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# Joint administrators' progress report from 7 August 2017 to 6 February 2018

## Phosphorus Holdco Plc (in administration)

High Court of Justice, Chancery Division,  
Companies Court

Case no. 7184 of 2014

26 February 2018

# Contents

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Abbreviations and definitions	2
Key messages	3
Overview of what we've done to date	5
Progress since we last reported	6
Appendix A: Receipts and payments	8
Appendix B: Expenses	9
Appendix C: Remuneration update	10
Appendix D: Other information	15

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# Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used in this report:

Abbreviation or definition	Meaning
“Brown Rudnick”	Brown Rudnick LLP
“HMRC”	HM Revenue & Customs
“IA86”	The Insolvency Act 1986
“IR16”	The Insolvency (England and Wales) Rules 2016
“n/a”	Not applicable
“PIK Notes”	£208m aggregate principal amount of Senior PIK Toggle Notes due 2019
“PIK Noteholders”	Holders of the above Notes
“Phosphorus Jersey group”	The group of companies owned by Phosphorus Jersey Limited including the Group that entered insolvency proceedings (defined below).
“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
“Proposals”	The administrators’ statement of proposals for achieving the purpose of the administration.
“Sch.B1 IA86”	Schedule B1 to the Insolvency Act 1986
“secured creditors”	Creditors with security in respect of their debt, in accordance with Section 248 IA86
“the administrators” or “we”	David James Kelly and Ian David Green in respect of Phosphorus Holdco Plc.
“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 <a href="http://www.pwc.co.uk/phones4u">www.pwc.co.uk/phones4u</a> for details of insolvency procedures affecting these companies).
“unsecured creditors”	Creditors who are neither secured nor preferential

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# Key messages

## 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
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 20 October 2017, 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 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 2017 and continue to be available on our website at: [www.pwc.co.uk/phones4u](http://www.pwc.co.uk/phones4u), the content of which is not repeated here unless considered beneficial or necessary for the purposes of this update.

## Why we've sent you this report

We are writing to update you on the progress of the administration of the Company in the six months since our last report dated 22 August 2017 (which covered the six month period from 7 February 2017 to 6 August 2017). 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.

## How much creditors may receive

The following table summarises the possible outcome for creditors\*, based on what we currently know.

<b>Class of creditor</b>	<b>Current estimate (p in £)</b>	<b>Previous estimate (p in £)</b>
Secured creditors	n/a	n/a
Preferential creditors	n/a	n/a
Unsecured creditors	unknown	unknown

*\*Please note this guidance on dividends is only an indication and should not be used as the main basis of any bad debt provision or debt trading.*

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 current information, the total unsecured liabilities of the Company could be £284.3m, made up of the PIK note debt of £208m, a £75.3m unsecured claim for VAT liability arising due to the Company being a member of the Phones 4U VAT group and £1m of other direct liabilities.

Progress reports to the creditors of Phones 4U Limited, which can be found at [www.pwc.com/phones4u](http://www.pwc.com/phones4u), provides a further explanation and details on the VAT liability 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.

## What you need to do

If you haven't already done so, please send your claim to us so that we can agree it in due course. A claim form can be downloaded from our website at [www.pwc.co.uk/phones4u](http://www.pwc.co.uk/phones4u) or you can get one by telephoning Michael Sullivan on 0113 289 4656.

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## *Overview of what we've done to date*

As explained in our earlier reports, the only material asset in the administration relates to potential claims against third parties. Our work to date has focused on securing third party funding to allow us to proceed with a formal legal strategy, liaising with counsel to formulate claims against third parties and issuing pre-action correspondence to potential defendants.

Our 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 seventh progress report for creditors.

We remain in office to progress our investigations into the potential claims against various third parties for the purpose of generating value for creditors.

We comment next on the work we've done during this most recent six month period.

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# *Progress since we last reported*

## *Investigations*

As part of our duty to investigate what assets are available to the Company, we consider what potential claims against third parties exist. We appointed the law firm Brown Rudnick to assist us in our investigations in this area, which remain ongoing.

