

**Administrator's progress report**

Name of Company Phones 4U Limited	Company Number 03154198
In the High Court of Justice, Chancery Division, Companies Court (full name of court)	Court case number 6516 of 2014

We, Ian David Green, David James Kelly (both of PricewaterhouseCoopers LLP, 7 More London, Riverside, London, SE1 2RT) and Robert John Moran (of PricewaterhouseCoopers LLP, Cornwall Court, 19 Cornwall Street, Birmingham, B3 2DT), joint administrators of the above company attach a progress report for the period

from

to

(b) 21 July 2016

(b) 20 January 2017

Signed

Joint Administrator

Dated

17<sup>th</sup> February 2017**Contact Details:**

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record.

Kathryn Froggett	
PricewaterhouseCoopers LLP, Central Square, 8 <sup>th</sup> Floor, 29 Wellington Street, Leeds LS1 4DL	
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## **Joint Administrators' Fifth Progress Report**

For the period from 21 July 2016 to 20 January  
2017

### **Phones 4U Limited**

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

17 February 2017

### **Phones 4U Group Limited**

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

### **Phones4U Finance plc**

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

### **MobileServ Limited**

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

### **Phosphorus Acquisition Limited**

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

### **Policy Administration Services Limited**

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

(all in administration)



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## 1. Key messages

As required by insolvency legislation, this is our fifth 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.

There is the prospect of a dividend being paid to unsecured creditors of certain (but not all) of the Companies from the ring-fenced prescribed part fund. However, due to the estimated and significant level of total claims, any dividend is likely to be very small and the timing is unconfirmed at present. Please refer to Section 5.8 for further details.

### **Customers of Phones 4U Limited**

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

### **Creditors**

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

*Contact details (for claim forms only)* Phones 4U, c/o PwC, Central Square, 8<sup>th</sup> 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](mailto:phones4u_employees@uk.pwc.com), if you have any questions.

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

Whilst we expect that a dividend will be paid on the remaining ('unsecured') part in due course from the prescribed part fund, please note that this is likely to take some time for the reasons explained in this report.

We provide further details on the outcome of the recent Employment Tribunal decision in Section 5.1.

### **Noteholders**

We continue to liaise with the holders of the Notes (as defined below). These Noteholders are expected to have the primary economic interest in the progress of the Companies' administrations.

*Contact details* [phones4u\\_bondholders@uk.pwc.com](mailto:phones4u_bondholders@uk.pwc.com)



***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 2017, consistent with previous reports we have not disclosed the total 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 2017.

The same approach has been taken in respect of our investigatory work (see Section 5.6), 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 2017.

In line with previous reports and consistent with legal advice obtained, our estimates of dividend prospects do not include these significant items 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 <a href="http://www.pwc.co.uk/phones4u">www.pwc.co.uk/phones4u</a> 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
"Anovo"	Anovo UK Limited
"EE"	Everything Everywhere Limited
"Excluded Work"	Work carried out by us in relation to MNO receivables and the potential investigations
"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
"IR86"	The Insolvency Rules 1986
"Included Work"	Work carried out by us in connection with the administration except for the Excluded Work
"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"	Senior secured notes 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
"ROT"	Retention of title
"Schedule B1 IA86"	Schedule B1 to the Insolvency Act 1986
"SLM"	Service level metric
"TUPE"	Transfer of Undertaking (Protection of Employment) Regulations 2006
"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

<b>Company</b>	<b>Date of appointment</b>
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	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 The administration of 4U Limited ended on 10 September 2015 and the company has since been dissolved.

In accordance with Rule 2 47 IR86, we write to provide creditors with details of the progress of each administration in the six months to 20 January 2017

We refer you to our Proposals for an explanation of why the Companies were put into administration and how the purpose of each administration is expected to be achieved Subsequent progress reports explained the progress in each case since our appointment These reports continue to be available on our website at [www.pwc.co.uk/phones4u](http://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 income from ongoing investigations and certain associated costs of each work stream. An estimated financial outcome statement is provided in Section 10. More information is provided later in this report. 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 4U Group (limited)	Phones 4U (Finance plc)	Mobilesco (limited)	Phosphorus Acquisition (limited)	Police Administration Services (limited)
	<b>(Estimated recovery for secured creditors)</b>					
	<b>(Creditors with security in respect of their debt, in accordance with Section 248(1A)(b))</b>					
Estimated total debt	£19,810,000	RCF				
	£430,000,000	Notes				
Estimated % recovery for secured creditors	100%	for RCF lenders and between 30% and 31% for the Noteholders (on the basis set out in Section 5.8 and in 'Commercially sensitive matters' in Section 1 above)				
Forecast timing	The timing and quantum of any future distribution remains uncertain and is dependent on the matters set out in Section 5 of this report, most notably the progress of the investigations, VAT and MNO receivable work streams					
	<b>(Estimated dividend prospects for preferential creditors)</b>					
	<b>(For unpaid tax up to £300 and holiday pay only, and unpaid pension contributions in certain circumstances)</b>					
Amount owed to preferential creditors	£1.7 million (Note 2)	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

**Note 2** This figure has been reduced from the estimate provided in the directors' Statement of Affairs as claims have been admitted and paid



	Phonics 4U (limited)	Phonics 4U Group (limited)	Phonics 4U Finance plc	Mobilesco (limited)	Phosphorus Acquisition (limited)	Police Administration Services (limited)
	<b>(Estimated dividend prospects for unsecured creditors)</b> <i>(conditions to be unsecured) (not payable)</i>					
Amount owed to unsecured creditors. (as per the statement of affairs)	£168,069,816	£69,220,516	£92,428,369	£801,796,910	£561,308,251	£44,220,422
Estimated % recovery for unsecured creditors	Less than 0.4%	Nil	Nil	Less than 0.1%	Nil	Less than 1.4%
Forecast timing	See comment below and Section 5.8	Nil	Nil	See comment below and Section 5.8	Nil	6 months

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 5.8.

Unsecured creditors are encouraged to submit a claim (if not already done so), but should note that the outstanding issues described later are likely to determine the amounts available for distribution and may not be resolved or completed for considerable time.



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## 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:

- Collection of, and progressing strategy and initiating proceedings for the collection of, certain MNO receivables,
- Liaising with HMRC and specialists on the resolution of the remaining complex VAT matter,
- Continued trading of the PAS business,
- Ongoing investigations into potential claims,
- Continued agreement of property lease surrenders,
- Progressing the unsecured claim agreement process in preparation for a prescribed part distribution in PAS, P4U and MobileServ, and
- Sale of the remainder of residual stock.

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

We have completed the lease assignment process of the majority of the 198 stores acquired by Vodafone and EE. Assignments on a handful of these leases were not progressed by EE and Vodafone and in these instances we have requested informal surrenders of the leases from landlords.

We have recently engaged specialist legal advisors to help us progress the informal surrender of the remaining leases (where no premium value was identified). We have issued surrender letters to all respective landlords of the remaining properties. Around 279 properties have completed so far (including 46 since our last report).

To date, we have recovered £1.2m in business rates refunds (of which £5k was received in the period) with the assistance of specialist agents (CAPA). We understand from our agents that the recovery of business rates is substantially complete and any further recoveries are likely to be minimal.



## Stock

As previously reported, on appointment, the Group held stock with a book value of £89m, however, ROT claims had been made over a significant proportion of that stock

Since our last progress report, we have realised £0.1m through the final sale of residual stock items at auction

The auction process is now complete and we have disposed of all residual stock, for which there had been no ROT claims and which had been deemed to have no value

## MNO Receivables

Total receipts to 20 January 2017 in this area of the administration are £56.4m as seen in the enclosed receipts and payments account

Work continues to be performed to process ongoing customer behaviour information in order to update estimated revenue models and work through discrepancies identified between P4U records and those of the MNOs. A detailed narrative of work undertaken in this area over the last six months can be found in Section 7.4

We anticipate that substantial further payments will be received from MNOs during the course of the administration. Litigation has been commenced against one MNO seeking recovery of amounts which the administrators consider are due. As previously reported, this MNO has asserted that it has a substantial counterclaim. The administrators consider this counterclaim is without merit but the litigation will affect the timing of receipts from this MNO.

Retained and former P4U employees continue to work on this matter and we have a commission-based programme in place to incentivise the employees to maximise recoveries. During the period covered by this report, commission amounts have accrued in line with the MNO receipts discussed above. Total commission payments to 20 January 2017 in this area of the administration can be seen in the enclosed receipts and payments account.

## Employees

At the start of the period there were six remaining team members assisting with the collection of MNO receivables. Three employees left the business towards the end of this reporting period leaving three employees remaining.

We previously reported that a proportion of those employees made redundant on administration had filed protective award claims at various Employment Tribunals across the country. Around 60% of the claims were struck out following the preliminary hearing held between 25 to 28 April 2016.

As a result of developments in the administration, the Employment Tribunal and Claimants were informed in August 2016, that we no longer considered there to be a justifiable economic rationale for the Administrators to pursue the defence of the remaining claims.



On 9 and 10 January 2017, the Employment Tribunal in Birmingham dealt with the outstanding claims on papers and Employment Judge Lloyd made a protective award in respect of those claimants named in the judgement

Employees affected by the decision of the Employment Tribunal need take no further action. A proportion of the protective award is payable by the Secretary of State (via the Redundancy Payments Office) and these payments will be made directly to the employees, subject to deductions of any tax or social security contributions

Any residual amount owing to employees after amounts paid by the Redundancy Payments Office will rank as an unsecured claim against P4U (see Section 5.8). No action is required to submit a residual claim

#### VAT liabilities

As previously reported, the court hearing for the first significant VAT issue, concerning the extent to which the Companies could be liable to account to HMRC for VAT in the course of the relevant administrations on connection commissions earned under the MNO contracts, took place on 21 July 2016. The court agreed with the administrators' views. The hearing was in private due to the confidentiality restrictions in some of the materials presented to the court. However, the judge ordered a slightly redacted version of his judgment to be published. A copy of the redacted judgment is available at the British and Irish Legal Information Institute website.

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

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

We have sought a review of this assessment, which is pending, and have also informed HMRC of our intention to seek directions on the underlying issue, which is whether the VAT liability is a provable claim or is payable as an expense. HMRC has not made a final decision in this matter but if there is a difference in view with HMRC, the administrators consider that the issue should be determined by directions and that this would provide the quickest and most efficient means of resolving the issue.

The proper determination of the VAT issue will directly impact the funds available for distribution to creditors. Based on the quantum of bills of exchange outstanding at the point of administration, which has been confirmed by Barclays, we consider the maximum exposure regarding this issue to be £37.4m.

## 5.2 Policy Administration Services Limited

PAS is an 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 renewed on a monthly basis and customers can cancel these at any time.



## Trading

We are pleased to report that the PAS business continues to perform well overall and broadly in line with our expectations. The customer base has declined slower than expected to approximately 220,000 policyholders as at the end of December 2016, of which 133,000 have a Phones 4U Care policy and 87,000 have a Premierplan policy. The cost of claims has also been lower than expected. We continue to expect the customer base to reduce steadily to approximately 153,000 by 15 September 2017, the current end date of the administration.

In the last progress report, we reported that we adopted additional strategies to promote the longevity of the business:

- i The retention of policyholders' strategy allows policyholders to switch between the Premierplan and Phones 4U Care policies. Previously the only option was for customers to cancel their policy if they were unhappy with the level of cover their policy provided. This strategy has been successful as it has allowed the business to retain approximately 3,000 policyholders who we would expect have otherwise cancelled their policy, and
- ii From 1 October 2016 Insurance Premium Tax increased from 9.5% to 10%. As previously reported, the business has absorbed these costs, as passing them on to policyholders may have resulted in increased cancellations, which would be disadvantageous to the scheme.

