

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) 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) Paul David Copley of PricewaterhouseCoopers LLP, 7 More London, Riverside, London, SE1 2RT

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

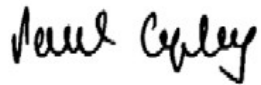
from

to

(b) Insert dates

(b) 7 August 2015

(b) 6 February 2016



Signed

Joint Administrator (IP No. 9440)

Dated 4 March 2016

Joint Administrators' third 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 2015 to 6 February 2016

4 March 2016

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1. Key messages

This is our third report to creditors providing an update on the progress of the administration of the Company.

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 assets are potential claims against third parties. During the period of this report we have continued to progress these further, although the details remain commercially sensitive as the matters are ongoing. Accordingly, this is a necessarily brief update at this time.

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

The following details are unchanged from our previous report.

Creditors

There are no creditors in Phosphorus Holdco Plc that hold security in respect of their debt, in accordance with Section 248 IA86.

Similarly, there are no preferential creditors, as these principally relate to former employees (for unpaid wages up to £800 and holiday pay only) and unpaid pension contributions in certain circumstances. All employees in the Group were employed by Phones 4U Limited.

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

Although we continue our investigations into the Company's affairs, it is prudent to assume that there will not be a dividend for unsecured creditors.

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

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).
“the Administrators” or “we”	Robert Jonathan Hunt, Paul David Copley and Ian David Green in respect of Phosphorus Holdco Plc 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 Wi-Fi Limited, Jump 4U Limited and Life Mobile Limited Robert Jonathan Hunt, Ian David Green, Dan Yoram Schwarzmans and Douglas Nigel Rackham in respect of Policy Administration Services Limited
“BIS”	Department for Business, Innovation and Skills
“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
“Schedule B1 IA86”	Schedule B1 to the Insolvency Act 1986
“n/a”	Not applicable
“Lloyds”	Lloyds Bank Plc
“Proposals”	The Administrators’ statement of proposals for achieving the purpose of the administration



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. Separate reports have recently been issued to the creditors of the six companies contained within a common security structure (all indicated by * above). Reports will be issued to the creditors of 4U Wi-Fi Limited, Jump 4U Limited, Life Mobile Limited (all now in liquidation) within two months after the liquidation anniversary on 2 September 2016. 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 2015 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.

Yours faithfully
For and on behalf of the Company

Paul Copley
Joint Administrator

Robert Jonathan Hunt, Ian David Green and Paul David Copley have been appointed as joint administrators of Phosphorus Holdco plc 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. 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 Limited group, containing Phones 4U (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 £69m), in addition to its own direct liabilities in the region 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 any of the Company's realisable assets.

4.2 Progress in the period

Aside from the small amount of cash at bank previously reported, there is no business or other tangible assets for us to deal with. The principal potential recoveries are from any claims the Company may have against third parties relating to actions prior to the Company's insolvency.

Consequently, our work in the period covered by this report has again focussed on continuing our investigations into any potential claims against third parties that may give rise to recoveries in the administration, as discussed further below (to the extent possible).

Other work has principally been fulfilling our statutory and compliance responsibilities, including preparing our second progress report and making an application to Court to extend the period of the administration.

4.3 Investigations

We previously disclosed that we appointed Brown Rudnick to advise with regard to causes of action that may exist against a number of parties which dealt with or were otherwise involved with the Company prior to administration. During the period of this report, we continued to work with Brown Rudnick to assess the options and information available. We have also taken steps to obtain additional information, which is awaited from a number of parties and is important to us in forming a view as to the merits of any potential claims. For confidentiality reasons, we are unable to give any further information at this stage.

Two unsecured creditors with relatively sizeable claims have signed confidentiality agreements and we are actively consulting with them on the progress of the 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.



The timing for conclusion of this matter continues to be uncertain. Accordingly, it was necessary to extend the period of the administration beyond the statutory period of one year, to allow the continued pursuit of these investigations.

4.4 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. During the period, we spent time preparing and circulating our the second progress report and applying to Court to extend the period of the administration.

A receipts and payments accounts for the period from 7 August 2015 to 6 February 2016 is enclosed at Section 6.

4.5 Administrators' remuneration

It will be for the unsecured creditors to determine the basis of our remuneration and certain categories of disbursements.

