

## The Insolvency Act 1986

**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

a) Insert full name(s) and  
address(es) of  
administrator(s)

We (a)(i) Robert Jonathan Hunt of PricewaterhouseCoopers LLP, Cornwall Court, 19 Cornwall Street, Birmingham, B3 2DT, (ii) Ian David Green of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT and (iii) Robert John Moran of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT

Joint administrators of the above company attach a progress report for the period

from

to

(b) Insert dates

(a) 15 September 2014

(b) 14 March 2015

Signed



Joint Administrator (IP No 8597)

Dated 14 April 2015

**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

Katharyn Froggett

PricewaterhouseCoopers LLP, Benson House, 33 Wellington Street, LSI 4JP

Tel 0113 289 4155

DX Number

DX Exchange

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## **Joint Administrators' First Progress Report**

### **Phones 4U Limited**

High Court of Justice, Chancery Division, Companies Court

Case no. 6516 of 2014

For the period from 15 September 2014 to 14 March 2015

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

High Court of Justice, Chancery Division, Companies Court

Case no. 6507 of 2014

For the period from 15 September 2014 to 14 March 2015

### **Phones4U Finance plc**

High Court of Justice, Chancery Division, Companies Court

Case no. 6506 of 2014

For the period from 15 September 2014 to 14 March 2015

### **MobileServ Limited**

High Court of Justice, Chancery Division, Companies Court

Case no. 6511 of 2014

For the period from 15 September 2014 to 14 March 2015

### **Phosphorus Acquisition Limited**

High Court of Justice, Chancery Division, Companies Court

Case no. 6508 of 2014

For the period from 15 September 2014 to 14 March 2015

### **Policy Administration Services Limited**

High Court of Justice, Chancery Division, Companies Court

Case no. 6504 of 2014

For the period from 16 September 2014 to 15 March 2015

(all in administration)

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## 1. Key messages

As required by insolvency legislation, this is our first report to creditors providing an update on the progress of the administration of the Companies. Given the large and complex nature of this assignment this report provides only 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 a prospect of a dividend being paid to unsecured creditors in 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 small and the timing is unknown at present. Please refer to Section 5.9 for further details.

### **Customers**

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 unfilled 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, and 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, Benson House, 33 Wellington Street, Leeds, LS1 4JP

### **Employees**

If you are a former or current employee of Phones 4U Limited, 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) or alternatively, contact the PwC team at [phones4u\\_employees@uk.pwc.com](mailto:phones4u_employees@uk.pwc.com), if you have any questions.

### **Bondholders**

We continue to liaise with the holders of the senior secured notes issued by Phones4u Finance plc. These bondholders are expected to have the primary economic interest in the progress of the Companies' administration.

*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. However, we have not disclosed the estimated realisable value for MNO receivables or the potential VAT implications of our ongoing discussions with HM Revenue and Customs, as to do so would be to disclose potentially commercially sensitive information and may prejudice the value of realisations in the administration. These matters are significant in value and will affect the amounts available for creditors. Therefore, our estimates of dividend prospects should be treated with an appropriate degree of caution.



## 2. Abbreviations used in this report

The following abbreviations may be used from time to time throughout this report

"the Companies"	Phones 4U Limited, Phones 4 U Group Limited, Phones4U Finance plc, MobileServ Limited, Phosphorus Acquisition Limited, Policy Administration Services Limited (all in administration)
"the Group" or "Phones 4U"	the above Companies together with 4U Limited, 4U W1-Fi Limited, Jump 4U Limited, Life Mobile Limited and Phosphorus Holdco plc (all in administration)
"the Administrators" or "we"	Robert Jonathan Hunt, 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, 4U Limited, 4U W1-Fi Limited, Jump 4U Limited, Life Mobile Limited  Robert Jonathan Hunt, Ian David Green, Dan Yoram Schwarzmann and Douglas Nigel Rackham in respect of Policy Administration Services Limited  Robert Jonathan Hunt, Paul David Copley and Ian David Green in respect of Phosphorus Holdco Plc
"EE"	Everything Everywhere Limited
"FCA"	Financial Conduct Authority
"IA86"	The Insolvency Act 1986
"IR86"	The Insolvency Rules 1986
"LGI"	London and General Insurance Company Limited
"Lloyds"	Lloyds Bank Plc
"LSG"	Lifestyle Service 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 4 U Care Limited
"PAS"	Policy Administration Services Limited
"Prime Retail"	Prime Retail Property Consultants
"PwC"	PricewaterhouseCoopers LLP
"RCF"	Revolving credit facility
"ROT"	Retention of title
"Schedule B1 IA86"	Schedule B1 to the Insolvency Act 1986



### 3. Introduction

We previously wrote to all known creditors to give notice that we were appointed joint 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 those six Companies contained within a common security structure (all indicated by \* above) Separate reports have been prepared for the creditors of 4U Limited, 4U Wi-Fi Limited, Jump 4U Limited, Life Mobile Limited and Phosphorus Holdco Plc

In accordance with Rule 2 47 IR86, we write to provide creditors with details of the progress of each administration in the first six months since the date of our appointment. We refer you to our report dated 6 November 2014 ("the Administrators' proposals"), for a brief history of the Companies, an explanation as to why they were put into administration and our proposals for achieving the purpose of the administrations Those details are not repeated here unless considered beneficial or necessary for the purposes of this report

We anticipate that our next report will be circulated at the earlier of the conclusion of each administration or in approximately six months' time.

Yours faithfully  
For and on behalf of the Companies

Rob Hunt, Joint Administrator

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

*Dan Yoram Schwarzmann, Douglas Nigel Rackham, Robert Jonathan Hunt 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 Institute of Chartered Accountants in England and Wales The joint administrators are Data Controllers of personal data as defined by the Data Protection Act 1998 PricewaterhouseCoopers LLP will act as Data Processor on their instructions Personal data will be kept secure and processed only for matters relating to the administration*

## 4. Summary of the possible outcome for creditors

The table below provides a summary of the possible outcome for the various classes of creditors, based on current information. 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 4 U Group Limited	Phones4U Finance plc	MobileServ Limited	Phosphorus Acquisition Limited	Policy Administration Services Limited
Estimated recovery for secured creditors <i>(creditors with security in respect of their debt, in accordance with Section 248 IA86)</i>						
Estimated total debt	£19,810,000 £430,000,000	RCF Super senior notes				
Estimated % recovery for secured creditors	100% for RCF lenders and between 20% and 24% for the super senior noteholders (see Section 5 9 for more detail)					
Forecast timing	12 months + (for the noteholders) RCF lenders recently commenced a set-off against cash in the administration					
Estimated dividend prospects for preferential creditors <i>(for unpaid wages up to £800 and holiday pay only, and unpaid pension contributions in certain circumstances)</i>						
Estimated amount owed to preferential creditors	£3 4 million (Note 2)	Note 1				
Estimated % recovery for preferential creditors	100%	Note 1				
Forecast timing	6-9 months	Note 1				

### Note 1

All employees are contracted with Phones 4U Limited. See further information provided at Section 5 9.

