	4.0
Other (SIM, returns, in transit, demo)	0.4	7.6	8.0
<b>Total</b>	<b>36.5</b>	<b>36.5</b>	<b>73.0</b>

### **Sale of Apple warehouse stock**

- All options for sale of stock considered
- c.90% of Apple handset stock is Model 5S 16GB which was purchased at £430/unit
- In advance of the iPhone 6 launch, Apple reduced the cost price to £355/unit. This reduced the book value of the 5S 16GB stock by c.£4.5m. The current retail price is £382/unit (excl VAT).
- Apple warehouse stock was marketed to 16 parties (on appointment: book value c.£28m)
- To date, we have obtained 7 offers for all of the Apple warehouse stock and we are currently in negotiations for a sale in its entirety.

## Lease premiums



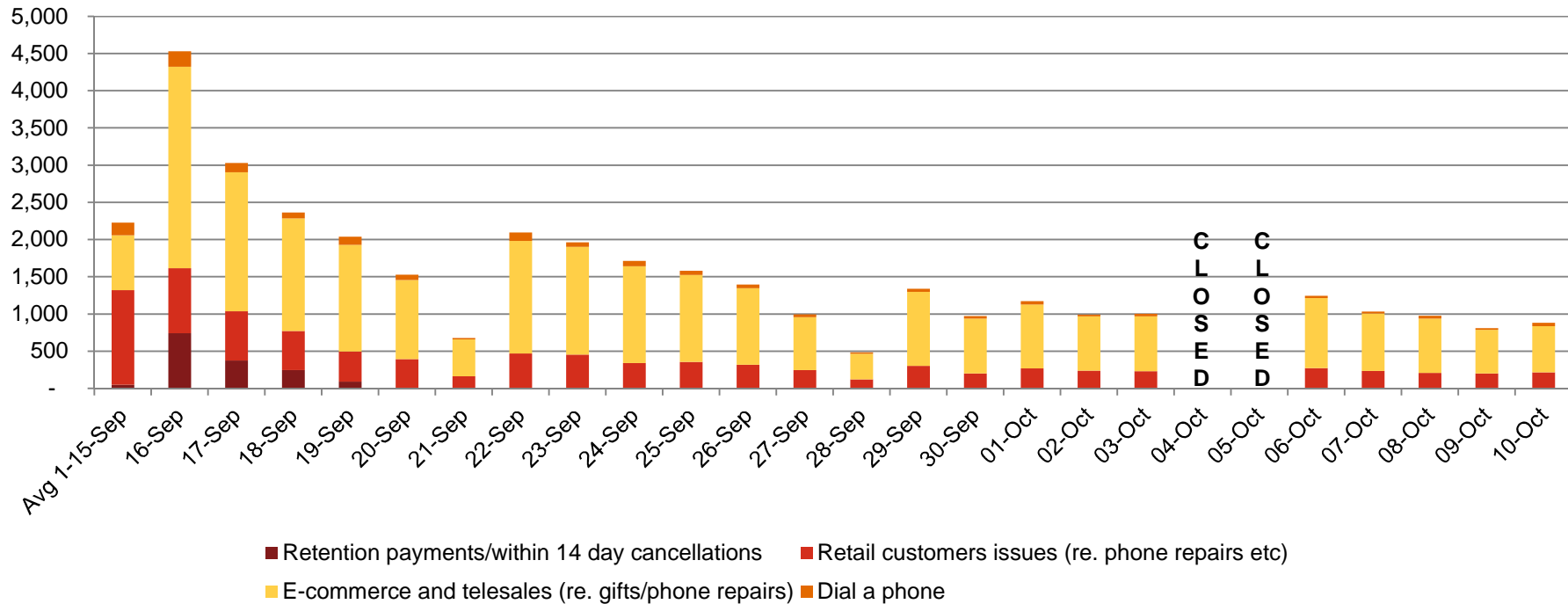
As at 10 October 2014	No. of Stores	Potential value £'000	Confirmed value £'000	Quarterly rent costs £'000
Premium assignments/surrenders completed	3	-	75	64
Potential premium under negotiation	187	1,160	-	4,391
Likely to be surrendered	92	-	-	1,520
Surrenders requested	83	-	-	1,335
<b>Total</b>	<b>365</b>	<b>1,160</b>	<b>75</b>	<b>7,310</b>