As reported in our previous report, funding within the administration is limited and in order to proceed with any formal legal strategy, we required additional funding which was obtained in the previous period. Accordingly, we've continued to actively progress the potential claims in the period. The nature of these third party claims is commercially sensitive and confidential, as such we do not think it would be appropriate to disclose any further information at this stage.

We are now assessing the level of funding required to further progress our investigations.

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.

## *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 including, but not limited to:

- Preparing and circulating progress reports as required by insolvency legislation;
- Updates to creditors; and
- Dealing with tax and VAT matters.

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.

## *Our receipts and payments account*

We set out in Appendix A, an account of our receipts and payments in the administration from 7 August 2017 to 6 February 2018.

## *Our expenses*

We set out in Appendix B, a statement of the expenses we've incurred to the date covered by this report.

## *Our fees*

We set out in Appendix C, an update on our remuneration which covers our fees, disbursements and other related matters in this case.

## *Creditors' rights*

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 18.9 IR16. 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 18.34 IR16. This information can also be found in the guide to fees at:

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

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

## *What we still need to do*

We continue to progress the potential claims against third parties to realise the Company's material asset.

Given the inherent uncertainty around the investigations, it is not yet clear as to the level of further work required after a conclusion has been reached.

## *Next steps*

As notified earlier in our report, the period of the administration had been extended to 15 March 2019 by consent of the Court. We continue to consider the best strategy for ending the administration, taking into account our ongoing investigations.

We expect to send our next report to creditors at the end of the administration or in about six months, whichever is the sooner.

If you've got any questions, please get in touch with Michael Sullivan, on +44(0)113 289 4656.

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>*



# Appendix A: Receipts and payments

Receipts and payments account for the period 8 October 2014 to 6 February 2018

Directors' statement of affairs £	8 October 2014 to 6 August 2017 £	7 August 2017 to 6 February 2018 £	Total to 6 February 2018 £
<b>Receipts</b>			
14,424 Cash in hand	14,423.24	-	14,423.24
2,894 Intercompany debtors	-	-	-
Funding from 3rd parties	362,400.00	-	362,400.00
Legal fees & Expenses	6,236.83	-	6,236.83
Bank interest gross	129.86	134.77	264.63
<b>17,318 Total receipts</b>	<b>383,189.93</b>	<b>134.77</b>	<b>383,324.70</b>
<b>Payments</b>			
Bank charges	15.00	-	15.00
Legal Fees & Expenses	192,797.33	4,800.00	197,597.33
<b>Total payments</b>	<b>192,812.33</b>	<b>4,800.00</b>	<b>197,612.33</b>
<b>Net receipts &amp; payments</b>	<b>190,377.60</b>	<b>(4,665.23)</b>	<b>185,712.37</b>
VAT control account	(35,132.10)	35,132.10	-
<b>Balance held in interest bearing current account</b>	<b>155,245.50</b>	<b>30,466.87</b>	<b>185,712.37</b>
<b>Represented by</b>			<b>£</b>
Held in Barclays a/c			185,712.37

## Note

All transactions are shown net of VAT unless otherwise stated.

## Appendix B: Expenses

The following table provides details of our expenses. Expenses are amounts properly payable by us as administrators from the estate and include our fees, but exclude distributions to creditors. The table also excludes any potential tax liabilities that we may need to pay as an administration expense because amounts becoming due will depend on the position at the end of the tax accounting period.

The table should be read in conjunction with the receipts and payments account at Appendix A, which shows expenses actually paid during the period and the total paid to date.

	Expenses incurred brought £	Expenses incurred in this period £	Total expenses to 6 February 2018	Estimated future expenses £	Anticipated total expenses £
Administrators' remuneration	*797,373.30	100,460.70	897,834.00	-	897,834.00
Administrators' expenses – Category 1	3,146.38	6,036.40	9,182.78	-	9,182.78
Administrators' expenses – Category 2	100.14	-	100.14	-	100.14
Legal fees – Brown Rudnick LLP	1,092,699.50	37,459.50	1,130,159.00	-	1,130,159.00
Legal expenses – Brown Rudnick LLP	113,122.66	1,685.96	114,808.62	-	114,808.62
<b>Total</b>	<b>2,006,441.98</b>	<b>145,642.56</b>	<b>2,152,084.54</b>	<b>-</b>	<b>2,152,084.54</b>

We have not disclosed the estimated future expenses in relation to the investigation work as to do so would be to disclose potentially commercially sensitive information and may prejudice the value of the realisations in the administration.

