

Business Recovery Services

*Phones 4u Finance plc – in  
administration*  
Informal creditors' committee  
meeting

8 March 2016

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## ***Introduction***

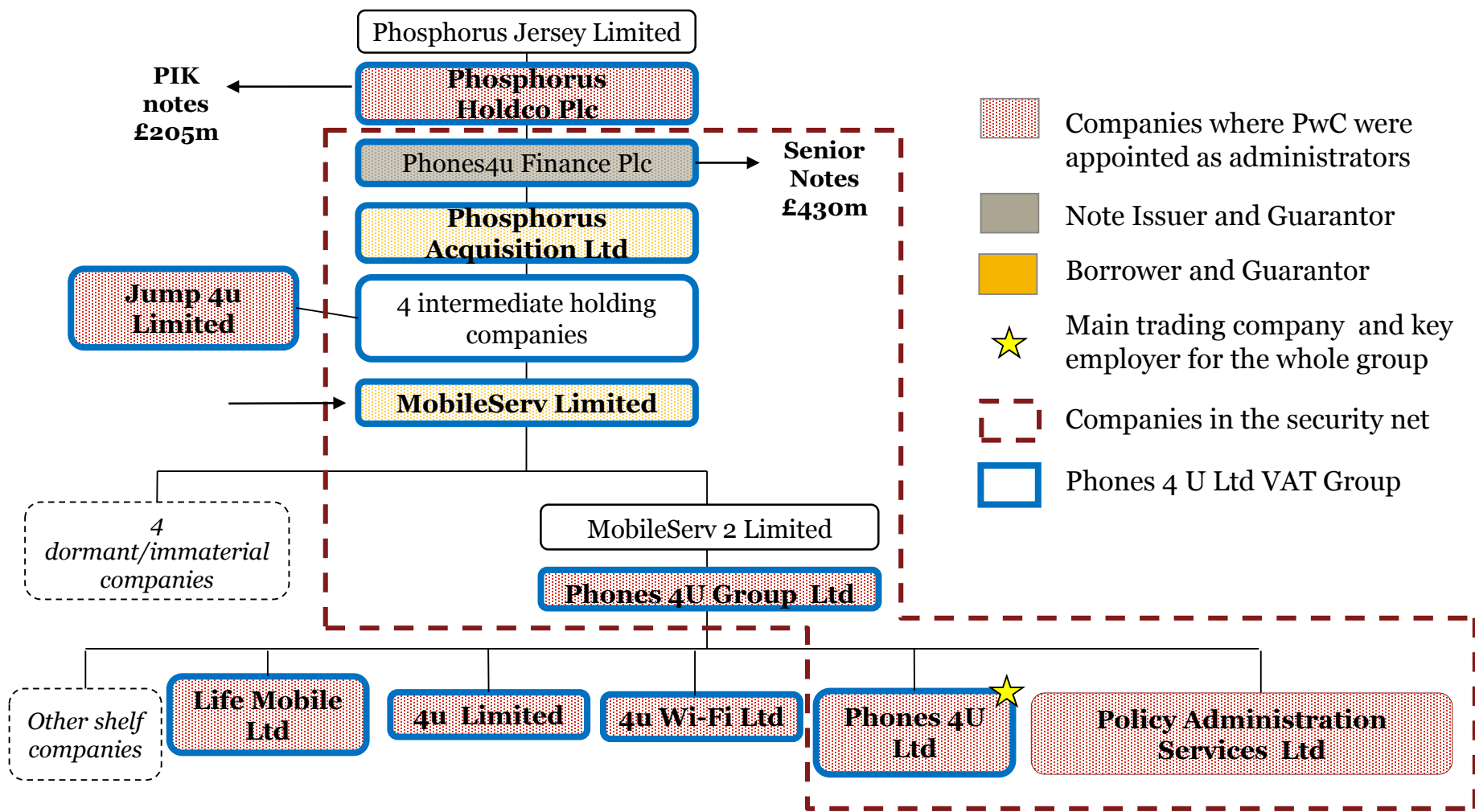
- New member of the Informal creditors' committee
  - **Taconic** Capital Advisors UK
- Nature of information to be discussed
- Minutes and slides will be posted to the PwC Phones 4u website ([www.pwc.co.uk/phones4u](http://www.pwc.co.uk/phones4u)) within 24 hours of this meeting