## ***Sale of other assets***

**22<sup>nd</sup> Sep onwards**

	<b>No. of interested parties</b>	<b>Actions to date</b>	<b>Ongoing</b>
<b>IT</b>	9	Ascertained which assets are available for sale (vs leased)	Sale of software licenses and Oracle hardware
<b>Other</b>	21	Appointed clearance agents	Sale of other IT hardware, fixtures and fittings etc
<b>Brand</b>	16	Delaying negotiations so as not to impair MNO receivables value.	
<b>Customer data</b>	6		

## Customer communications



- Retained customer services call centre to support management of customer calls to reduce administrators' costs and preserve MNO receivable value
- Call centre staff provided with FAQ to deal with queries
- No refunds/repairs/exchanges provided to customers
- PwC- hosted Phones 4u website regularly updated to reduce calls to call centre (<http://www.pwc.co.uk/phones4u>).

---

*Policy Administration Services  
Limited*

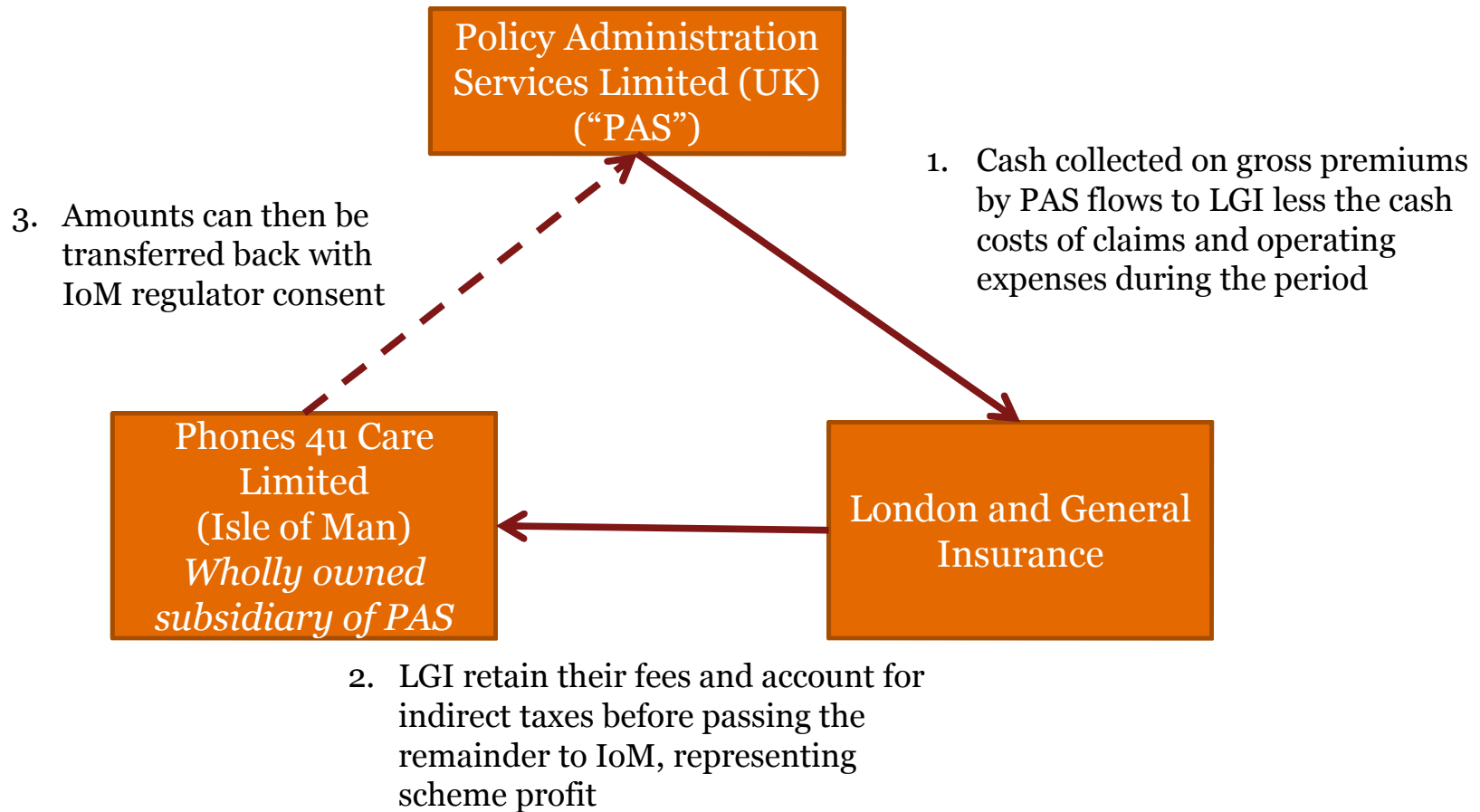
**3.4**

## ***Background***



- Provision of niche retail insurance products historically sold through the retail stores of its appointed representative, Phones 4u Limited, as well as via telesales and online
- Authorised by the Financial Conduct Authority (“FCA”) for insurance mediation activities
- Comprised nearly 800,000 policyholders (as at 31 August 2014)
- Two products:
  - Phones 4u Care (c.75% of base) – newer product, claims dealt with in-store
  - PremierPlan (c.25% of base) – historical product, claims handled centrally by post
- All insurance sold by the Company is underwritten by London and General Insurance Company Limited (“LGI”). This relationship continues post-administration
- The business continues to trade profitably in administration

## *Fund flows*



***N.B.*** Other than minor stock reserves and opening cash balances there are no assets in the UK or Isle of Man businesses

## *Stabilising the business*



Key suppliers continue to work with the business:

- Pre administration, Lifestyle Services Group Limited (“LSG”) managed all administration, claims and complaints in relation to the PremierPlan product
- We have worked with LSG to increase their available capacity – LSG now manage all administration, claims and complaints for all customers
- Pre-administration, Anovo provided over-the-phone technical support and refurbished handsets for customers. Anovo is continuing to provide these services post-administration
