
Joint administrators' fifth progress report

Phosphorus Holdco Plc
(in administration)

High Court of Justice, Chancery Division, Companies Court
Case no. 7184 of 2014
For the period from 7 August 2016 to 6 February 2017

3 March 2017

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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 administration of Phosphorus Holdco Plc (“the Company”) since our last report dated 5 September 2016.

Phosphorus Holdco Plc is an intermediate holding company in a group containing Phones 4U Limited and related entities that have also entered into insolvency proceedings. Further information is available at www.pwc.co.uk/phones4u.

As explained in our previous reports, the only asset relates to potential claims against third parties and we have continued to progress our investigations into these claims during the period of this report. The details continue to remain commercially sensitive and therefore this is only a brief update on the ongoing matters.

Whilst we are unable to provide details of our investigatory work, we assure creditors that we continue to invest time and effort for the purpose of generating value for creditors.

Creditors

There are no creditors in the Company that hold security in respect of their debt, in accordance with Section 248 IA86.

Similarly, there are no preferential creditors. All employees in the Group (as defined overleaf) were employed by Phones 4U Limited.

Accordingly, the only class of creditor with an interest in the administration proceedings are unsecured creditors.

In line with previous reports, the prospect of a dividend is wholly dependent on the outcome of any recoveries arising from our investigatory work. It is too early to say whether a dividend will be available, but it is prudent to assume the prospects will be remote.

Action required by creditors

No action is required by creditors at this stage and this report is for information purposes only. However, if any creditor wishes to lodge a claim against the Company in respect of amounts owed at the time of our appointment (and has not already done so), a form is available at www.pwc.co.uk/phones4u.

Contact details (for claim forms only):

Phones 4U, c/o PwC, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

2. Abbreviations used in this report

The following abbreviations may be used from time to time during this report:

“the Company”	Phosphorus Holdco Plc
“the Group” or “Phones 4U”	the above Company together with Phones 4U Limited, Phones 4 U Group Limited, Phones4U Finance Plc, MobileServ Limited, Phosphorus Acquisition Limited, 4U Limited, 4U Wi-Fi Limited, Jump 4U Limited, Life Mobile Limited and Policy Administration Services Limited (see www.pwc.co.uk/phones4u for details of insolvency procedures affecting these companies)
“Phosphorus Jersey group”	The group of companies owned by Phosphorus Jersey Limited including the above Group that entered insolvency proceedings
“the administrators” or “we”	David James Kelly and Ian David Green in respect of Phosphorus Holdco Plc 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, 4U Wi-Fi Limited, Jump 4U Limited and Life Mobile Limited Douglas Nigel Rackham and Ian David Green in respect of Policy Administration Services Limited
“Brown Rudnick”	Brown Rudnick LLP
“IA86”	The Insolvency Act 1986
“IR86”	The Insolvency Rules 1986
“PIK Notes”	£208m aggregate principal amount of Senior PIK Toggle Notes due 2019
“PIK Noteholders”	Holders of the above Notes
“Schedule B1 IA86”	Schedule B1 to the Insolvency Act 1986
“n/a”	Not applicable
“Proposals”	The administrators’ statement of proposals for achieving the purpose of the administration
“secured creditors”	Creditors with security in respect of their debt, in accordance with section 248 IA86
“preferential creditors”	Claims for unpaid wages earned in the four months before the insolvency up to £800, holiday pay and unpaid pension contributions in certain circumstances.
“unsecured creditors”	Creditors who are neither secured nor preferential

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:

Company	Date of appointment
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
4U Limited	15 September 2014
4U Wi-Fi Limited	15 September 2014
Jump 4U Limited	15 September 2014
Life Mobile Limited	15 September 2014
Policy Administration Services Limited*	16 September 2014
Phosphorus Holdco Plc	8 October 2014

This progress report covers only Phosphorus Holdco Plc. A separate report has recently been issued to the creditors of the six companies contained within a common security structure (all indicated by * above). On 31 October 2016, a separate progress report was issued to the creditors of 4U Wi-Fi Limited, Jump 4U Limited, Life Mobile Limited (all now in liquidation). The next report for these companies will be due within two months from 1 September 2017. The administration of 4U Limited ended on 10 September 2015 and the company has since been dissolved.

