
Joint Administrators’ Seventh Progress Report

For the period from 21 July 2017 to 20 January
2018

Phones 4U Limited

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

9 February 2018

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 seventh 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 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 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 certain 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 two interim distributions to the Noteholders in the period totalling approximately £90m. In aggregate, some £133m (equating to 31% of the Noteholders' principal claims) has been distributed. 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 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 what we are doing to realise the assets and deal with the liabilities of Phones 4U Limited. Although we have reflected the receipts to 20 January 2018, 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 January 2018.

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 January 2018.

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 |
| “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:

| <i>Company</i> | <i>Date of appointment</i> |
|--|-----------------------------------|
| 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 January 2018.

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 the RCF lenders and between 46% and 48% for the Noteholders (on the basis set out in Section 5.6 and in 'Commercially sensitive matters' in Section 1 above). | | | | | |
| Forecast timing: | 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: | 12 months + | Nil | Nil | 6 – 12 months (see Section 5.6) | Nil | 6 months * (see 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.

() In respect of PAS, subject to agreement of the largest, most complex claim, we anticipate making a distribution within six months (see Section 5.6 for further details).*

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.

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 second and third interim distribution to the Noteholders of, in aggregate, £133,300,000 in respect of their secured claims (equating to 31% of the Noteholders' principal claims);
- Finalising matters with HMRC in respect of the VAT liabilities affecting the Phones 4u Limited VAT group outlined in Section 5.1, following extensive correspondence with HMRC and their acceptance of the Administrators' interpretation of the VAT liabilities;
- Continued collection of MNO receivables;
- Progressing our strategy and continuing legal proceedings in relation to certain MNO receivables;
- Application to Court for and obtaining summary judgment in relation to MNO receivables outlined in Section 5.1;
- Finalising an application to Court and obtaining approval for an extension of the administrations;
- Continued pre-action correspondence with third parties as a result of investigations by the Administrators;
- Continued surrender of property leases;
- Resolving the legacy trading issues such as winding down the property portfolio;
- Continued trading of the PAS business;
- Progressing the unsecured claims agreement process in preparation for a prescribed part distribution in PAS; and
- Planning for an exit of the PAS business.

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 the surrender of 15 properties either through negotiations with landlords or operation of law. Our legal advisors have issued surrender letters to the landlords of the remaining 30 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 July 2017 to 20 January 2018 are £20.6m as seen in the enclosed receipts and payments account in Section 8.

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. Throughout the period, there were two team members assisting with the collection of MNO receivables.

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 asserted that it had substantial counterclaims against P4U. We considered that these counterclaims were without merit and, for this reason, we applied for summary judgment with a view to dismissing the MNO's primary counterclaim.

Following a hearing in December 2017, the High Court gave summary judgment in favour of P4U and dismissed the MNO's primary counterclaim with a consequent order for costs.

The MNO has applied for permission to appeal. However, it is not yet clear whether permission will be granted. If it is granted, there may be further delay to resolution of this matter.

We will provide an update on this matter in our next progress report.

VAT liabilities

We previously reported that there remained a 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.

At the time of our previous report, we stated that, although outside the period of that report, HMRC had 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 continues to be reflected in this progress report (including the estimated outcome statement). We can confirm that we have now taken the necessary steps to discontinue the directions application referred to in our previous report. Part of the reserve amount held for this VAT issue was released as part of the aggregate distributions to the Noteholders made during the period.

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 has exceeded our forecast. The customer base has declined more slowly than expected to approximately 167,000 policyholders as at the end of December 2017, of which approximately 96,000 have a Phones 4U Care policy and approximately 71,000 have a Premierplan policy. The cost of claims has been slightly below our forecast. We continue to expect the customer base to reduce steadily until March 2019. The policies of a large 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:

- a) Allowing policyholders to switch between Premierplan and Phones 4U Care policies; and
- b) Absorbing increases in IPT costs, as passing them on to policyholders may have resulted in increased cancellations, which would be disadvantageous to the scheme.

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.

We contacted all customers during the autumn of 2017, sending hard copy letters to all Premierplan customers. Hard copy correspondence is generally thought to come to policyholders' attention better than email, thereby flushing out any potential issues sooner. However, a relatively low disconnection rate was subsequently observed, demonstrating the effectiveness of the annual contact strategy to date and suggesting that customers are generally satisfied with the policies and the service they receive. In 2018, we will contact all Premierplan and Phones 4U Care policyholders again by hard copy letter.

We continue to monitor the supply chain to ensure that the service provided by LSG is as efficient and cost effective as possible. PAS continues to benefit from LSG's supply chain relationships, particularly in securing Apple stock at favourable prices.

A Board meeting was held with the underwriter (LGI) in November 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.

Discussions with LSG have continued in the period to plan for a smooth exit of the business once it is no longer viable for PAS to continue trading. Our current thinking is that we will provide customers with notice of termination at the appropriate time, but also offer them the opportunity to obtain a new policy with another provider. This gives continuity to those customers who want it. We will make suitable arrangements for late claims and termination of all third party relationships.

LSG is part of the Assurant Inc. group ("AIZ"), a US listed insurance holding company. On 18 October 2017, AIZ announced that it will acquire TWG Holdings Limited (LGI's US parent company) and its subsidiaries. The transaction is expected to close in the second quarter of 2018, subject to regulatory and other customary closing conditions. Should the acquisition proceed as planned, it should ensure greater flexibility in the operation of the PAS scheme, in particular, when it comes to closing out the business.

Asset realisation

We estimate the business will generate a net profit of approximately £45m to £48m 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 have identified no major or systemic risk in the way the outsourcer handles customers' policies. PAS receives very few complaints and the FOS upheld rate of PAS complaints during the last 12 months is 12% (four cases), which compares very favourably to the industry norm of approximately 40% for mobile phone insurance.

The Insurance Distribution Directive ("IDD") will be implemented on 23 February 2018, with firms required to comply with the legislation by 1 October 2018. As PAS's insurance policies are rolling monthly contracts, and no new sales are being made, the majority of the IDD rules do not apply. However, new documentation will need to be sent to customers who switch policy. The terms and conditions booklets will be updated due to the introduction of the Insurance Product Information Document.

Work is progressing, together with LSG, to ensure PAS complies with the General Data Protection Regulation ("GDPR") legislation by the implementation date of 25 May 2018. The rules and guidance are not yet in final form and are subject to the outcome of various consultations. PAS will be amending systems and processes to ensure the new requirements are met.

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 continues to operate in accordance with the management agreement, which was amended in December 2017, primarily to incorporate the additional responsibilities required under the local "Beneficial Ownership Act 2017".

A board meeting of P4UC was held in November 2017 when a full report of the business was given and the independent directors continue to be satisfied with trading and governance arrangements.

In previous years a detailed internal audit has been conducted, with the most recent one completed for the year ended 31 December 2016. In order to remain proportionate to the size and nature of P4UC's operations, it has been agreed with the directors that a "desk-top" review to update the 2016 report for 2017 will be conducted during the next reporting period. A similar approach is expected to be adopted for 2018. After this period, depending on the progress of the insurance programme run-off, further consideration will be given to the internal audit work required at that time.

During the period, following the resignation of the incumbent, a new external auditor was proposed to and approved by the Isle of Man Financial Services Authority, following a tender process. The new auditor will conduct the review of the 2017 annual accounts.

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

As at 20 January 2018, some £31.2m has been paid in dividends from P4UC to PAS, of which £3.6m 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 £3,481 and £9 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 | - | 271 | 1 | - |
| Total realised | 5 | 5,462 | 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.

According to company records, there are a number of inter-company unsecured creditor claims. To the extent that these claims can be substantiated and are agreed, this could result in realisations of up to £300k in Phosphorus Acquisition Limited and £16k in MobileServ. These estimates are based on the directors' statement of affairs and are therefore subject to change.

We are reviewing the inter-company unsecured claim position across the Group, with a view to submitting the relevant unsecured claims shortly.

Aside from the above, 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 provide an update of the outcome for Noteholders in Section 5.6.

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. In total at 20 January 2018, 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 August 2017 in respect of PAS and 30 November 2017 in respect of P4U and these fees are shown in the receipts and payments accounts in Section 8. Fees for all other Companies are being drawn on an ad-hoc basis and only where there are sufficient funds available.

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.

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 to between 46% and 48% (from 42% to 44% in our previous progress report). We provide our estimated financial outcome statement in Section 10.

Consistent with our previous progress reports, 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 have now made three interim distributions totalling 31% of the Noteholders' principal claims, of which two interim distributions were made during the period of this report totalling £90m representing 21% of the Noteholders' principal claims.

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% |
| 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 issue 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 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 all companies except for PAS 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 they have 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, with a number of smaller claims being adjudicated during the period. However, HMRC has recently amended its large and complex claim in respect of corporation tax. The amended claim is in the process of being adjudicated and subject to its agreement, we anticipate making a distribution to unsecured creditors within the next six months.