As described above, all policies are automatically renewed monthly until they are cancelled by customers. We continue to send our policyholders annual reminders to check that they continue to need their policy. This is in accordance with industry 'best practice' so that customers are treated fairly. This exercise was completed by the end of November 2016.

Prior to sending out the annual reminders, an exercise was undertaken to update the contact details for customers who have not been in contact with the business since 2005 or earlier.

Our priority remains for customers to receive an efficient, high quality service whilst maximising revenue for creditors. Our team continues to monitor the qualitative and quantitative SLMs in accordance with the LSG outsourcing agreement. PAS continues to perform comparably with the highest achieving firms in the sector in respect of claims accepted/paid, claims withdrawn/not completed and average claim process time, which we monitor regularly through internal audits.

We continue to monitor the supply chain to ensure that the service provided by LSG is as efficient and cost effective as possible. We have agreed with LSG that Phones 4U Care policy claims for replacement phones will be fulfilled using LSG stock. This is consistent with the way Premierplan policy claims are fulfilled and will reduce the time and effort required by LSG and the Administrators' team to ensure that PAS has adequate stock to fulfil Phones 4U Care policy claims.

LSG continues to manage stock at very competitive prices for PAS and continues to dispose of any handsets beyond economic repair. All proceeds from the disposal of handsets are remitted back to PAS.

A Board meeting was held with the underwriter LGI in November 2016, where a full report was given in respect of the operation of the PAS scheme. No concerns were raised by the underwriter. We continue to produce detailed monthly management information reports for the underwriter to enable them to meet their regulatory obligations.



LGI benefitted from security in the form of a fully collateralised LoC provided by ING. In the period, ING informed us that it had elected not to renew its LoC which was due to expire on 15 January 2017. We therefore undertook an exercise to secure a replacement LoC. PAS successfully negotiated to reduce the value of the LoC required by LGI from £4m to £1.5m, which has freed up cash of £2.5m. Following extensive negotiations, Barclays agreed to provide a £1.5m LoC for PAS. Collateral for the Barclays LoC has been provided by PAS.

Some £4m was returned by ING on 25 January 2017 after the period to which this report relates. These funds were received by P4U Limited (who had provided the original capital) and will be included within the receipts and payments accounts in our next progress report.

We continue to assess whether further returns will be maximised by continuing to run off, or by exiting the PAS business.

#### **Asset realisation**

We estimate the business will generate a net profit of approximately between £34m to £35m over the period from the date of administration to 16 September 2017 (before tax, legal and Administrators' fees, and payment of the prescribed part to unsecured creditors). This estimate is highly sensitive to policy cancellations.

#### **Regulatory update**

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

We continue to monitor and regularly audit these processes and our findings have found no major or systemic risk in the way the outsourcer handles these claims. PAS receives very few complaints and the FOS upheld rate of PAS complaints during the last 12 months is 8% (one case), which compares very favourably to the industry norm of 40%-50%.

#### **Subsidiary**

PAS is the parent company of a captive reinsurer in the Isle of Man, P4UC, which reinsures the insurance business.

As reported in the last progress report, Aon became the captive manager from 1 July 2016 and is operating in accordance with the management agreement. We have agreed with the board of P4UC that the solvency buffer held by the captive be reduced by £1m to £1.1m.

As at 20 January 2017, £23.4m has been paid in dividends from P4UC to PAS, of which £5.7m 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 £2,579 and £27 in MobileServ Limited 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	-	266	0	-
<b>Total realised</b>	<b>5</b>	<b>5,343</b>	<b>69</b>	<b>-</b>

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 and we continue to explore options relating to the collection of outstanding amounts under the loan agreements which fall due for payment in 2019.

Aside from this, there are no further known assets to realise in any of these four companies. However, we consider 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 Change of Administrators

Robert Hunt, one of the previous Joint Administrators, has retired from the firm and an application was made to Court to remove him as an administrator of the Companies.

We considered that it was necessary to replace Robert Hunt across the Group (excluding PAS) and an application was made to appoint David Kelly as Joint Administrator. David Kelly is licensed in the United Kingdom to act as an insolvency practitioner by the ICAEW.

The application was granted and so David Kelly replaced Robert Hunt as Joint Administrator across the Group (excluding PAS) with effect from 8 November 2016.

Dan Schwarzmann resigned from office as Joint Administrator of PAS on 8 November 2016 because he is no longer able to act as officeholder due to an internal reorganisation within PwC. We do not consider it necessary for Dan Schwarzmann to be replaced.

Robert Hunt and Dan Schwarzmann will be released from all liabilities in respect of their conduct as Administrator with effect from 28 days from the date of this report. Creditors have 28 days from receiving this notice to apply to Court to vary or discharge the Court order.



As a result of the above changes, the court ordered a minor amendment to our proposals such that

- If PAS moves from administration to creditors' voluntary liquidation, Robert Hunt and Dan Schwarzmenn will not become liquidators; and
- If any of the other Group companies moves from administration to creditors' voluntary liquidation, Robert Hunt will not become liquidator, but instead David Kelly will become one of the liquidators in respect of those companies, together with Ian Green and Robert Moran

## **5.5 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 holders of £430m senior secured notes issued by Phones4u Finance plc as secured creditors with balances outstanding in the administrations.

We have previously reported that during the set off process the Security Trustee exercised its right under the inter-creditor agreement to withhold funds in order to indemnify itself. In total at 20 January 2017, the Security Trustee held £10m (less certain legal and trustee fees incurred and deducted since the balance was retained) and a further £1m is held on trust 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).

In previous reports we have set out the members of the informal creditors' committee of Noteholders. An additional member, Attestor Capital LLP, joined the committee on 30 August 2016. We continue to communicate with members on a regular basis.

We intend to hold a call with the informal creditors' committee in the weeks following the release of this report. Minutes of this meeting will be available to download shortly afterwards at [www.pwc.co.uk/phones4u](http://www.pwc.co.uk/phones4u)

During the period, we made a further request to secured creditors to approve, amongst other matters, the basis of our fees in respect of the Excluded Work. Approval was given and as a result of this and the previous fee approvals received, in the period we drew fees relating to work performed between 15 September 2014 to 20 July 2016. Further details are provided in Section 5.7.

## **5.6 Investigations**

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

Pre-action correspondence has been issued to potential defendants and expert witnesses continue to assist us in progressing the matter further. Due to the potentially material commercially sensitive nature of these investigations we do not think it would be appropriate to disclose any further information at this stage.





## 5.7 Administrators' remuneration

Since our last progress report, we have obtained further written fee approval from the secured creditors relating to administrators remuneration and drawn these fees in full. This second fee approval supplemented that previously received and relates to

- i the basis of our remuneration in respect of all work carried out by us in connection with the previously Excluded Work, being fixed by reference to the time properly given by the Administrators and various grades of their staff in attending to matters arising in the administrations,
- ii the payment of our remuneration in respect of the previously Excluded Work accrued up to (and including) 20 July 2016, and
- iii the payment of our remuneration on the basis approved in the prior fee approval for Included Work from 1 September 2015 up to (and including) 20 July 2016

We do not intend to seek approval at this time from the secured creditors in relation to future payments made in accordance with the basis of fees agreed in respect of both the Excluded Work and the Included Work. We will include details of any such payments in future progress reports.

We have now drawn fees up to 31 December 2016. Fees incurred to 20 July 2016 were drawn during this and prior periods and are shown in the receipts and payments account in Section 8. Fees incurred during the period 21 July 2016 to 31 December 2016 were drawn after the period of this report and will be included within the receipts and payments account in our next progress report.

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 earlier in this report, we have not included any expected future costs in relation to the Excluded Work.

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 2.48A IR86. 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 2.109 IR86. 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.



## 5.8 Outcome for creditors

### Secured creditors

We remain of the view there will be insufficient funds to repay the Noteholders in full and that they are therefore likely to have the primary economic interest in the progress and outcome of the administrations

Our outcome statement includes MNO receipts for the period 21 July 2016 to 20 January 2017 (in addition to those received in prior periods), however we have not disclosed the estimated future 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. Our outcome statement includes MNO receipts as well as associated costs of these realisations for the period

Certain other forecast costs such as retained team costs have been extended from 31 December 2016 to 15 September 2017 for both upper and lower estimated outcomes. For the reasons set out in Section 5.9 we consider that an extension of the administrations will be necessary and this report will be used to support our application to Court seeking an extension. We have not forecast income and costs for the period beyond September 2017 as the application has not yet been made or approved, however, this will be presented in our next six monthly progress report

The forecast results for PAS are converging and we are pleased to say this is towards the upper case. If PAS continues to trade profitably and asset realisations exceed costs there is no reason to believe PAS will not continue to run beyond September 2017

The range of estimated outcomes for the Noteholders has increased from 25% to 28% in our previous progress report to 30% to 31%. This increase is primarily driven by MNO receipts for the period to 20 January 2017 offset by the associated accrued commissions as outlined in Section 5.1 and improved forecast recoveries from PAS, partially offset by

- An increase in forecast administration costs due to additional work required to be performed in relation to the significant VAT issue outlined in Section 5.1. This increase in costs has been agreed with the private noteholders, and
- Certain other forecast costs such as retained team costs which have been extended from 31 December 2016 to 15 September 2017 on a higher case

We provide our estimated financial outcome statement in Section 10

Consistent with our previous progress report, the estimated outcome excludes any potential future recoveries from the MNO receivables or our investigatory work. Administrator, legal and other professional fees incurred to date with regards the MNO receivables and investigatory work have been incorporated, but not potential future costs

For illustrative purposes only, our estimate includes the effect of the potential VAT liability (of £37.4m) in connection with the Trade Bill Discounting Facility Agreements between P4U and Barclays being paid as an expense of the administration (see Section 5.1, VAT liabilities) in both the upper and lower case



There are still a number of matters to resolve before we can give any more accurate indication as to either the timing or quantum of a first distribution to secured creditors, most notably the progress of the VAT, MNO receivables and investigation work streams

Estimated dividend prospects

#### *Preferential creditors*

As noted in our previous reports, a dividend payment of £1.7m, reflecting a return of 100p in £, was made to preferential creditors with admitted claims on 4 December 2015

Unclaimed preferential dividends have now been passed to the Insolvency Service. Any former employees who did not cash their preferential dividend cheques should therefore contact the Insolvency Service on 0121 698 4268 in order to claim their dividend

The balance of any amounts owed to former employees will rank as unsecured claims, as these amounts do not enjoy preferential status. These unsecured claims will be dealt with separately and further information is provided in the section below

#### *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	x	Nil	£561m	Nil
Phones4U Finance plc	x	Nil	£92m	Nil
Phones 4 U Group Limited	x	Nil	£69m	Nil

\* Based on directors' statement of affairs

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

Dividend prospects are calculated by reference only to the amount owed to unsecured creditors as stated in the directors' statement of affairs, and do not take account at this stage of the costs associated with agreeing claims and distributing the prescribed part fund. The estimates are therefore subject to change and should be treated with caution



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

In respect of PAS, further work is required to identify all creditors, determine the value of creditor claims and the most appropriate distribution strategy before we formally adjudicate on creditor claims.

With regards to MobileServ and P4U whilst work has commenced on identifying creditors and considering our claims agreement strategy, certain larger potential claims may take some considerable time to resolve and therefore delay the timing of a distribution. These complex claims may include:

- HMRC's claim as a result of the Trade Bill Discounting Facility Agreements matter, and
- the value of any residual claim following the recent outcome of the protective award hearing.

## **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.

As noted in our previous reports, the period of each administration was extended to 15 September 2017 by consent of the court.

We consider that it is necessary to extend the period of each administration again in order to pursue the ongoing asset realisations and deal with the outstanding matters outlined in Sections 5.1 to 5.8 of this report.

An application to the Court (as opposed to obtaining the consent of the creditors) is the only method of obtaining an extension as this is the second extension requested.

