

Minutes of the seventh meeting of the information committee of Phones 4u Finance plc's senior secured noteholders ("the committee")

Date: Tuesday 7 March 2017

Time: 2.30pm (London), 9.30am (New York)

Attendees

In the room

- Ian Green (PwC)
- David Kelly (PwC)
- Nigel Rackham (PwC)
- Lindsay Grindall (PwC)
- Mark Sterling (A&O)
- Gani Diwan (Taconic Capital Advisors UK)
- Pierre Bour (Attestor Capital)
- Helena Giles (GLAS)
- Jon Flynn (PwC) – observing only
- Michelle McGinley (PwC) – observing only

Dialled in

- Michael Renoff (Scoggin Capital Management)
- Billy Radicopoulos (Attestor Capital)

The meeting was held via webex, with all attendees either present in London or dialling into a call, whilst concurrently being able to view the slides attached to the minutes.

The meeting was led by Ian Green and Lindsay Grindall.

Lindsay explained that this meeting was based on the fifth progress report for the period 21 July 2016 to 20 January 2017 and that only the entities included within the "security net" were relevant to the meeting (as per the group structure in the appendices). It was not considered that any commercially sensitive non-public information would be discussed during the meeting but that the committee would need to form its own assessment.

It was explained that the administrators were taking a cautious approach regarding what information to share and the slides from the meeting and minutes would be available online at the PwC Phones 4u website within 24 hours.

Progress in relation to each of the below items was summarised as per the fifth progress report, released 17 February 2017 and available at www.pwc.co.uk/phones4u. Notes from this section of the meeting are only included to the extent that items discussed elaborated materially further than that information included within the progress report.

Recent progress (slide 4)

MNOs

Ian and Mark Sterling explained that for commercial and legal reasons the Administrators were restricted in regards to what further detail they were able to disclose about the receipts from MNOs.

Lindsay pointed out that as per the receipts and payments table on pages 49 and 50 of the progress report, total receipts into the estate to 20 January equal £56.4m and confirmed we have received two further payment amounts since that date. We expect to continue to receive regular receipts from MNOs in line with our forecast models.

Litigation has commenced against one MNO seeking to recover various amounts due. This application was sealed at the request of the MNO. Whilst we cannot share the specific details of the timeline for this, Mark Sterling confirmed that we are currently responding to that defence and the overall timeline will depend on the route through the courts and the court's availability.

We have previously received a letter before action from this MNO alleging a very substantial damages claim, in their response to our debt claim, this MNO formally submitted a counter claim to Phones 4u. Lindsay explained that we have reviewed this document and do not believe there is anything included within the papers which changes our view on the counter claim and therefore we continue to believe this counter claim is without merit and will defend alongside recovering the amounts owed.

There have been no proposals from the MNOs regarding a settlement.

Investigations

No further information was discussed in excess of what was included in the joint administrators' fifth progress report.

VAT – Bill of Exchange

Lindsay explained that the Administrators consider the previous methodology of accounting for VAT (i.e. on maturity of the bill) to be incorrect and that we submitted an error correction in the pre-appointment VAT return in September 2015.

HMRC subsequently raised a VAT assessment in December 2016. We have sought a review of this assessment and also informed HMRC of our intention to seek directions as to whether the VAT liability is a provable claim or payable as an expense.

HMRC has not made a final decision but we consider determining the issue by directions will be the most efficient means of resolving the issue and we are in the process of preparing a witness statement to support our request for directions.

Employees

The Employment Judge has awarded the full 90 days protective award to those employees not previously struck out, this relates to head office staff and workforce from some of the larger stores. The Redundancy Payments Service will make payment under the rules of arrears of wages for eight weeks (56 days) of statutory pay. Any outstanding balance could be claimed in the administration as an unsecured claim.

Change of Administrators

No further information was discussed in excess of what was included in the joint administrators' fifth progress report.

Admin extension

We intend to make an application to Court in the next six months to request an extension of the administration to September 2018.

PAS trading activities (slides 5 and 6)

Nigel explained that PAS continues to trade well. Whilst there is natural attrition in the business there is no reason to think it will not trade profitably through to September 2018, assuming we are granted an extension to this administration.

Nigel read out and discussed the contents of slide 5.

Nigel indicated that the basis of the assumptions for the low case PAS estimate had been updated. Whereas previously the low case was based on an immediate wind down scenario, both the high and the low were based on trading scenarios through to the end of the administration in Sep-17.

Nigel also mentioned that, as is usual, the team are looking at exit options to ensure that a clean exit can be achieved and executed swiftly in order to minimise closure costs and maximise overall returns.

Estimated outcome statement: Actual to 20 January 2017 (slide 7)

Lindsay provided an overview of key movements in the actuals from Jul-16 to Jan-17. The increase in total asset realisations relates to MNO receipts net of any commissions and some interest. Ian explained that the Phones 4U team retained by the Administrators for the pursuit of the MNO receivables are due a commission on the amounts recovered and this includes a ratchet mechanism linked to the overall receipt.

We have undertaken a review of VAT treatment, following which amendments have been made to historic receipts and payments, as a result the total costs of realisation have reduced.

Admin fees incurred to 20 July 2016 were drawn during this period and are shown in the R&P account in section 8 of the report. Fees incurred during the period 21 July to 31 December 2016 were drawn after the period of this report and will be included in the next R&P.

Other professional fees relate to costs incurred by A&O and QE relating to investigations, VAT and MNO related work.

Estimated financial outcomes: Forecast to September 2017 (slide 8)

Lindsay explained that there had been a number of changes to the EOS since Jul-16. Improvement in total asset realisations is driven by actual MNO receipts offset by commission. On a high case total costs of realisations have increased as a result of changes to provisions and the extension of the retained team costs from December 2016 to September 2017. On a low case the costs have slightly improved as we have revised some provisions downwards.

Administration fees are based on recent run rates. Ian noted that the methodology and quantity of these fees is continually discussed with the privates. Also, as the forecast estimate of these fees decreases, we have greater certainty over the total amount through to Sep-17.

Estimates for other professional fees are based on recent run rates and includes actual costs relating to investigations and MNOs.

Priorities for the next 12 months (slide 10)

Lindsay and Ian then gave a brief overview of the priorities for the next 12 months as per slide 10. In particular, Ian touched on the timing of the VAT BoE process which will be largely dependent on the response from HMRC.

Questions (slide 11)

Ian explained that a 10p distribution had been agreed with the privates. The level of distribution reflects a balance between the realisations to date and reserving for future costs. It was considered that this was the right time to do this as there was a material amount to distribute, and future distributions would be dependent on greater clarity in relation to a number of workstreams and the cost of distribution.

There were no further questions and the meeting was closed.

Phones 4U Finance plc (in administration)

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

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 its agents and act without personal liability. All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

The joint administrators are 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 administration.