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# *Agenda*

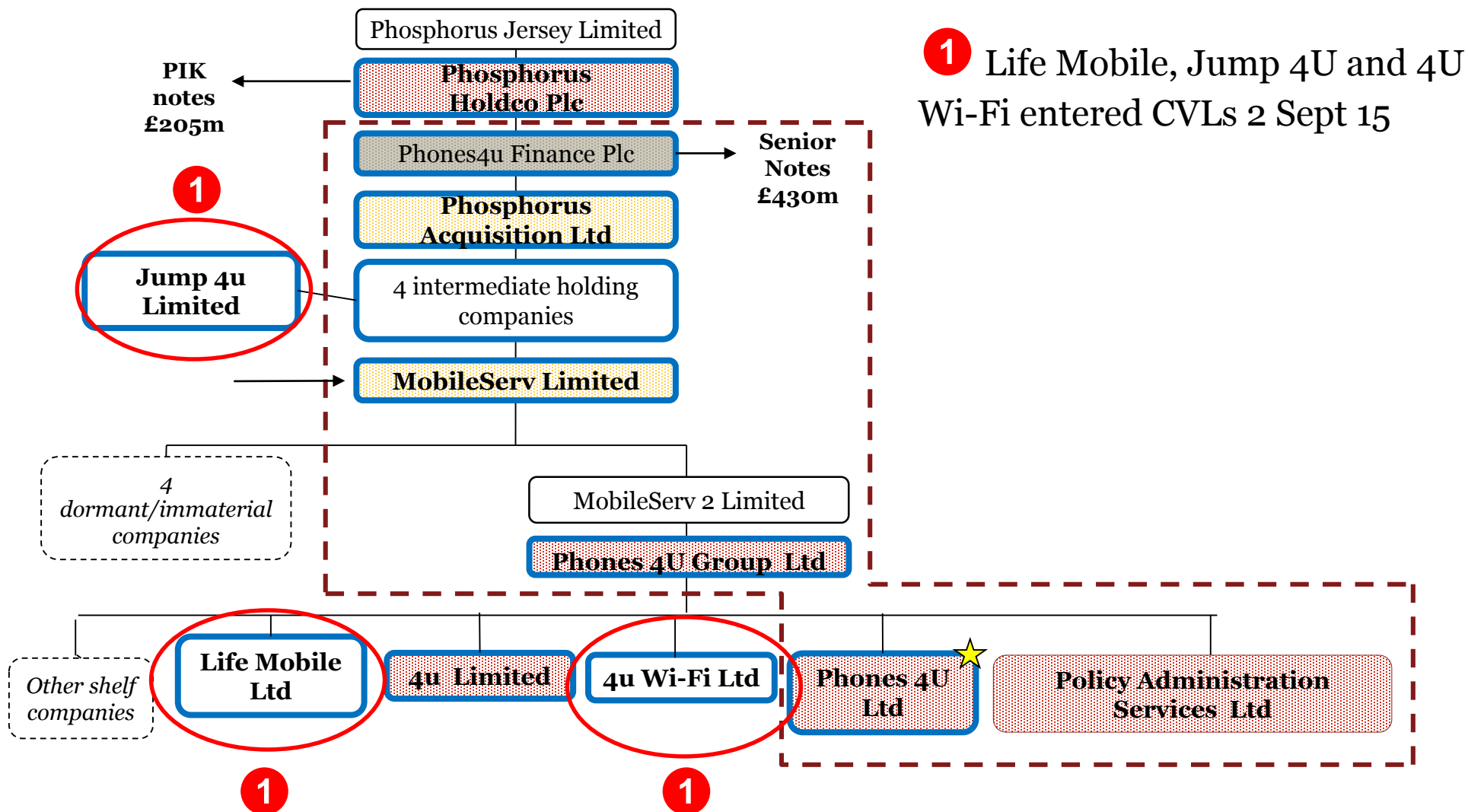
1. Update on appointments within the P4U Group
2. Highlights since July 2015
3. Estimated financial outcomes
  - Update on Policy Administration Services (“PAS”)
  - Administrators’ remuneration
4. Cash position at 20 January 16
5. Priorities for the next 6 months
6. Q&A