We intend to make an application to Court in the next six months to request an extension to September 2018. We will provide an update to creditors in the next progress report.

## **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 to 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 <sup>th</sup> Floor, 29 Wellington Street, Leeds, LS1 4DL					
Appointment date	15 September 2014					16 September 2014
Administrators' names and addresses	David James Kelly and Ian David Green of PwC, 7 More London, Riverside, London, SE1 2RT Robert John Moran of PwC, Cornwall Court, 19 Cornwall Street, Birmingham, B3 2DT					Douglas Nigel Rackham and Ian David Green (both of the London address shown on the left)
Extensions to the administrations:	Extension granted by the Court to 15 September 2017					
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 current scale rates are provided below.

<i>With effect from 1 July 2016</i>	<b>Administrators' and their staff Rate per hour (£)</b>	<b>Specialist staff Maximum rate per hour (£)</b>
Partner	840	1,375
Director	740	1,150
Senior Manager	560	1,170
Manager	480	700
Senior Associate (qualified/consultant)	400	515
Senior Associate (unqualified)	295	-
Associate	250	255
Support staff	125	162

*Hourly rates quoted are exclusive of VAT*

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



### 7.3 Payments to associates

We have paid £466,356.91 to PwC Legal LLP in the period covered by this report, relating to work done since our appointment. This payment was for fees in relation to provision of employee legal services (details of which are provided in Section 7.6) and was approved as a Category 2 disbursement.

### 7.4 Narrative of work undertaken

Later in this section we have included tables showing our time costs from 21 July 2016 to 20 January 2017 by grade of staff and area of work for the period covered by this progress report. The following table provides further narrative on the key areas of work during the period.

Area of work	Work undertaken during the period	Financial benefit to creditors
Strategy & planning	<ul style="list-style-type: none"> <li>Oversight of case progression and general strategy decisions by appointment takers and other project management</li> <li>Budgeting and cost analysis</li> <li>Team strategy and progress meetings</li> <li>Liaising with key stakeholder groups</li> <li>Preparing various forecasts, including but not limited to cash flows, outcome statements, profit and loss accounts and financial model analysis</li> <li>Detailed analysis and liaison with legal and other advisors on the impact of legislative/regulatory changes</li> <li>Consideration of strategic approach in dealing with complex and interrelated work streams with associated legal/financial input and analysis</li> </ul> <p>This work was necessary for planning and project managing the many different work streams and drafting and circulating detailed information on the administrations to secured and unsecured creditors.</p>	Assists in the efficient management of the administrations, leading to a faster completion and return to creditors.
Trading	<ul style="list-style-type: none"> <li>Accounting and treasury functions, including bank account transfers and payment requisitions</li> <li>Regulatory reporting</li> </ul> <p><i>(Policy Administration Services Limited only)</i></p> <ul style="list-style-type: none"> <li>Monitoring of the insurance business, its trading activities and its claims processes on a daily basis</li> <li>Reviewing service level agreements and qualitative metrics used to measure the outsourcer performance</li> <li>Reviewing existing IT systems to determine our ongoing requirements to reduce costs while supporting the ongoing business</li> <li>Discussing and reviewing proposals put forward by LSG on the storage of customer information</li> <li>Managing and updating communication to all policyholders and ensuring that messages delivered are consistent with the underwriter's and claim administrator's communications</li> <li>Determining a strategy on cleansing customer address information</li> <li>Undertaking an exercise to cleanse customer address information</li> <li>Ongoing monitoring and adhering to regulatory and industry guidelines requirement on Treating Customers Fairly</li> </ul>	<p>Ensuring there is proper stewardship and accounting for the funds realised for the benefit of creditors.</p> <p>Maintaining ongoing profits from the PAS business.</p>

Area of work	Work undertaken during the period	Financial benefit to creditors
	<ul style="list-style-type: none"> <li>Monitoring performance of the business and LSG customer call centres on a daily basis</li> <li>Reviewing claims referred to the FOS and identifying root cause</li> <li>Ongoing review of claims and complaints from policyholders so that systems and processes are improved</li> <li>Reporting on regulatory matters, such as Retail Mediation Activities Return</li> <li>Reviewing data and analytics and all management information</li> <li>Reviewing product governance and compliance</li> <li>Attending monthly board meetings with the PAS team to discuss the strategy and progress of the scheme</li> <li>Liaising with the LGI board and providing regular updates on the progress of the PAS scheme</li> <li>Monthly operational meetings with LSG to discuss performance of call centres and SLMs</li> <li>Ongoing monitoring and planning of number of agents to be used to handle customer claims and queries</li> <li>Drafting and reviewing addendum to the LSG contract in respect of stock fulfilment</li> <li>Reviewing and agreeing purchase of handsets to fulfil claims on a monthly basis</li> <li>Extensive negotiations with LGI and Barclays in respect of the terms of a new LoC</li> <li>Reviewing and signing agreements to obtain a LoC with Barclays</li> <li>Planning for the exit of the PAS business</li> </ul> <p>This work is necessary for the ongoing successful and profitable trading of the PAS business. The work ensures that customers are treated fairly and PAS complies with regulatory requirements.</p>	
MNO Receivables	<ul style="list-style-type: none"> <li>Reviewing and assessing MNO receivable balances</li> <li>Pursuing a strategy to recover the amounts owed</li> </ul>	Enhanced asset realisations
Investigations	<p>Due to the potential material commercially sensitive nature of these investigations, we do not think it would be appropriate to disclose any further information.</p> <ul style="list-style-type: none"> <li>Investigating potential claims against third parties</li> </ul>	Enhanced asset realisations
Sale of stock	<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> <ul style="list-style-type: none"> <li>Negotiating and completing the sale of residual stock</li> <li>Liaising with John Pyc &amp; Sons (auctioneers) to process and where applicable, sell the accessories stock from stores and the warehouse</li> </ul>	Enhanced asset realisations
Property	<p>This work was necessary for dealing with and realising the residual stock and any retention of title claims.</p> <ul style="list-style-type: none"> <li>Liaising with landlords and their agents / solicitors regarding surrender of leases</li> <li>Liaising with landlords and responding to queries</li> </ul>	Mitigates claims against the administrations



Area of work	Work undertaken during the period	Financial benefit to creditors
	<ul style="list-style-type: none"> <li>Maintaining an accurate record of current store status and surrender progress</li> <li>Work alongside our agents on managing and recharging utility costs</li> <li>Negotiating and executing all final property transfer and disposal documentation</li> <li>Providing information to our rating advisors to assist with the recovery of business rate refunds</li> <li>Managing continuing correspondence from local authorities, landlords and utility providers</li> </ul>	
Other assets	<p>This work was necessary to negotiate with landlords, liaise with agents and to reduce P4U's liabilities in respect of its property portfolio</p> <ul style="list-style-type: none"> <li>Monitoring / accounting for business rates refunds and liaising with our agents</li> <li>Liaising with JLT (insurance broker) for the purpose of ongoing insurance cover for assets and risks in the post-appointment period</li> <li>Collating information for insurance purposes and responding to queries</li> <li>Renewing of Trade Marks and domains and determining the most appropriate strategy for their treatment</li> </ul>	Enhanced asset realisations and mitigates risk of claims against the administrations and loss of assets
Creditors & committee	<p>This work was necessary to ensure proper insurance of assets and to ensure that assets were dealt with appropriately and that refunds were secured in respect of business rates</p> <ul style="list-style-type: none"> <li>Planning and preparation of financial and operational information for creditors</li> <li>Liaising with the informal creditors committee, bondholders and notes trustee by way of calls, meetings and notices</li> <li>Bondholder meetings planning, preparations and follow up</li> <li>Correspondence with lawyers regarding the release of all or part of the Security Trustee retained funds</li> <li>Responding to queries from stakeholder groups</li> <li>Maintaining information on our dedicated website</li> <li>Receiving statement of claims forms and filing, liaising with and providing progress updates to the secured creditors</li> <li>Formulating and delivery of our communications strategy</li> <li>General creditor / customer calls and enquires</li> <li>Working on a number of complex HMRC claims (refer to the VAT section)</li> <li>Maintaining creditor claims database</li> <li>Adjudicating on lower value creditor claims</li> </ul> <p>This work was necessary to prepare and review correspondence with creditors and ensure that creditors are provided with updates on matters in the administrations</p> <p><i>(Policy Administration Services Limited only)</i></p> <ul style="list-style-type: none"> <li>Reviewing paper and electronic files to identify those unsecured creditors that may have already filed a claim</li> <li>Reviewing unsecured claims received</li> </ul>	<p>Provides information necessary to creditors (who have an economic interest in the outcome of the administrations), both collectively and individually</p> <p>Unsecured creditors will benefit from the distribution of the prescribed part</p>



Area of work	Work undertaken during the period	Financial benefit to creditors
VAT liabilities	<ul style="list-style-type: none"> <li>Assessing unsecured creditor claims by reference to the Statement of Affairs to ensure that the correct balances are captured for the dividend purposes</li> </ul> <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>	Statutory responsibilities and mitigates the loss of assets
	<ul style="list-style-type: none"> <li>Workings for periodic VAT returns</li> <li>In-depth VAT reconciliation of all transactions</li> <li>Meetings and general correspondence with HMRC</li> </ul> <p>This work was necessary to meet statutory VAT filing requirements. It was also necessary to clarify, with certainty, that the P4U should only be liable to pay VAT on monies actually received from mobile network operators in the course of the administration</p>	
Tax	<ul style="list-style-type: none"> <li>Attendance at court hearing and redacting the court judgement regarding the first significant VAT issue</li> <li>Internal communication and meetings on VAT matters</li> <li>Preparation of and technical input into letters to HMRC requesting non-statutory clearance in respect of the second and final outstanding VAT matter</li> <li>Review of books and records (including electronic archives) to prepare responses to legal requests for information</li> <li>Liaising with former P4U staff to obtain information relating to VAT matters for inclusion within court documents</li> <li>Regular discussions with external legal advisors and also counsel on VAT matters</li> <li>Review of detailed legal documents setting out the Administrators' view of specific and complex VAT positions</li> <li>Preparation for creditors (Noteholder) meetings, on VAT related matters</li> </ul> <p>This work was necessary to try and resolve the material outstanding VAT issue to try and prevent this being payable as an expense of the administration</p>	The potential cost to the estate if we did not pursue this course of action could be £37.4m
	<ul style="list-style-type: none"> <li>For P4U (and associated group companies to the extent it affects P4U's tax position) preparation and submission of pre-and post-administration tax returns</li> <li>Consideration and detailed analysis of the quantum of the (terminal) tax losses position to offset potential taxable post-administration profits</li> <li>Responding to HMRC queries in connection with               <ul style="list-style-type: none"> <li>Pre-administration legacy tax issues including open enquiries in connection with intra-group tax planning (now closed)</li> <li>Allocation of historical pre-administration Group tax payments across the group companies for year end 31 December 2010, 31 December 2011 and 31 December 2012. Allocation for year end 31 December 2013 remains to be agreed</li> </ul> </li> </ul>	<p>Legal and statutory requirement and reaching certainty on the pre and post-administration tax position of the Companies</p> <p>Enhanced financial benefit from the EBT settlement</p>