### Note 2

This is the amount estimated in the directors' Statement of Affairs. We believe the amount of preferential claims will be considerably lower as discussed in Section 5 9.

	Phones 4U Limited	Phones 4 U Group Limited	Phones4U Finance plc	MobileServ Limited	Phosphorus Acquisition Limited	Policy Administration Services Limited
Estimated dividend prospects for unsecured creditors (creditors who are neither secured nor preferential)						
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	12 months +	Nil	Nil	12 months +	Nil	12 months +



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## 5. Progress in the period

Phones 4U was one of the UK's leading independent mobile phone retailers and insurance providers, owned by private equity firm, BC Partners. The Group operated online and on the high-street. At the time of our appointment the Group had 563 stores plus 161 concessions in Dixon Carphone stores, and 5,592 employees in total.

The Group had network agreements with Vodafone and EE and, until January 2014, it also had a contract with O2. The three main trading businesses are summarised below.

### 1) Store network (P4U)

P4U was the main trading company and principal employer for the whole Group. It encompassed the entire store network, which sold handsets and network contracts on an agency basis in return for commissions on the value of the airtime contract with the network provider. P4U procured 1.7 million connections in 2013.

### 2) Insurance business (PAS)

PAS is a mobile phone insurance intermediary authorised by the FCA for insurance mediation activities. Insurance was sold through the retail stores of P4U, via telesales and online; and is underwritten by LGI. This business continued to trade during the administration, with existing policies being renewed and claims fulfilled centrally rather than through P4U stores.

### 3) Mobile network operator (Life Mobile Limited)

Life Mobile Limited is a mobile virtual network operator with airtime supplied by EE, with around 85,000 end user customers. This business also continued to trade after our appointment and a separate progress report has been provided for the creditors of this company.

The following is an overview of the other entities covered by this report.

*Phones 4U Group Limited* – Shareholder of the main trading company (Phones 4U Limited)

*Phones4U Finance Plc* – Issuer of the senior secured notes

*MobileServ Limited* – Borrower and guarantor of the Revolving Credit Facility.

*Phosphorus Acquisition Limited* – Borrower and guarantor of the Revolving Credit Facility.

Immediately prior to our appointments, the retail store network had closed pending the appointment of administrators and a review of whether the business could continue in its various forms.

Following our appointment and with the benefit of knowledge and information gathered in the preceding few days, our key priorities were to secure the Companies' assets, establish effective channels of communication for employees, external stakeholders and customers, engage with key stakeholders of the business and parties who might be interested in acquiring all or part of the business.

Other urgent workstreams included securing access to the Companies' books and records, and gathering information regarding the large property portfolio and receivables due from network operators.



Our preparatory work prior to administration indicated that PAS had a reasonable prospect of being able to continue profitable trading following the appointment of administrators. That business has continued to trade under our control and further details are given below.

The following sections provide a brief summary of the key issues in these large and complex administrations, our progress to date and details of our ongoing and future work. Our progress is also illustrated on the enclosed receipts and payments accounts for each company in Section 7, covering the six month period from appointment.

## 5.1 Phones 4u Limited

### Sale and wind-down of store network

At the date of our appointment, all the retail stores remained closed whilst we held urgent discussions with interested parties and key suppliers. Those discussions confirmed that it would not be possible to re-open the stores and restart trading. We further concluded that there was no credible option available to rescue the Group.

We therefore focussed on negotiations with interested parties to complete sales of various parts of the store network with a view to maximising realisations from lease premiums and stock, and safeguarding jobs for as many of the company's employees as possible.

In the days following our appointment we successfully completed transactions with Vodafone and EE. These sales were subject to court approval to release the security held on behalf of the secured creditors, which was duly obtained. We also agreed for the transfer of all staff working in the concessions outlets to Dixons Carphone.

The following table summarises the effect of these transactions.

Transaction	Stores	Store Employees	Sales value
Sale to Vodafone*	140	876	£12.5m
Sale to EE	58	356	£2.5m
Transfer to Dixons Carphone	-	788	-
Closed stores	365	2,503	n/a
<b>Opening position</b>	<b>563</b>	<b>4,523</b>	<b>£15.0m</b>

*\*The sale to Vodafone included stock with a book value of £7m*

In terms of the 365 stores that were not acquired by Vodafone or EE, in conjunction with our advisors (Prime Retail), we have been able to secure premiums of £524k for 20 stores, sold in groups of stores to retailers or surrender premiums with landlords.

The remaining stores where no premium value was identified are being handed back to landlords, offering informal surrenders to minimise costs and with around 60 having been completed to date. We continue to progress the remainder as part of winding down the company's affairs and establishing what claims against the company may exist from property landlords.

In order to reduce head office space and costs in line with employee numbers, the head office for continuing operations has been relocated. This relocation exercise was completed on 9 March 2015.

Also in relation to property matters, we have recovered £786k in business rates refunds and a further £250k may be recoverable. We have engaged specialist agents (CAPA) to assist us in this matter.



## Cash

On the date of our appointment, the cash balances across the Group (held with Lloyds Bank) were in the region of £124m in total. Lloyds was the beneficiary of an omnibus set-off agreement, entitling it to utilise the available cash balance to discharge overdraft positions in MobileServ Limited (approximately £19.6m) and Life Mobile Limited (approximately £14m). The following summary of the expected outcome was included in the Administrators' proposals

Company	Net cash on appointment (£m)	Cash after set-off (£m)
P4U	125	92
PAS	14	14
MobileServ Limited (including the overdrawn account of £19.6m)	(15)	5
<b>Total</b>	<b>124</b>	<b>111</b>

Following the set-off and a number of transfers to new accounts set up for the purposes of the administrations, as at 9 March 2015 in the region of £66m was held across the Group in the Lloyds bank accounts under our control.

## Stock

On appointment, the Group held stock with a book value of £89m in a number of locations across the UK. Consequently it was critical that this stock was quickly secured to maintain its value.