We refer you to our Proposals for an explanation of why the various companies were put into administration and how the purpose of the each administration is expected to be achieved. Our earlier reports explained the progress in this case to 6 August 2016 and continue to be available on our website at: 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 Company



David Kelly
Joint administrator

David James Kelly and Ian David Green have been appointed as joint administrators of Phosphorus Holdco plc to manage its affairs, business and property as agents without personal liability. Both 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. 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. Progress in the period

4.1 Brief background

Phosphorus Holdco Plc is the intermediate holding company within the Phosphorus Jersey group, containing Phones 4U Limited (which was one of the UK's leading independent mobile phone retailers and insurance providers). A number of trading and non-trading entities in the group entered administration in September 2014, subsequently followed by Phosphorus Holdco Plc on 8 October 2014.

According to its balance sheet, the Company's sole asset (aside from a small amount of cash at bank) is its significant investments held in the (now insolvent) Group companies. The Company is joint and severally liable for the Group's indebtedness to HM Customs and Revenue (estimated to be in the region of £72m), in addition to its own direct liabilities of £209m which includes £208m owed to the holders of unsecured PIK Notes.

There are no secured or preferential creditors in the administration, nor any who have a propriety interest in the Company's realisable assets.

4.2 Progress in the period

In this section we focus on progress in the period covered by this report.

As previously noted, the only material asset in the administration relates to potential claims against third parties and our work in the period has focused on investigations into these claims.

Other work has principally comprised liaising with PIK Noteholders by way of calls, meetings and notices and fulfilling our statutory obligations including preparing and issuing the fourth and fifth progress reports for creditors.

4.3 Investigations

The law firm Brown Rudnick LLP continues to assist us as we investigate potential litigation claims arising out of or in connection with the administration of the Company and the events leading up to that administration.

As illustrated in the receipts and payment account included at Section 6, the funds within the administration are limited and therefore in order to proceed with any formal legal strategy we require a source of funding for the anticipated costs and expenses. As previously reported a number of parties entered into non-disclosure agreements with a view to providing funding proposals. We have continued to progress these proposals and shortly after the period to which this report relates we have finalised a funding agreement with one party who is also a significant unsecured creditor.

Given the inherent uncertainty of such investigations and the outcome of any potential subsequent causes of action that may or may not result, we are not yet able to estimate the value of any potential recoveries and, indeed, there may be no recoveries ultimately made.

We consider that in providing any further information regarding our investigations at this stage we risk prejudicing any claims that potentially exist.



4.4 Change of Administrator

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 Company with effect from 8 November 2016. We did not consider it necessary for Robert Hunt to be replaced.

Robert Hunt will be released from all liabilities in respect of his 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 change in administrator and if the Company moves from administration to creditors' voluntary liquidation, Robert Hunt will not become liquidator, but instead David Kelly will become one of the liquidators together with Ian Green.

4.5 Unsecured creditors

During the period covered by this report, one of the PIK Noteholders that had previously signed non-disclosure agreements, sold their debt. We continue to communicate with the remaining Noteholders when appropriate providing non-public information relating to the administration.

4.6 Statutory and compliance work

In addition to pursuing potential assets of the Company, there are a number of other matters to address when winding-down a company's affairs during an insolvency process. However during this period, our other work was principally limited to preparing and circulating our fourth and fifth progress reports as required by insolvency legislation.

Our future work will continue to include these periodic updates to creditors and other matters incidental to managing and winding-down the Company's affairs, such as dealing with tax and VAT matters.

A receipts and payments accounts for the period from 7 August 2016 to 6 February 2017 is enclosed at Section 6.