Area of work	Work undertaken during the period	Financial benefit to creditors
	<ul style="list-style-type: none"> <li>- Agreement and sign off of settlement agreement between a legacy employee benefit trustee, its trustees, its beneficiaries and certain P4U group companies</li> <li>- Agreement of the tax position with HMRC in relation to the employee benefit trust</li> </ul> <p>This work was necessary because we have a legal obligation to submit tax returns to HMRC</p> <p><i>(Policy Administration Services Limited only)</i></p> <ul style="list-style-type: none"> <li>• Ongoing monitoring of taxable profits position to assess corporation tax payments on accounts</li> <li>• Preparing tax returns for post-administration periods</li> <li>• Considering the tax efficiency of the PAS scheme</li> <li>• Preparing for the payments of income tax on interest payments made to customers</li> </ul> <p>This work was necessary because the PAS business continues to be profitable and therefore is it required to file tax returns and make quarterly payments on account. In addition, as PAS pays refunds to customers that incur interest, the business is required to calculate and pay to HMRC the income tax on these interest payments</p>	
Employees	<ul style="list-style-type: none"> <li>• Correspondence and meetings with employees</li> <li>• Working with relevant staff for the calculation and payment of ongoing payroll and retention amounts</li> <li>• Obtaining legal advice on protective awards claims</li> <li>• Monitoring the progress and outcome of the employment tribunal hearing</li> <li>• Dealing with press enquiries following receipt of the employment tribunal judgement</li> </ul> <p>This work was necessary to oversee the protective awards claim and to ensure that payrolls are operated correctly and corresponding PAYE/NIC deductions are paid to HMRC</p>	<p>Ongoing statutory responsibilities in respect of retained employees</p> <p>Ensuring the legal process was dealt with efficiently and minimised employee claims</p>
Pensions and benefits	<ul style="list-style-type: none"> <li>• Responding to members' queries on pension issues</li> <li>• Arranging for pension contributions to be paid over to the Aegon group personal pension plan and the People's Pension for those members who remain employed</li> <li>• Liaising with insurers in relation to the renewal of the employee benefit arrangements</li> <li>• Submission of further claims to the Redundancy Payments Service in respect of unpaid pre-appointment pension contributions</li> <li>• Ensuring ongoing cover under employee benefit arrangements, including group life and private medical insurance and group income protection scheme</li> </ul> <p>This work was necessary to comply with statutory and regulatory obligations</p>	<p>Statutory and regulatory responsibilities</p>
Accounting and treasury	<ul style="list-style-type: none"> <li>• Dealing with general accounting and treasury functions including payments, receipts and journal postings.</li> <li>• Dealing with ongoing payment of wages</li> </ul>	<p>Ensuring proper stewardship of funds held</p>

Area of work	Work undertaken during the period	Financial benefit to creditors
Statutory and compliance	<ul style="list-style-type: none"> <li>Active management of cash holdings, including placing regular money market investments to increase returns whilst ensuring credit risk is appropriately managed</li> </ul> <p><i>(Policy Administration Services Limited only)</i></p> <ul style="list-style-type: none"> <li>Discussions in relation to moving customers' direct debits from pre-administration bank account to post-administration bank account</li> <li>Exploring ways of moving funds between accounts upon collection</li> <li>Transferring premiums to insurer account every two days, including reconciliation and sign off from appointees</li> <li>Discussions with Lloyds Bank on ensuring the transfer of premiums is efficient and cost effective</li> <li>Operating finance functions, including bank account transfers and payment requisitions</li> <li>Collecting premiums and making refunds to customers and reconciliation to bank balance and cash flow</li> </ul>	<p>Ensuring funds are managed securely and that such funds are generating returns</p> <p>Complying with statutory and regulatory duties regarding the holding and accounting for funds</p>
	<p>This work was necessary for preparing and authorising receipt and payment vouchers, carrying out bank reconciliations and reacting quickly to raise urgent same day payments for suppliers. For PAS, it ensures the correct allocation and accounting for premiums and refunds</p> <ul style="list-style-type: none"> <li>Planning for statutory duties and collection of requisite information</li> <li>Preparing and issuing our fourth and fifth progress report to creditors</li> <li>Dealing with incoming correspondence</li> <li>Understanding and managing statutory obligations regarding the store network, including health and safety / environmental risk management</li> <li>Maintaining case records and filing</li> <li>Managing incoming statement of claim forms and creditor database</li> <li>Completing case management prompts on the case database</li> </ul>	<p>Statutory and regulatory responsibilities</p>
Books and records	<p>This work was necessary to comply with our statutory responsibilities as administrators. It was necessary to draft and circulate statutory reports to creditors with detailed information on the administrations, deal with incoming correspondence and respond on compliance matters</p> <ul style="list-style-type: none"> <li>Liaising with third party storage providers in relation to company books and records that we have a legal obligation to maintain</li> <li>Review of software and hardware licenses to realise value for the administration through reselling</li> </ul>	<p>Statutory and regulatory responsibilities</p>
	<p>This work was necessary to ensure proper stewardship of company books and records</p> <p><i>(Policy Administration Services Limited only)</i></p> <ul style="list-style-type: none"> <li>Reviewing and monitoring the profit and loss and balance sheet on a monthly basis</li> <li>Ongoing monitoring of the profit and loss forecast and comparing to actuals</li> </ul>	<p>Monitoring the PAS scheme ensures profitability is maintained for the benefit of creditors</p>



Area of work	Work undertaken during the period	Financial benefit to creditors
Subsidiary	<p>This work is necessary because it enables us to monitor the activity of the PAS scheme and to determine its levels of profitability for forecasting and cost monitoring purposes</p> <p><i>(Policy Administration Services Limited only)</i></p> <ul style="list-style-type: none"> <li>Negotiating with the P4UC board in respect of the minimum capital requirement</li> <li>Responding to queries to fulfil Aon compliance requirements</li> <li>Attending board meetings with P4UC to oversee the running of the subsidiary</li> <li>Preparing for an internal audit of P4UC at Aon's office</li> </ul>	<p>Profits from the PAS business accumulate in P4UC and are paid to PAS by way of a dividend on a quarterly basis. These dividends will form part of the distribution to creditors</p>
	<p>This work was necessary because it ensures that the captive is managed in accordance with the management agreement, therefore maximising dividends received by PAS</p>	

## 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 15 September 2017 (£m)	Whether or not the work will provide a financial benefit to creditors
Strategy & planning	<ul style="list-style-type: none"> <li>Preparing estimated outcome statements, budgets, forecasts and other financial reporting tools</li> <li>Reporting to secured creditors</li> <li>Team meetings to determine case strategy on the various and complex work streams within the administrations</li> <li>In depth consideration of strategic approach in dealing with complex and interrelated work streams</li> <li>Strategy meetings, decisions and project management by the appointment takers</li> <li>Liaison with external advisors in relation to the various and complex work streams within the administrations</li> <li>Progression of matters in the administrations</li> </ul>	0.4	Assist in the efficient completion of the administrations and return to creditors
Trading	<p><i>(Policy Administration Services Limited only)</i></p> <ul style="list-style-type: none"> <li>Actively monitoring the insurance business, its activities and claims processes</li> <li>Determining how best to promote the longevity of the scheme</li> </ul>	0.2	This will lead to a more profitable business and therefore a larger distribution to secured creditors

Area of work	Work we need to do	Estimated cost to 15 September 2017 (£m)	Whether or not the work will provide a financial benefit to creditors
Assets (including MNO receivables, investigations and other assets)	<ul style="list-style-type: none"> <li>Collection of the MNO debtors including pursuing legal action where necessary</li> <li>Payment of commissions</li> <li>Active management of cash holdings, including placing regular money market investments to increase returns</li> <li>Investigating potential claims against third parties</li> </ul>	*0.0	Enhanced asset realisations for the administrations
Property	<ul style="list-style-type: none"> <li>Liaising with landlords and their agents / solicitors regarding surrender of leases</li> <li>Manage and reduce any liabilities we have with respect ongoing leases</li> </ul>	0.1	Mitigate claims against the administrations
Creditors and committee	<ul style="list-style-type: none"> <li>Adjudicate on unsecured creditor claims then declare and pay a dividend from the prescribed part fund where possible</li> <li>Respond to creditor enquiries</li> <li>Creditor meetings</li> <li>If possible, declare and pay a distribution to secured creditors</li> </ul>	0.1	Direct benefit to creditors through payment of distributions and provision of information
VAT liabilities	<ul style="list-style-type: none"> <li>Completion of VAT returns</li> <li>Appeal against the HMRC assessment</li> <li>Maintain dialogue with HMRC</li> <li>Internal communications and meetings on VAT</li> <li>Regular discussions with external legal advisors and counsel on VAT matters in pursuit of directions from the High Court</li> <li>Review of detailed legal documents setting out the Administrators' view of specific and complex VAT positions</li> <li>Preparation for creditors (Noteholder) meetings, on VAT related matters</li> </ul>	0.6	<p>Statutory and regulatory requirements</p> <p>The potential cost to the estate if we did not pursue this course of action could be £37.4m</p>
Tax	<ul style="list-style-type: none"> <li>Drafting and submission of corporation tax returns</li> <li>Ongoing liaison with HMRC</li> </ul>	0.2	Statutory and regulatory requirements
Employees	<ul style="list-style-type: none"> <li>Calculation of any residual claims of former employees as a result of the outcome of the protective award judgement</li> <li>Calculation of former employees' unsecured claims</li> <li>Ongoing payroll functions in relation to the retained employees</li> <li>Responding to ex-employee queries</li> </ul>	0.1	Statutory and regulatory requirements



Area of work	Work we need to do	Estimated cost to 15 September 2017 (£m)	Whether or not the work will provide a financial benefit to creditors
Accounting and treasury	<ul style="list-style-type: none"> <li>• Payment of invoices when they fall due</li> <li>• Actively monitoring and dealing with funds invested on the money markets</li> <li>• Carrying out periodic bank reconciliations</li> <li>• Corresponding with the bank regarding specific transfers</li> </ul>	0.2	Ensures proper stewardship of the funds held. Management of funds will generate greater recoveries for creditors.
Statutory & compliance	<ul style="list-style-type: none"> <li>• Drafting and circulating progress reports to creditors</li> <li>• Seeking an extension of the administrations</li> <li>• Compliance with regulatory requirements</li> <li>• Maintaining case files</li> <li>• Dealing with general correspondence and queries</li> </ul>	0.4	Statutory and regulatory requirements
Books and records	<i>(Policy Administration Services Limited only)</i> <ul style="list-style-type: none"> <li>• Ongoing monitoring of the profit and loss and balance sheet, comparing forecasts and actuals</li> </ul>	0.0	Ensures profitability is maintained for the benefit of creditors
Subsidiary	<i>(Policy Administration Services Limited only)</i> <ul style="list-style-type: none"> <li>• Monitoring the activities of P4UC to ensure that it complies with the management agreement in order to maximise that dividend payments</li> </ul>	0.1	Enhanced asset realisations for the benefit of creditors

\* The MNO Receivables and Investigations work streams, and costs relating to the same, 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.

In December 2014, we instructed PwC Legal LLP to assist with the response to a high volume of protective award claims received from former employees (as outlined in Section 5.1). This work has included extensive investigations into the circumstances of the case, liaising with Employment Tribunal offices across the country and obtaining counsel's advice on P4U's position.

PwC Legal LLP is a member of the PwC international network of firms and therefore can be considered to be an associate of the Administrators' firm for the purposes of SIP9.

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 2016 to 20 January 2017 is provided below.