Once the value and location was established, we began a large-scale stock repatriation exercise to move stock from stores to the main warehouse, which completed on 24 October 2014. We appointed specialist agents to assist us with this exercise and made agreements with transport and repair providers in respect of stock held by them.

To avoid incurring significant costs in managing stock that may later have been determined to belong to third parties, we also negotiated a contribution to costs from key suppliers, which we would be able to retain in the event that stock was returned to ROT claimants.

ROT claims were made over a significant proportion of the stock. We have reviewed all ROT claims and have resolved the vast majority of claims either by rejection or through the agreement of commercial settlements. The resolutions were reached having received legal advice in order to ensure that any invalid or unsound claims were defended accordingly on behalf of the general body of creditors.

Where stock was returned to ROT claimants, the value of stock available for sale was reduced. Where stock was determined not to be subject to an ROT claim, we marketed the stock to a range of parties and completed a number of sales.

The following table summarises our progress in dealing with the large volume of stock. To date, a total of £27m has been realised from the sale of stock. The two most significant sales were of Apple handsets from warehouse inventory and returned from stores which realised £20.3m and £2.5m respectively. We continue to seek to maximise realisations from the residual stock (with a book value of £3.7m), including auction sales in a periodic and sensible manner so as to protect value.



Stock	Book value £m
Stock sales	46.8
Sold to Vodafone	7.1
Utilised in trading (PAS)	10.8
Stock subject to ROT	18.6
Stock returned to suppliers under warranty	1.5
Shrinkage	0.7
Remaining stock to realise	3.7
<b>Total</b>	<b>89.2</b>
<i>(Belonging to)</i>	
P4U	80.0
PAS	9.2
<b>Total</b>	<b>89.2</b>

We comment further in Section 5.2 on the stock relating to (and used by) PAS

### MNO Receivables

P4U had agreements with several network providers in which P4U would procure connections for mobile network providers and would receive commissions for each connection

The potential value of the MNO receivables is commercially sensitive and it depends on several variables, including unknown future events

We have positioned the company to maximise collections by not pursuing asset sales that might prejudice the value of the receivables. So as not to prejudice the outcome of the exercise to realise these debtors, we are continuing to review the legal rights in relation to each contract, we have also preserved key records and retained critical staff. We have actively engaged in dialogue with the network providers to discuss the approach to the collection of amounts due and outstanding to P4U.

The enclosed receipts and payments account shows £12.4m for amounts received from network providers. This includes £11.4m received under a bill of exchange. The bill of exchange was accepted prior to administration and had a maturity date post-administration.

We continue to progress our strategy for each counterparty in order to maximise realisations in this area. However, given the nature of the issue and duration over which debts would usually materialise, it is expected that the collection of debts may not be resolved for considerable time.

### Other book debts

At the date of our appointment there were £21.1m of other book debts showing as due to P4U. These debts were largely in relation to retrospective discounts on stock purchases and various marketing agreements that were in place with suppliers pre-administration.

Since our appointment we have been working to understand these debtor balances and the various set-off and other legal issues that surround these. To date we have realised £2.7m, including £0.8m relating to card transactions which cleared shortly after appointment. These figures are included in the book debt realisations referred to earlier. We continue to progress individual strategies for the remaining cases in order to maximise realisations.



## Other assets

We have been liaising with interested parties in relation to other assets owned by the company, including IT hardware, software licences and fixtures and fittings. We have completed sales of software licenses and office equipment for £144,080 and £62,583 respectively. No other assets have been identified for sale.

## Employees

At the date of our appointment, P4U employed 5,592 employees, of which 4,523 were employed in stores across the UK and 1,069 were based in the Group's head offices and call centre in Newcastle-under-Lyme.

The following summary shows the effect of the store closures and transfers to third parties to date.

Transaction	Store network	Head office	Total
Transferred to Vodafone	876	-	877
Transferred to EE	356	21	377
Transferred to Dixons Carphone	788	22	810
Resigned	115	40	155
Redundancies	2,388	971	3,358
Retained staff (as at 14 March 2015)	-	15	15
<b>Opening position</b>	<b>4,523</b>	<b>1,069</b>	<b>5,592</b>

As outlined above, redundancies across the store network were unavoidable following a lack of third party interest in acquiring the remaining stores as ongoing businesses.

Central and head office staff have been invaluable in helping us progress the many (and often complex) areas of work. However, given the reduction in the Group's trading, large numbers of positions were no longer required and as at 14 March 2015, some 1,011 staff had either been made redundant or left of their own accord.

We have been in contact with the Rapid Response Unit (Job Centre Plus) in England and its equivalent in Scotland, Wales and Northern Ireland to provide support for the employees. We have also continued to provide consultation to employees, initially in conjunction with retaining the staff in the HR department.

In order to expedite statutory payments where possible and to provide necessary information, we have been in regular contact with the Redundancy Payments Service.

Subsequent to making the necessary redundancies we have become aware that a significant minority of those made redundant have filed protective award claims. The maximum award that an Employment Tribunal can make is 90 days' gross pay per employee. However, any result can also be less than 90 days, including no award. We are currently in the process of seeking advice from counsel before we select an appropriate course of action.

Any protective awards against P4U are likely to rank as unsecured claims in the administration of P4U, and would therefore reduce the dividend estimates provided in this report.

To assist the administration and wind down of the company, some 112 employees were initially retained after the stock repatriation exercise concluded on 24 October 2014. These employees assisted with various tasks, including collection of MNO receivables, finance, rental properties and insurance. The customer



services call centre and HR function were also retained to support the management of customer calls and answer any employee related queries.

As at the 14 March 2015, the company has 15 employees who are assisting with Policy Administration Services Limited and the collection of MNO receivables

### **VAT liabilities**

There are two VAT issues to report. The first concerns the extent to which we will be liable to account for VAT in the course of the administration on connection commissions earned under the MNO contracts. The calculation of connection commissions is complex, involving a true up of up-front estimated payments against actual revenue share as this accrues over the lifetime of the customer contracts

The position which we have proposed to HMRC is that VAT should be accounted for by P4U in the course of the administration on cash payments actually received from MNOs (representing the excess of actual revenue share over the up-front estimated payments) However, the complexity of the contracts is such that, in the context of the insolvency event, a view might be taken that the VAT liability arising in the administration should be based on the actual revenue share, rather than just any excess over the amount of the up-front payment, because of certain features of the true up mechanism in the contracts This would mean a charge to VAT on total revenue share even though the cash actually received would be restricted to any excess arising as a result of the true up

We have analysed the position in detail and do not consider that any VAT charge should arise on any amount in excess of cash actually received. It is recognised, however, that there is a low risk of challenge and we are therefore in the process of applying to HMRC for a non-statutory clearance that VAT can be accounted for only on cash payments actually received Whilst we assess the risk of challenge as low, alternative treatments have the potential to substantially deplete the funds that may be available within the estate for distribution to creditors We have not reflected this risk within our range of estimated outcomes of 20% to 24% for the senior noteholders.