### Note

\* Previously reported as £798,947.30.

## Appendix C: Remuneration update

Our fees were approved on a time costs basis by creditors on 11 September 2017, specifically for our time incurred in relation to the investigatory work (not unrelated matters arising in the administration). Further details were set out in our request to creditors dated 22 August 2017, including the possibility of seeking further approval to draw a percentage of recoveries (if any) arising from any claims brought against certain third parties.

To date we have not drawn any fees. The time cost charges incurred in the period covered by this report are £100k as shown in the table below. Total time costs are £898k. This amount does not necessarily reflect how much we will eventually draw as fees.

We set out later in this Appendix details of our investigation work to date, anticipated future work, disbursements, subcontracted work and payments to associates.

### Our hours and average rates

#### Analysis of time costs for the period

From: 07 August 2017  
To: 06 February 2018

Aspect of assignment	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Support	Total hours	Time cost £	Average hourly rate £	Cumulative hours	Cumulative time cost £
Investigations	41.1	12.3	34.5	25.2	55.1	14.3	-	182.3	100,460.70	551.07	2,754.4	897,834.00
<b>Total</b>	<b>41.1</b>	<b>12.3</b>	<b>34.5</b>	<b>25.2</b>	<b>55.1</b>	<b>14.3</b>	<b>-</b>	<b>182.3</b>	<b>100,460.70</b>	<b>551.07</b>	<b>2,754.4</b>	<b>897,834.00</b>

## *Our time charging policy and hourly rates*

Set out below are the relevant charge-out rates per hour worked for the grades of staff actually or likely to be involved on these assignments. Time is charged by reference to actual work carried out on these assignments. There has been no allocation of any general overhead costs. The rates for the Administrators and their staff are our normal rates for complex assignments.

Specialist departments within our firm such as tax, VAT, property and pensions may charge time to these assignments if and when we require their expert advice. Such specialists' rates vary but the figures below provide an indication of the maximum rate per hour.

All staff who work on these assignments (including cashiers, support and secretarial staff) charge time directly to these assignments and are included within any analysis of time charged. Each grade of staff is allocated an hourly charge out rate which is reviewed from time to time. Work undertaken by cashiers, support and secretarial staff is charged for separately and is not included in the hourly rates charged by partners or other members of staff. Time is charged by reference to actual work carried out on these assignments in six minute units. The minimum time chargeable is three minutes (i.e. 0.5 units).

In common with all professional firms, the scale rates used may periodically rise (for example to cover annual inflationary cost increases) over the period of the administration. The following tables show the applicable rates for the periods from 1 July 2017.

With effect from 1 July 2017	<b>Administrators' and their staff Rate per hour (£)</b>	<b>Specialist staff Maximum rate per hour (£)</b>
Partner	865	1,445
Director	760	1,210
Senior Manager	575	1,230
Manager	495	735
Senior Associate (qualified/consultant)	412	545
Senior Associate (unqualified)	304	-
Associate	258	270
Support staff	129	160

*Hourly rates quoted are exclusive of VAT.*

In common with many professional firms, our scale rates may rise to cover annual inflationary cost increases.

## *Our work in the period*

Earlier in this section we provided an analysis of the time incurred by the various grades of staff in dealing with the investigatory work covered by the period of this report.

In the following table we provide details on the key areas of work relating to the ongoing investigations only. The work has all been necessary and part of our strategy to enhance asset realisations for the benefit of creditors.

Work excluded from the table principally relates to the process of an administration (including statutory and compliance matters) and ongoing management of the Company's affairs (for example, VAT and tax matters). As previously stated, we have not sought approval to draw fees in respect of this work.