4.7 Administrators' remuneration

As noted in previous reports, it will be for the unsecured creditors to determine the basis of our remuneration and certain categories of disbursements.

In our Proposals, we set out the following bases on which our remuneration may be fixed:

- a) time properly given by the administrators and their staff in attending to matters arising in the administration;
- b) as a set amount; or
- c) a percentage of the value of realisations.

Whilst the existence, nature and extent of any recoveries remains uncertain we are unable to put a proposal to creditors regarding the basis of our remuneration. Accordingly and until such time as the basis has been approved, we are unable to draw any fees in relation to our work as administrators.

As previously reported, we will contact unsecured creditors at the appropriate time in order to put forward a proposal for our remuneration. For the convenience of the creditors, and to mitigate costs, we may conduct this by correspondence rather than convening a meeting.

To date, we have incurred time costs at our hourly rates for complex work of this nature in excess of £810,000 (exclusive of VAT) and prior to disbursements. The time charged is by reference to the time properly given by the Administrators and various grades of their staff in attending to matters arising.

We currently remain of the view that in continuing to carry out our work (specifically in relation to potential claims) we are improving the chance of maximising returns for the Company's creditors.

4.8 Creditors' rights

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 2.48A IA86. 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 the following website:

<http://www.icaew.com/~media/Files/Technical/Insolvency/creditors-guides/creditors-guide-administrators-fees-final.pdf>

A copy (free of charge) can be obtained by telephoning Michael Sullivan on +44 (0) 113 289 4656.

4.9 Outcome for creditors

As previously reported, there are no secured or preferential creditors in the administration and amounts will become available for unsecured creditors only if there are sufficient funds remaining after the expenses of the administration have been discharged.

Any dividend is wholly dependent on the outcome of recoveries arising from our investigatory work, so it is too early to say whether a dividend will be available, but it is prudent to assume the prospects will be remote.

The level of any dividend will be effected by the total level of unsecured claims against the Company. According to the directors' statement of affairs, the total unsecured liabilities of the Company could be £280m, made up of the PIK note debt of £208m, a £72m VAT liability arising due to the Company being a member of the Phones 4U VAT group and £1m of other direct liabilities.

Further work has been performed to date around the Phones 4U VAT liability, which the Company is joint and severally liable for, and it is considered that the maximum liability is £72m. This consists of £35m as per the final submitted pre administration VAT return, which has yet to be agreed by HMRC. It also includes an additional £37m potential liability in relation to an ongoing VAT issue in the Phones 4U Limited administration concerning Trade Bill Discounting Facility Agreements between Phones 4U Limited and Barclays. The fifth progress report to the creditors of Phones 4U Limited, which can be found at



www.pwc.com/phones4u, provides further explanation and details on the progress of resolving this matter with HMRC.

Please note that guidance on any potential dividend is only an indication and should not be used as the main basis of any bad debt provision.

4.10 Extension of the administration

On 7 October 2015 we wrote to creditors to advise that due to our ongoing investigations into the Company, the period of the administration had been extended to 15 March 2019 by consent of the Court.

The administration will be brought to an end once its purpose has been achieved, our work has been completed and statutory obligations fulfilled. In the event that a dividend becomes available, we would most likely move the Company into creditors' voluntary liquidation at the appropriate time in order for claims to be agreed and funds distributed to creditors.

4.11 Next report

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

5. Statutory and other information relating to the administration

Full name / trading name:	Phosphorus Holdco Plc
Court details:	High Court of Justice, Chancery Division, Companies Court
Court reference:	7184 of 2014
Company number:	07479181
Registered address:	Central Square, 8 th Floor, 29 Wellington Street, Leeds, LS1 4DL
Company directors:	Steven Lloyd David N Kassler John E Morris Timothy J Whiting Phillip D Dobson
Company secretary:	Steven Lloyd
Shareholdings held by the directors and secretary:	Not applicable
Appointment date:	8 October 2014
Administrators' names and addresses:	Ian David Green and David James Kelly (both of PricewaterhouseCoopers LLP, 7 More London, Riverside, London, SE1 2RT)
Appointor's / applicant's name and address:	The Court, upon application of the directors of the 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 this administration and the proceedings are main proceedings.