# 1- Update on appointments within the P4U Group



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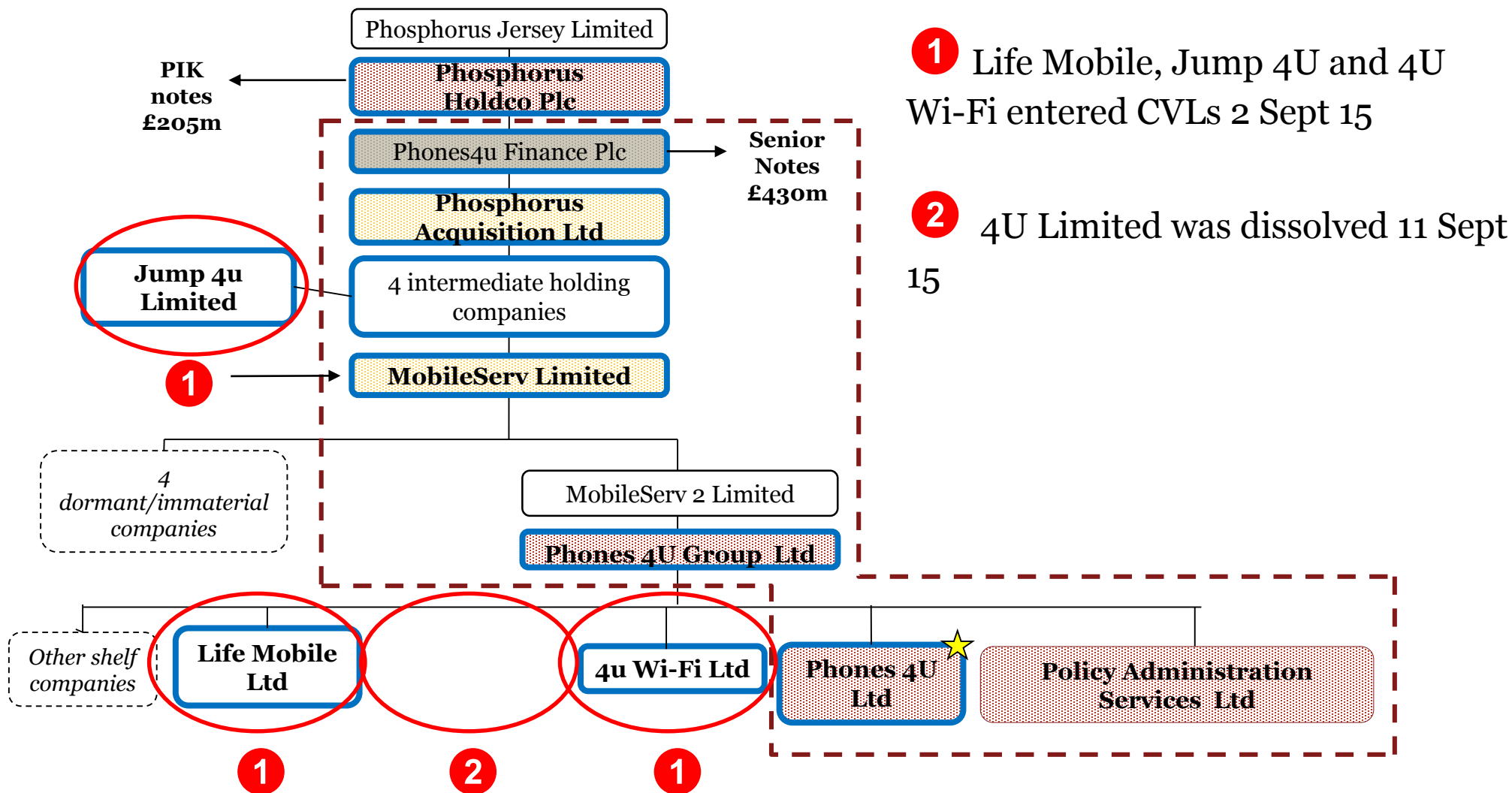
# 1- Update on appointments within the P4U Group