With regards to P4U, work has commenced on identifying creditors and considering our claims agreement strategy. This work stream has been placed on hold until the position regarding certain large creditors is known, including the counter-claim from an MNO referred to in Section 5.1 above.

With regards to MobileServ, we are now in a position to begin reviewing and adjudicating on unsecured creditor claims with a view to paying the prescribed part as soon as possible. We currently estimate that we may be in a position to pay a dividend to unsecured creditors of MobileServ in the next six to twelve months, subject to the response time of counter-parties.

5.7 What we still need to do

We provide below an overview of the key matters to be concluded before the administrations can be brought to end. Note, we have only included the significant areas of work and therefore this is not an exhaustive list.

| Company | What we still need to do |
|--|---|
| Phones 4u Limited | <ul style="list-style-type: none"> • Collect the MNO debtor and pay the associated commissions due. • Conclude on our investigatory work. • Agree claims and distribute the prescribed part fund to unsecured creditors. • Finalise tax and VAT matters and obtaining clearance from HMRC. • Further and final distributions to Noteholders. |
| Policy Administration Services Limited | <ul style="list-style-type: none"> • Facilitate ongoing trading and implement 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. • Agree claims and distribute the prescribed part fund to unsecured creditors. • Formulate an agreed closure plan with all stakeholders, including LSG, LGI, P4UC and the regulators. • Finalise tax and VAT matters and obtaining clearance from HMRC. • Further and final distributions to Noteholders. |
| MobileServ Limited | <ul style="list-style-type: none"> • Realise directors' loans that are due for repayment in 2019. • Agree claims and distribute the prescribed part fund to unsecured creditors. • Deal with ongoing statutory and compliance, tax and VAT matters until such a time that the administrations can be brought to an end. • Finalise tax and VAT matters and obtaining clearance from HMRC. |
| Phones 4 U Group Limited Phones4u Finance plc Phosphorus Acquisition Limited | <ul style="list-style-type: none"> • Realise any inter-company loan assets from group companies. • Deal with ongoing statutory and compliance, tax and VAT matters until such a time that the administrations can be brought to an end. • Finalise tax and VAT matters and obtaining clearance from HMRC. |

5.8 Extension of the administrations

As noted in our previous report, 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 can confirm that this extension was granted pursuant to a Court order in September 2017.

5.9 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.



5.10 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.

5.11 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 | 15 September 2014 | 15 September 2014 | 15 September 2014 | 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 granted by 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 2017.

| With effect from 1 July 2017 | Administrators' and their staff Rate per hour (£) | Specialist staff 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.

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

7.3 Payments to associates

We have made no payments to associates in the period covered by this report.

7.4 Narrative of work undertaken

Later in this section we have included tables showing our time costs from 21 July 2017 to 20 January 2018 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 and why this work was necessary | What financial benefit the work provided to creditors or whether it was required by statute |
|---------------------|--|---|
| 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. Liaison with legal and other advisors regarding ongoing matters in the administrations. Consideration of strategic approach in dealing with complex and interrelated work streams and associated legal and financial input and analysis. <p><i>(Policy Administration Services Limited only)</i></p> <ul style="list-style-type: none"> Ongoing planning for the closure of the PAS scheme. <p>This work was necessary for planning and project managing the many different work streams.</p> | Assist in the efficient, structured and timely management of the administrations, leading to a faster completion and return to creditors. |
| Trading | <p><i>(Policy Administration Services Limited only)</i></p> <ul style="list-style-type: none"> Monitoring of the insurance business, it's 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, cost savings, cash settlements and refunds and claims assessment. Reviewing claims referred to the FOS and identifying root causes. | Maintaining profitability of the PAS business for the benefit of creditors. |

| Area of work | Work undertaken during the period and why this work was necessary | What financial benefit the work provided to creditors or whether it was required by statute |
|-----------------|--|---|
| | <ul style="list-style-type: none"> 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 outsourcer staff remuneration and bonus incentives. Reviewing and agreeing text of the annual reminder letters to policyholders in respect of their cover. Monitoring compliance with IDD and GDPR rules. 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. Review of IT assets owned by PAS. Ongoing planning for closure of the PAS scheme. <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> | |
| MNO Receivables | <ul style="list-style-type: none"> Summary judgment in defending against a certain MNO's counterclaim. Reviewing, assessing and collection of 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. <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. |
| 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. |
| 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 in order to manage utility costs. Maintaining our property files with progress against each store. <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. |

| Area of work | Work undertaken during the period and why this work was necessary | What financial benefit the work provided to creditors or whether it was required by statute |
|-----------------------|---|---|
| Other assets | <ul style="list-style-type: none"> Liaison with our agents with regard to securing business rates refunds. Liaison with our insurance broker for the purpose of maintaining adequate ongoing insurance cover for assets and risks in the post-appointment period. Renewing of trademarks and domains and determining the most appropriate strategy for their treatment. Reviewing the position with regard to inter-company unsecured creditor claims within other group companies and submission of the relevant claims. <p>This work was necessary to ensure appropriate insurance of assets and to ensure that assets are properly dealt with.</p> <p><i>(Policy Administration Services Limited only)</i></p> <ul style="list-style-type: none"> Responding to queries to fulfil Aon compliance requirements. Providing guidance to ensure compliance with the Beneficial Ownership Act 2017. Attending board meetings with P4UC to oversee the running of the subsidiary. Reviewing and commenting on revised management agreement, ensuring P4UC's interests are protected. Reviewing the engagement letter with respect to the appointment of a new external auditor following the tender process. <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> | <p>Enhanced asset realisations and mitigates the risk of claims against the administration and loss of assets.</p> <p>Enhanced asset realisations because profits from the PAS business accumulate in P4UC and are paid to PAS by way of a dividend on a quarterly basis.</p> |
| Creditors & Committee | <ul style="list-style-type: none"> Facilitating the distribution of the second and third interim dividend to Noteholders. 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. Internal planning and strategy discussion with regard to the prescribed part. Receiving incoming proof of debt forms from unsecured creditors Maintaining creditor claims database. Adjudicating on lower value creditor claims. | <p>Provides information necessary to creditors (who have an economic interest in the outcome of the administration), both collectively and individually.</p> <p>Enables the distribution of the prescribed part.</p> |

| Area of work | Work undertaken during the period and why this work was necessary | What financial benefit the work provided to creditors or whether it was required by statute |
|-----------------------|--|---|
| | <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. Liaising with unsecured creditors to obtain necessary supporting documentation to support claim values. Liaising with group companies to reconcile intercompany balances. Adjudicating the revised large and complex 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> | |
| VAT liabilities | <ul style="list-style-type: none"> Preparing and submitting quarterly VAT returns to HMRC. Drafting other one-off VAT returns in preparation for submission to HMRC. Regular in-depth reconciliations of transactions for VAT purposes. Liaison with HMRC. | Statutory and regulatory responsibilities. |
| Tax | <ul style="list-style-type: none"> Preparation and submission of post-administration tax returns. Liaison (internally and with HMRC) in order to agree HMRC's unsecured claim for all companies within the Group. <p><i>(Policy Administration Services Limited only)</i></p> <ul style="list-style-type: none"> Filing tax returns and making quarterly payments on account. Calculating and paying income tax due on interest payments on customer refunds. Considering the tax efficiency of the PAS scheme. <p>This work was necessary to comply with our legal obligation to submit tax returns, to reach certainty on the post-administration tax position and to enable agreement of HMRC's unsecured claim.</p> | Statutory and regulatory responsibilities. |
| Employees | <ul style="list-style-type: none"> Calculation and payment of ongoing payroll. Responding to ad-hoc queries from former employees. Arranging for PAYE/NIC deductions to be paid to HMRC. <p>This work was necessary to comply with statutory and regulatory obligations.</p> | Statutory and regulatory responsibilities. |
| 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 Aegon group personal pension plan for those members who remain employed. <p>This work was necessary to comply with statutory and regulatory obligations.</p> | Statutory and regulatory responsibilities. |

| Area of work | Work undertaken during the period and why this work was necessary | What financial benefit the work provided to creditors or whether it was required by statute |
|--------------------------|---|---|
| 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, including reconciliation and sign off from appointees. Liaising with Lloyds Bank regarding efficient and cost effective transfer of premiums. 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>Ensures proper stewardship of the funds held.</p> <p>Ensures that 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"> Preparing and submitting our witness statement and other documents relating to the extension of the administrations. Issuing statutory notices upon the granting of the extension of the administration. Preparing and issuing our sixth progress report to creditors. Planning for statutory deadlines and collation of requisite information. Maintaining case records and filing. Dealing with inbound post and other correspondence. Completing case management prompts on the case database. <p>This work was necessary to comply with our statutory responsibilities as administrators.</p> | Statutory and regulatory responsibilities. |
| 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 the proper stewardship of company books and records.</p> | Statutory and regulatory responsibilities. |