The second significant issue concerns a financing arrangement entered into by P4U in June 2013, which involved granting extended credit terms to two of the MNOs in respect of a proportion of commission payments As at the date of appointment the VAT accrual account showed a balance of £38.5m.

Actual commissions for connections were “self-billed” by the MNOs Ordinarily a tax point for a supply of services of this type is triggered on the earlier of receipt of payment and issue of a VAT invoice However, “self-billed” invoices in these circumstances do not create a tax point for VAT purposes so in the present case a tax point is triggered on receipt of the cash.

Under the financing arrangement P4U granted six months credit to the MNOs. At the same time it entered into a separate funding agreement with a banking syndicate, under which bills of exchange were drawn by P4U and accepted by the MNOs These were then transferred to the banking syndicate by P4U in exchange for payment by the banking syndicate to P4U In return for the MNO assuming the obligation to pay the face value of the bill of exchange to its holder at maturity, there would, broadly, be a corresponding reduction in the MNO’s payment obligations to P4U

At the end of the six month credit period the MNO would pay the full face value of the bill of exchange to its holder



P4U sought and obtained a ruling from HMRC that the tax point for the commissions subject to this arrangement was not created until the MNO paid the commission at the end of the six month period. If this analysis were correct, there could be a concern that a tax point may arise in the administration, but that the funds to which the VAT charge relates would not be received by P4U - having been paid instead to the holder of the bill of exchange.

Again, we have considered this issue in detail and have concluded that there are strong arguments that, contrary to the treatment outlined above, the tax point was created no later than the time of acceptance of the bills of exchange by the MNOs, on the basis that acceptance of the bills of exchange should be regarded as payment. As a result the VAT accrual would reflect VAT tax points created prior to our appointment and would represent a pre-appointment liability. We are in an ongoing dialogue with HMRC on this issue.

## **5.2 Policy Administration Services Limited**

PAS is an FCA authorised insurance intermediary that sold mobile phone insurance to the public on behalf of the underwriter LGI. On appointment, there were approximately 800,000 policyholders of which 75% had a P4U Care policy and 25% had a Premierplan policy.

### **Trading**

On appointment, a review of the business indicated that PAS had a reasonable prospect of being able to continue trading and remain profitable during administration. Accordingly, our immediate priority was to stabilise the business.

Prior to our report, claims from P4U Care policyholders were processed by P4U stores whilst claims from Premierplan policyholders were outsourced to LSG, a third party claim administrator.

The closure of P4U stores, as outlined above, therefore had a direct impact on the ability of 600,000 policyholders to make a claim. Upon entering administration, we immediately had to find a solution to process all P4U Care policyholders' claims to prevent further losses of customers that the news of the administration might have already caused. We reviewed the PAS claim processes and considered the available options to the business and how quickly these changes could take effect.

In light of PAS's existing relationship with LSG, LSG quickly proved to be the best alternative for the P4U Care customers. The claim administrator already administered claims on behalf of PAS and had the knowledge of the business along with access to the systems and processes for managing customers' claims.

After considerable negotiations, LSG agreed to expand their services to include P4U Care policyholders. This enabled services to continue with minimal disruption.

Following the successful repatriation of PAS stocks from the P4U stores as described in Section 5.1, PAS used this stock to meet customers' claims. An additional £5m stock was subsequently purchased from P4U to meet ongoing business needs. However, it was clear that the supply of stock to meet future demand for PAS was inadequate.

PAS had relied on P4U to purchase and store stock within their warehouse, however, the administration of the Group significantly impacted the ability of the business to sustain this supply chain management service for ongoing insurance claims. We recognised that outsourcing the supply chain management activity would be beneficial to PAS as an outsourcer could purchase stock at more competitive rates. LSG



are well known in the market for such activity and, as the existing claim administrator, were a natural choice for PAS to outsource such activity, which they agreed to undertake at a very competitive price. We continue to monitor stock forecasts and make purchases to meet business needs.

In view of all these changes, we have spent a considerable amount of time in the last few months reviewing and revising the terms and conditions in the agreement with LSG to reflect the new arrangements. This also allowed us to take the opportunity to set new key performance indicators to measure and incentivise LSG to optimise the cost and service delivered to PAS's customers.

We have also secured and retained the services of Anovo, a third party contractor which provided technical support and repair and refurbishment services pre-administration albeit through a contract with P4U. PAS entered into a new contract with Anovo to enable continuity of all these services in administration.

As mentioned above, the insurance policies continue to be underwritten by LGI and customers' mobile phone insurance policies remain valid with LGI. We have been working closely with the insurer to address their concerns in respect of the regulated activities PAS performs on their behalf and to keep them apprised of all the steps taken to ensure continuity of services. We have also renegotiated and agreed a new contract with LGI.

Throughout the administration, we have liaised with the FCA to reassure them that customers continue to be at the forefront of the PAS business and that they are being treated fairly. All the above actions have helped to minimise any disruption in the processing of ongoing customer claims which continue to be made on a business as usual basis.

### **Sale of the business**

Whilst we invested a considerable amount of time stabilising PAS, we also considered the sale of this business. For this purpose we prepared an information memorandum containing historical and projected views of the company, its operations, finances and other key metrics. We sent this to 15 prospective purchasers, upon receipt of executed non-disclosure agreements.

We received 11 expressions of interest from these parties along with requests for additional information, which we addressed in a subsequent addendum.

A number of indicative offers were received, but these were not considered to be in the best interests of creditors when compared to run-off. Furthermore there are challenges around a sale to a third party as exploiting the customer book could damage P4U interests more widely, such as in respect of the MNO

receivables. We will continue to evaluate any offers and the appropriate timing for a sale, in the light of ongoing trading results. However, as time goes by, the likelihood of a disposal of the business is receding.

### **Asset realisation**

We can confirm that the business has continued to trade profitably during the administration. Further details are shown in the receipts and payments account at Section 7. Please note that existing stock has been utilised in trading as described above.



