

Deals

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

22 September 2016

Introduction

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

Agenda

1. Recent progress
2. Estimated financial outcomes
 - Update on Policy Administration Services (“PAS”)
3. Priorities for the next six months
4. Q&A

1- Recent progress

- Mobile Network Operator (“MNO”) – receivables and counterclaim
- Investigations
- PAS
- VAT
- Protective award claims by former employees
- Employee benefit trust settlement
- Security Trustee retention
- Administrators’ remuneration approval

2- Estimated financial outcomes

£'m	Actual		Forecast	
	20 Jan-16	20 July-16	Low case	Upper case
Total asset realisations (excl. future MNO & Investigations)	194.7	203.0	203.1	203.2
Less: Total cost of realisation	(16.0)	(16.5)	(20.9)	(17.6)
Net realisations	178.7	186.5	182.2	185.6
PAS indicative cash flows to Sept-17 ^{Note 1}	26.1	24.4	18.0	21.4
Administrators costs (excl. PAS, MNO and Investigations) ^{Note 2}	-	-	(17.1)	(16.5)
Revolving credit facility set off costs (inc. Trustee fees)	(22.1)	(22.1)	(24.1)	(22.1)
Other professional fees	(5.4)	(6.7)	(11.0)	(9.4)
Preferential creditors	(1.7)	(1.7)	(1.7)	(1.7)
Prescribed Part	-	-	(1.2)	(1.2)
Total available to secured creditors	175.6	180.4	145.1	156.1
Senior notes % return			34%	36%
Potential VAT expense			(37.4)	(37.4)
Total available to secured creditors assuming VAT liability payable			107.7	118.7
Senior notes % return (assuming VAT liability payable as expense)			25%	28%

Note 1: In the period PAS made an intercompany payment to P4U of £7.7m

Note 2: PAS related cash is a net position after trading costs, administrator fees, legal fees and corporation tax specific to PAS

2- Estimated financial outcomes

£'m	20-Jan-16		20-Jul-16	
	Low case	Upper case	Low case	Upper case
Total asset realisations (excl. future MNO & Investigations)	202.2	202.2	203.1	203.2
Less: Total cost of realisation	(20.2)	(16.9)	(20.9)	(17.6)
Net realisations	182.0	185.4	182.2	185.6
PAS indicative cash flows to Sept-17	15.4	19.0	18.0	21.4
Administrators costs (excl. PAS, MNO and Investigations)	(16.5)	(14.2)	(17.1)	(16.5)
Revolving credit facility set off costs (inc. Trustee fees)	(27.6)	(22.1)	(24.1)	(22.1)
Other professional fees	(11.0)	(9.2)	(11.0)	(9.4)
Preferential creditors	(1.7)	(1.7)	(1.7)	(1.7)
Prescribed Part	(1.2)	(1.2)	(1.2)	(1.2)
Total available to secured creditors	139.4	156.0	145.1	156.1
Senior notes % return	32%	36%	34%	36%
Potential VAT expense	(37.4)	(37.4)	(37.4)	(37.4)
Total available to secured creditors assuming VAT liability payable	102.0	118.6	107.7	118.7
Senior notes % return (assuming VAT liability payable as expense)	24%	28%	25%	28%

2- 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

2- PAS – Trading activities

Customers

- The business continues to perform well. The customer base has declined to **c.274k policyholders** as at the end of June 2016. This is expected to reduce to c.129k by 15 September 2017.
- **Annual reminders** are currently being sent to customers. The full impact of this exercise will be known at the end of October 2016.

Operations

- Total number of **insurance claims handled to date is c.124k**. We continue to monitor quantitative and qualitative performance metrics of our outsourcer.
- 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.

Subsidiary

- Restructuring of the captive is complete. Aon is the new captive manager as of 1 July 2016.
- A reduction in the running costs of the captive has been achieved as a result of the restructuring.

Tax matters

- IPT rates will increase by 0.5% to 10% from 1 October 2016 – we have decided not to pass these costs onto customers for commercial reasons.
- **Tax will be paid on trading profits** and those made by P4UC. There is no scope for shelter through group charges.

