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## **Joint Administrators' fourth 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 February 2016 to 6 August 2016

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*5 September  
2016*

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## 1. Key messages

This is our fourth report to creditors providing an update on the progress of the administration of Phosphorus Holdco plc ("the Company") since our last report dated 4 March 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](http://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. 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.

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.

### ***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](http://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 <a href="http://www.pwc.co.uk/phones4u">www.pwc.co.uk/phones4u</a> for details of insolvency procedures affecting these companies).
"the Administrators" or "we"	Ian David Green, Robert Jonathan Hunt and David James Kelly 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 Schwarzmann 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
"PIK noteholders"	Holders of the above Notes
"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
"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:

<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. 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 February 2016 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.

Yours faithfully  
For and on behalf of the Company

David Kelly  
Joint Administrator

*Robert Jonathan Hunt, Ian David Green and David James Kelly 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>

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## **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 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 £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**

As previously reported, the principal potential recoveries are from any claims the Company may have against third parties relating to actions prior to the Company's insolvency.

Our work in the period has focussed on continuing these investigations, alongside our legal advisors Brown Rudnick.

Other work has principally been fulfilling other statutory and compliance responsibilities, including preparing our third progress report and the replacement of Paul Copley as a joint administrator (see Section 4.4).

### **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 have continued to work with Brown Rudnick to progress these investigations. We have obtained additional information from various parties and continue to work through this information in order to assess the merits of any potential claims which exist.

As illustrated in the receipts and payment account included at Section 6, there are currently insufficient funds within the administration to fund any potential litigation. Given this, during the period a number of parties were invited to enter into non-disclosure agreements, with a view to providing proposals to fund the progression of any claims which may exist. We have received a number of proposals and continue to review these.

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 Joint Administrators**

Paul Copley, one of the previous joint administrators, has retired from the firm. To make sure that outstanding issues in the administration continue to be pursued, an application was made to the Court to remove him and appoint David Kelly as administrator. David Kelly is licensed in the United Kingdom to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales.

The application was granted and so David Kelly replaced Paul Copley as joint administrator with effect from 27 May 2016. Paul Copley will be released from all liability 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.

#### **4.5 Unsecured creditors**

During the period covered by this report, one additional PIK noteholder has entered a non-disclosure agreement. This results in a total of three PIK noteholders having entered non-disclosure agreements which allow that they be provided with non-public information relating to the administration. These parties have been, and will continue to be, provided with such information.

#### **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. During this period, we have spent time preparing and circulating our third progress report.

A receipts and payments accounts for the period from 7 February 2016 to 6 August 2016 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 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 £610,000. 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.

#### **4.8 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**

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, made up of the PIK note debt of £208m, a £69m 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 £71.9m. This consists of £34.5m as per the final submitted pre administration VAT return, which has yet to be agreed by HMRC. It also includes an additional £37.4m 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 amount in question relates to VAT that, pursuant to Phones 4U Limited's previous practice which was agreed with HMRC, was considered by Phones 4U Limited to be payable to HMRC on maturity of the relevant bills.



The administrators' of Phones 4U Limited have analysed this issue in detail and consider that this methodology of accounting for VAT was incorrect. Phones 4U Limited's fourth progress report to creditors, which can be found at [www.pwc.com/phones4u](http://www.pwc.com/phones4u), provides further explanation and details on the progress of resolving this matter with HMRC. Based on the quantum of bills of exchange outstanding at the point of administration, which has been confirmed with Barclays, the administrators of Phones 4U Limited consider the maximum liability regarding this second element of HMRC's claim to be £37.4m.

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 state that due to our ongoing investigations into the Company, 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.

#### **4.11 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:	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 (of PricewaterhouseCoopers LLP, 7 More London, Riverside, London, SE1 2RT) and David James Kelly (of PricewaterhouseCoopers LLP, 101 Barbirolli Square, Lower Mosely Street, Manchester, M2 3PW).
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 February 2016 to 6 August 2016

Directors' statement of affairs £	8 October 2014 to 6 February 2016 £	7 February 2016 to 6 August 2016 £	Total to 6 August 2016 £
<b>Receipts</b>			
14,424 Cash in hand	14,423.24	-	14,423.24
2,894 Intercompany debtors	-	-	-
Legal fees & Expenses <b>Note 1</b>	-	6,236.83	6,236.83
Bank interest gross	43.80	8.43	52.23
<b>17,318 Total receipts</b>	<b>14,467.04</b>	<b>6,245.26</b>	<b>20,712.30</b>
<b>Payments</b>			
Legal Fees & Expenses <b>Note 2</b>	6,236.83	10,900.00	17,136.83
<b>Total payments</b>	<b>6,236.83</b>	<b>10,900.00</b>	<b>17,136.83</b>
<b>Net receipts &amp; payments</b>	<b>8,230.21</b>	<b>(4,654.74)</b>	<b>3,575.47</b>
VAT control account	-	-	-
<b>Balance held in interest bearing current account</b>	<b>8,230.21</b>	<b>(4,654.74)</b>	<b>3,575.47</b>
<b>Represented by</b>			<b>£</b>
Held in Barclays a/c			3,575.47

### Note 1

As advised in our 3rd progress report dated 4 March 2016, a payment of £6,236.83 had been made to Phones 4u Limited in relation to legal fees paid on behalf of the Company, for which Phones 4u Limited were subsequently provided a credit note. In order to rectify this a credit note had been issued by Phones 4u Limited to the Company and is shown above as a receipt.

### Note 2

Prior period balance related to the legal fees paid to Phones 4u Limited referenced in Note 1 which have subsequently been refunded. Additional payments in the period relate to Brown Rudnick legal expenses.

## 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 £610,000. 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.

	Expenses incurred brought forward from 6 February 2016	Adjustment to brought forward expenses incurred.	Revised expenses incurred brought forward from 6 February 2016	Expenses incurred in this period	Total expenses to 6 August 2016	Total expenses paid to 6 August 2016	Expenses outstanding as at 6 August 2016
	£	£	£	£	£	£	£
Administrators' remuneration	-	-	-	-	-	-	-
Administrators' expenses - Category 1	352.92	-	352.92	75.00	427.92	-	427.92
Administrators' expenses - Category 2	-	-	-	-	-	-	-
Legal fees - Brown Rudnick Note 1	267,000.64	-	267,000.64	148,688.36	415,689.00	-	415,689.00
Legal expenses - Brown Rudnick	10,900.00	-	10,900.00	15,887.31	26,787.31	(10,900.00)	15,887.31
<b>Total</b>	<b>278,253.56</b>	<b>-</b>	<b>278,253.56</b>	<b>164,650.67</b>	<b>442,904.23</b>	<b>(10,900.00)</b>	<b>432,004.23</b>

**Note 1:** 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.

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 (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.	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.

Note: Although Allen & Overy 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) 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) David James Kelly of PricewaterhouseCoopers LLP, 101 Barbirolli Square, Lower Mosley Street, Manchester, M2 3PW.

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

from

to

(b) Insert dates

(b) 7 February 2016

(b) 6 August 2016



Signed \_\_\_\_\_  
Joint Administrator (IP No. 9612)

Dated 5 September 2016