We are therefore currently running the business on a long term run-off option and estimate a net profit and cash of approximately £17m (before tax and administrators' costs) over the period to December 2016, but this is highly sensitive to policy cancellation rates

During the administration, policy cancellations have been running at less than 1% for Premier Plan and 2% for Phones 4u Care on a weekly basis. These levels are higher than before the administration but the administration happened to coincide with a change in the terms and conditions whereby excesses on policies had been increased, which may have contributed to these cancellation rates. In addition, the business no longer sells new policies and many of the existing ones have now expired. Accordingly, PAS currently has circa 500,000 live policyholders. This is forecast to fall steadily to around 130,000 by December 2016.

### Subsidiary

PAS is the parent of a captive insurer in the Isle of Man, P4UC, which reinsures the insured business.

On appointment, P4UC had a complex ownership. Since the administration, a liquidation of certain intermediate holding companies has been executed to collapse this structure enabling share transfers and resulting in PAS being the sole shareholder of P4UC.

This is particularly important as the majority of the underwriting profits passed to the insurer LGI, ultimately accumulate in Phones 4 U Care Limited. The surplus cash held in the Isle of Man over local regulatory requirements will be transferred back to PAS once the Isle of Man Regulator's consent is received.

### Resources

A small number of staff have been retained to oversee the insurance business and appropriate incentivisation and retention arrangements have been agreed. In view of the need for the P4U administration to terminate the lease of the premises in Newcastle under Lyme, new leasehold premises have been secured for the PAS staff in Crewe.

The IT systems have also been rationalised to operate on a standalone basis, severing operational dependency on P4U systems.

### 5.3 Other companies

Above we have provided details on the progress of the main trading companies. We set out below further information on the other companies that are the subject of this report.

Assets (£'000s)	Phones 4 U Group Limited	Phones4U Finance plc	MobileServ Limited	Phosphorus Acquisition Limited
Cash at bank	-	5	4,020	69
Other	-	-	377	-
<b>Total realised</b>	<b>-</b>	<b>5</b>	<b>4,397</b>	<b>69</b>

In addition, MobileServ Limited also held foreign currency accounts with balances of €988k and US\$15k, which are under our control. These amounts will be converted to sterling and transferred to the main Mobileserv administration bank account.



We comment later on potential recoveries arising in MobileServ Limited from loans to directors and senior management of the Group. Aside from this (and a potential distribution to unsecured creditors of MobileServ Limited), there are no further assets to realise in any of these four companies. We will bring the 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 Noteholders**

One of the unusual aspects of the administrations is that a significant proportion of the Companies' secured creditors are holders (the "Noteholders") of £430m senior secured notes issued by Phones4u Finance plc which were listed on the Irish Stock Exchange (the "Notes"). The Notes are secured by a debenture over substantially all of the property and assets of certain companies in the Group and the only material parties to which they are contractually subordinate are the lenders under the RCF. The security of both the Noteholders and the RCF is held on their behalf by a Security Trustee (ING Bank N.V.).

We expect the RCF to be repaid in full. Subsequent to the period covered by this report, a lender-led process has commenced in order to achieve repayment of the RCF, by effecting set-off against cash held by the administrators. We remain of the view that there will be insufficient funds to repay the Notes in full and they are therefore likely to be the party with the primary economic interest in the progress and outcome of the administrations.

The Notes traded actively following our appointment and that the majority of the Notes are now owned by distressed debt funds. In order to preserve their ability to trade, during the initial months of the administration the Noteholders were unwilling to join a secured creditors' committee at which non-public information was provided. On 8 October 2014, we announced our intention to form an informal committee of Noteholders in order that their views and interests could be heard whilst respecting the choice of Noteholders not to receive non-public information.

The Committee comprises four Noteholders which collectively own well in excess of 50% of the value of the Notes and operate as a consultative body based on public information, unless specifically agreed otherwise and appropriate steps are taken subsequently to make public any private information. These Noteholders are Michael Renhoff (representing Scoggin Capital Management), Peter Sisitsky (representing Stonehill Investment Management), Colbert Cannon (representing Wingspan Investment Management), and Lucien Farrell and Peter Scott (both representing Cyrus Capital Partners).

More recently, Stonehill, one of the members of the informal committee of Noteholders requested that they be provided with additional non-public information. Stonehill has been and will continue to be provided with material non-public information relating to the administration under a confidentiality agreement entered into on 26 February 2015. In addition, we understand that Stonehill has established a trading wall within the fund that would permit designated individuals (who are not privy to and are prohibited from accessing non-public information) to trade Notes.

Despite not wanting to receive non-public information, Noteholders generally have been proactive in communicating with us in order to better understand the Companies' position. In the initial months of the administration, we received over 500 questions via emails from well over 100 separate parties and additionally continue to receive telephone calls regularly. In addition, we held regular conference calls to update bondholders and on 15 October 2014, we hosted a public meeting of bondholders, which was simultaneously linked by video in New York and London to explain progress and answer questions from creditors.



Given the complexity of this situation, the standard procedures administrators would traditionally adopt when dealing with secured creditors have not been possible. For example, where it is necessary to obtain secured creditors' consent for the release of certain security (required when conducting the sale of assets covered by a fixed charge), administrators commonly deal with a limited and static population of secured creditors and the process for obtaining such consent is straightforward. In the case of Phones 4u, the procedures by which this would be achieved were stipulated within agreements connected to the issue of the Notes.

Accordingly, we have been in communication with the relevant parties to those agreements, including the Security Trustee and Senior Note Trustee (Citibank N.A.) in order to determine how those agreements can be implemented in the current situation. Unfortunately it became clear that certain of the procedures envisioned within those agreements were not practically feasible within the timeframe required. As such it was necessary to apply to the Court to obtain the release of Noteholders' security necessary for the completion of certain of the transactions executed shortly following our appointment.

In order to limit the cost of the Senior Notes Trustee role on the administration, subsequent to the period covered by this report we have begun a process to replace Citibank N.A. with Global Loan Agency Services Limited. Completion of this process will be subject to formal support by a majority of the Noteholders by value.

As we have formed the view that the Companies have insufficient property to enable a distribution to be made to unsecured creditors (other than potentially by virtue of the prescribed part as provided for by Section 176A IA86), the secured creditors will be responsible for determining the basis of our remuneration and certain other matters in the administrations.

## **5.5 Loan Facility Agreements**

In accordance with Statement of Insolvency Practice #13, we are required to disclose any known connected party transactions that occurred in the period of two years preceding our appointment, in the period following our appointment or any proposed transactions.

Connected party transactions principally relate to the acquisition of company assets by its directors and we have a duty to investigate whether any disposal of assets was conducted at less than market value. We can confirm that there have been no connected party transactions in the period after our appointment, and no such transactions are envisaged.