## Phones 4U Limited – in administration

Summary of disbursements incurred from 21 July 2016 to 20 January 2017

Category	Policy	15 September 2014 to 20 July 2016 (£)	21 July 2016 to 20 January 2017 (£)	Total to 20 January 2017 (£)
2	Photocopying - at 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying	18,087.83	278.81	18,366.64
2	Mileage - at a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc)	30,038.24	-	30,038.24
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.	519,089.91	(51,470.00)	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 - as a result of changes in our internal reporting systems, further Category 2 disbursements have come to light during the period of this report. These costs are made up and charged as follows:			
	License fees - at £100 per month for each named user accessing the online review platform and £50 per Gigabyte of data processed.	12,062.00	6,168.00	18,230.00
	Hosting - at £25 Gigabyte of data processed per calendar month	29,157.00	17,613.00	46,770.00
	We are in the process of determining the most appropriate and cost effective method of seeking approval for these costs, which may involve seeking court approval at the same time as seeking approval to extend the administration.			
1	All other disbursements reimbursed at cost			
	External venue costs	35,601.05	-	35,601.05
	Hotel accommodation	29,041.65	3,016.05	32,057.70
	Rail fares	24,198.22	509.00	24,707.22
	Air fares	30,948.65	9,236.25	40,184.90
	Postage	21,574.54	488.91	22,063.45
	Subsistence costs	8,249.02	144.38	8,393.40
	Taxi fares	6,194.34	150.30	6,344.64
	Mobile phone usage	1,834.35	-	1,834.35
	Other	9,263.70	2,340.87	11,604.57
	<b>Total</b>	<b>775,340.50</b>	<b>(11,524.43)</b>	<b>763,816.07</b>



### Phones 4 U Group Limited – in administration

Summary of disbursements incurred from 21 July 2016 to 20 January 2017

Category	Policy	15 September 2014 to 20 July 2016 (£)	21 July 2016 to 20 January 2017 (£)	Total to 20 January 2017 (£)
2	Photocopying - at 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying	98 20	-	98 20
2	Mileage - at a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc)	79 73	-	79 73
1	All other disbursements reimbursed at cost	98 60	192 36	290 96
<b>Total</b>		<b>276 53</b>	<b>192 36</b>	<b>468 89</b>

### Phones4U Finance plc – in administration

Summary of disbursements incurred from 21 July 2016 to 20 January 2017

Category	Policy	15 September 2014 to 20 July 2016 (£)	21 July 2016 to 20 January 2017 (£)	Total to 20 January 2017 (£)
2	Photocopying - at 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying	-	-	-
2	Mileage - at a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc)	85 26	-	85 26
1	All other disbursements reimbursed at cost	437 65	1,373 42	1,811 07
<b>Total</b>		<b>522 91</b>	<b>1,373 42</b>	<b>1,896 33</b>

### MobileServ Limited – in administration

Summary of disbursements incurred from 21 July 2016 to 20 January 2017

Category	Policy	15 September 2014 to 20 July 2016 (£)	21 July 2016 to 20 January 2017 (£)	Total to 20 January 2017 (£)
2	Photocopying - at 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying	163 17	-	163 17
2	Mileage - at a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc)	7 19	-	7 19
1	All other disbursements reimbursed at cost	227 00	192 36	419 36
<b>Total</b>		<b>397 36</b>	<b>192 36</b>	<b>589 72</b>

### Phosphorus Acquisition Limited – in administration

Summary of disbursements incurred from 21 July 2016 to 20 January 2017

Category	Policy	15 September 2014 to 20 July 2016 (£)	21 July 2016 to 20 January 2017 (£)	Total to 20 January 2017 (£)
2	Photocopying - at 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying	99 00	-	99 00
2	Mileage - at a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc)	7 19	-	7 19
1	All other disbursements reimbursed at cost	227 00	192 36	419 36
<b>Total</b>		<b>333 19</b>	<b>192 36</b>	<b>525 55</b>



# **Policy Administration Services Limited – in administration**

Summary of disbursements incurred from 21 July 2016 to 20 January 2017

Category	Policy	16 September 2014 to 20 July 2016 (£)	21 July 2016 to 20 January 2017 (£)	Total to 20 January 2017 (£)
2	Photocopying - at 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying	162 90	56 08	218 98
2	Mileage - at a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc)	3,118.98	-	3,118 98
1	All other disbursements reimbursed at cost			
	Rail fares	11,391 92	575 65	11,967 57
	Hotel accommodation	7,031 25	-	7,031 25
	Subsistence costs	2,471 16	-	2,471 16
	Taxi fares	2,049 03	-	2,049 03
	Car hire charges	1,485 92	-	1,485 92
	Air fares	551 64	-	551 64
	Other	1,269 55	212 52	1,482 07
	<b>Total</b>	<b>29,532 35</b>	<b>844.25</b>	<b>30,376 60</b>



## 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 £52.4m 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 30% to 31% for the Noteholders (who are expected to have the primary economic interest in the progress of the Companies' administrations)

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

## 7.8 Summary of legal and other professional firms

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

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



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

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

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

#### **7.9 Associates**

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

#### **7.10 Sub-contractors**

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

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

#### **7.11 Analysis of our time costs**

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

We have now sought and obtained approval to the basis of our remuneration in respect of the previously Excluded Work as explained in Section 5.7. We therefore provide an analysis of the time spent on these work areas below from 15 September 2014 to 20 January 2017.

# **Phones 4U Limited – in administration**

Analysis of time costs for the period 21 July 2016 to 20 January 2017

Aspect of assignment	Partner	Director	Senior Manager	Manager	Associate	Support	Total hours	Time cost £	Average hourly rate £
Strategy & Planning	123 70	255 95	80 90	7 40	96 50	21 60	591 05	376,681 00	637
Sale of business	-	-	-	-	-	-	-	-	-
Book debt realisations	-	-	-	-	-	-	-	-	-
Property	-	-	6 65	83 50	202 95	40 90	334 00	110,250 05	330
Other assets	4 00	19 95	22 95	2 25	16 55	2 90	68 60	36,572 25	533
Retention of title	-	-	-	-	-	-	-	-	-
Trading	-	-	-	-	-	-	-	-	-
Accounting and treasury	4 00	-	13 85	44 65	179 25	69 65	311 70	105,592 75	339
Statutory and compliance	10 60	22 60	262 95	17 85	83 50	21 80	431 55	215,004 25	498
Employees & pensions	1 00	4 80	13 50	76 15	99 80	30 30	235 40	82,352 65	350
Investigations	-	-	-	-	-	-	-	-	-
Creditors	1 00	100 10	144 65	205 45	205 30	224 40	881 90	371,291 00	421
Creditors committee	-	21 10	4 50	-	-	-	25 60	18,134 00	708
Tax	19 75	32 25	-	0 40	46 21	68 35	175 96	101,430 90	576
VAT	87 95	110 45	125 60	168 15	56 13	1 00	550 18	439,029 70	798
Books and records	1 00	-	0 25	-	45 80	32 00	79 05	20,185 00	255
Closure procedures	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>253 00</b>	<b>567 20</b>	<b>675 80</b>	<b>605 80</b>	<b>1,031 99</b>	<b>512 90</b>	<b>3,684 99</b>	<b>1,876,523 55</b>	<b>509</b>

Analysis of previously Excluded Work for the period 15 September 2014 to 20 January 2017

MNO Receivables	82 70	120 00	762 10	491 39	562 55	355 00	13 50	1,070,752 70	449
Investigations	46 70	174 45	708 00	516 18	308 90	272 40	2,026 63	887,548 35	438
<b>Total</b>	<b>129 40</b>	<b>294 45</b>	<b>1,470 10</b>	<b>1,007 57</b>	<b>871 45</b>	<b>627 40</b>	<b>4,413 87</b>	<b>1,958,301 05</b>	<b>444</b>

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

Aspect of assignment	Total hours	Time cost £	Average hourly rate £	Estimated future hours	Estimated future costs £	Estimated total cost £	Average hourly rate £
1 Strategy & Planning	2,669 98	1,444,579	541	400 00	286,300	1,730,879	564
2 Sale of business	932 15	497,953	534	-	-	497,953	534
3 Book debt realisations	330 03	149,825	454	-	-	149,825	454
4 Property	2,326 98	995,583	428	210 00	77,700	1,073,283	423
5 Other assets	2,127 44	924,960	435	-	-	924,960	435
6 Retention of title	1,015 25	424,411	418	-	-	424,411	418
7 Trading	2,205 34	944,331	428	300 00	28,800	973,131	388
8 Accounting and treasury	1,779 21	580,087	326	182 00	141,300	721,387	368
9 Statutory and compliance	2,046 04	820,595	401	231 00	283,500	1,104,095	485
10 Employees & pensions	4,201 61	1,351,918	322	155 00	35,000	1,386,918	318
11 Investigations	-	-	-	-	-	-	-
12 Creditors	4,681 03	2,046,802	437	313 00	292,300	2,339,102	468
13 Creditors committee	196 20	103,591	528	4 00	6,000	109,591	547
14 Tax	2,115 18	1,118,775	529	81 00	62,600	1,181,375	538
15 VAT	3,891 78	2,890,949	743	411 00	514,000	3,404,949	791
16 Books and records	806 95	219,128	272	58 00	14,000	233,128	270
17 Closure procedures	3 15	1,517	482	600 00	200,000	201,517	334
<b>Total</b>	<b>31,328 32</b>	<b>14,515,004</b>	<b>453</b>	<b>2,945 00</b>	<b>1,941,500</b>	<b>16,456,504</b>	<b>432</b>

  

<b>Time identifiable and attributable to</b>	
MNO Receivables	2,387 24
Investigations	2,026 63
<b>Total</b>	<b>4,413 87</b>

  

<b>Total bme</b>	<b>35,742 19</b>
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**Phones 4 U Group Limited – in administration**  
Analysis of time costs for the period 21 July 2016 to 20 January 2017

Aspect of assignment	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Support	Total hours	Time cost £	Average hourly rate £
Strategy & Planning	7 50	-	-	-	0 55	-	-	8 05	6,462 25	803
Accounting and treasury	-	-	0 15	-	-	1 00	-	1 15	334 00	290
Statutory and compliance	-	-	0 65	3 50	6 15	0 86	-	11 16	4,073 25	365
Tax	-	-	-	-	0 60	-	-	0 60	177 00	295
Books and records	-	-	0 30	-	0 60	-	-	0 90	345 00	383
<b>Total</b>	<b>7 50</b>	<b>-</b>	<b>1 10</b>	<b>3 50</b>	<b>7 90</b>	<b>1 86</b>	<b>-</b>	<b>21 86</b>	<b>11,391 50</b>	<b>521</b>

Analysis of previously Excluded Work for the period 15 September 2014 to 20 January 2017

MNO Receivables	-	-	-	-	-	-	-	-	-	-
Investigations	-	-	-	1 25	2 40	2 75	-	6 40	2,095 00	327
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 25</b>	<b>2 40</b>	<b>2 75</b>	<b>-</b>	<b>6 40</b>	<b>2,095 00</b>	<b>327</b>



**Phones 4 U Group Limited – in administration**  
Aggregate time cost summary to 20 January 2017

Aspect of assignment	Total hours	Time cost £	Average hourly rate £	Estimated future hours	Estimated future costs £	Estimated total cost £	Average hourly rate
1 Strategy & Planning	23 10	13,134	569	13 00	2,896	16,029	444
2 Sale of business	2 65	1,256	474	3 70	1,742	2,998	472
3 Book debt realisations	-	-	-	-	-	-	-
4 Property	1 20	643	536	-	-	643	536
5 Other assets	0.35	152	434	0 50	230	382	450
6 Retention of title	-	-	-	-	-	-	-
7 Trading	14.05	3,740	266	34 70	9,236	12,976	266
8 Accounting and treasury	9 65	2,902	301	15 40	4,199	7,101	283
9 Statutory and compliance	90 96	32,877	361	62 40	21,782	54,659	356
10 Employees & pensions	1 40	550	393	2 30	920	1,470	397
11 Investigations	-	-	-	-	-	-	-
12 Creditors	11.00	4,444	404	7 30	3,539	7,982	436
13 Creditors committee	0 10	29	290	-	-	29	-
14 Tax	32.75	18,843	575	35 40	20,816	39,658	582
15 VAT	6 75	2,275	337	11 00	3,911	6,186	349
16 Books and records	3.35	1,087	324	2 80	792	1,878	305
17 Closure procedures	2 20	1,098	499	23 20	11,589	12,687	500
<b>Total</b>	<b>199.51</b>	<b>83,028</b>	<b>416</b>	<b>211 70</b>	<b>81,650</b>	<b>164,679</b>	<b>316</b>

  