6. Receipts and payments account

From 7 August 2016 to 6 February 2017

Directors' statement of affairs £	8 October 2014 to 6 August 2016 £	7 August 2016 to 6 February 2017 £	Total to 6 February 2017 £
Receipts			
14,424 Cash in hand	14,423.24	-	14,423.24
2,894 Intercompany debtors	-	-	-
Legal fees & Expenses	6,236.83	-	6,236.83
Bank interest gross Note 1	52.83	0.38	53.21
17,318 Total receipts	20,712.90	0.38	20,713.28
Payments			
Legal Fees & Expenses	17,136.83	-	17,136.83
Total payments	17,136.83	-	17,136.83
Net receipts & payments	3,576.07	0.38	3,576.45
VAT control account	-	-	-
Balance held in interest bearing current account	3,576.07	0.38	3,576.45
Represented by			£
Held in Barclays a/c			3,576.45

Note 1

Previously reported as £52.23 and not £52.83

7. Statement of expenses incurred

As required by Rule 2.47 IR86, the following table provides a summary of expenses incurred during the period of this report, and shows whether those expenses have been paid or remain unpaid at the period end.

However as before, the table does not include amounts accruing in respect of our remuneration (including certain categories of disbursements), as the basis of these costs has not yet been agreed by creditors. Our time costs to date are in excess of £810,000 (exclusive of VAT). The table includes 'Category 1' expenses, relating to specific expenditure directly referable both to the appointment in question and a payment to an independent third party.

The statement excludes any potential tax liabilities that may be payable as an expense of the administration in due course because amounts due will depend on the position at the end of the tax accounting period.

	Expenses incurred brought forward from 6 August 2016	Expenses incurred in this period	Total expenses to 6 February 2017	Total expenses paid to 6 February 2017	Expenses outstanding as at 6 February 2017
	£	£	£	£	£
Administrators' remuneration	-	-	-	-	-
Administrators' expenses - Category 1	427.92	197.16	625.08	-	625.08
Administrators' expenses - Category 2	-	-	-	-	-
Legal fees - Brown Rudnick Note 1	415,689.00	402,300.00	817,989.00	-	817,989.00
Legal expenses - Brown Rudnick	15,887.31	10,863.53	26,750.84	-	26,750.84
Total	432,004.23	413,360.69	845,364.92	-	845,364.92

Note 1: The estate was not liable for Brown Rudnick's fees prior to the end of the period covered by this report. However shortly after the period end the estate became liable for some future costs subject to certain pre-agreed contractual conditions.

External legal costs are expected to utilise all existing cash within the estate.



Summary of legal and other professional firms

We have instructed the following professionals on this case:

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Legal advice (general)	Allen & Overy LLP (see Note below)	Lawyers instructed in respect of the wider Phones4U Group with knowledge which would add value to the administrations.	Time and expenses
Legal advice (investigations)	Brown Rudnick	To assist the investigation of potential claims the Company may have.	Time and expenses

Our choice 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 undertake to review third party costs to ensure they are reasonable in the circumstances of the case.

Note: Although Allen & Overy LLP have been instructed over the wider Phones 4U group of companies, as yet no time costs have been charged in relation to the Company.

Administrator's progress report**2.24B**

Name of Company

Phosphorus Holdco plc

Company Number

07479181

In the

High Court of Justice
Chancery Division
Companies Court

(full name of court)

Court case number

7184 of 2014

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

We (a) Ian David Green of PricewaterhouseCoopers LLP, 7 More London, Riverside, London, SE1 2RT and (ii) David James Kelly 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) 7 August 2016

(b) 6 February 2017

(b) Insert dates



Signed _____
Joint Administrator (IP No. 9612)

Dated 3 March 2017