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"> Ongoing preparation of estimated outcome statements, budgets, forecasts and other financial reporting tools. 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 administration. Progression of ongoing matters within the administrations. <p><i>(Policy Administration Services Limited only)</i></p> <ul style="list-style-type: none"> In depth consideration of strategic approach in planning for a smooth exit of the business once it is no longer viable for PAS to continue trading. | 0.6 | Assist in the timely, structured and efficient completion of the administration 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. Ongoing monitoring of the profit and loss and balance sheet, comparing forecast and actuals. Managing and updating communications to all policyholders. | 1.3 | This will lead to a more profitable business and therefore a larger distribution to secured creditors. |
| Assets (including MNO receivables, investigations and other assets) * | <ul style="list-style-type: none"> Defence against the potential appeal brought by a certain MNO for the alleged counterclaim if leave is granted. Collection of the MNO debtors including pursuing legal action. 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. | 0.1 | Enhanced asset realisations for the administrations. |

| 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 |
|-------------------------|---|--------------------------------------|---|
| 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 | Mitigation of 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 funds where possible. Respond to creditor enquiries. Arranging, preparing for and attending creditor committee meetings. When appropriate, declare and pay future interim and final distributions to secured creditors. | 1.0 | Direct benefit to creditors through payment of distributions and provision of information. |
| VAT liabilities | <ul style="list-style-type: none"> Ongoing drafting and submission of quarterly VAT returns. Reconciliation of the companies' VAT position on a regular basis to ensure transactions are correctly accounted for. Liaison with HMRC as required. | 0.1 | Statutory and regulatory requirements. |
| Tax | <ul style="list-style-type: none"> Drafting and submission of corporation tax returns. Ongoing liaison with HMRC. Agreement of HMRC's unsecured claim for dividend purposes. <p><i>(Policy Administration Services Limited only)</i></p> <ul style="list-style-type: none"> Filing tax returns and making quarterly payments on account. Calculating and paying income tax on interest payments on customer refunds. | 0.2 | Statutory and regulatory requirements and enables reaching certainty on the post-administration tax position. |
| Employees | <ul style="list-style-type: none"> Ongoing payroll functions in relation to the retained employees. Responding to ad-hoc queries from former employees. | 0.1 | Statutory and regulatory requirements. |
| Accounting and treasury | <ul style="list-style-type: none"> Arranging payment of expenses of the administration when they fall due. Dealing with receipts and journals to maintain accurate accounting records. Actively monitoring and dealing with funds invested on the money markets. Carrying out periodic bank reconciliations. | 0.4 | Ensures proper stewardship of the funds held. Management of the funds will generate greater recoveries for 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 |
|------------------------|---|--------------------------------------|---|
| | <ul style="list-style-type: none"> Corresponding with the bank regarding specific transfers. | | |
| Statutory & compliance | <ul style="list-style-type: none"> Drafting and circulating progress reports to creditors. Ongoing compliance with regulatory requirements. Maintaining case files. Dealing with general correspondence and queries. | 1.3 | Statutory and regulatory requirements. |
| 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 | Ensuring that the companies' 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 July 2017 to 20 January 2018 is provided below.

Phones 4U Limited – in administration

Summary of disbursements incurred from 21 July 2017 to 20 January 2018

| Category | Policy | 15 September 2014 to 20 July 2017 (£) | 21 July 2017 to 20 January 2018 (£) | Total to 20 January 2018 (£) |
|----------|--|---|---|------------------------------------|
| 2 | Photocopying - at 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying | 18,666.24 | 68.23 | 18,734.47 |
| 2 | Mileage - at a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc) | 30,092.99 | - | 30,092.99 |
| 1 | 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. | 467,619.91 | - | 467,619.91 |
| | Partner | £395 (£495) | | |
| | Senior Manager | £280 (£355) | | |
| | Manager | £210 (£265) | | |
| | Solicitor | £140 (£245) | | |
| | Trainee Solicitor | £125 (£160) | | |
| | 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. | | | |
| 2 | Specialist software usage: | | | |
| | License fees - at £100 per month for each named user accessing the online review platform and £50 per Gigabyte of data processed. | 27,699.00 | - | 27,699.00 |
| | Hosting - at £25 Gigabyte of data processed per calendar month | 84,522.00 | 39,566.00 | 124,088.00 |
| | 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. | | | |
| 1 | All other disbursements reimbursed at cost: | | | |
| | External venue costs | 35,601.05 | - | 35,601.05 |
| | Hotel accommodation | 33,666.88 | - | 33,666.88 |
| | Rail fares | 26,432.95 | 523.00 | 26,955.95 |
| | Air fares | 40,766.93 | 3,123.77 | 43,890.70 |
| | Postage | 25,623.44 | 15,370.53 | 40,993.97 |
| | Subsistence costs | 8,631.55 | - | 8,631.55 |
| | Taxi fares | 6,837.25 | - | 6,837.25 |
| | Mobile phone usage | 1,933.77 | - | 1,933.77 |
| | Other | 15,793.48 | 497.27 | 16,290.75 |
| | Total | 823,887.44 | 59,148.80 | 883,036.24 |

Phones 4 U Group Limited – in administration

Summary of disbursements incurred from 21 July 2017 to 20 January 2018

| Category | Policy | 15 September 2014 to 20 July 2017 (£) | 21 July 2017 to 20 January 2018 (£) | Total to 20 January 2018 (£) |
|--------------|--|---|---|------------------------------------|
| 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 | 312.99 | - | 312.99 |
| Total | | 490.92 | - | 490.92 |

Phones4U Finance plc – in administration

Summary of disbursements incurred from 21 July 2017 to 20 January 2018

| Category | Policy | 15 September 2014 to 20 July 2017 (£) | 21 July 2017 to 20 January 2018 (£) | Total to 20 January 2018 (£) |
|--------------|--|---|---|------------------------------------|
| 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: | | | |
| | Stock exchange listing fees | - | 1,757.90 | 1,757.90 |
| | Other | 1,833.10 | - | 1,833.10 |
| Total | | 1,918.36 | 1,757.90 | 3,676.26 |

MobileServ Limited – in administration

Summary of disbursements incurred from 21 July 2017 to 20 January 2018

| Category | Policy | 15 September 2014 to 20 July 2017 (£) | 21 July 2017 to 20 January 2018 (£) | Total to 20 January 2018 (£) |
|--------------|--|---|---|------------------------------------|
| 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 | 585.24 | - | 585.24 |
| Total | | 755.60 | - | 755.60 |

Phosphorus Acquisition Limited – in administration

Summary of disbursements incurred from 21 July 2017 to 20 January 2018

| Category | Policy | 15 September 2014 to 20 July 2017 (£) | 21 July 2017 to 20 January 2018 (£) | Total to 20 January 2018 (£) |
|--------------|--|---|---|------------------------------------|
| 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 | 441.39 | - | 441.39 |
| Total | | 547.58 | - | 547.58 |

Policy Administration Services Limited – in administration

Summary of disbursements incurred from 21 July 2017 to 20 January 2018

| Category | Policy | 16 September 2014 to 20 July 2017 (£) | 21 July 2017 to 20 January 2018 (£) | Total to 20 January 2018 (£) |
|--------------|--|---|---|------------------------------------|
| 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 | 12,274.13 | 83.70 | 12,357.83 |
| | Hotel accommodation | 7,040.32 | 54.62 | 7,094.94 |
| | Subsistence costs | 2,504.48 | 607.00 | 3,111.48 |
| | Taxi fares | 2,049.03 | 6.00 | 2,055.03 |
| | Car hire charges | 1,485.92 | - | 1,485.92 |
| | Air fares | 551.64 | - | 551.64 |
| | Other | 1,526.61 | 373.75 | 1,900.36 |
| Total | | 30,770.09 | 1,125.07 | 31,895.16 |

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 £114m 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 46% to 48% 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 Business relationships