<i>Time identifiable and attributable to.</i>			
MNO Receivables	-	-	-
Investigations	6 40	2,095	327
<b>Total</b>	<b>6.40</b>	<b>2,095</b>	<b>327</b>
<b>Total time</b>	<b>205 91</b>	<b>85,123</b>	<b>413</b>



# **Phones4U Finance plc – in administration**

Analysis of time costs for the period 21 July 2016 to 20 January 2017

Aspect of assignment	Partner	Director	Senior Manager	Manager	Associate	Support	Total hours	Time cost £	Average hourly rate £
Strategy & Planning	-	-	-	-	0 55	-	0 55	162 25	295
Accounting and treasury	-	-	-	0 10	2 80	0 60	3 50	1,024 00	293
Statutory and compliance	-	-	0 25	3 15	7 30	0 66	11 36	3,970 50	350
Tax	-	-	-	-	0 60	-	0 60	177 00	295
<b>Total</b>	-	-	0 25	3 25	11 25	1 26	16 01	5,333 75	333

## **Analysis of previously Excluded Work for the period 15 September 2014 to 20 January 2017**

MNO Receivables	-	-	-	-	-	-	-	-	-
Investigations	-	-	-	1 25	1 65	2 75	5 65	1,822 75	323
<b>Total</b>	-	-	-	1 25	1 65	2 75	5 65	1,822 75	323



**Phones4U Finance plc – in administration**  
Aggregate time cost summary to 20 January 2017

Aspect of assignment	Total hours	Time cost £	Average hourly rate £	Estimated future hours	Estimated future costs £	Estimated total cost £	Average hourly rate
1 Strategy & Planning	17 75	8,292	467	19 50	9,328	17,619	473
2 Sale of business	3 40	455	134	15 00	2,025	2,480	135
3 Book debt realisations	-	-	-	-	-	-	-
4 Property	0 10	46	460	0 10	60	106	528
5 Other assets	0 35	152	434	0 50	208	360	424
6 Retention of title	-	-	-	-	-	-	-
7 Trading	4 85	1,860	384	4 70	1,504	3,364	352
8 Accounting and treasury	13 50	4,127	306	3 50	1,263	5,390	317
9 Statutory and compliance	90 31	32,509	360	58 00	20,599	53,108	358
10 Employees & pensions	9 80	2,438	249	23 50	5,837	8,275	249
11 Investigations	-	-	-	-	-	-	-
12 Creditors	16 85	7,062	419	14 00	6,660	13,722	445
13 Creditors committee	0 20	58	290	-	-	58	290
14 Tax	1 90	646	340	0 80	305	951	352
15 VAT	3 05	1,287	422	4 30	1,817	3,104	422
16 Books and records	0 45	166	368	0 75	268	434	361
17 Closure procedures	-	-	-	22 50	7,175	7,175	319
<b>Total</b>	<b>162 51</b>	<b>59,096</b>	<b>364</b>	<b>167 15</b>	<b>57,048</b>	<b>116,145</b>	<b>296</b>

**Time identifiable and attributable to**

MNO Receivables	-	-	-
Investigations	5 7	1,823	323
<b>Total</b>	<b>5 7</b>	<b>1,823</b>	<b>323</b>
<b>Total time</b>	<b>168 2</b>	<b>60,919</b>	<b>362</b>



**MobileServ Limited – in administration**  
Analysis of time costs for the period 21 July 2016 to 20 January 2017

Aspect of assignment	Partner	Director	Senior Manager		Manager	Senior Associate		Associate	Support	Total hours	Time cost £	Average hourly rate £
Strategy & Planning	1 00	-	1 35	-	-	1 50	0 20	-	-	4 05	2,088 50	516
Accounting and treasury	-	-	-	-	1 40	2 65	1 80	-	-	5 85	1,903 75	325
Statutory and compliance	-	-	0 35	-	4 40	7 15	1 05	0 60	-	13 55	4,754 75	351
Creditors	-	-	8 40	-	-	0 80	0 40	-	-	9 60	5,040 00	525
Tax	-	-	-	-	-	0 45	-	-	-	0 45	132 75	295
VAT	-	-	-	-	-	0 10	-	-	-	0 10	29 50	295
<b>Total</b>	<b>1 00</b>	<b>-</b>	<b>10 10</b>	<b>-</b>	<b>5 80</b>	<b>12 65</b>	<b>3 45</b>	<b>0 60</b>	<b>-</b>	<b>33 60</b>	<b>13,949 25</b>	<b>415</b>

Analysis of previously Excluded Work for the period 15 September 2014 to 20 January 2017

MNO Receivables	-	-	0 75	-	-	-	-	-	-	0 75	405 00	540
Investigations	-	-	-	-	1 25	1 90	2 65	-	-	5 80	1,889 50	326
<b>Total</b>	<b>-</b>	<b>-</b>	<b>0 75</b>	<b>-</b>	<b>1 25</b>	<b>1 90</b>	<b>2 65</b>	<b>-</b>	<b>-</b>	<b>6 55</b>	<b>2,294 50</b>	<b>350</b>



**MobileServ Limited – in administration**  
Aggregate time cost summary to 20 January 2017

Aspect of assignment	Total hours	Time cost £	Average hourly rate £	Estimated future hours	Estimated future costs £	Estimated total cost £	Average hourly rate £
1 Strategy & Planning	17.10	7,806	456	16.00	7,114	12,831	388
2 Sale of business	0.15	81	540	0.20	91	172	491
3 Book debt realisations	3.20	1,472	460	4.20	1,924	3,396	459
4 Property	0.10	46	460	0.20	61	107	357
5 Other assets	9.70	4,582	472	12.00	5,537	10,119	466
6 Retention of title	-	-	-	-	-	-	-
7 Trading	0.80	206	258	0.85	231	437	265
8 Accounting and treasury	25.00	7,429	297	30.00	8,645	14,170	258
9 Statutory and compliance	96.40	34,752	361	78.00	27,846	57,843	332
10 Employees & pensions	-	-	-	-	-	-	-
11 Investigations	-	-	-	-	-	-	-
12 Creditors	17.15	8,371	488	80.00	23,182	31,553	325
13 Creditors committee	0.40	116	290	-	-	116	290
14 Tax	1.35	432	320	1.20	414	713	280
15 VAT	0.15	57	377	0.10	30	57	228
16 Books and records	0.95	288	303	0.25	152	440	368
17 Closure procedures	-	-	-	24.00	6,933	933	39
<b>Total</b>	<b>172.45</b>	<b>65,637</b>	<b>381</b>	<b>247.00</b>	<b>82,161</b>	<b>132,887</b>	<b>267</b>

*Time identifiable and attributable to:*

MNO Receivables	0.75	405	540
Investigations	5.80	1,890	326
<b>Total</b>	<b>6.55</b>	<b>2,295</b>	<b>350</b>
<b>Total time</b>	<b>179.00</b>	<b>67,931</b>	<b>380</b>

Phones 4U group – companies in administration

**Policy Administration Services Limited – in administration**  
Analysis of time costs for the period 21 July 2016 to 20 January 2017

Aspect of assignment	Partner	Director	Senior Manager	Manager	Associate	Support	Total hours	Time cost £	Average hourly rate £
Strategy & Planning	3 00	-	17 75	-	43 05	0 20	64 00	25,209 75	394
Other assets	-	-	39 40	-	78 00	-	117 40	41,541 50	354
Trading	-	38 20	260 79	19 00	219 40	46 20	583 59	259,694 65	445
Accounting and treasury	-	-	12 95	15 40	48 35	25 15	101 85	36,288 50	356
Statutory and compliance	1 50	1 00	57 85	5 15	119 20	1 95	187 95	72,682 00	387
Creditors	-	-	26 95	-	10 40	-	37 35	18,160 00	486
Creditors committee	-	-	1 40	-	14 00	2 00	17 40	5,414 00	311
Tax	-	5 05	0 50	-	19 50	1 20	26 25	14,396 00	548
VAT	-	-	13 60	0 50	2 90	1 50	18 50	16,851 50	911
Books and records	-	-	7 00	-	-	-	7 00	3,048 00	435
Closure procedures	-	-	42 10	-	-	-	42 10	23,576 00	560
<b>Total</b>	<b>4 50</b>	<b>44 25</b>	<b>480 29</b>	<b>40 05</b>	<b>554 80</b>	<b>78 20</b>	<b>1,203 39</b>	<b>516,861 90</b>	<b>430</b>

Analysis of previously Excluded Work for the period 15 September 2014 to 20 January 2017

MNO Receivables	-	-	-	-	-	-	-	-	-
Investigations	-	-	-	3 55	2 40	3 25	9 20	3,239 00	352
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 55</b>	<b>2 40</b>	<b>3 25</b>	<b>9 20</b>	<b>3,239 00</b>	<b>352</b>

**Policy Administration Services Limited – in administration**  
Aggregate time cost summary to 20 January 2017

Aspect of assignment	Total hours	Time cost £	Average hourly rate £	Estimated future hours	Estimated future costs £	Estimated total cost £	Average hourly rate £
1 Strategy & Planning	533 45	230,740	433	243	111,420	342,160	441
2 Sale of business	110 55	51,531	466	-	-	51,531	466
3 Book debt realisations	19 80	14,803	748	-	-	14,803	748
4 Property	13 75	7,579	551	-	-	7,579	551
5 Other assets	530 60	213,622	403	22	8,525	222,147	402
6 Retention of title	-	-	-	-	-	-	-
7 Trading	4,557 69	2,120,140	465	450	159,330	2,279,470	455
8 Accounting and treasury	698 01	227,263	326	128	46,936	274,199	332
9 Statutory and compliance	695 40	277,897	400	79	31,265	309,162	399
10 Employees & pensions	195 40	84,370	432	-	-	84,370	432
11 Investigations	-	-	-	-	-	-	-
12 Creditors	169 15	78,809	466	138	48,386	127,195	415
13 Creditors committee	24 20	8,042	332	60	25,185	33,227	395
14 Tax	232 97	134,671	578	131	50,804	185,475	510
15 VAT	168 95	130,099	770	56	21,665	151,764	675
16 Books and records	72 45	28,507	393	41	16,075	44,582	393
17 Closure procedures	42 20	23,630	560	456	185,016	208,646	419
<b>Total</b>	<b>8,064 57</b>	<b>3,631,702</b>	<b>450</b>	<b>1,804</b>	<b>704,607</b>	<b>4,336,309</b>	<b>414</b>

**Time identifiable and attributable to**

MNO Receivables	-	-
Investigations	9 20	352
<b>Total</b>	<b>9 20</b>	<b>352</b>
<b>Total time</b>	<b>8,073 77</b>	<b>450</b>

**Phosphorus Acquisition Limited – in administration**  
Analysis of time costs for the period 21 July 2016 to 20 January 2017

Aspect of assignment	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Support	Total hours	Time cost £	Average hourly rate £
Strategy & Planning	-	-	-	-	1 30	-	-	1 30	383 50	295
Accounting and treasury	-	-	-	1 50	1 20	0 70	-	3 40	1,249 00	367
Statutory and compliance	-	-	0 25	2 10	7 25	0 10	-	9 70	3,311 75	341
Tax	-	-	-	-	0 05	-	-	0 05	14 75	295
VAT	-	-	-	-	0 10	-	-	0 10	29 50	295
<b>Total</b>	-	-	0 25	3 60	9 90	0 80	-	14 55	4,988 50	343

Analysis of previously Excluded Work for the period 15 September 2014 to 20 January 2017

MNO Receivables	-	-	-	-	-	-	-	-	-	-
Investigations	-	-	-	1 25	1 90	2 55	-	5 70	1,848 50	324
<b>Total</b>	-	-	-	1 25	1 90	2 55	-	5 70	1,848 50	324