- An initial stock purchase has been made post-administration. Stock purchases will continue to be made to meet business needs, but we have now secured all stocks from the stores which are also available to meet claims
- Against BAU forecast, we have not seen a material increase in PremierPlan cancellations. There has been a small increase in the level of Care cancellations, as the administration coincided with a change in terms and conditions



## *Sale of business*



- Information memorandum prepared and circulated 19 September 2014
- 15 interested parties contacted
- 11 expressions of interest received and NDAs signed. These parties continue to review the IM and additional information provided to them
- A number of indicative offers have been received although no formal timeframe for a conclusion to the sales process has been set. Our focus has been on preserving value by stabilising the business
- There are challenges around a sale to a third party as exploiting the customer book could damage P4U interests more widely. It is also operationally and legally challenging
- We are therefore evaluating a long term run-off option. The business is potentially capable of generating net profit and cash of circa £17m (before tax and administrators' costs) over the period to 31/12/16 but this is highly sensitive to cancellation rates and requires the support of key stakeholders

## ***Receipts and Payments – as at 7 October 2014***

<b>£'m</b>	<b>Premiums and other receipts</b>	<b>Claims and Other Payments</b>	<b>Total</b>
<b>Asset realisations</b>			
<b>Cash at bank</b>	7.2	6.8	14.0
<b>Trading</b>			
Premiums post- administration	3.6	-	3.6
Stock and other claims costs	-	(1.8)	(1.8)
Duress payments	-	(0.6)	(0.6)
Net LGI insurer payment	(5.2)	3.4	(1.8)
<b>Net trading position</b>	(1.6)	1.0	(0.6)
<b>Total realisations less costs</b>	5.6	7.8	13.4

---

*Further areas of realisation*

**4**

## ***MNO Receivables: Background***

*Value of receivables is affected by customer behaviour*

- Phones 4u procured connections for mobile networks and received a net revenue share for each connection
- “Customer Lifetime Value” definition varies between individual networks
- Different mechanisms for reconciling between estimated and actual CLV
- Phones 4u has agreements with:
  - EE
  - Lebara
  - O2
  - Sky
  - Three
  - Virgin
  - Vodafone

### **Variables affecting CLV**

- *Monthly mobile spend*
  - *Calls*
  - *Texts*
  - *Data*
  - *Roaming*
- *Renewal behaviour*
- *Bad debts*
- *Interconnection fees between networks*