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 report, 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 July 2017 to 20 January 2018

| Aspect of assignment | Partner | Director | Senior Manager | Manager | Senior Associate | Associate | Support | Total hours | Time cost £ | Average hourly rate £ |
|--------------------------|---------------|--------------|----------------|---------------|------------------|---------------|--------------|-----------------|---------------------|-----------------------------|
| Strategy & Planning | 50.30 | - | 77.65 | 27.65 | 106.00 | 9.00 | 0.70 | 271.30 | 145,494.30 | 536.29 |
| Book debt realisations | - | - | 2.25 | - | 13.50 | - | - | 15.75 | 7,311.75 | 464.24 |
| Property | 4.80 | - | 1.65 | 11.70 | 59.75 | - | - | 77.90 | 32,458.25 | 416.67 |
| Other assets | 7.90 | 44.60 | 8.85 | 3.50 | 18.50 | - | - | 83.35 | 54,254.75 | 650.93 |
| MNO Receivables | 86.60 | - | 166.50 | 23.45 | 93.00 | - | 0.45 | 370.00 | 222,620.75 | 601.68 |
| Investigations | - | - | 36.30 | 20.85 | 67.50 | - | - | 124.65 | 57,147.00 | 458.46 |
| Trading | - | - | - | - | 0.65 | - | - | 0.65 | 197.60 | 304.00 |
| Accounting and treasury | 4.60 | - | 5.60 | 15.80 | 136.75 | 35.40 | - | 198.15 | 71,262.00 | 359.64 |
| Statutory and compliance | 6.50 | - | 136.30 | 88.80 | 82.90 | 11.85 | 17.75 | 344.10 | 164,061.65 | 476.78 |
| Employees & pensions | - | - | 1.50 | 8.95 | 34.55 | 26.95 | 0.25 | 72.20 | 16,540.55 | 229.09 |
| Creditors | - | - | 158.70 | 49.50 | 293.25 | 11.60 | 1.50 | 514.55 | 228,177.30 | 443.45 |
| Creditors committee | - | - | - | 19.25 | - | - | - | 19.25 | 9,528.75 | 495.00 |
| Tax | - | 4.30 | 1.60 | 20.90 | 32.00 | 8.45 | 1.25 | 68.50 | 33,778.45 | 493.12 |
| VAT | 5.10 | - | 19.35 | 22.60 | 21.80 | 56.00 | 0.85 | 125.70 | 56,109.80 | 446.38 |
| Books and records | - | - | - | - | 0.95 | - | - | 0.95 | 288.80 | 304.00 |
| Closure procedures | - | - | - | - | - | - | - | - | - | - |
| Total | 165.80 | 48.90 | 616.25 | 312.95 | 961.10 | 159.25 | 22.75 | 2,287.00 | 1,099,231.70 | 480.64 |



Phones 4U Limited – in administration

Aggregate time cost summary to 20 January 2018

| Aspect of assignment | Total hours | Time cost £ | Average hourly rate £ | Estimated future hours | Estimated future costs £ | Estimated total cost £ | Average hourly rate £ |
|--------------------------|---------------|-------------------|-----------------------------|---------------------------|--------------------------------|------------------------------|-----------------------------|
| Strategy & Planning | 3,312 | 1,811,966 | 547 | 1,200 | 381,923 | 2,193,889 | 486 |
| Sale of business | 932 | 497,953 | 534 | - | - | 497,953 | 534 |
| Book debt realisations | 346 | 157,137 | 454 | - | - | 157,137 | 454 |
| Property | 2,664 | 1,120,400 | 421 | 1,100 | 48,687 | 1,169,088 | 311 |
| Other assets | 2,228 | 987,085 | 443 | - | - | 987,085 | 443 |
| MNO Receivables | 3,230 | 1,527,553 | 473 | Note 1 | Note 1 | Note 1 | Note 1 |
| Investigations | 2,381 | 1,050,570 | 441 | Note 1 | Note 1 | Note 1 | Note 1 |
| Retention of title | 1,015 | 424,411 | 418 | - | - | 424,411 | 418 |
| Trading | 2,206 | 944,529 | 428 | - | - | 944,529 | 428 |
| Accounting and treasury | 2,203 | 728,231 | 331 | 903 | 203,097 | 931,328 | 300 |
| Statutory and compliance | 2,749 | 1,139,610 | 415 | 2,153 | 1,038,277 | 2,177,888 | 444 |
| Employees & pensions | 4,436 | 1,416,322 | 319 | 899 | 53,081 | 1,469,403 | 275 |
| Creditors | 6,117 | 2,669,649 | 436 | 2,915 | 835,872 | 3,505,521 | 388 |
| Creditors committee | 230 | 118,860 | 517 | 83 | 42,879 | 161,739 | 517 |
| Tax | 2,288 | 1,194,169 | 522 | 448 | 121,602 | 1,315,771 | 481 |
| VAT | 4,348 | 3,168,243 | 729 | 290 | 45,249 | 3,213,493 | 693 |
| Books and records | 819 | 222,493 | 272 | 102 | 8,866 | 231,359 | 251 |
| Closure procedures | 4 | 1,741 | 490 | 600 | 200,000 | 201,741 | 334 |
| Total | 41,507 | 19,180,922 | 462 | 10,693 | 2,979,535 | 22,160,456 | 425 |

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 July 2017 to 20 January 2018

| Aspect of assignment | Partner | Director | Senior Manager | Manager | Senior Associate | Associate | Support | Total hours | Time cost £ | Average hourly rate £ |
|--------------------------|---------|----------|----------------|-------------|------------------|-------------|-------------|--------------|-----------------|-----------------------------|
| Strategy & Planning | - | - | - | - | - | 0.04 | - | 0.04 | 10.32 | 258.00 |
| Property | - | - | 0.60 | - | - | - | - | 0.60 | 345.00 | 575.00 |
| Accounting and treasury | - | - | - | 0.60 | 0.75 | 0.30 | - | 1.65 | 602.40 | 365.09 |
| Statutory and compliance | - | - | 0.25 | 2.90 | 3.50 | 4.45 | 1.10 | 12.20 | 3,933.25 | 322.40 |
| Employees & pensions | - | - | - | - | 0.30 | - | - | 0.30 | 133.50 | 445.00 |
| Creditors | - | - | - | 1.30 | 1.25 | 0.90 | - | 3.45 | 1,255.70 | 363.97 |
| Tax | - | - | - | 0.30 | 0.15 | 0.20 | - | 0.65 | 309.10 | 475.54 |
| VAT | - | - | - | 3.75 | - | 0.60 | - | 4.35 | 1,992.30 | 458.00 |
| Books and records | - | - | - | - | 0.10 | - | - | 0.10 | 30.40 | 304.00 |
| Closure procedures | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | 0.85 | 8.85 | 6.05 | 6.49 | 1.10 | 23.34 | 8,611.97 | 368.98 |



Phones 4 U Group Limited – in administration

Aggregate time cost summary to 20 January 2018

| 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 | 13,181 | 564 | 2 | 456 | 13,637 | 537 |
| Sale of business | 3 | 1,256 | 474 | - | - | 1,256 | 474 |
| Property | 2 | 988 | 549 | - | - | 988 | 549 |
| Other assets | 0 | 152 | 434 | - | - | 152 | 434 |
| Investigations | 6 | 2,095 | 327 | - | - | 2,095 | 327 |
| Trading | 14 | 3,740 | 266 | - | - | 3,740 | 266 |
| Accounting and treasury | 13 | 3,996 | 315 | 6 | 2,325 | 6,321 | 338 |
| Statutory and compliance | 111 | 39,278 | 354 | 39 | 13,414 | 52,692 | 352 |
| Employees & pensions | 2 | 684 | 402 | - | - | 684 | 402 |
| Creditors | 15 | 5,964 | 392 | 3 | 1,252 | 7,217 | 388 |
| Creditors committee | 0 | 29 | 290 | - | - | 29 | 290 |
| Tax | 34 | 19,417 | 566 | 4 | 1,324 | 20,741 | 537 |
| VAT | 11 | 4,298 | 384 | - | - | 4,298 | 384 |
| Books and records | 3 | 1,117 | 324 | - | - | 1,117 | 324 |
| Closure procedures | 2 | 1,098 | 499 | 36 | 11,589 | 12,687 | 336 |
| Total | 240 | 97,293 | 405 | 90 | 30,360 | 127,653 | 386 |



Phones4U Finance plc – in administration

Analysis of time costs for the period 21 July 2017 to 20 January 2018

| Aspect of assignment | Partner | Director | Senior Manager | Manager | Senior Associate | Associate | Support | Total hours | Time cost £ | Average hourly rate £ |
|--------------------------|---------|----------|----------------|---------|------------------|-----------|---------|-------------|----------------|-----------------------------|
| Strategy & Planning | - | 1.00 | - | - | - | - | - | 1.00 | 760.00 | 760.00 |
| Other assets | - | - | 0.30 | - | - | - | - | 0.30 | 172.50 | 575.00 |
| Accounting and treasury | - | - | - | 4.40 | 0.25 | 0.30 | - | 4.95 | 2,331.40 | 470.99 |
| Statutory and compliance | - | - | 0.25 | 2.70 | 3.40 | 4.60 | - | 10.95 | 3,700.65 | 337.96 |
| Employees & pensions | - | - | - | - | 0.30 | - | - | 0.30 | 133.50 | 445.00 |
| Creditors | - | - | - | 0.20 | 4.20 | 3.20 | - | 7.60 | 2,201.40 | 289.66 |
| Tax | - | - | - | 0.10 | 0.40 | 0.70 | - | 1.20 | 345.60 | 288.00 |
| Total | - | 1.00 | 0.55 | 7.40 | 8.55 | 11.50 | - | 29.00 | 10,188.35 | 351.32 |