**Phosphorus Acquisition Limited – in administration**  
Aggregate time cost summary to 20 January 2017

Aspect of assignment	Total hours	Time cost £	Average hourly rate £	Estimated future hours	Estimated future costs £	Estimated total cost £	Average hourly rate £
1 Strategy & Planning	16 95	7,129	421	20 00	8,329	15,458	418
2 Sale of business	0.15	81	540	0 20	87	168	480
3 Book debt realisations	-	-	-	-	-	-	-
4 Property	0.10	46	460	0 20	58	104	347
5 Other assets	0.85	272	320	1 60	495	767	313
6 Retention of title	-	-	-	-	-	-	-
7 Trading	5 85	2,171	371	9 20	3,405	5,576	370
8 Accounting and treasury	16.50	4,991	303	18 00	4,788	9,779	283
9 Statutory and compliance	84 70	29,928	353	58 30	20,311	50,239	351
10 Employees & pensions	-	-	-	-	-	-	-
11 Investigations	-	-	-	-	-	-	-
12 Creditors	5.05	1,996	395	0 90	690	2,685	451
13 Creditors committee	0.20	58	290	-	-	58	290
14 Tax	0 80	245	307	0 10	30	275	306
15 VAT	0.15	57	377	0 10	-	57	226
16 Books and records	0 45	166	368	0 70	262	427	371
17 Closure procedures	0 20	94	470	20 30	5,765	5,859	286
<b>Total</b>	<b>131 95</b>	<b>47,233</b>	<b>358</b>	<b>129.60</b>	<b>44,218</b>	<b>91,452</b>	<b>264</b>

**Time identifiable and attributable to**

MNO Receivables	-	-	-
Investigations	5 70	1,849	324
<b>Total</b>	<b>5 70</b>	<b>1,849</b>	<b>324</b>
<b>Total time</b>	<b>137.65</b>	<b>49,082</b>	<b>357</b>



## 8. Receipts and payments accounts

### Phones 4U Limited – in administration

From 21 July 2016 to 20 January 2017

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

Directors' statement of affairs	15 September 2014 to 20 July 2016	21 July 2016 to 20 January 2017	Total to 20 January 2017
£	£	£	£
Floating charge			
Receipts			
1,003,700	-	-	-
35,168,467	30,213,075.18	89,585.00	30,302,660.18
1,526,401	3,035,799.17	107.04	3,035,906.21
Undisclosed	32,575,849.68	23,859,323.27	56,435,172.95
73,581,338	92,967,951.25	-	92,967,951.25
	6,626,939.05	81,744.00	6,708,683.05
	1,361,387.61	67,020.90	1,428,408.51
	6,803,928.09	-	6,803,928.09
	447,000.00	-	447,000.00
	1,500,000.00	-	1,500,000.00
	148,464.98	-	148,464.98
156,652	-	-	-
	100,000.00	-	100,000.00
	870,645.13	130,176.16	1,000,821.29
2,250,000	743,400.01	-	743,400.01
	40,472.15	563.98	41,036.13
	201,702.32	-	201,702.32
46,122	-	-	-
	1,217,212.82	5,294.11	1,222,506.93
	211,777.09	-	211,777.09
	14,218,577.86	-	14,218,577.86
	180,100.00	-	180,100.00
5,870,969	-	-	-
250,000	-	-	-
	192,307.12	-	192,307.12
Undisclosed	193,656,589.51	24,233,814.46	217,890,403.97
Total receipts			



Directors' statement of affairs £	15 September 2014 to 20 July 2016 £	21 July 2016 to 20 January 2017 £	Total to 20 January 2017 £
<b>Floating charge</b>			
<b>Payments</b>			
Agents fees	2,123,151.47	5,536,212.48	7,659,363.95
Amounts relating to stock	556,577.00	-	556,577.00
Bank charges	22,533.90	339.43	22,873.33
Cleaning and site clearance	34,555.37	35.00	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	120,573.54	2,444.12	123,017.66
Employers NIC	1,932,819.87	97,468.45	2,030,288.32
Gross wages and salaries	7,658,484.54	164,033.55	7,822,518.09
Insurance	382,578.31	8,961.47	391,539.78
Irrecoverable VAT	179,330.03	-	179,330.03
IT costs	2,688,777.38	42,599.74	2,731,377.12
Legal fees	7,424,060.73	756,071.10	8,180,131.83
Lease/hire charges	3,524.80	-	3,524.80
Office holders' fees	-	14,325,213.85	14,325,213.85
Office holders' expenses	-	209,640.28	209,640.28
Office holders' expenses (PwC Legal LLP)	-	466,356.91	466,356.91
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	96,739.17	790.00	97,529.17
Rent	6,217,769.72	(1,075.14)	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	1,391,244.43	3,952.21	1,395,196.64
Sundry appointment related costs	8,488.35	3,621.72	12,110.07
Transport and carnage	354,899.40	-	354,899.40
Utilities	6,861.81	9,458.07	16,319.88
<b>Total payments</b>	<b>33,415,040.08</b>	<b>21,626,223.24</b>	<b>55,041,263.32</b>
<b>Net floating charge realisations</b>	<b>160,241,549.43</b>	<b>2,607,591.22</b>	<b>162,849,140.65</b>
<b>Secured creditors</b>			
RCF - letters of credit called up	15,810,000.00	-	15,810,000.00
RCF - letters of credit uncalled (held by Security Trustee)	4,000,000.00	-	4,000,000.00
<b>Total RCF indebtedness</b>	<b>19,810,000.00</b>	<b>-</b>	<b>19,810,000.00</b>
Cash-backed indemnities	11,000,000.00	-	11,000,000.00
Recovery of costs and interest	2,289,791.18	-	2,289,791.18
<b>Total secured creditor entitlements</b>	<b>33,099,791.18</b>	<b>-</b>	<b>33,099,791.18</b>
<b>Preferential creditors</b>			
Distribution to preferential creditors (100 pence in the £)	1,716,136.12	-	1,716,136.12
<b>Total preferential creditor distribution</b>	<b>1,716,136.12</b>	<b>-</b>	<b>1,716,136.12</b>
VAT control account	1,894,221.51	399,228.98	2,293,450.49
<b>Balance held in interest bearing current accounts</b>	<b>127,319,843.64</b>	<b>3,006,820.20</b>	<b>130,326,663.84</b>
<b>Represented by</b>			
Held in Barclays			5,250,319.85
Invested in high interest account			125,076,343.99
<b>Total</b>			<b>130,326,663.84</b>



**Phones 4 U Group Limited – in administration**  
From 21 July 2016 to 20 January 2017

Directors' statement of affairs	15 September 2014 to 20 July 2016	21 July 2016 to 20 January 2017	Total to 20 January 2017
£	£	£	£
<b>Floating charge</b>			
<b>Receipts</b>			
- None	-	-	-
- <b>Total receipts</b>	-	-	-
<b>Payments</b>			
- None	-	-	-
- <b>Total payments</b>	-	-	-
- <b>Net floating charge realisations</b>	-	-	-
<b>Represented by</b>			<b>£</b>
Held in Barclays account			-
<b>Total</b>			-

**Phones4U Finance plc – in administration**  
From 21 July 2016 to 20 January 2017

Directors' statement of affairs	15 September 2014 to 20 July 2016	21 July 2016 to 20 January 2017	Total to 20 January 2017
£	£	£	£
<b>Floating charge</b>			
<b>Receipts</b>			
- Bank interest	7.52	-	7.52
4,759 Cash at bank	4,758.97	-	4,758.97
38,807 Intercompany debtors	-	-	-
43,566 <b>Total receipts</b>	4,766.49	-	4,766.49
<b>Payments</b>			
Bank charges	5.60	-	5.60
Legal fees	4,760.57	-	4,760.57
- <b>Total payments</b>	4,766.17	-	4,766.17
43,566 <b>Net floating charge realisations</b>	0.32	-	0.32
<b>VAT control account</b>			
43,566 <b>Balance held in interest bearing current accou</b>	0.32	-	0.32
<b>Represented by</b>			<b>£</b>
Held in Barclays account			0.32
<b>Total</b>			0.32



**MobileServ Limited – in administration**  
From 21 July 2016 to 20 January 2017

Directors' statement of affairs	15 September 2014 to 20 July 2016	21 July 2016 to 20 January 2017	Total to 20 January 2017
£	£	£	£
<b>Floating charge</b>			
<b>Receipts</b>			
(19,630,391)	(15,610,098.07)		(15,610,098.07)
	19,630,391.02	-	19,630,391.02
	-	-	-
	715,752.19	-	715,752.19
	9,916.80	-	9,916.80
463,684			
427,096			
	-		-
	263,447.23	2,578.93	266,026.16
	444,556.23		444,556.23
	-	10.00	10.00
	213.77	(213.77)	-
(18,739,611)	5,454,179.17	2,375.16	5,456,554.33
<b>Payments</b>			
	61,707.95		61,707.95
	48,357.72	25,861.67	74,209.39
	-	53,906.75	53,906.75
	-	397.36	397.36
	630.00		630.00
	110,695.67	80,155.78	190,851.45
<b>Net floating charge realisations</b>	5,343,483.50	(77,780.62)	5,265,702.88
<b>VAT control account</b>		(10,860.82)	(10,860.82)
<b>Balance held in interest bearing current account</b>	5,343,483.50	(88,641.44)	5,254,842.06
<b>Represented by</b>			£
Held in Barclays account			5,254,842.06
<b>Total</b>			5,254,842.06

**Note 1**

MobileServ Limited had an overdraft of £19.6m and a cash balance of £4m, 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 £4m 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 2016 to 20 January 2017

Directors' statement of affairs £	16 September 2014 to 20 July 2016 £	21 July 2016 to 20 January 2017 £	Total to 20 January 2017 £	
Trading statement				
Receipts				
27 000,000	Customer insurance premiums	79,329,536.76	11,025,986.37	90,355,523.13
	Customer refunds and claims paid in cash	(1,918,568.96)	(360,785.85)	(2,279,354.81)
	Dividends received from P4UC	17 650 000.00	5,700,000.00	23,350,000.00
	Interest received gross	194 794.61	36 602.14	231,396.75
	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	98,849,244.65	16,401,802.66	115,251,047.31
Payments				
	Agents fees	16,353,930.83	2,614,524.44	18,968,455.27
	Bank charges	104,224.89	14 933.14	119,158.03
	Duress payments	931 978.33	-	931,978.33
	Insurance	35,493,327.73	7,152,287.95	42,645,615.67
	IT costs	182,887.82	24,692.03	207 579.85
	Legal fees	1,162,554.23	109,369.50	1,271,923.73
	Office costs	413 132.00	-	413 132.00
	Office holders' expenses	27,339.18	2 193.17	29,532.35
	Office holders' fees	2,157 270.00	948,817.95	3,106,087.95
	Property	18,612.88	-	18,612.88
	Stock purchase	16,586,607.69	1 633,483.17	18,220 090.86
	Trade creditors	90 814.53	8,721.01	99,535.54
	Warehouse costs	357,826.00	-	357 826.00
	Wages and salaries	832,199.41	-	832,199.41
	Total trading payments	74,712,795.52	12,509,022.36	87,221,727.87
	Trading account surplus/(loss)	24,136,539.13	3,892,780.30	28,029,319.44
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)	24 136,539.13	3,892,780.30	28,029,319.44
19 721,006	Total receipts	37,962,241.73	3,892,780.30	41,855,022.04
Payments				
	Corporation tax	3,157 960.30	1,076 998.54	4,234 958.84
	Total payments	3,157,960.30	1,076,998.54	4,234,958.84
	VAT control account	899,248.46	634 281.41	1,533,529.87
	Floating charge realisations	33,905,032.97	2,181,500.35	36,086,533.33
Represented by				£
	Held at Barclays			9,565,507.37
	Held at Lloyds			505,281.38
	Held at ANZ			14 005,930.42
	Held at OCBC			12,009 811.16
	Total			36,086,533.33