**1** Life Mobile, Jump 4U and 4U Wi-Fi entered CVLs 2 Sept 15

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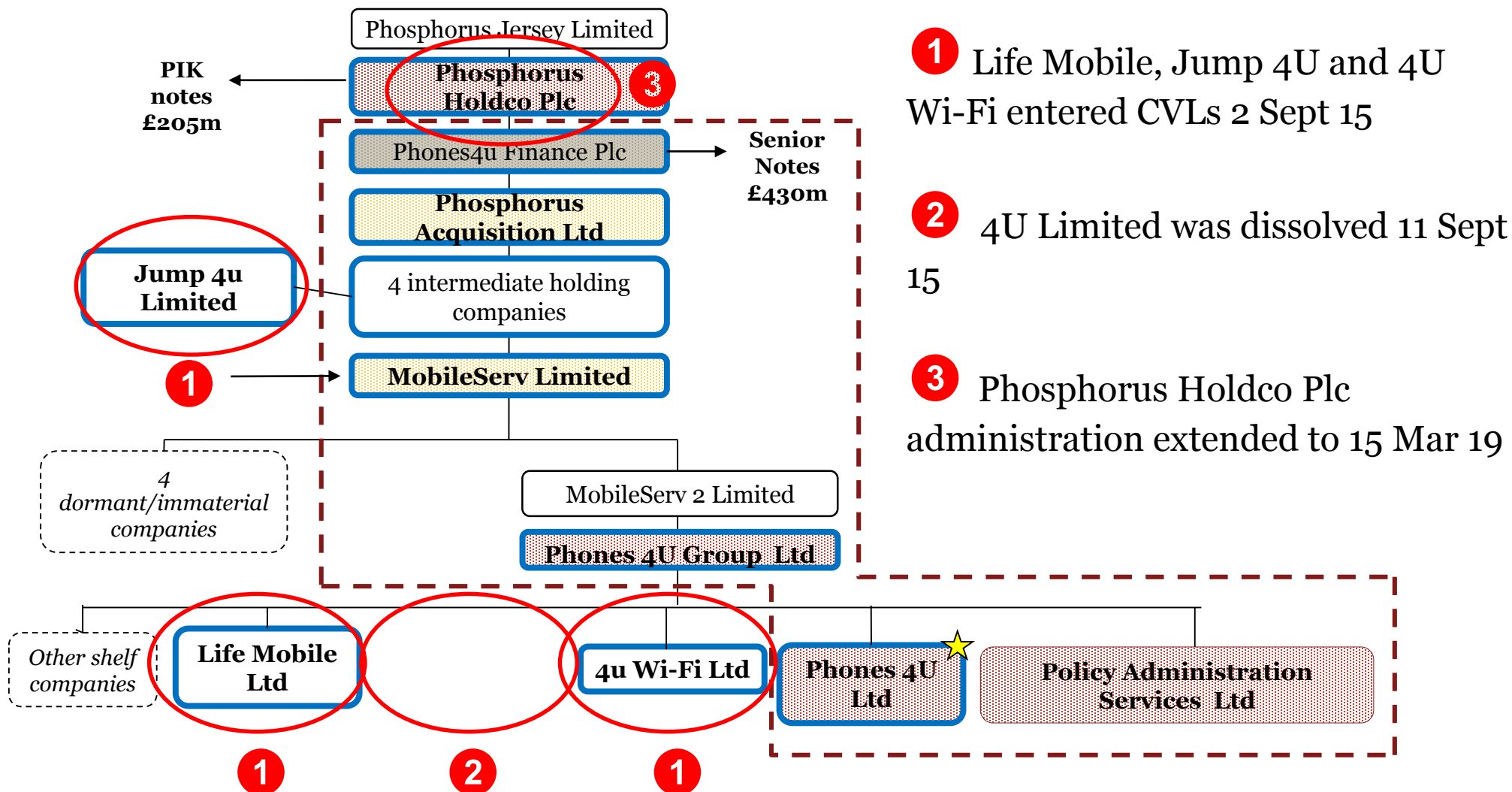


**1** Life Mobile, Jump 4U and 4U Wi-Fi entered CVLs 2 Sept 15

**2** 4U Limited was dissolved 11 Sept 15

Phones 4u Finance plc – in administration • Informal creditors' committee meeting

# 1- Update on appointments within the P4U Group



Phones 4u Finance plc – in administration • Informal creditors' committee meeting