Phones4U Finance plc – in administration

Aggregate time cost summary to 20 January 2018

| Aspect of assignment | Total hours | Time cost £ | Average hourly rate £ | Estimated future hours | Estimated future costs £ | Estimated total cost £ | Average hourly rate £ |
|--------------------------|-------------|----------------|-----------------------------|---------------------------|--------------------------------|------------------------------|-----------------------------|
| Strategy & Planning | 20 | 9,237 | 474 | 4 | 1,153 | 10,389 | 437 |
| Sale of business | 3 | 455 | 134 | - | - | 455 | 134 |
| Property | 0 | 46 | 460 | - | - | 46 | 460 |
| Other assets | 1 | 325 | 499 | - | - | 325 | 499 |
| Trading | 5 | 1,860 | 384 | - | - | 1,860 | 384 |
| Accounting and treasury | 20 | 6,973 | 348 | 7 | 2,433 | 9,407 | 345 |
| Statutory and compliance | 111 | 39,330 | 354 | 44 | 14,273 | 53,603 | 345 |
| Employees & pensions | 11 | 2,749 | 257 | - | - | 2,749 | 257 |
| Investigations | 6 | 1,823 | 323 | - | - | 1,823 | 323 |
| Creditors | 24 | 9,263 | 379 | - | - | 9,263 | 379 |
| Creditors committee | 0 | 58 | 290 | - | - | 58 | 290 |
| Tax | 4 | 1,331 | 313 | 5 | 1,673 | 3,004 | 311 |
| VAT | 6 | 1,875 | 318 | 3 | 906 | 2,781 | 316 |
| Books and records | 0 | 166 | 368 | - | - | 166 | 368 |
| Closure procedures | - | - | - | 24 | 7,175 | 7,175 | 304 |
| Total | 211 | 75,490 | 357 | 88 | 27,613 | 103,102 | 345 |



MobileServ Limited – in administration

Analysis of time costs for the period 21 July 2017 to 20 January 2018

| Aspect of assignment | Partner | Director | Senior Manager | Manager | Senior Associate | Associate | Support | Total hours | Time cost £ | Average hourly rate £ |
|--------------------------|---------|----------|----------------|-------------|------------------|-------------|-------------|--------------|------------------|-----------------------------|
| Strategy & Planning | - | - | - | - | 0.15 | - | - | 0.15 | 45.60 | 304.00 |
| Other assets | - | - | 0.60 | - | - | - | - | 0.60 | 345.00 | 575.00 |
| Accounting and treasury | - | - | - | 0.80 | 3.95 | 0.80 | - | 5.55 | 1,778.30 | 320.41 |
| Statutory and compliance | - | - | 0.45 | 3.40 | 3.75 | 4.10 | 0.40 | 12.10 | 4,191.15 | 346.38 |
| Employees & pensions | - | - | - | - | 0.30 | - | - | 0.30 | 133.50 | 445.00 |
| Creditors | - | - | 1.70 | 0.20 | 3.20 | 0.24 | - | 5.34 | 2,111.22 | 395.36 |
| Tax | - | - | - | 2.00 | 0.40 | 3.80 | - | 6.20 | 2,425.80 | 391.26 |
| VAT | - | - | - | - | - | 0.60 | - | 0.60 | 154.80 | 258.00 |
| Total | - | - | 2.75 | 6.40 | 11.75 | 9.54 | 0.40 | 30.84 | 11,185.37 | 362.69 |



MobileServ Limited – in administration

Aggregate time cost summary to 20 January 2018

| 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 | 8,064 | 447 | 5 | 1,550 | 9,614 | 417 |
| Sale of business | 0 | 81 | 540 | - | - | 81 | 540 |
| Book debt realisations | 3 | 1,472 | 460 | - | - | 1,472 | 460 |
| Property | 0 | 46 | 460 | - | - | 46 | 460 |
| Other assets | 10 | 4,927 | 478 | - | - | 4,927 | 478 |
| MNO Receivables | 1 | 405 | 540 | - | - | 405 | 540 |
| Investigations | 6 | 1,890 | 326 | - | - | 1,890 | 326 |
| Trading | 1 | 206 | 258 | - | - | 206 | 258 |
| Accounting and treasury | 35 | 10,764 | 309 | 16 | 6,324 | 17,088 | 336 |
| Statutory and compliance | 125 | 43,551 | 347 | 78 | 22,598 | 66,149 | 325 |
| Employees & pensions | 1 | 193 | 385 | - | - | 193 | 385 |
| Creditors | 26 | 11,431 | 436 | 17 | 4,483 | 15,914 | 369 |
| Creditors committee | 0 | 116 | 290 | - | - | 116 | 290 |
| Tax | 10 | 3,551 | 359 | 11 | 3,345 | 6,896 | 333 |
| VAT | 1 | 286 | 286 | 2 | 627 | 913 | 304 |
| Books and records | 1 | 288 | 303 | - | - | 288 | 303 |
| Closure procedures | - | - | - | 24 | 6,933 | 6,933 | 288 |
| Total | 238 | 87,269 | 366 | 153 | 45,861 | 133,130 | 340 |



Policy Administration Services Limited – in administration

Analysis of time costs for the period 21 July 2017 to 20 January 2018

| Aspect of assignment | Partner | Director | Senior Manager | Manager | Senior Associate | Associate | Support | Total hours | Time cost £ | Average hourly rate £ |
|--------------------------|-------------|--------------|----------------|---------------|------------------|---------------|-------------|-----------------|-------------------|-----------------------------|
| Strategy & Planning | 0.50 | - | 2.80 | - | 24.95 | 27.25 | - | 55.50 | 16,657.80 | 300.14 |
| Other assets | - | - | 64.60 | 11.90 | 2.85 | - | - | 79.35 | 43,901.90 | 553.27 |
| Trading | - | 28.20 | 213.50 | 177.60 | 104.00 | 120.45 | - | 643.75 | 294,798.60 | 457.94 |
| Accounting and treasury | - | - | 1.20 | 10.35 | 30.15 | 17.70 | - | 59.40 | 20,252.50 | 340.95 |
| Statutory and compliance | - | - | 13.45 | 84.95 | 54.30 | 13.25 | 0.30 | 166.25 | 69,748.40 | 419.54 |
| Employees & pensions | - | - | - | - | 0.30 | 1.75 | - | 2.05 | 585.00 | 285.37 |
| Creditors | - | - | 4.65 | 8.70 | 6.70 | 11.21 | - | 31.26 | 11,909.23 | 380.97 |
| Creditors committee | - | - | - | - | 0.75 | - | - | 0.75 | 228.00 | 304.00 |
| Tax | - | 3.95 | - | 6.50 | 10.85 | 26.70 | - | 48.00 | 18,322.25 | 381.71 |
| VAT | - | - | 6.80 | - | 1.20 | - | - | 8.00 | 8,969.80 | 1,121.23 |
| Closure procedures | - | - | 1.00 | - | - | - | - | 1.00 | 575.00 | 575.00 |
| Total | 0.50 | 32.15 | 308.00 | 300.00 | 236.05 | 218.31 | 0.30 | 1,095.31 | 485,948.48 | 443.66 |



Policy Administration Services Limited – in administration

Aggregate time cost summary to 20 January 2018

| Aspect of assignment | Total hours | Time cost £ | Average hourly rate £ | Estimated future hours | Estimated future costs £ | Estimated total costs £ | Average hourly rate £ |
|--------------------------|---------------|------------------|-----------------------------|---------------------------|--------------------------------|-------------------------------|-----------------------------|
| Strategy & Planning | 689 | 283,957 | 412 | 444 | 208,962 | 492,918 | 435 |
| Sale of business | 111 | 51,531 | 466 | - | - | 51,531 | 466 |
| Book debt realisations | 20 | 14,803 | 748 | - | - | 14,803 | 748 |
| Property | 14 | 7,579 | 551 | - | - | 7,579 | 551 |
| Other assets | 640 | 272,499 | 426 | 345 | 162,436 | 434,935 | 442 |
| Trading | 5,732 | 2,654,869 | 463 | 2,836 | 1,335,626 | 3,990,495 | 466 |
| Accounting and treasury | 837 | 275,919 | 330 | 442 | 208,278 | 484,197 | 379 |
| Statutory and compliance | 1,054 | 425,552 | 404 | 557 | 262,334 | 687,886 | 427 |
| Employees & pensions | 205 | 87,211 | 425 | - | - | 87,211 | 425 |
| Investigations | 9 | 3,239 | 352 | - | - | 3,239 | 352 |
| Creditors | 246 | 105,524 | 429 | 125 | 58,794 | 164,317 | 443 |
| Creditors committee | 49 | 21,725 | 439 | 22 | 10,319 | 32,044 | 449 |
| Tax | 333 | 177,726 | 534 | 142 | 66,993 | 244,719 | 515 |
| VAT | 189 | 149,526 | 792 | 72 | 33,678 | 183,204 | 704 |
| Books and records | 72 | 28,507 | 393 | - | - | 28,507 | 393 |
| Closure procedures | 63 | 35,402 | 561 | 269 | 153,275 | 188,677 | 569 |
| Total | 10,261 | 4,595,568 | 448 | 5,253 | 2,500,693 | 7,096,261 | 457 |