Distributions – Prescribed Part

- We are currently undertaking a review of all claims received and investigating the most complex one, being HMRC, before proceeding with the declaration of a dividend to the unsecured creditors.

2- PAS estimated outcome

<u>£'000</u>	Actual	Forecast	
	20-Jul-16	Low Case	High Case
Cash generated to 20 Jul 2016 (incl. P4UC cash) ^{Note 1}	31,382		
Post Administration trading	31,382	29,000	35,000
Corporation tax	(3,097)	(4,500)	(6,000)
Legal Fees (incl. irrecoverable VAT)	(1,360)	(1,900)	(2,000)
Administrators' fees (incl. irrecoverable VAT)	(2,524)	(4,000)	(5,000)
Prescribed Part	-	(600)	(600)
Post-Administration total	24,401	18,000	21,400
Accrued expenses			
Corporation tax	(1,000)		
Administrators' fees	(1,100)		
Other accruals	(3,234)		
Prescribed Part	(600)		
Post-Administration total after accrued expenses	18,467	18,000	21,400
Pre-Administration cash on appointment	13,882	13,882	13,882
Estimated outcome	32,349	31,882	35,282

Note 1: Cash generated in the period to 20 July 2016 is before accrued expenses noted separately

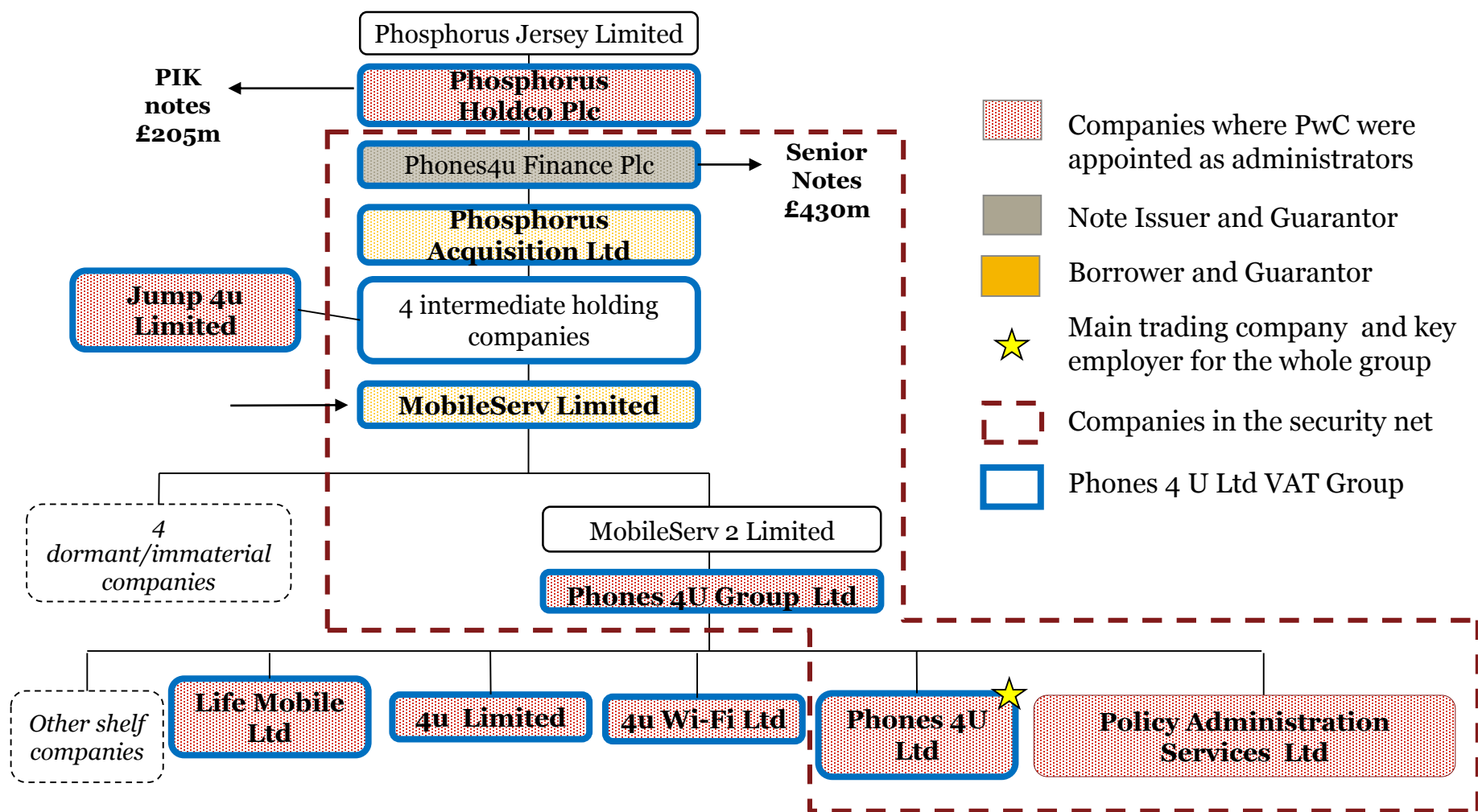
3- Priorities for the next six months

- MNO receivables
- VAT
- Investigations
- Trading PAS
- Distribution strategy/prescribed part

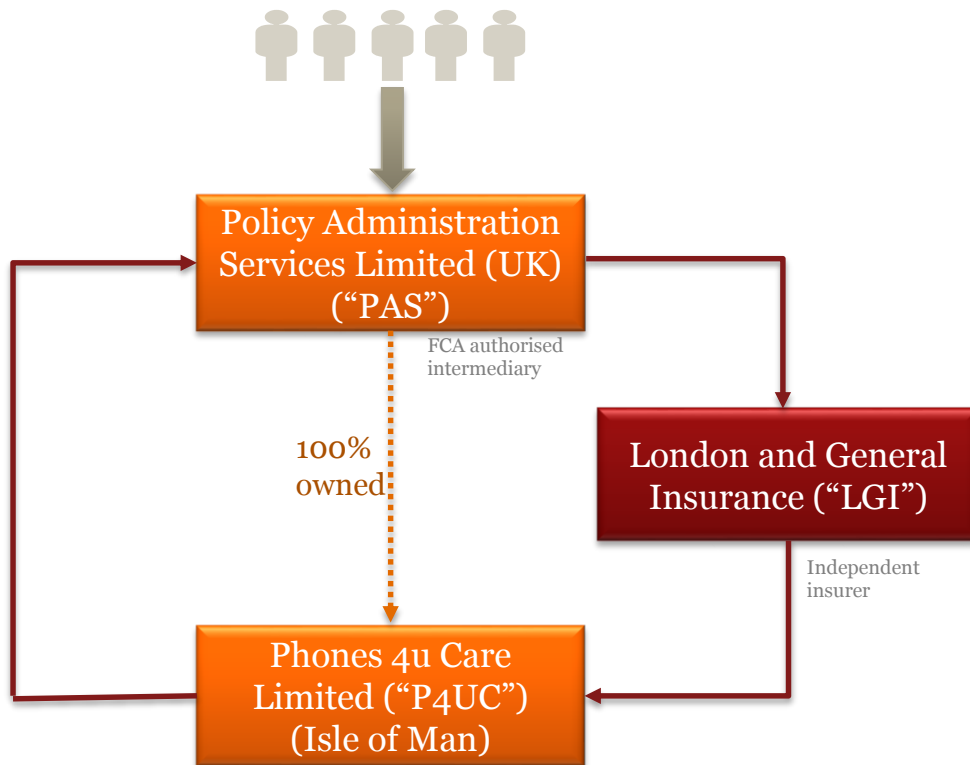
4- Q&A

Appendix

A1- Update on appointments within the P4U Group



A2- PAS



- 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.

Important notice

- This document has been prepared to support the presentation to the Informal Creditors' Committee 22 September 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.

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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