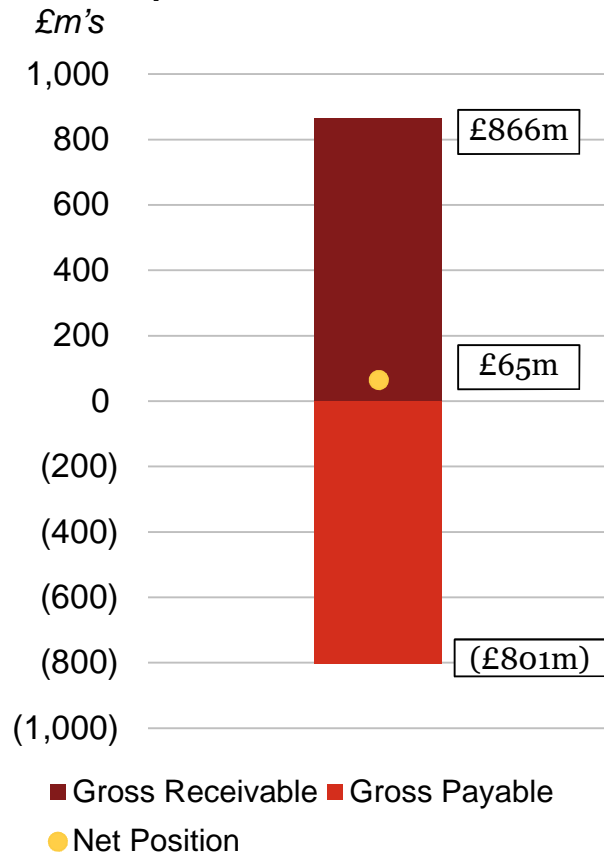
## ***MNO Receivables: Gross & Net Positions***

*P4U's receivable is net of the funds owed to networks*

- Phones 4u recognised the revenue from connections based on the estimated CLV of that connection, less the cost of that sale
- Phones 4u received working capital support from the mobile networks
- This working capital support was to be repaid over a period

*Highly leveraged net balance- small changes to the gross receivable will have a considerable impact.*

**Gross and Net Receivables as at 15 September 2014**



## ***MNO Receivables: Collection Strategy***

*We have positioned ourselves to maximise collections*

- **Not pursuing certain asset sales** that could prejudice the value of the receivable (e.g. customer databases)
- **IT backup exercise** undertaken to preserve key records
- **Building independent modelling capabilities** as a contingency option
- **Retention of critical staff** has been achieved through aligning incentives through a work-out arrangement
- **Understanding legal rights** under each contract in anticipation of position of MNO's

## ***MNO Receivables: Incentivisation Arrangements***

*To retain key staff, we have agreed a work-out arrangement*

### **Principles**

- Remuneration linked to collection
- Administrators retain independent capability in Phones 4u
- Senior management required for advancing arguments, relationships and background
- Junior staff required for data handling, modelling of assumptions

### **Protections**

- *Receivables are owned by the Administration estate*
- *Cash flows to Phones 4u*
- *Key staff remain employed by Phones 4u*
- *Contractual protections (non-compete and ability to request audits)*
- *Data, models and records are owned by Phones 4u*
- *Strategy, settlement and litigation decisions remain with the Administrators*

## ***MNO Receivables: First Steps***

*Strategies have been agreed for each counterparty*

- **Certain mobile networks have instructed solicitors.** They are advancing counter-claims and disputing the requirement for payment
- **Smaller networks are prepared to pay,** but are advancing counter-claims relating to costs / breaches of agreements
- **The strategy differs for each receivable.** Each network has different legal terms, and may take different approaches in respect of payment, legal claims and any settlement discussions

### **Next Steps**

- *We expect the receivables collection to take an extended period of time (perhaps years if required to run off balances)*
- *Settlements will be considered where commercially attractive*