Phosphorus Acquisition Limited – in administration

Analysis of time costs for the period 21 July 2017 to 20 January 2018

| Aspect of assignment | Partner | Director | Senior Manager | Manager | Senior Associate | Associate | Support | Total hours | Time cost £ | Average hourly rate £ |
|--------------------------|-------------|----------|----------------|-------------|------------------|-------------|----------|--------------|-----------------|-----------------------------|
| Strategy & Planning | 0.50 | - | - | - | - | - | - | 0.50 | 432.50 | 865.00 |
| Other assets | - | - | 0.85 | - | - | - | - | 0.85 | 488.75 | 575.00 |
| Accounting and treasury | - | - | - | 0.80 | 0.90 | 0.60 | - | 2.30 | 824.40 | 358.43 |
| Statutory and compliance | - | - | 0.25 | 3.20 | 3.75 | 4.60 | - | 11.80 | 4,054.55 | 343.61 |
| Employees & pensions | - | - | - | - | 0.30 | - | - | 0.30 | 133.50 | 445.00 |
| Creditors | - | - | - | 0.20 | 2.45 | 0.20 | - | 2.85 | 895.40 | 314.18 |
| Tax | - | - | - | 0.10 | - | 0.60 | - | 0.70 | 202.50 | 289.29 |
| VAT | - | - | - | - | - | 0.60 | - | 0.60 | 154.80 | 258.00 |
| Total | 0.50 | - | 1.10 | 4.30 | 7.40 | 6.60 | - | 19.90 | 7,186.40 | 361.13 |



Phosphorus Acquisition Limited – in administration

Aggregate time cost summary to 20 January 2018

| 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 | 7,833 | 425 | 5 | 1,564 | 9,397 | 394 |
| Sale of business | 0 | 81 | 540 | - | - | 81 | 540 |
| Property | 0 | 46 | 460 | - | - | 46 | 460 |
| Other assets | 2 | 761 | 448 | - | - | 761 | 448 |
| Trading | 6 | 2,171 | 371 | - | - | 2,171 | 371 |
| Accounting and treasury | 20 | 6,254 | 307 | 7 | 2,070 | 8,323 | 304 |
| Statutory and compliance | 106 | 36,928 | 347 | 47 | 14,613 | 51,541 | 336 |
| Employees & pensions | 0 | 134 | 445 | - | - | 134 | 336 |
| Investigations | 6 | 1,849 | 324 | - | - | 1,849 | 324 |
| Creditors | 8 | 2,891 | 366 | - | - | 2,891 | 366 |
| Creditors committee | 0 | 58 | 290 | - | - | 58 | 290 |
| Tax | 3 | 772 | 297 | 5 | 1,603 | 2,375 | 305 |
| VAT | 1 | 316 | 288 | 1 | 348 | 665 | 302 |
| Books and records | 0 | 166 | 368 | - | - | 166 | 368 |
| Closure procedures | 0 | 94 | 470 | 20 | 5,765 | 5,859 | 290 |
| Total | 172 | 60,353 | 352 | 86 | 25,963 | 86,316 | 336 |

8.Receipts and payments accounts

Phones 4U Limited – in administration

From 21 July 2017 to 20 January 2018

| Directors' statement of affairs £ | | 15 September 2014 to 20 July 2017 £ | 21 July 2017 to 20 January 2018 £ | Total to 20 January 2018 £ |
|---|--|---|---|----------------------------------|
| Floating charge | | | | |
| Receipts | | | | |
| 1,003,700 | Accrued income | - | - | - |
| 35,168,467 | Amounts related to stock | 30,308,407.18 | - | 30,308,407.18 |
| 1,526,401 | Book debts | 3,036,856.35 | 50.00 | 3,036,906.35 |
| Undisclosed | Network commissions | 78,057,991.01 | 20,582,234.00 | 98,640,225.01 |
| 73,581,338 | Cash at bank | 92,967,951.25 | - | 92,967,951.25 |
| | Contribution to costs from group companies | 6,708,683.05 | 581,135.00 | 7,289,818.05 |
| | Contributions to legal fees | 1,428,408.51 | - | 1,428,408.51 |
| | Contributions to rent | 6,803,928.09 | - | 6,803,928.09 |
| | Contributions to wages | 447,000.00 | - | 447,000.00 |
| | Employment Benefit Trust settlement | 1,500,000.00 | - | 1,500,000.00 |
| | Insurance refunds | 148,464.98 | - | 148,464.98 |
| 156,652 | Intercompany debtors | - | - | - |
| | Intellectual property rights | 100,000.00 | - | 100,000.00 |
| | Interest received gross | 1,084,275.43 | 80,695.22 | 1,164,970.65 |
| 2,250,000 | Lease premiums | 743,400.01 | - | 743,400.01 |
| | Miscellaneous receipts | 41,347.60 | 250.00 | 41,597.60 |
| | Office equipment | 201,702.32 | - | 201,702.32 |
| 46,122 | Pre-payments | - | - | - |
| | Rates refunds | 1,223,404.03 | 11,063.93 | 1,234,467.96 |
| | Other refunds | 211,777.09 | - | 211,777.09 |
| | Sale of business | 14,218,577.86 | - | 14,218,577.86 |
| | Software licences | 180,100.00 | - | 180,100.00 |
| 5,870,969 | Subrogated inter-company claims | - | - | - |
| 250,000 | Tangible fixed assets | - | - | - |
| | Third party funds | 192,307.12 | - | 192,307.12 |
| Undisclosed | Total receipts | 239,604,581.88 | 21,255,428.15 | 260,860,010.03 |

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 July 2017 £ | 21 July 2017 to 20 January 2018 £ | Total to 20 January 2018 £ |
|---|---|---|----------------------------------|
| Floating charge | | | |
| Payments | | | |
| Agents' fees | 14,219,835.06 | 6,662,805.69 | 20,882,640.75 |
| Amounts relating to stock | 556,577.00 | - | 556,577.00 |
| Bank charges | 23,199.08 | 320.00 | 23,519.08 |
| 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 |
| Gross wages, salaries and employers NIC | 10,132,075.90 | 136,764.28 | 10,268,840.18 |
| Insurance | 393,907.64 | 3,925.82 | 397,833.46 |
| Irrecoverable VAT | 179,330.03 | - | 179,330.03 |
| IT costs | 2,740,627.12 | 20,614.10 | 2,761,241.22 |
| Legal fees | 9,164,551.07 | 1,702,757.13 | 10,867,308.20 |
| Lease/hire charges | 3,524.80 | - | 3,524.80 |
| Office holders' fees | 17,165,123.50 | 1,707,956.65 | 18,873,080.15 |
| Office holders' expenses | 221,863.79 | - | 221,863.79 |
| Office holders' expenses (PwC Legal LLP) | 467,619.91 | - | 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 | 1,408,095.33 | 6,277.02 | 1,414,372.35 |
| Sundry appointment related costs | 12,960.07 | 5,125.20 | 18,085.27 |
| Transport and carriage | 354,899.40 | - | 354,899.40 |
| Utilities | 1,051,494.41 | 100,000.00 | 1,151,494.41 |
| Total payments | 66,779,686.15 | 10,346,545.89 | 77,126,232.04 |
| Net floating charge realisations | 172,824,895.73 | 10,908,882.26 | 183,733,777.99 |
| 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) | - | - | - |
| Total RCF indebtedness | 15,810,000.00 | - | 15,810,000.00 |
| Senior secured noteholders | 33,961,407.25 | 76,201,744.86 | 110,163,152.11 |
| Total distributions to Noteholders | 33,961,407.25 | 76,201,744.86 | 110,163,152.11 |
| Cash-backed indemnities | 3,000,000.00 | - | 3,000,000.00 |
| Recovery of costs and interest | 2,289,791.18 | - | 2,289,791.18 |
| Total secured creditor entitlements | 55,061,198.43 | 76,201,744.86 | 131,262,943.29 |
| Preferential creditors | | | |
| Distribution to preferential creditors (100 pence in the £) | 1,716,513.98 | - | 1,716,513.98 |
| Total preferential creditor distribution | 1,716,513.98 | - | 1,716,513.98 |
| VAT control account | 2,480,209.25 | (155,284.44) | 2,324,924.81 |
| Balance held in interest bearing current accounts | 118,527,392.57 | (65,448,147.04) | 53,079,245.53 |
| Represented by | | | |
| Held in Barclays | | | 3,002,127.77 |
| Invested in high interest account | | | 50,077,117.76 |
| Total | | | 53,079,245.53 |



Phones 4 U Group Limited – in administration

From 21 July 2017 to 20 January 2018

| Directors' statement of affairs £ | 15 September 2014 to 20 July 2017 £ | 21 July 2017 to 20 January 2018 £ | Total to 20 January 2018 £ |
|---|---|---|----------------------------------|
| 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 July 2017 to 20 January 2018

| Directors' statement of affairs £ | 15 September 2014 to 20 July 2017 £ | 21 July 2017 to 20 January 2018 £ | Total to 20 January 2018 £ |
|--|---|---|----------------------------------|
| 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 account | 0.32 | - | 0.32 |
| Represented by | | | £ |
| Held in Barclays account | | | 0.32 |
| Total | | | 0.32 |

