
Joint Administrators' second progress report

**Phosphorus Holdco Plc
(in administration)**

High Court of Justice, Chancery Division, Companies Court
Case no. 7184 of 2014
For the period from 8 April 2015 to 6 August 2015

27 August 2015

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1. Key messages

This is our second 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 administration proceedings.

This administration is part of a large and complex portfolio of assignments, however our work in this Company is focussed primarily on potential claims against third parties, the details of which are commercially sensitive and ongoing. Accordingly, this is a necessarily brief update at this time.

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. Preferential debts 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 for the time being that there will not be a dividend for unsecured creditors.

No action is required by creditors at this stage and this report is for information purposes only. At this stage, there is no proposal by the Administrators to make a distribution to creditors and creditors are not being invited to formally prove for their debts. 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 (all in administration)
“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 Schwarzmann and Douglas Nigel Rackham in respect of Policy Administration Services Limited
“BIS”	Department for Business, Innovation and Skills
“IA86”	The Insolvency Act 1986
“IR86”	The Insolvency Rules 1986
“PIK Notes”	£205m aggregate principal amount of Senior PIK Toggle Notes due 2019 issued by the Company
“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 dated 6 November 2014

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:

<i>Company</i>	<i>Date of appointment</i>
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

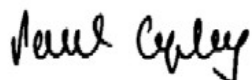
This progress report covers only Phosphorus Holdco plc. Separate reports will be issued to the creditors of the other companies.

An administration procedure normally comes to an end after the period of one year, unless extended with the consent of creditors or by order of the Court. For the reasons set out in this report, we consider that an extension of this administration is necessary and this report has been prepared to support our application to Court seeking such approval. Further details are given later in this report.

In accordance with Rule 2.47 IR86, this report will be issued to creditors by 6 September 2015, together with confirmation on the outcome of our Court application, if obtained by that time. If our Court application has not been heard by that time, we will notify creditors separately once the Court application has been determined.

We refer you to our Proposals for an explanation of why various companies in the Group were put into administration and how the purpose of the administration is expected to be achieved. Our first progress report (dated 7 May 2015) explained the progress in this case during the first six months of our appointment. The Proposals and our first progress report continue to be available on our website at: www.pwc.co.uk/phones4u, the contents of which are 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 Robert John Moran have been appointed as joint administrators of Phones 4u Limited, Life Mobile Limited, 4u Wi-Fi Limited, 4u Limited, Jump 4u Limited, MobileServ Limited, Phosphorus Acquisition Limited, Phones 4 U Group Limited and Phones4u Finance Plc to manage their 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.

Dan Yoram Schwarzmann, Douglas Nigel Rackham, Robert Jonathan Hunt and Ian David Green have been appointed as joint administrators of Policy Administration Services Limited to manage its affairs, business and property as 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.

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.

4. Progress in the period

4.1 Brief background

Phosphorus Holdco Plc is an intermediate holding company within a 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 an amount of £208m owed to the holders of unsecured PIK Notes.

There are no secured creditors in the administration that would have a propriety interest in any of the Company's realisable assets, nor any preferential creditors with a priority claim.

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 potential claims it 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 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.

Other work has principally been fulfilling our statutory and compliance responsibilities, including preparing the first progress report dated 7 May 2015.

4.3 Investigations

At the time of our previous report, we had been granted an extension to the deadline for submitting our initial findings to BIS. We can confirm that our findings have now been submitted, however the details are confidential and we are unable to give any further information.

We also disclosed previously that we have appointed Brown Rudnick LLP as litigation counsel to advise with regard to courses of action that may exist against a number of parties which dealt with or were otherwise involved with the Company prior to administration. Whilst this investigation has made good progress since we first reported on it, it has been necessary to review almost 23,000 documents in order to draw conclusions. The results of this review are currently being considered by litigation counsel and as such it remains too early to determine what (if any) action will result from this process.

Given the inherent uncertainty of such investigations and the outcome of any potential subsequent courses of action that may or may not result, any potential recoveries are indeterminable at this time and, indeed, there may be no recoveries ultimately made.

The timing for conclusion of this investigation and any potential subsequent courses of action that may or may not result is also uncertain. Accordingly, it is 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 Administrators' remuneration

In the circumstances of this case (in particular the absence of any secured or preferential creditors), 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; and
- c) a percentage of the value of the property with which we have to deal.

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 (and funds are available), we are unable to draw any fees in relation to our work as administrators.

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.

4.5 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:

<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 Vanessa Jennings on 0113 289 4955.

4.6 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, any amounts realised 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 for the time being that 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.

4.7 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 is due to come to an automatic end on 7 October 2015, however we consider that it is necessary to extend the period of the administration by three years in order to pursue the ongoing investigations outlined earlier and any potential subsequent courses of action that may or may not result. Given the length of time required, an application to Court will be necessary and this report has been prepared to support that application.

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.

4.8 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 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 8 April 2015 to 6 August 2015

Directors' statement of affairs £	From 8 October 2014 To 7 April 2015 £	From 8 April 2015 To 6 August 2015 £	From 8 October 2014 To 6 August 2015 £
Receipts			
Cash in hand	14,423.24	-	14,423.24
2,894 Intercompany debtors	-	-	-
Bank interest	14.51	10.89	25.40
2,894 Total receipts	14,437.75	10.89	14,448.64
Payments			
Administrators' fees	-	-	-
Administrators' expenses	-	-	-
Legal fees	-	-	-
Other	-	-	-
Total payments	-	-	-
Net receipts and payments	14,437.75	10.89	14,448.64
VAT control account	-	-	-
Balance	14,437.75	10.89	14,448.64
Represented by			
Held in Barclays account			14,448.64
Held in Lloyds account			-
Total funds			14,448.64

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.

We previously explained that an exercise was required to allocate legal fees (charged by Allen & Overy LLP) to the various entities in the Group. This has now been completed and the table below shows the current position.

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. 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 7 April 2015 £	Expenses incurred in the period £	Expenses paid in the period £	Expenses unpaid at 6 August 2015 £
Administrators' remuneration	-	-	-	-
Administrators' expenses – Category 1	136.82	-	-	136.82
Administrators' expenses – Category 2	-	-	-	-
Legal fees – Allen & Overy	7,976.00	-	-	7,976.00
Legal fees - Brown Rudnick LLP*	-	171,364.00	-	171,364.00
Legal expenses - Brown Rudnick LLP	-	14,134.00	-	14,134.00
Total	8,112.82	185,498.00	-	193,610.82

*The estate has not received nor is liable for invoices issued by Brown Rudnick LLP at this time but may become so subject to certain pre-agreed contractual conditions that may be satisfied at a future point in time.

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	Lawyers instructed in respect of the wider Group with knowledge which would add value to the administrations.	Time and expenses
Legal advice (investigations)	Brown Rudnick LLP	To assist the investigation of potential claims the Company may have.	No fees payable during initial investigation phase

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.

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

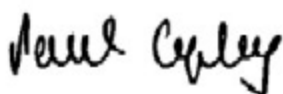
from

to

(b) Insert dates

(b) 8 April 2015

(b) 6 August 2015



Signed

 Joint Administrator (IP No. 9440)

Dated 1 September 2015