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## ***2- Highlights since July 2015 (last ICC meeting)***

- Mobile Network Operator (“MNO”) receivables
- VAT
- PAS trading
- Payment of the preferential creditors in full
- Ongoing management of protective award claims by former employees
- Investigations
- Administrators’ remuneration approval
- Senior notes trustee replacement
- Third progress report



### 3- Estimated financial outcomes

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<b>Senior notes % return</b>		<b>32%</b>	<b>36%</b>
Potential Trade Bill Discounting Facilities VAT liability		(37.4)	(37.4)
<b>Senior notes % return (assuming Trade Bill Discounting Facilities VAT liability payable as an administration expense)</b>		<b>24%</b>	<b>28%</b>

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### ***3- Estimated financial outcomes***

The following items are not included within our estimated outcome:

- ***MNO commission receivables*** – estimated future income, associated commissions, administrators' costs incurred to date or estimated going forward
- ***Investigations*** – any estimate of future income, legal and professional fees (except to the extent that these have been incurred to date), administrators' costs incurred to date or estimated going forward
- ***Larger VAT issue*** – any estimate of potential liability

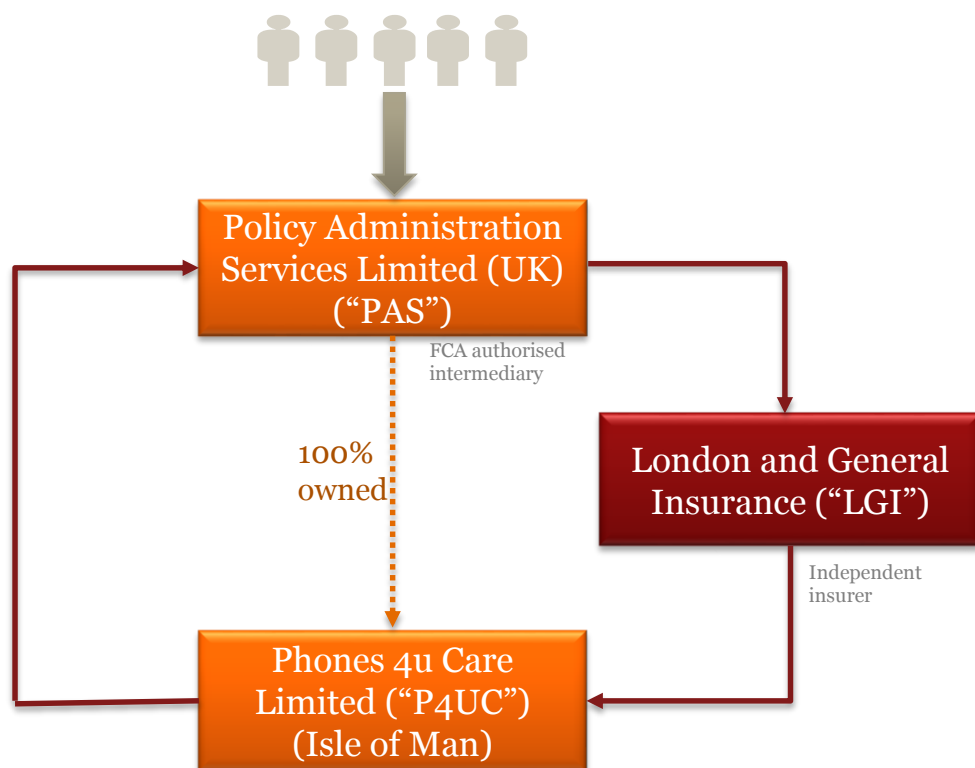
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# Cashflow



- PAS is an FCA authorised insurance intermediary that sold mobile phone insurance to the public on behalf of its underwriter LGI.
- PAS is the parent of P4UC, a captive insurer in the Isle of Man, which reinsures the business.
- The majority of the underwriting profits are passed to the insurer LGI, but ultimately accumulate in the captive.
- Profits in P4UC are transferred to PAS by way of dividends. A first dividend of c.£12m was received with the approval of the IoM Regulator in November 2015. Further dividends should be made on a quarterly basis.