MobileServ Limited – in administration

From 21 July 2017 to 20 January 2018

| Directors' statement of affairs | | 15 September 2014 to 20 July 2017 | 21 July 2017 to 20 January 2018 | Total to 20 January 2018 |
|---------------------------------|--|--------------------------------------|------------------------------------|-----------------------------|
| £ | | £ | £ | £ |
| 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 | 267,327.91 | 3,481.37 | 270,809.28 |
| | Investments | 444,556.23 | - | 444,556.23 |
| | Sundry debts and refunds | 10.00 | - | 10.00 |
| | Third party funds | - | - | - |
| (18,739,611) | Total receipts | 5,457,856.08 | 3,481.37 | 5,461,337.45 |
| Payments | | | | |
| | Bank charges | 61,722.95 | 15.00 | 61,737.95 |
| | Legal fees | 74,209.39 | - | 74,209.39 |
| | Office holders' fees | 66,603.25 | - | 66,603.25 |
| | Office holders' expenses | 589.72 | - | 589.72 |
| | Corporation tax | - | 4,998.39 | 4,998.39 |
| | Sundry appointment related costs | 1,480.00 | - | 1,480.00 |
| | Total payments | 204,605.31 | 5,013.39 | 209,618.70 |
| | Net floating charge realisations | 5,253,250.77 | (1,532.02) | 5,251,718.75 |
| | VAT control account | (2,577.77) | 2,577.77 | - |
| | Balance held in interest bearing current account | 5,250,673.00 | 1,045.75 | 5,251,718.75 |
| Represented by | | | | £ |
| | Held in Barclays account | | | 5,251,718.75 |
| | Total | | | 5,251,718.75 |

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 July 2017 to 20 January 2018

| Directors' statement of affairs | | 16 September 2014 to 21 July 2017 | 21 July 2017 to 20 January 2018 | Total to 20 January 2018 |
|---------------------------------|--|--------------------------------------|------------------------------------|--------------------------|
| £ | | £ | £ | £ |
| Trading statement | | | | |
| Receipts | | | | |
| 27,000,000 | Customer insurance premiums | 99,590,408.53 | 8,036,354.16 | 107,626,762.69 |
| | Customer refunds and claims paid in cash | (2,430,355.02) | (157,220.79) | (2,587,575.81) |
| | Dividends received from P4UC | 27,550,000.00 | 3,600,000.00 | 31,150,000.00 |
| | Interest received gross | 249,257.99 | 24,755.29 | 274,013.28 |
| | 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 | 128,552,793.74 | 11,503,888.66 | 140,056,682.40 |
| Payments | | | | |
| | Agents' fees | 20,612,651.13 | 2,595,211.10 | 23,207,862.23 |
| | Bank charges | 137,102.68 | 16,692.57 | 153,795.25 |
| | Duress payments | 931,978.33 | - | 931,978.33 |
| | Insurance | 46,506,901.72 | 4,816,217.84 | 51,323,119.56 |
| | IT costs | 431,152.68 | 29,198.63 | 460,351.31 |
| | Legal fees | 1,275,739.60 | 5,202.36 | 1,280,941.96 |
| | Office costs | 413,132.00 | - | 413,132.00 |
| | Office holders' expenses | 30,376.60 | - | 30,376.60 |
| | Office holders' fees | 3,810,150.65 | 372,615.95 | 4,182,766.60 |
| | Property | 18,612.88 | - | 18,612.88 |
| | Stock purchase | 18,831,918.13 | 1,336,067.63 | 20,167,985.76 |
| | Trade creditors | 101,105.77 | 1,500.00 | 102,605.77 |
| | Warehouse costs | 357,826.00 | - | 357,826.00 |
| | Wages and salaries | 832,199.41 | 440.53 | 832,639.94 |
| | Total trading payments | 94,290,847.58 | 9,173,146.61 | 103,463,994.19 |
| | Trading account surplus/(loss) | 34,261,946.16 | 2,330,742.05 | 36,592,688.21 |

| Directors' statement of affairs £ | 16 September 2014 to 21 July 2017 £ | 21 July 2017 to 20 January 2018 £ | Total to 20 January 2018 £ |
|--------------------------------------|--|---|-------------------------------|
| 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) | 34,261,946.16 | 2,330,742.05 |
| 19,721,006 | Total receipts | 48,087,648.76 | 50,418,390.81 |
| Payments | | | |
| | Corporation tax | 5,080,702.70 | 786,064.76 |
| | Total payments | 5,080,702.70 | 5,866,767.46 |
| | VAT control account | 1,651,101.35 | 204,261.74 |
| | Floating charge realisations | 41,355,844.71 | 1,340,415.55 |
| | Secured creditors | | |
| | Distribution to senior secured Noteholders | 9,038,592.75 | 14,098,255.14 |
| | Total secured creditor entitlements | 9,038,592.75 | 14,098,255.14 |
| | Balance held in interest bearing accounts | 32,317,251.96 | (12,757,839.59) |
| | Represented by | | £ |
| | Held at Barclays | | 5,104,825.37 |
| | Held at Lloyds | | 5,051,074.23 |
| | Held at ANZ | | 9,403,512.77 |
| | Total | | 19,559,412.37 |

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 July 2017 to 20 January 2018

| Directors' statement of affairs £ | 15 September 2014 to 20 July 2017 £ | 21 July 2017 to 20 January 2018 £ | Total to 20 January 2018 £ |
|---|---|---|----------------------------------|
| Floating charge | | | |
| Receipts | | | |
| 69,473 Cash at bank | 69,472.80 | - | 69,472.80 |
| Bank interest | 509.14 | 8.82 | 517.96 |
| 129,806 Intercompany debtors | - | - | - |
| 7,328 Prepayments | - | - | - |
| 206,607 Total receipts | 69,981.94 | 8.82 | 69,990.76 |
| Payments | | | |
| Bank charges | 18.40 | - | 18.40 |
| Legal fees | 7,007.79 | - | 7,007.79 |
| Office holders' fees | 48,831.00 | - | 48,831.00 |
| Office holders' expenses | 525.55 | - | 525.55 |
| Sundry appointment related costs | 425.00 | - | 425.00 |
| Total payments | 56,807.74 | - | 56,807.74 |
| Net floating charge realisations | 13,174.20 | 8.82 | 13,183.02 |
| VAT control account | (986.02) | 986.02 | - |
| Balance held in interest bearing current account | 13,174.20 | 994.84 | 13,183.02 |
| Represented by | | | £ |
| Held in Barclays account | | | 13,183.02 |
| Total | | | 13,183.02 |

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 an estimate of our future expenses.

Expenses are amounts properly payable by us as administrators from the estates and include our fees but exclude distributions to creditors. The statements also exclude any potential liabilities related to MNO receivables, investigations and other commercially sensitive matters that may be payable as an expense of the administration in due course. In addition, they 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. The classification of future expenses shown below may differ from where their classification on the receipts and payments account.

Phones 4U Limited – in administration

From 21 July 2017 to 20 January 2018

| | Expenses incurred brought forward from 20 July 2017 (£) | Expenses incurred in this period (£) | Total expenses to 20 January 2018 (£) | Estimated future (£) | Anticipated total (£) |
|--|--|--|---|-------------------------|--------------------------|
| Agents' fees | 14,227,839.66 | 6,654,801.09 | 20,882,640.75 | - | 20,882,640.75 |
| Amounts relating to stock | 556,577.00 | - | 556,577.00 | - | 556,577.00 |
| Bank charges | 23,199.08 | 320.00 | 23,519.08 | 12,690.00 | 36,209.08 |
| 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 |
| Gross wages, salaries and employers NIC | 10,144,052.01 | 124,788.17 | 10,268,840.18 | 959,233.22 | 11,228,073.40 |
| Insurance | 393,907.64 | 3,925.82 | 397,833.46 | 19,500.00 | 417,333.46 |
| Irrecoverable VAT | 179,330.03 | - | 179,330.03 | - | 179,330.03 |
| IT costs | 2,740,627.12 | 20,614.10 | 2,761,241.22 | - | 2,761,241.22 |
| Legal fees (P4U) | 10,358,649.18 | 752,060.75 | 11,110,709.93 | 900,725.00 | 12,011,434.93 |
| 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 | 18,081,689.90 | 1,099,231.70 | 19,180,921.60 | 2,979,534.54 | 22,160,456.14 |
| Office holders' expenses | 356,267.53 | 60,071.37 | 416,338.90 | 90,000.00 | 506,338.90 |
| 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 | 1,408,171.47 | 6,200.88 | 1,414,372.35 | - | 1,414,372.35 |
| Sundry appointment related costs | 12,960.07 | 5,125.20 | 18,085.27 | - | 18,085.27 |
| Transport and carriage | 354,899.40 | - | 354,899.40 | - | 354,899.40 |
| Utilities | 1,051,494.41 | 100,000.00 | 1,151,494.41 | - | 1,151,494.41 |
| Contribution to expenses excluding legal fees from group companies | (6,708,683.05) | (581,135.00) | (7,289,818.05) | - | (7,289,818.05) |
| Total | 62,356,154.22 | 8,246,004.08 | 70,602,158.30 | 4,961,682.76 | 75,563,841.05 |

Note 1

Expenses relating to MNO receivables, investigations and other commercially sensitive matters have been excluded from all categories of expenses within the above forecast, except to the extent that they have been incurred to 20 January 2018. The estimated future and anticipated total expenses should therefore be treated with a degree of caution.