We are aware that certain directors or members of the senior management team entered into Loan Facility Agreements in February 2014 with MobileServ Limited. The purpose of the agreements was to provide funding for the directors to acquire shares in Phosphorus Jersey Limited (the Group's ultimate parent company). The table below provides more information.



Required information	Details of transaction
Date of the transactions	13 February 2014
Nature of the transactions	Loan Facility Agreements to provide funding for the acquisition of shares in Phosphorus Jersey Limited
Name of counterparty, nature of relationship and consideration for the transaction ( <i>balances outstanding as at 31 August 2014</i> )	There are five members of the Group's Board / senior management team that entered into these agreements  The counterparties are considered to be connected parties within the meaning of s249 IA86  The total amount outstanding is £460,000 which is due to be repaid in 2019

We have been corresponding with the counterparties with a view to agreeing one of the following strategies for each loan.

- 1) Agree an early settlement, at a discount to the net book value,
- 2) Sell the loan to a third party, or
- 3) Collect the loan upon maturity.

To date, we have not agreed an early repayment with any of counterparties and continue to explore whether a sale to a third party is possible

## 5.6 Investigations

Under insolvency legislation we have an obligation to review the conduct of everyone who has acted as a director of the Companies within three years prior to our appointment and file a confidential report on our findings with the Department of Business, Innovation and Skills. As part of our duty to investigate what assets there are in the Companies, we consider any potential claims against third parties and what recoveries can be made.

We have previously communicated that the law firm Quinn Emmanuel Urquhart & Sullivan has been instructed to assist us in our investigations in this area. We can report that Quinn Emmanuel Urquhart & Sullivan have completed their initial investigations and that we are considering the findings and potential next steps.

We can confirm that we have complied with the requirement to report to the Department of Business, Innovation and Skills. However, for confidentiality reasons, we are unable to give any further information.

## 5.7 Approval of the Administrators' proposals

On 6 November 2014, we circulated our statement of proposals for achieving the purpose of each administration. The requirement to convene a meeting of creditors (to consider our proposals) did not apply for any of the Companies and no creditors requisitioned such a meeting in accordance with insolvency legislation.

Therefore on 19 November 2014, we issued a notice confirming that our proposals had been deemed approved in respect of each of the Companies. A copy of our proposals is still available to view on our website at [www.pwc.co.uk/phones4u](http://www.pwc.co.uk/phones4u)



## 5.8 Administrators' remuneration

We explained in our proposals that, given the circumstances of each case, it would be for the Companies' secured creditors (and preferential creditors in Phones 4u Limited) to approve the basis of our remuneration and certain categories of disbursements. We also envisaged that our remuneration may be fixed by reference to a combination of one or more different bases.

We have maintained a very regular and open dialogue with the Companies' secured creditors through open conference calls, liaison with the security trustee (ING Bank N.V.) and an informal committee of Noteholders. The mechanism for obtaining approval to the basis of fees where a security trustee represents a wider and more disparate body of secured creditors, is technically complex.

At the informal Committee meeting on 15 October 2014, we obtained the Committee's support for a resolution to be put to a vote of all Noteholders on the matter of our remuneration. The proposal included the payment of 80% of our fees as joint administrators (on a time cost basis) relating to those entities within the Noteholders' security net. We agreed to set out a further proposal regarding the basis upon which fees would be charged for dealing with those aspects of the administrations which are expected to take longer to resolve (being the insurance business, the MNO receivables, the VAT liabilities and the potential investigations) at a later date.

The Committee gave unanimous support to the proposal. Additional supporting information was requested regarding the fees outlined in the proposal and it was agreed that this would be provided prior to a formal vote of Noteholders. Discussions were held regarding the preferred basis upon which fees could be charged for dealing with the longer term aspects of the administrations and it was agreed that we would revert with a considered proposal for discussion.

At a subsequent informal Committee meeting on the 18 December 2014, support was again obtained on the same basis for fees accruing up to 30 November 2014.

Approval will also be sought from the preferential creditors in Phones 4u Limited, although for the reasons explained below, we have not yet been able to do this.

Due to the prerequisites outlined above, no payment has yet been made of our remuneration. By the time of our next report, we hope to have formally obtained fee approval from all the relevant classes of creditors and our report will confirm the basis (or combination of bases) for determining our remuneration, together with all information and analysis required by Statement of Insolvency Practice No.9 and insolvency legislation.

A statement of creditors' rights in relation to administrators' remuneration and expenses and the rights to request further information can be found 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



## **5.9 Outcome for creditors**

### **Secured creditors**

As explained earlier, a significant proportion of the Companies' creditors are Noteholders of £430m senior secured notes issued by Phones4u Finance plc and listed on the Irish Stock Exchange. The Notes are secured by a debenture (the Senior Note Trustee being Citibank N.A), over substantially all of the property and assets of certain companies in the Group and the only material parties to which they are contractually subordinate are the lenders under the RCF (the Security Trustee being ING Bank N V)

Debt due under the RCF relates to three letters of credit, none of which had been demanded at the time of our appointment. However, two have since been demanded, equating to debt of £15.8m. The final letter of credit continues to be a contingent secured liability in the region of £4m.

As explained earlier, we expect the RCF to be repaid in full. Subsequent to the period covered by this report, a lender-led process has commenced in order to achieve repayment of the RCF, by effecting a set-off against cash within the administration. We remain of the view that there will be insufficient funds to repay the Notes in full and they are therefore likely to be the party with the primary economic interest in the progress and outcome of the administrations.

In overall terms, we have indicated that the Noteholders may recover in the region of 20% to 24% of their debt, although this excludes any potential recoveries from the MNO receivables or our investigatory work. For illustrative purposes only, it does include the effect of the VAT liability (of £38.5m) being paid as an expense of the administration, but excludes the impact of the first VAT issue discussed earlier, the quantum of which is more uncertain.

### **Estimated dividend prospects**

#### *Preferential creditors*

Preferential claims are only expected to arise in Phones 4u Limited where all of the Group's employment contracts resided. The directors' statement of affairs estimated these claims at over £3.4million.

Following our appointment, we paid certain arrears of wages for staff that had not transferred to one of the purchasers, thereby significantly reducing the amount of arrears of wages to be claimed against the Company, either directly or via the National Insurance Fund. The arrears were paid for a number of commercial reasons, including the need to secure support from employees during the stock repatriation exercise and ongoing assistance of employees at head office.

We are presently seeking legal and counsel advice on the treatment of these payments and the impact on the level of preferential claims in respect of the balance of arrears of wages.