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# Overview

## Trading

- Customer base is declining in line with our forecast - **c.350k policyholders remain** at the end of January 2016. This should reduce to c.170k by the end of 2016.
- Policies are renewed on a monthly basis but can be cancelled by customers at any time.
- We continue **promoting longevity of policies** by offering advantageous T&Cs and the option to switch between policies.
- Supply chain management has been streamlined.
- Total number of **insurance claims handled to date is c.108k**. We continue to monitor quantitative and qualitative performance metrics.
- The remaining employees have been transferred to the outsourcer.

## Regulatory

- **Annual reminders were successfully** sent to customers in 2015.
- Based on the latest FCA report, **PAS is performing comparably with the highest achieving** firms in the sector in respect of claims accepted/paid, claims withdrawn/not completed and average claim process time.

## Tax matters

- IPT rates went up in November 2015 from 6% to 9.5% - decided not to seek to pass these costs to customers for commercial reasons.
- **Tax will be paid on profits** and those made by P4UC. There is no scope for shelter through group charges.

## *Asset realisation and estimated outcome*

	Actual to 20 Jan 2016 £'000	Estimated outcome to 31/12/2016	
		Low Case £'000	High Case £'000
Cash generated to 20/01/2016 (incl. P4UC cash)	29,271		
Accruals - group	(7,324)		
Accruals - third party	(3,318)		
<b>Post Administration Profit</b>	<b>18,629</b>	<b>24,000</b>	<b>30,000</b>
Corporation tax (incl. accrual of £450k)	(2,571)	(3,000)	(4,500)
Legal Fees (incl. irrecoverable VAT)	(1,362)	(1,500)	(1,900)
Administrators' fees (incl. irrecoverable VAT)	(3,070)	(3,500)	(4,000)
Prescribed Part		(600)	(600)
	<b>11,626</b>	<b>15,400</b>	<b>19,000</b>
<b>Pre Administration cash</b>	<b>13,882</b>	<b>13,882</b>	<b>13,882</b>
<b>Total available for distribution</b>	<b>25,508</b>	<b>29,282</b>	<b>32,882</b>

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### 3- Estimated financial outcomes

#### Administrators' costs (exc. PAS, MNO, Investigations)

£m	Approved to Aug 15	Incurred Sept 15 - Jan 16	Total to 20 Jan 16	Lower case Actual + Expected to Sept 17	Upper case Actual + Expected to Dec-16
'20 January 2016					
Strategy & Planning	0.8	0.1	0.9	1.3	1.2
Sale of business	0.5	0.0	0.5	0.5	0.5
Book debt realisations	0.1	0.0	0.1	0.1	0.1
Property	0.7	0.1	0.8	1.2	1.0
Other assets	0.8	0.0	0.8	1.2	1.1
Retention of title	0.4	0.0	0.4	0.4	0.4
Trading	0.9	0.0	0.9	1.4	1.2
Accounting and treasury	0.3	0.1	0.4	0.7	0.5
Statutory and compliance	0.5	0.1	0.5	1.0	0.8
Employees & pensions	1.0	0.1	1.1	1.9	1.6
Investigations	0.0	0.0	0.0	0.0	0.0
Creditors	1.3	0.2	1.5	2.2	1.9
Creditors committee	0.1	0.0	0.1	0.1	0.1
Tax	0.6	0.1	0.7	1.1	0.9
VAT	1.5	0.5	2.0	2.6	2.4
Books and records	0.2	0.0	0.2	0.4	0.3
Closure procedures	0.0	0.0	0.0	0.2	0.1
<b>Total</b>	<b>9.7</b>	<b>1.4</b>	<b>11.1</b>	<b>16.5</b>	<b>14.2</b>