Area of work	Brief description	Cost
Investigations	<ul style="list-style-type: none"><li>• Investigating potential claims against third parties</li><li>• Formulating litigation strategy in conjunction with our legal advisors</li><li>• Liaising with counsel to progress claims following the issuance of pre-action correspondence</li><li>• Strategic decisions by appointment takers</li><li>• Forensic review of pre-appointment records</li><li>• Budgeting and cost analysis</li></ul>	£100,460.70
<b>Total</b>		<b>£100,460.70</b>

## *Our future work*

We still need to do the following to achieve the purpose of the administration.

Area of work	Brief description	Cost
Investigations	<ul style="list-style-type: none"><li>• Pursuit of potential claims against third parties</li><li>• Budgeting and cost analysis</li></ul>	Note 1

### **Note 1.**

We have not disclosed the estimated future realisable costs relating to the investigation as to do so would be to disclose commercially sensitive information and may prejudice the value of the realisations in the administration.

## Disbursements

Our firm's expenses policy allows for all properly incurred expenses to be recharged to the case. Expenses are defined in SIP9 as amounts properly payable by the office holder from the estate which are not office holders' remuneration or a distribution to creditors. Disbursements incurred from 7 August 2017 to 6 February 2018 is shown in the table below.

SIP9 defines 'Category 2' expenses as those that are "*directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that may be incurred by the office holder and their firm, and that can be allocated to the appointment on a proper and reasonable basis*".

All other disbursements are 'Category 1' disbursements which are reimbursed at cost. SIP9 defines 'Category 1' disbursements as "*payments to independent third parties where there is specific expenditure directly referable to the appointment in question*".

Our work has included extensive investigations into the circumstances of the case and obtaining counsel's advice on the Company's position.

		Costs incurred
Category	Policy	£
2	<b>Photocopying</b> - at 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying.	-
2	<b>Mileage</b> - At a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc)	-
1	All other disbursements reimbursed at cost, including: Agent fees	3,535.40
1	<b>* Relativity licence costs</b> – At £100 per licence per month	2,501.00
<b>Total</b>		<b>6,036.40</b>

\* Relativity is a software platform for the management of electronic documents as part of our investigatory work.

## Our relationships

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

## *Legal and other professional firms*

We've instructed the following professionals on this case:

<b>Service provided</b>	<b>Name of firm / organisation</b>	<b>Reason selected</b>	<b>Basis of fees</b>
Legal advice (general)	<ul style="list-style-type: none"><li>• Allen &amp; Overy LLP</li></ul>	<ul style="list-style-type: none"><li>• Lawyers instructed in respect of the wider Phones4U Group with knowledge which would add value to the administration.</li></ul>	<ul style="list-style-type: none"><li>• Time and expenses</li></ul>
Legal advice (investigations)	<ul style="list-style-type: none"><li>• Brown Rudnick LLP</li></ul>	<ul style="list-style-type: none"><li>• To assist the investigation of potential claims the Company may have.</li></ul>	<ul style="list-style-type: none"><li>• Time and expenses</li></ul>

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

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

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## ***Appendix D: Other information***

Court details for the administration:	High Court of Justice, Chancery Division, Companies Court 7184 of 2014
Company's registered name:	Phosphorus Holdco Plc
Trading name:	Phosphorus Holdco Plc
Registered number:	07479181
Registered address:	Central Square, 8 <sup>th</sup> Floor, 29 Wellington Street, Leeds, LS1 4DL
Date of the joint administrators' appointment:	8 October 2014
Joint administrators' names, addresses and contact details:	David James Kelly of PricewaterhouseCoopers LLP, 7 More London, Riverside, London, SE1 2RT Ian David Green of PricewaterhouseCoopers LLP, 7 More London, Riverside, London, SE1 2RT
Extension(s) to the initial period of appointment:	Extension granted by the Court to 15 March 2019
Objective being pursued:	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).
Appointor's / applicant's name and address:	Court order following an application by the directors of the Company, based at Osprey House, Ore Close, Lymedale Business Park, Newcastle-under-Lyme, Staffordshire, ST5 9QD.
Split of the Administrators' responsibilities:	In relation to Paragraph 100(2) Sch.B1 IA86, during the period for which the administration order is in force any act required or authorised under any enactment to be done by either or all of the Administrators may be done by any one or more of the persons for the time being holding that office.