### 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 2016 to 20 January 2017

Directors' statement of affairs		15 September 2014 to 20 July 2016	21 July 2016 to 20 January 2017	Total to 20 January 2017
£		£	£	£
Floating charge				
Receipts				
69,473	Cash at bank	69,472.80	-	69,472.80
	Bank interest	479.32	26.82	506.14
129,806	Intercompany debtors	-	-	-
7,328	Prepayments	-	-	-
206,607	Total receipts	69,952.12	26.82	69,978.94
Payments				
	Bank charges	3.40	-	3.40
	Legal fees	6,820.67	187.12	7,007.79
	Office holders' fees	-	44,093.25	44,093.25
	Office holders' expenses	-	333.19	333.19
	Sundry appointment related costs	425.00	-	425.00
	Total payments	7,249.07	44,613.56	51,862.63
Net floating charge realisations		62,703.05	(44,586.74)	18,116.31
VAT control account		-	(8,885.29)	(8,885.29)
Balance held in interest bearing current account		62,703.05	(53,472.03)	9,231.02
Represented by				£
Held in Barclays account				9,231.02
Total				9,231.02

## 9. Statement of expenses incurred

As required by Rule 2 47 IR86, the following tables provide a summary of expenses incurred during the period of this report, and show whether those expenses have been paid or remained unpaid at the period end

The statements do not include any potential tax liabilities that may be payable as expenses of the administrations in due course because amounts due will depend on the position at the end of the tax accounting period

### Phones 4U Limited – in administration

From 21 July 2016 to 20 January 2017

	Expenses incurred brought forward from 20 July 2016 (£)	Expenses incurred in this period (£)	Total expenses to 20 January 2017 (£)	Total expenses paid to 20 January 2017 (£)	Expenses outstanding at 20 January 2017 (£)
Agents fees	2,157,113.07	5,516,083.98	7,673,197.05	(7,659,363.95)	13,833.10
Amounts relating to stock	556,577.00	-	556,577.00	(556,577.00)	-
Bank charges	22,533.90	339.43	22,873.33	(22,873.33)	-
Cleaning and site clearance	34,555.37	35.00	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	120,573.54	2,444.12	123,017.66	(123,017.66)	-
Employers NIC	1,932,819.87	97,468.45	2,030,288.32	(2,030,288.32)	-
Gross wages and salaries	7,697,264.00	142,030.46	7,839,294.46	(7,822,518.09)	16,776.37
Insurance	382,578.31	8,961.47	391,539.78	(391,539.78)	-
Irrecoverable VAT	179,330.03	-	179,330.03	(179,330.03)	-
IT costs	2,688,777.38	42,599.74	2,731,377.12	(2,731,377.12)	-
Legal fees (P4U)	7,678,255.38	1,084,437.51	8,762,692.89	(8,160,005.81)	602,687.08
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 *	14,414,676.40	2,058,628.80	16,473,305.20	(14,325,213.85)	2,148,091.35
Office holders' expenses	256,250.59	39,945.57	296,196.16	(209,640.28)	86,555.88
Office holders' expenses (PwC Legal LLP)	519,089.91	(51,470.00)	467,619.91	(466,356.91)	1,263.00
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	96,739.17	790.00	97,529.17	(97,529.17)	-
Rent	6,217,769.72	(1,075.14)	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	1,391,244.43	11,163.19	1,402,407.62	(1,395,196.64)	7,210.98
Sundry appointment related costs	8,488.35	3,621.72	12,110.07	(12,110.07)	-
Transport and carnage	354,899.40	-	354,899.40	(354,899.40)	-
Utilities	6,861.81	9,458.07	16,319.88	(16,319.88)	-
Contribution to expenses excluding legal fees from group companies	(6,626,939.05)	(81,744.00)	(6,708,683.05)	6,708,683.05	-
<b>Total</b>	<b>42,325,179.66</b>	<b>8,883,718.37</b>	<b>51,208,898.03</b>	<b>(48,332,480.27)</b>	<b>2,876,417.76</b>

#### Note 1

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

#### Note 2

We have restated the brought forward office holders' fees (marked with \*) to include fees incurred in respect of the previously Excluded Work which we sought and obtained approval for during the period.





**Phones 4 U Group Limited – in administration**  
From 21 July 2016 to 20 January 2017

	Expenses incurred brought forward from 20 July 2016 (£)	Expenses incurred in this period (£)	Total expenses to 20 January 2017 (£)	Expenses paid to 20 January 2017 (£)	Expenses outstanding as at 20 January 2017 (£)
Legal fees	6,143.06	-	6,143.06	-	6,143.06
Office holders' expenses	276.53	192.36	468.89	-	468.89
Office holders' fees *	73,731.75	11,391.50	85,123.25	-	85,123.25
<b>Total</b>	<b>80,151.34</b>	<b>11,583.86</b>	<b>91,735.20</b>	<b>-</b>	<b>91,735.20</b>

**Note 1**

We have restated the brought forward office holders' fees (marked with \*) to include fees incurred in respect of the previously Excluded Work which we sought and obtained approval for during the period

**Phones4U Finance plc – in administration**  
From 21 July 2016 to 20 January 2017

	Expenses incurred brought forward from 20 July 2016 (£)	Expenses incurred in this period (£)	Total expenses to 20 January 2017 (£)	Expenses paid to 20 January 2017 (£)	Expenses outstanding as at 20 January 2017 (£)
Bank charges	5.60	-	5.60	(5.60)	-
Legal fees	6,202.30	-	6,202.30	(4,760.57)	1,441.73
Office holders' expenses	522.91	1,373.42	1,896.33	-	1,896.33
Office holders' fees *	55,585.25	5,333.75	60,919.00	-	60,919.00
Professional fees	79,966.56	-	79,966.56	-	79,966.56
<b>Total</b>	<b>142,282.62</b>	<b>6,707.17</b>	<b>148,989.79</b>	<b>(4,766.17)</b>	<b>144,223.62</b>

**Note 1**

We have restated the brought forward office holders' fees (marked with \*) to include fees incurred in respect of the previously Excluded Work which we sought and obtained approval for during the period

**MobileServ Limited – in administration**  
From 21 July 2016 to 20 January 2017

	Expenses incurred brought forward from 20 July 2016 (£)	Expenses incurred in this period (£)	Total expenses to 20 January 2017 (£)	Expenses paid to 20 January 2017 (£)	Expenses outstanding as at 20 January 2017 (£)
Bank charges	61,707.95	-	61,707.95	(61,707.95)	-
Legal fees	74,209.39	-	74,209.39	(74,209.39)	-
Office holders' expenses	397.36	192.36	589.72	(397.36)	192.36
Office holders' fees *	53,981.75	13,949.25	67,931.00	(53,906.75)	14,024.25
Sundry appointment related costs	630.00	-	630.00	(630.00)	-
<b>Total</b>	<b>190,926.45</b>	<b>14,141.61</b>	<b>205,068.06</b>	<b>(190,851.45)</b>	<b>14,216.61</b>

**Note 1**

We have restated the brought forward office holders' fees (marked with \*) to include fees incurred in respect of the previously Excluded Work which we sought and obtained approval for during the period



### Phosphorus Acquisition Limited – in administration

From 21 July 2016 to 20 January 2017

	Expenses incurred brought forward from 20 July 2016 (£)	Expenses incurred in this period (£)	Total expenses to 20 January 2017 (£)	Expenses paid to 20 January 2017 (£)	Expenses outstanding as at 20 January 2017 (£)
Bank charges	340	-	340	(340)	-
Legal fees	7,007 79	-	7,007 79	(7,007 79)	-
Office holders' expenses	333 19	192 36	525 55	(333 19)	192 36
Office holders' fees *	44,093 25	4,988 50	49,081 75	(44,093 25)	4,988 50
Sundry appointment related costs	425 00	9 00	434 00	(425 00)	9 00
<b>Total</b>	<b>51,862 63</b>	<b>5,189 86</b>	<b>57,052 49</b>	<b>(51,862 63)</b>	<b>5,189 86</b>

**Note 1**

We have restated the brought forward office holders' fees (marked with \*) to include fees incurred in respect of the previously Excluded Work which we sought and obtained approval for during the period

### Policy Administration Services Limited – in administration

From 21 July 2016 to 20 January 2017

	Expenses incurred brought forward from 20 July 2016 (£)	Expenses incurred in this period (£)	Total expenses to 20 January 2017 (£)	Total expenses paid to 20 January 2017 (£)	Expenses outstanding at 20 January 2017 (£)
Agents' fees	17,776,529 87	2,470,033 18	20,246,563 05	(18,968 455 27)	1,278 107 78
Bank charges	171,490 12	33 402 42	204,892 54	(119,158 03)	85,734 51
Duress payments	931,978 33	-	931,978 33	(931,978 33)	-
Insurance	37,134,948 71	6,649,456 06	43,784,404 77	(42,645,615 67)	1,138,789 10
IT costs	682 887 82	(475,307 97)	207,579 85	(207,579 85)	-
Legal fees	1,196,098 78	75,824 95	1,271,923 73	(1,271,923 73)	-
Office costs	413,132 00	-	413,132 00	(413,132 00)	-
Office holders' fees *	3,114 840 10	516,861 90	3,631,702 00	(3,106,087 95)	525,614 05
Office holders' expenses	29,532 35	844 25	30,376 60	(29,532 35)	844 25
Property	18,612 88	-	18,612 88	(18,612 88)	-
Stock purchase	16 736 607 69	1,483,483 17	18,220,090 86	(18,220,090 86)	-
Trade creditors	106,287 53	17,847 25	124,134 78	(99,535 54)	24,599 24
Warehouse costs	357,826 00	-	357,826 00	(357,826 00)	-
Wages and salaries	832,199 41	-	832,199 41	(832,199 41)	-
<b>Total</b>	<b>79,592,971 59</b>	<b>10,772,445 21</b>	<b>90,275,416 80</b>	<b>(87,221,727 87)</b>	<b>3,053,688 93</b>

**Note 1**

We have restated the brought forward office holders' fees (marked with \*) to include fees incurred in respect of the previously Excluded Work which we sought and obtained approval for during the period



## 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	221.7	221.7	Section 5.1
Less costs of realisations		(20.6)	(18.8)	Section 5.1
<b>Net realisations</b>		<b>201.1</b>	<b>202.9</b>	
<b>PAS</b>				
Trading		34.1	35.1	
Corporation tax		(5.5)	(5.7)	
PAS Administrators' fees	Note 2	(5.4)	(5.4)	
Legal fees	Note 2	(1.6)	(1.6)	
Prescribed part		(0.6)	(0.6)	
<b>Total PAS</b>		<b>21.1</b>	<b>21.8</b>	Section 5.2
<b>Other costs</b>				
Administrators fees		(18.7)	(18.2)	Section 5.6
RCF set off costs	Note 3	(24.1)	(22.1)	Section 5.7
Other professional fees		(11.5)	(10.1)	Section 7.8
Preferential creditors		(1.7)	(1.7)	Section 5.8
Prescribed part		(1.2)	(1.2)	Section 5.8
Potential VAT expense	Note 4	(37.4)	(37.4)	Section 5.1
<b>Total available to secured creditors</b>		<b>127.5</b>	<b>134.1</b>	
Super senior notes		430.0	430.0	
<b>Estimated return</b>		<b>30%</b>	<b>31%</b>	<b>Section 4</b>

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

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

### Note 2

Applicable PAS costs include irrecoverable VAT.

### Note 4

£2.3m of these costs reflect outstanding interest and fees due to the RCF lenders, the Security Trustee and the original Senior Notes Trustee and their respective advisors which were settled during the set off process under the terms of the loan documentation. As noted in Section 5.7, 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 5

This amount has been included as a potential expense of the administration in both the upper and lower case estimates for illustration only. We remain of the opinion that the VAT treatment of trade bills maturing post-administration is such that the VAT liability forms an unsecured creditor of the estate.