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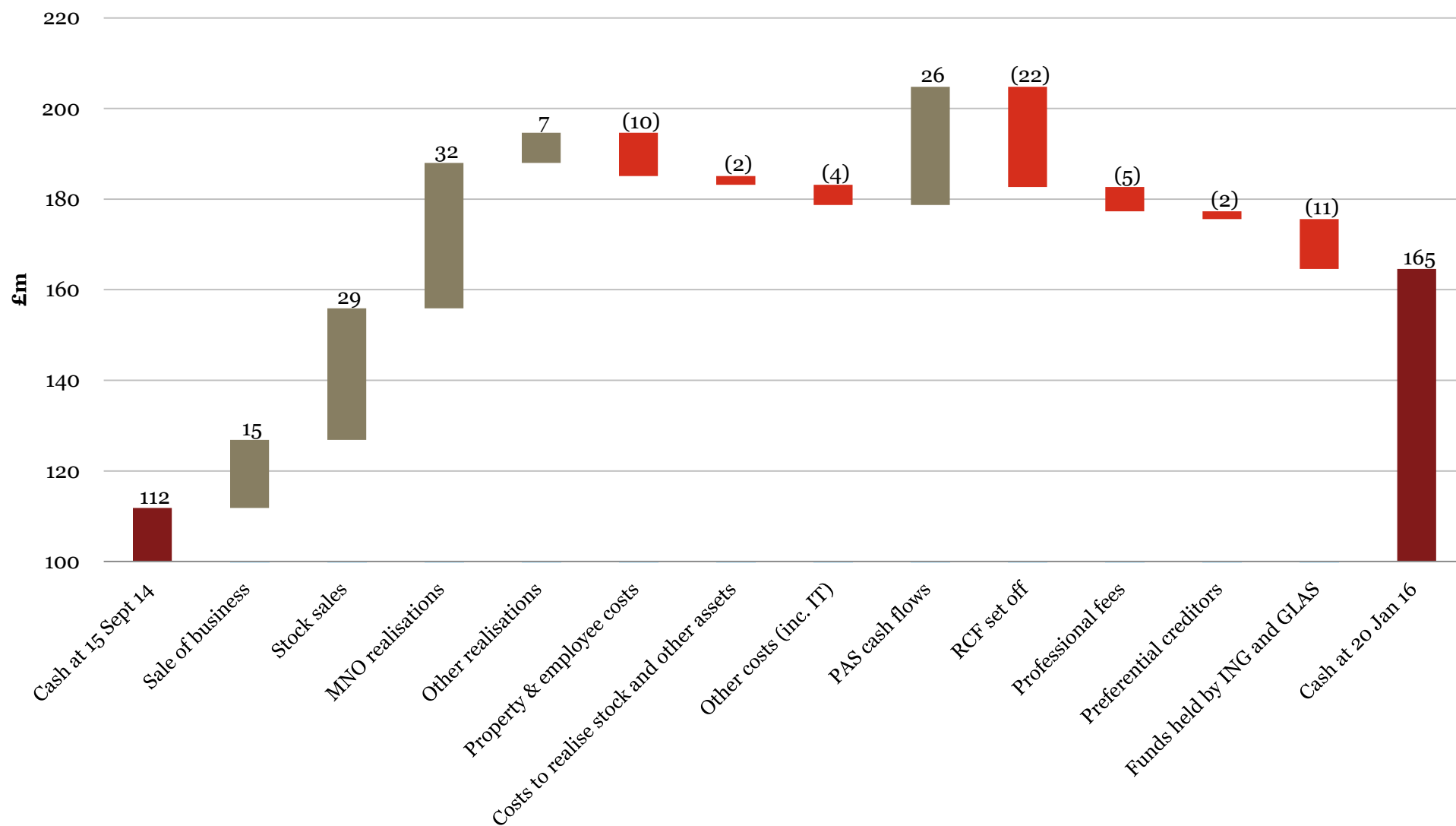
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## 4- Cash position at 20 January 2016





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## ***5- Priorities for the next six months***

- VAT
- Recovery of MNO receivables
- Trading PAS
- Ongoing management of protective award claims by former employees
- Investigations
- Fee proposals – excluded work

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## **6- Q&A**

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## ***Important notice***

- This document has been prepared to support the presentation to the Informal Creditors' Committee 8 March 2016
- The Joint Administrators act in accordance with the powers set out in Schedule B1 of Insolvency Act 1986
- Possible financial outcomes, where provided, are estimates only at this stage and should not be relied upon for the purposes of investment decisions. Financial information has not been audited or otherwise verified by third parties
- Certain information has not been provided where it is considered commercially sensitive and where disclosure may result in a lower return for creditors

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# *Thank you*

Phones 4U Finance plc (in administration)

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 4U Group Limited and Phones4u Finance Plc, to manage their affairs, business and property as their agents and act without personal liability. All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

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

The joint administrators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the administration.

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