Note 2

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.

Note 3

We are liaising with HMRC regarding the recoverability of certain post-appointment transactions. We expect that there may be an element of further irrecoverable VAT but we cannot quantify this amount until such a time that it has been agreed with HMRC.

Phones 4 U Group Limited – in administration

From 21 July 2017 to 20 January 2018

| | Expenses incurred brought forward from 20 July 2017 (£) | Expenses incurred in this period (£) | Total expenses to 20 January 2018 (£) | Estimated future expenses (£) | Anticipated total expenses (£) |
|--------------------------|--|--|---|-------------------------------------|--------------------------------------|
| Legal fees | 6,143.06 | - | 6,143.06 | 5,000.00 | 11,143.06 |
| Office holders' expenses | 490.92 | - | 490.92 | 1,000.00 | 1,490.92 |
| Office holders' fees | 88,681.15 | 8,611.97 | 97,293.12 | 30,360.28 | 127,653.40 |
| Total | 95,315.13 | 8,611.97 | 103,927.10 | 36,360.28 | 140,287.38 |

Phones4U Finance plc – in administration

From 21 July 2017 to 20 January 2018

| | Expenses incurred brought forward from 20 July 2017 (£) | Expenses incurred in this period (£) | Total expenses to 20 January 2018 (£) | Estimated future expenses (£) | Anticipated total expenses (£) |
|--------------------------|--|--|---|-------------------------------------|--------------------------------------|
| Bank charges | 5.60 | - | 5.60 | 100.00 | 105.60 |
| Legal fees | 6,202.30 | - | 6,202.30 | 5,000.00 | 11,202.30 |
| Office holders' expenses | 1,918.36 | 1,757.90 | 3,676.26 | 10,000.00 | 13,676.26 |
| Office holders' fees | 65,301.15 | 10,188.35 | 75,489.50 | 27,612.99 | 103,102.49 |
| Professional fees | 79,966.56 | - | 79,966.56 | - | 79,966.56 |
| Total | 153,393.97 | 11,946.25 | 165,340.22 | 42,712.99 | 208,053.21 |

MobileServ Limited – in administration

From 21 July 2017 to 20 January 2018

| | Expenses incurred brought forward from 20 July 2017 (£) | Expenses incurred in this period (£) | Total expenses to 20 January 2018 (£) | Estimated future expenses (£) | Anticipated total expenses (£) |
|----------------------------------|--|--|---|-------------------------------------|--------------------------------------|
| Bank charges | 61,722.95 | 15.00 | 61,737.95 | 100.00 | 61,837.95 |
| Legal fees | 74,209.39 | - | 74,209.39 | 5,000.00 | 79,209.39 |
| Office holders' expenses | 755.60 | - | 755.60 | 1,000.00 | 1,755.60 |
| Office holders' fees | 76,083.60 | 11,185.37 | 87,268.97 | 45,861.09 | 133,130.06 |
| Sundry appointment related costs | 1,480.00 | - | 1,480.00 | 1,000.00 | 2,480.00 |
| Total | 214,251.54 | 11,200.37 | 225,451.91 | 52,961.09 | 278,413.00 |

Phosphorus Acquisition Limited – in administration

From 21 July 2017 to 20 January 2018

| | Expenses incurred brought forward from 20 July 2017 (£) | Expenses incurred in this period (£) | Total expenses to 20 January 2018 (£) | Estimated future expenses (£) | Anticipated total expenses (£) |
|----------------------------------|--|--|---|-------------------------------------|--------------------------------------|
| Bank charges | 18.40 | - | 18.40 | 100.00 | 118.40 |
| Legal fees | 7,007.79 | - | 7,007.79 | 5,000.00 | 12,007.79 |
| Office holders' expenses | 547.58 | - | 547.58 | 1,000.00 | 1,547.58 |
| Office holders' fees | 53,166.55 | 7,186.40 | 60,352.95 | 25,963.19 | 86,316.14 |
| Sundry appointment related costs | 434.00 | - | 434.00 | 1,000.00 | 1,434.00 |
| Total | 61,174.32 | 7,186.40 | 68,360.72 | 33,063.19 | 101,423.91 |

Policy Administration Services Limited – in administration

From 21 July 2017 to 20 January 2018

| | Expenses incurred brought forward from 20 July 2017 (£) | Expenses incurred in this period (£) | Total expenses to 20 January 2018 (£) | Estimated future expenses (£) | Estimated total expenses (£) |
|--------------------------|--|--|---|-------------------------------------|------------------------------------|
| Agents' fees | 22,758,096.65 | 2,359,880.01 | 25,117,976.66 | 8,433,714.79 | 33,551,691.45 |
| Bank charges | 227,148.75 | 21,182.57 | 248,331.32 | 27,458.65 | 275,789.97 |
| Duress payments | 931,978.33 | - | 931,978.33 | - | 931,978.33 |
| Insurance | 47,636,468.29 | 4,565,482.90 | 52,201,951.19 | 15,654,205.15 | 67,856,156.34 |
| IT costs | 447,499.92 | 14,939.39 | 462,439.31 | 21,360.00 | 483,799.31 |
| Legal fees | 1,276,854.24 | 5,640.66 | 1,282,494.90 | 265,000.00 | 1,547,494.90 |
| Office costs | 413,132.00 | - | 413,132.00 | - | 413,132.00 |
| Office holders' fees (*) | 4,109,619.85 | 485,948.48 | 4,595,568.33 | 2,500,693.14 | 7,096,261.47 |
| Office holders' expenses | 30,743.46 | 1,125.07 | 31,868.53 | 7,500.00 | 39,368.53 |
| Property | 18,612.88 | - | 18,612.88 | - | 18,612.88 |
| Stock purchase | 19,594,769.53 | 608,039.12 | 20,202,808.65 | - | 20,202,808.65 |
| Trade creditors | 101,105.77 | 1,500.00 | 102,605.77 | 81,957.36 | 184,563.13 |
| Warehouse costs | 357,826.00 | - | 357,826.00 | - | 357,826.00 |
| Wages and salaries | 832,199.41 | 440.53 | 832,639.94 | - | 832,639.94 |
| Total | 98,736,055.08 | 8,064,178.73 | 106,800,233.81 | 26,991,889.08 | 133,792,122.89 |

(*) Office holder's fees brought forward to 20 July 2017 of £4,109,620 have been corrected from the £4,106,381 reported in our last report. Time costs of £4,109,620 in this period were correctly reported in our SIP9 reports in Section 7.

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 | 251.6 | 251.7 | Section 5.1 |
| Less costs of realisations | | (22.0) | (19.9) | Section 5.1 |
| Net realisations | | 229.6 | 231.8 | |
| PAS | | | | |
| Trading | | 45.7 | 47.9 | |
| Corporation tax | | (7.5) | (7.8) | |
| PAS Administrators' fees | Note 2 | (8.5) | (8.5) | |
| Legal fees | Note 2 | (1.9) | (1.9) | |
| Prescribed part | | (0.6) | (0.6) | |
| Total PAS | | 27.3 | 29.2 | Section 5.2 |
| Other costs | | | | |
| Administrators fees | | (22.5) | (21.2) | Section 5.5 |
| RCF set off costs | Note 3 | (20.1) | (18.1) | Section 5.4 |
| Other professional fees | | (14.0) | (12.9) | Section 7.8 |
| Preferential creditors | | (1.7) | (1.7) | |
| Prescribed part | | (1.2) | (1.2) | Section 5.6 |
| Potential VAT expense | Note 4 | - | - | Section 5.1 |
| Total available to secured creditors | | 197.4 | 205.9 | |
| Super senior notes | | 430.0 | 430.0 | |
| Estimated return | | 46% | 48% | Section 4 |
| Total returns, £m | | | | |
| Returned to date | Note 5 | 133.3 | 133.3 | |
| Future return | | 64.1 | 72.6 | |
| Estimated return | | 197.4 | 205.9 | |
| Total returns, % | | | | |
| Returned to date | Note 5 | 31% | 31% | |
| Future return | | 15% | 17% | |
| Estimated return | | 46% | 48% | |

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 January 2018. 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 January 2018.

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 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.