---

*VAT*

5

## ***VAT Liabilities Relating to Pre-Administration Period***

*There is a potential £38.5m expense liability relating to MNO commissions*

- At the point of insolvency, P4U had accrued a Vat liability of £38.5m relating to MNO commissions payable in the future and which might be considered an expense of the insolvency. Simplified fact pattern:
  1. P4U sold a mobile phone contract to a customer, triggering a future estimated commission stream
  2. Part of that estimated commission stream was payable by the MNO up front
  3. P4U discounted this via a bills of exchange facility and received cash gross of VAT from the bank which provided the facility (Barclays)
  4. The MNO repaid Barclays in the future on maturity of the bills of exchange and, consistent with an HM Revenue & Customs ruling pre-insolvency, that VAT was payable when MNO paid Barclays, the VAT point was at this time
  5. P4U accounted to HMRC for VAT received when the MNO paid Barclays

## ***VAT Liabilities Relating to Pre-Administration Period***

*There is a potential £38.5m expense liability relating to MNO commissions*

- Tension between VAT and insolvency legislation
- **VAT legislation:** any VAT that falls for payment post-insolvency is payable as an expense
- **Insolvency legislation:** any amounts paid pre-insolvency that relate to either a pre-insolvency contract or supply are an unsecured claim
- **Next steps:** consult VAT barrister and discuss with HM Revenue & Customs, but reasonable chance of litigation to resolve this issue given limited precedents

---

# *Investigations*

6

## ***Investigations: Administrators' Duties & Powers***

*We are required to report on Directors' conduct.*

- Administrators are officers of the Court, with duties to maximise receivables for creditors and have a number of functions which are prescribed by law.
- We have a statutory obligation to file a confidential report to the Insolvency Service on directors' conduct, which may lead to directors' disqualification (but no direct financial recovery for creditors).
- Administrators have various statutory investigative powers to assist them in conducting investigations which give them the ability to ask for the production of books and records and to conduct examinations of people who they believe have information to which they are entitled.

## ***Investigations: Areas of Focus***

*As part of our work, we would look at in further detail:*

The actions of directors and officers of the various Group companies. We will be looking, in particular at :

- the sale of LSG
- the PIK issue
- distribution to Shareholders
- the negotiations with the MNOs
- the conduct of the MNOs
- disclosures made by the P4U Group about the renewals process.

## ***Potential causes of action***

### **Potential Claims Causes of Action**

<b>Competition Law</b>	<b>EU law</b>  Various forms of collusive agreements and practices give rise to a claim for breach of statutory duty (most likely Article 101 TFEU).  The measure of damages is to put the innocent party in the position it would have been in if the breach had not occurred.
<b>Unlawful dividends</b>	<b>Section 847 Companies Act 2006</b>  If the companies which contributed to the dividend recapitalisation in 2013 did not have sufficient reserves, the dividends which were repaid are repayable.
<b>Directors' duties</b>	<b>Sections 170 to 177 Companies Act 2006</b>  Directors owe a duty to promote the success of their company which includes a duty of care and skill, a duty to avoid conflicts and a duty to act in the interests of the company. Events which may merit investigation include the sale of LSG, the issuance of the PIK, the dividend recap and the events leading to the collapse of the Group, including the negotiations with the MNOs and disclosures made by the Group about the negotiation process.
<b>Claw-back</b>	<b>Sections 238 / 239 Insolvency Act 1986</b>

---

# *Estimated financial outcomes*





## *Estimated financial outcomes*

<b>£m</b>	<b>Receipts and payments to date</b>	<b>Low case Total Realisations</b>	<b>Upper case Total Realisations</b>
Sale of business	14.9	14.9	14.9
Sale of stock		16.0	27.0
Other realisations	1.0	1.2	2.6
MNO receivable		Unable to disclose at present	
Proceeds from investigations		Uncertain at present	
Cash on appointment	111.8	111.8	111.8
<b>Total asset realisations</b>	<b>127.8</b>	<b>144.0</b>	<b>156.4</b>
<b>Less: costs of realisation</b>			
Property and employee costs	(4.5)	(10.0)	(7.6)
Stock reparation and holding costs	-	(3.0)	(1.4)
Other costs (inc' duress and IT costs)	(2.1)	(11.0)	(8.6)
<b>Total costs of realisations</b>	<b>(6.5)</b>	<b>(24.0)</b>	<b>(17.5)</b>
PAS 2 year (indicative) cash flows		<b>(0.3)</b>	<b>17.1</b>
Administrators' fees	-	(8.4)	(7.2)
Other professional fees	-	(3.0)	(2.5)
Preferential creditors	-	(4.0)	(1.5)
Prescribed part	-	(2.4)	(1.8)
<b>Total available to secured creditors</b>	<b>121.2</b>	<b>101.9</b>	<b>142.9</b>
Revolving credit facility		(19.8)	(19.8)
Super senior notes		(430.0)	(430.0)
<b>Overall surplus / (deficit)</b>		<b>(347.9)</b>	<b>(306.9)</b>
<i>Super senior notes % return</i>		19%	29%
<i>Potential VAT expense</i>		(38.5)	(38.5)
Super senior notes % return (assuming VAT liability payable as Administration expense)		11%	21%
Phones 4u Group Limited and various subsidiaries – in administration			
Presentation to senior secured creditors			