Based on present information, we expect preferential claims to be paid in full. We indicated earlier that the dividend might be paid in 6-9 months, although this is subject to change and could take longer. This is because (in addition to the above enquiries), we are considering what the impact of insolvency legislation relating to dividend distributions might have elsewhere in the administration, in order to avoid any significant unintended consequences, and it may be that certain matters need to be addressed prior to making the distribution. In the meantime, whilst these matters are progressed, we intended to write to all preferential creditors in order to start agreeing their claims in the forthcoming weeks.



### Unsecured creditors

Amounts become available for unsecured creditors if there are sufficient funds remaining after secured and preferential creditors have been paid in full and the expenses of the administration have been discharged. However in certain circumstances, insolvency legislation requires a fund to be set aside for unsecured creditors that would otherwise be paid to the secured creditor (under its floating charge)

This ring-fenced 'prescribed part' fund is paid out of the company's 'net property' Net property is floating charge realisations after costs, and after paying - or setting aside enough to pay - preferential creditors in full But it only has to be made available where the floating charge was created on or after 15 September 2003. The amount of the prescribed part is

- 50% of net property up to £10,000, plus
- 20% of net property above £10,000, but
- Subject to a maximum of £600,000

The prescribed part applies in each of the Companies as there is a floating charge created after 15 September 2003 We outline below what we believe the dividend prospects may be for each of the Companies

Company	Dividend likely?	Estimated prescribed part fund	Estimate of unsecured claims *	Dividend prospects
Phones 4U Limited	✓	£600k	£168m	Less than 0.4%
Policy Administration Services Limited	✓	£600k	£44m	Less than 1.4%
MobileServ Limited	✓	£600k	£802m	Less than 0.1%
Phosphorus Acquisition Limited	✗	Nil	£561m	Nil
Phones 4 U Group Limited	✗	Nil	£69m	Nil
Phones4U Finance plc	✗	Nil	£92m	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 an appropriate degree of caution



#### **5.10 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. Where dividends are likely and as set out in our approved proposals, we will either move the companies to creditors' voluntary liquidation at the appropriate time, in order for claims to be agreed and funds distributed to creditors, or alternatively, we may apply to Court for permission to distribute the funds from within the administration procedure. We will choose the most appropriate route considering the nature of outstanding issues and the costs involved.

An administration comes to an automatic end after one year unless the Court agrees to extend it for a specific period. Alternatively, the relevant class of creditors can consent to a six month extension to an administrators' term in office. On these cases, we will continue to monitor the progress of our appointments and will apply for extensions as appropriate.

#### **5.11 Next report**

We anticipate that we will circulate our next report to creditors at the earlier of the conclusion of the administrations or in approximately six months.

## 6. Statutory and other information relating to the administrations

Full name:	Phones 4U Limited	Phones 4 U Group Limited	Phones4U Finance plc	MobileServ Limited	Phosphorus Acquisition Limited	Policy Administration Services Limited
Trading names:	Phones 4U, 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
Company number:	03154198	04943837	07552754	05863265	07405102	03907386
Registered office:	Benson House, 33 Wellington Street, Leeds, LS1 4JP					
Company directors:	Philip D Dobson Nick Fisher Scott Hooton David N Kassler Steven Lloyd John E Morris Thomas Shorten Timothy J Whiting John J Whittle	David N Kassler Steven Lloyd John E Morris	Philip D Dobson David N Kassler Steven Lloyd John E Morris Timothy J Whiting	David N Kassler Steven Lloyd	David N Kassler Steven Lloyd Jason Mitchell John E Morris	Nick Fisher Scott Hooton David N Kassler Steven Lloyd John E Morris John J Whittle
Company secretary:	Steven Lloyd					
Shareholdings held by the directors and secretary:	Not applicable					
Appointment date:	15 September 2014					16 September 2014

Full name:	Phones 4U Limited	Phones 4 U Group Limited	Phones4U Finance plc	MobileServ Limited	Phosphorus Acquisition Limited	Policy Administration Services Limited
Administrators' names and addresses	Robert Jonathan Hunt PwC, Cornwall Court, 19 Cornwall Street, Birmingham, B3 2DT  Ian David Green and Robert John Moran PwC, 7 More London, Riverside, London, SE1 2RT					Robert Jonathan Hunt Ian David Green (addresses as shown on the left)  Douglas Nigel Rackham Dan Yoram Schwarzmann (both of the London office address as shown on the left)
Appointor's/ applicant's name and address:	The directors of each company, based at Osprey House, Ore Close, Lymedale Business Park, Newcastle-under-Lyme, Staffordshire, ST5 9QD					
Objective being pursued by the administrators:	Objective (b) - 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)					
Division 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					
The European Regulation on Insolvency Proceedings (Council Regulation (EC) No. 1346/2000 of 29 May 2000):	The European Regulation on Insolvency Proceedings applies to the administrations and the proceedings are main proceedings					



## 7. Receipts and payments accounts

### Phones 4U Limited – in administration

From 15 September 2014 to 14 March 2015

Directors' statement of affairs		Receipts and payments
£		£
<b>Floating charge</b>		
<b>Receipts</b>		
1,003,700	Accrued income	-
35,168,467	Amounts related to stock*	27,002,718 19
1,526,401	Book debts	2,697,941 89
Undisclosed	Network commissions	12,393,754 59
73,581,338	Cash at bank	92,967,951 25
	Contributions to rent	5,811,507 14
	Contributions to wages	447,000 00
	Insurance refunds	30,080 80
156,652	Intercompany debtors	-
	Intellectual property rights	100,000 00
	Interest received gross	234,293 74
2,250,000	Lease premiums	524,400 01
	Miscellaneous receipts	13,954 39
	Office equipment	62,583 33
46,122	Pre-payments	-
	Rates refunds	786,281 10
	Other refunds	63,614 56
	Sale of business	14,218,577 86
	Software licences	144,080 00
5,870,969	Subrogated inter-company claims	-
250,000	Tangible fixed assets	-
	Third party funds	161,937 32
Undisclosed	<b>Total receipts</b>	<b>157,660,676.16</b>