In our proposals, we envisaged that we may seek approval to have our remuneration fixed on one or more of the following bases:

- 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 continue to be unable to put a proposal to creditors regarding the basis of our remuneration. Accordingly and until such time as the basis has been approved (and funds are available), 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 costs at our hourly rates for work of this nature in excess of £450,000. 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.

4.6 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 0113 289 4656.

4.7 Outcome for creditors

In the absence of a secured creditor, the 'prescribed part' provisions of insolvency legislation do not apply. These provisions ordinarily act to ring-fence funds for unsecured creditors that would otherwise be payable to a secured creditor.

In this case as there are no preferential creditors, amounts will become available for unsecured creditors if there are sufficient funds remaining after the expenses of the administration have been discharged.

As any 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.

The level of any dividend will also be determined 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 £278m.

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

4.8 Extending the administration

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 12-month¹ extension to an administrators' term in office.

The administration was due to come to an automatic end on 7 October 2015, but we considered that it was necessary to extend the period of the administration in order to pursue the ongoing investigations outlined earlier. Given the length of time required, an application to Court was necessary.

We wrote to creditors on 7 October 2015 to explain that the period of this 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.

4.9 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.

¹ The Small Business, Enterprise and Employment Act 2015 amended this to 12-months on 26 May 2015. The maximum period was previously 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:	Benson House, 33 Wellington Street, Leeds, LS1 4JP
Company directors:	Steven Lloyd David N Kassler John E Morris Timothy J Whiting Phillip David Dobson
Company secretary:	Steven Lloyd
Shareholdings held by the directors and secretary:	Not applicable
Appointment date:	8 October 2014
Administrators' names and addresses:	Robert Jonathan Hunt (of PricewaterhouseCoopers LLP, Cornwall Court, 19 Cornwall Street, Birmingham, B3 2DT), Ian David Green and Paul David Copley (each 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 2015 to 6 February 2016

Directors' statement of affairs £	8 October 2014 to 6 August 2015 £	7 August 2015 to 6 February 2016 £	Total to 6 February 2016 £
Receipts			
14,424 Cash in hand	14,423.24	-	14,423.24
2,894 Intercompany debtors	-	-	-
Bank interest gross	29.12	14.68	43.80
17,318 Total receipts	14,452.36	14.68	14,467.04
Payments			
Legal Fees & Expenses	-	6,236.83	6,236.83
Total payments	-	6,236.83	6,236.83
Net receipts & payments	14,452.36	(6,222.15)	8,230.21
VAT control account	-	-	-
Balance held in interest bearing current account	14,452.36	(6,222.15)	8,230.21
Represented by			£
Held in Barclays a/c			8,230.21

Note: As shown above, during the period a payment was made to Phones 4u Limited in relation to legal fees and expenses.

A credit note has recently been received for these costs and we intend to reverse this payment until the outcome of the case becomes clearer. Our statement of expenses on the next page sets out the current position on costs and expenses incurred to date and reflects the reversal of the above payment.

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 remained 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. We confirm earlier that our time costs to date are in excess of £450,000. 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 statements 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.

	Unpaid expenses as at 6-Aug-15 £	Expenses incurred in the period £	Expenses paid in the period £	Expenses unpaid at 6-Feb-16 £
Administrators' remuneration	-	-	-	-
Administrators' expenses – Category 1	136.82	216.10	-	352.92
Administrators' expenses – Category 2	-	-	-	-
Legal fees – Allen & Overy	6,236.83 ¹	6,231.43	- ²	12,468.26
Legal fees - Brown Rudnick LLP ³	171,364.00	95,636.64	-	267,000.64
Legal expenses - Brown Rudnick LLP ³	10,900.00	-	-	10,900.00
Total	182,400.82	102,084.17	-	290,721.82

Note 1: Unpaid expenses at the end of the previous period have been reduced by £1,739.17 in respect of Allen & Overy (legal fees), following an adjustment to the amount correctly attributable to this case.

Note 2: During the period, an intercompany payment was made to Phones 4u Limited in relation to legal fees and expenses. A credit note has recently been received for this balance and we expect the payment to be refunded shortly. Therefore, we have shown the amount as remaining unpaid to give a more accurate view of the intended position.

Note 3: The estate is not currently liable for Brown Rudnick's fees at this time but may become so subject to certain pre-agreed contractual conditions that may be satisfied at a future point in time. However, expenses amounting to £10,900 in relation to certain counsel fees associated with investigations have been invoiced and have been agreed for payment in the next few weeks.

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	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.	No fees payable during initial investigation phase

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.