## ***Estimated financial outcomes***

- We have provided a summary of the range of potential realisations for illustrative purposes, excluding :
  - Any recovery at this stage from MNO debtors
  - Any recovery from litigation
  - Including only a 2 year cash flow for PAS given the commercial sensitivity of any further disclosure at this time
- % recovery to bondholders has been shown on the basis of the possible VAT liability being unsecured and the impact on recoveries of that balance as an Administration expense.
- Estimates of the range of professional fees incurred also exclude work in relation to the above areas.

## *Administrators fees incurred to 5 October 2014*

<b>PwC costs to 5 October 2014</b>	<b>£'000</b>
Phones 4U	1,950
MobileServ Limited	7
Phones 4 U Group Limited	20
Phones 4u Finance plc	13
Phosphorus Acquisition Limited	22
Policy Administration Services Ltd	497
Phosphorus Holdco Plc	-
<b>Total costs in security net</b>	<b>2,509</b>
4u Limited	7
4u Wi-Fi Limited	16
Jump 4u Limited	18
Life Mobile Limited	146
<b>Total costs outside security net</b>	<b>187</b>
<b>Total costs</b>	<b>2,696</b>

Phones 4u Group Limited and various subsidiaries – in administration  
Presentation to senior secured creditors

## ***Administrators' Fees and Expenses***

*There are a number of work areas yet to be completed.*

### ***Workstreams to Complete <12 Months***

*Stock Repatriation*

*Sale of Stock*

*Property Surrender*

*Residual Asset Sales*

*Creditor Liaison &  
Claims*

*Cash Management &  
Investment*

*Employee  
Redundancies &  
Claims*

*Ongoing Critical  
Supplies*

### ***12+ Months***

*Collection of MNO  
Receivables.*

*Run-off of the PAS  
insurance book.*

*VAT Liability.*

*Investigations.*

## ***Administrators' Fees and Expenses***

*There are a number of work areas yet to be completed.*

### ***Early View***

*Note: Excludes  
receivables collection,  
insurance book run-off,  
investigations work and  
VAT Liability.*

***£7.2m***

***-***

***£8.4m***

### ***12+ Months***

#### ***Insurance***

*Administrators are establishing  
new business-as-usual processes  
for P4U staff. Profile of customer  
attrition will dictate run-off  
period and hence costs.*

*The sale option remains open,  
and would have a different  
impact on fees.*

#### ***VAT***

*Advancing argument may result  
in extensive dialogue and/or  
litigation; requiring further PwC  
involvement.*

#### ***Receivables***

*Administrators' time cost will  
be reduced due to continued  
use of P4U staff.*

*Input required from PwC staff  
will depend on the behaviour  
of MNOs.*

#### ***Investigations***

*PwC time required will  
depend on the outcome of  
inquiries and the depth of  
work required.*

---

*Informal bondholders committee*

8

## ***Formation of informal creditors committee***

*No statutory mechanism for a bondholders committee*

*Largely public, but private when necessary*

*Meeting minutes to be published online*

*Purpose of committee:*

- consult on key issues*
- agree litigation strategy*
- consult on basis of administration fees*

*Initially, fortnight meetings, plus monthly bondholder calls- frequency to be reassessed later.*

*In discussions with a small number of creditors comprising the majority in value (c.75%) of secured notes to form an informal bondholders committee.*

*Further updates to be provided once informal bondholder committee has been established.*

---

*Q&A*

9



---

# *Thank you*

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2014 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.