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



**Phones 4U Limited – in administration**

From 15 September 2014 to 14 March 2015

<b>Payments</b>	<b>£</b>
Agents' fees	895,492 50
Bank charges	23,339 83
Cleaning and site clearance	25,391 04
Consultancy fees	496,825.87
Duress payments	1,131,484.96
Employee expenses	106,913 68
Employers NIC	1,653,758.35
Gross wages and salaries	6,466,157.17
Insurance	128,010 03
IT costs	2,550,664 87
Legal fees	76,190 38
Lease/hire charges	3,524 80
Other payroll deductions	85,565.83
Pension schemes	19,871 26
Petty cash	300 00
Property expenses	(14,564 08)
Purchases	17,913 02
Rent	5,277,012.86
Security costs	102,101.26
Service charges	308,476 82
Statutory advertising	227 46
Storage costs	1,369,754 56
Sundry appointment related costs	840 00
Transport and carriage	354,899 40
Utilities	5,217 79
<b>Total payments</b>	<b>21,085,369.66</b>
<b>Net floating charge realisations</b>	<b>136,575,306.50</b>
<b>VAT control account</b>	<b>2,004,017 55</b>
<b>Balance held in interest bearing current accounts</b>	<b>138,579,324.05</b>
<b>Represented by</b>	<b>£</b>
Held in Barclays	22,730,574 99
Held in Lloyds	60,834,358.27
Invested in high interest account	55,014,390.79
<b>Total</b>	<b>138,579,324.05</b>



**Phones 4 U Group Limited – in administration**  
 From 15 September 2014 to 14 March 2015

<b>Directors' statement of affairs</b>		<b>Receipts and payments</b>
<b>£</b>		<b>£</b>
<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>	-



**Phones4U Finance plc**  
From 15 September 2014 to 14 March 2015

<b>Directors' statement of affairs</b>		<b>Receipts and payments</b>
<b>£</b>		<b>£</b>
<b>Floating charge</b>		
<b>Receipts</b>		
-	Bank interest	3 60
4,759	Cash at bank	4,758 97
38,807	Intercompany debtors	-
<b>43,566</b>	<b>Total receipts</b>	<b>4,762.57</b>
<b>Payments</b>		
	Bank charges	2 00
-	<b>Total payments</b>	<b>2.00</b>
<b>43,566</b>	<b>Net floating charge realisations</b>	<b>4,760.57</b>
	VAT control account	-
<b>43,566</b>	<b>Balance held in interest bearing current account</b>	<b>4,760.57</b>
<b>Represented by</b>		<b>£</b>
	Held in Barclays account	-
	Held in Lloyds account	4,760 57
	<b>Total</b>	<b>4,760.57</b>



**MobileServ Limited – in administration**  
From 15 September 2014 to 14 March 2015

<b>Directors' statement of affairs</b>			<b>Receipts and payments</b>
<b>£</b>			<b>£</b>
<b>Floating charge</b>			
<b>Receipts</b>			
(19,630,391)	Cash at bank	<b>Note 1</b>	4,020,292 95
463,684	Directors' loan account		-
427,096	Intercompany debtors		-
	Interest received gross		377,037 77
<b>(18,739,611)</b>	<b>Total receipts</b>		<b>4,397,330.72</b>
<b>Payments</b>			
	Bank charges		(61,429 30)
	<b>Total payments</b>		<b>(61,429.30)</b>
	<b>Net floating charge realisations</b>		<b>4,335,901.42</b>
	VAT control account		-
	<b>Balance held in interest bearing current account</b>		<b>4,335,901.42</b>
<b>Represented by</b>			<b>£</b>
	Held in Barclays account		-
	Held in Lloyds account		4,332,236 49
	<b>Total</b>		<b>4,332,236.49</b>
MobileServ also holds two currency accounts, as follows.			
	US Dollar account		\$15,157 68
	Euro account		€988,466 66

**Note 1**

MobileServ had an overdraft of £19 6million and a cash balance of £4million, the latter of which was not reflected on the directors' statement of affairs. The overdraft has been offset by the RCF using cash from elsewhere in the Group, leaving the cash balance of £4million in this administration.



**Policy Administration Services Limited – in administration**  
From 16 September 2014 to 15 March 2015

<b>Directors' statement of affairs</b>		<b>Receipts and payments</b>
<b>£</b>		<b>£</b>
<b>Trading statement</b>		
<b>Receipts</b>		
27,000,000	Customer insurance premiums	28,522,893 97
	Customer refunds	(605,980 89)
	Sales of irreparable phones	52,025 89
	Interest received gross	24,649 95
<b>27,000,000</b>	<b>Total trading receipts</b>	<b>27,993,588.92</b>
<b>Payments</b>		
	Agents' fees	(4,279,900 58)
	Bank charges	(58,034 41)
	Duress payments	(931,978 88)
	Property	(10,200 00)
	Insurance	(11,974,397 65)
	IT costs	(15,614 04)
	Stock purchase	(3,963,352 20)
	Trade creditors	(53,630 69)
	<b>Total trading payments</b>	<b>(21,287,108.44)</b>
	<b>Trading account surplus/(loss)</b>	<b>6,706,480.48</b>



**Policy Administration Services Limited – in administration**  
From 16 September 2014 to 15 March 2015

<b>Directors' statement of affairs</b>		<b>Receipts and payments</b>
<b>£</b>		<b>£</b>
<b>Floating charge</b>		
<b>Receipts</b>		
35,948	Accrued income	-
14,724,121	Cash at bank	13,825,702 60
47,960	Prepayments	-
4,912,977	Stock	-
	Trading account balance (see above)	6,706,480 48
19,721,006	<b>Total receipts</b>	<b>20,532,183.08</b>
<b>Floating charge realisations</b>		<b>20,532,183.08</b>
<b>Represented by</b>		<b>£</b>
	Held in Barclays	12,692,742 92
	Held in Lloyds	1,212,440 16
	Held in ANZ	6,627,000 00
	<b>Total</b>	<b>20,532,183.08</b>

Please note that cash held in P4UC is not included in this report



**Phosphorus Acquisition Limited – in administration**  
From 15 September 2014 to 14 March 2015

<b>Directors' statement of affairs</b>		<b>Receipts and payments</b>
<b>£</b>		<b>£</b>
<b>Floating charge</b>		
<b>Receipts</b>		
69,473	Cash at bank	69,472 80
	Bank interest	163 86
129,806	Intercompany debtors	-
7,328	Prepayments	-
<b>206,607</b>	<b>Total receipts</b>	<b>69,636.66</b>
<b>Payments</b>		
	Bank charges	(3 40)
	<b>Total payments</b>	<b>(3.40)</b>
<b>Net floating charge realisations</b>		<b>69,633.26</b>
VAT control account		-
<b>Balance held in interest bearing current account</b>		<b>69,633.26</b>
<b>Represented by</b>		<b>£</b>
	Held in Barclays account	-
	Held in Lloyds account	69,633 26
	<b>Total</b>	<b>69,633.26</b>