
Joint Administrators' first 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 October 2014 to 7 April 2015

7 May 2015

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1. Key messages

As required by legislation, this is our first 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. Separate reports have been prepared for the creditors of those companies.

This administration is part of a large and complex portfolio of assignments and this report provides only a high-level overview of the key matters and does not attempt to report fully on the detail and extent of our work.

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.

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 throughout 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
“CDDA”	Company Directors Disqualification Act 1986
“IA86”	The Insolvency Act 1986
“IR86”	The Insolvency Rules 1986
“PIK Notes”	£205m 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

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 been prepared for the creditors of the other companies.

This report explains the progress of the administration in the first six months since the date of our appointment. We refer you to our report dated 6 November 2014 (the Administrators' proposals), for a brief history of the Group, an explanation as to why the various companies were put into administration and our proposals for achieving the purpose of the administration. Those details are not repeated here unless considered beneficial or necessary for the purposes of this report.

Yours faithfully
For and on behalf of the Company



Rob Hunt
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. Brief history and background

Phosphorus Holdco Plc was incorporated on 29 December 2010 and its principal activity was that of an intermediate holding company within the Phosphorus Jersey Limited group. The Company re-registered as a public limited company on 13 September 2013.

The Phosphorus Jersey Limited group was most well-known for Phones 4U (which was one of the UK's leading independent mobile phone retailers and insurance providers) and was owned by the private equity firm, BC Partners. 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.

The Company's sole asset (aside from a small amount of cash at bank), was its significant investments held in Group companies. However, following the collapse of those Group companies, it was clear that this Company would not be able to pay its debts as and when they fell due, and therefore would not be able to avoid insolvency itself. The Company relied on the support and infrastructure provided by those Group companies and was 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.

According to the directors' statement of affairs, the debt figure includes an amount of £208m owed to the holders of unsecured PIK Notes. The PIK Notes were issued by the Company on 25 September 2013 in a private placement to qualified institutional buyers. The PIK Notes are secured only by a first-ranking lien over the share capital of Phosphorus Holdco Plc and are not guaranteed by any of the Company's subsidiaries. Share capital is the property of shareholders and is therefore not 'company property' in the context of Section 248 IA86. Accordingly, there are no secured creditors in the administration that would have a proprietary interest in any of the Company's realisable assets.

On 28 October 2013, the Company paid a third interim dividend amounting to £198m to its immediate parent, Phosphorus Jersey Limited, which followed first and second dividends in September 2013 and October 2013 respectively, themselves totalling £26.6m.

We considered that an administration appointment was the most appropriate in the circumstances. It allowed us to take immediate control of the Company's affairs and secure all assets, books and records that would assist us in achieving the purpose of the administration.

It was considered that putting the Company into administration might achieve a better result for the creditors as a whole than would be likely if the Company were wound up, on the basis that administrators can be appointed far more quickly and cheaply than liquidators. No court process (for a compulsory liquidation) or creditors' meeting (for a creditors' voluntary liquidation) would be required, which would be disproportionately expensive given the limited immediately available assets. By being in administration, the Company might still benefit, however, from any potential claims it may have against other parties that may have been responsible in the demise of the Company or the Group.

5. Progress in the period

5.1 An overview

Following our appointment, our work has focussed on two key areas:

1. Fulfilling our statutory and compliance responsibilities, including issuing initial notices of our appointment and preparing our statement of proposals dated 6 November 2014; and
2. Commencing our CDDA investigations into the directors' conduct and other investigations into any assets or potential claims against third parties that may give rise to recoveries in the administration.

We have also been liaising with the Senior Note Trustee and holders of the PIK Notes, including an open conference call held on 30 October 2014.

The directors' statement of affairs showed a bank balance of £14k and an estimated £2k recoverable from inter-company debtors. We can confirm that the £14k has been received into the administration bank account. We will pursue the £2k inter-company debt if it is considered to be recoverable and is cost effective to do so.

Completion of statutory tasks (including finalising the Company's VAT and tax affairs) will be done as and when required or appropriate. Therefore, the principal remaining issue in this administration relates to our investigatory work described below.

Our investigations are at an early stage and given the inherently uncertain nature of the outcome of any subsequent courses of action, any potential recoveries are indeterminable at this time.

5.2 Investigations

Under insolvency legislation (and as highlighted above) we have an obligation to review the conduct of everyone who has acted as a director of the Company within the three years prior to our appointment and file a confidential report on our findings with the Department for Business, Innovation and Skills. As part of our duty to investigate what assets there are in the Company, we consider any potential claims against third parties and what recoveries can be made.

We requested (and have been granted) an extension to the deadline for submitting our findings to BIS. In any event, the outcome of our review into the directors' conduct is confidential and we will be unable to give any further information.

With regards to other investigations, 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. It is currently too early to determine what (if any) action will result from this process and we will provide further details in our next report.

5.3 Approval of the Administrators' proposals

On 6 November 2014, we circulated our statement of proposals for achieving the purpose of the administration. As the requirement to convene a meeting of creditors (to consider our proposals) did not apply, on 19 November 2014 we issued a notice confirming that our proposals had been deemed approved. A copy of our proposals is still available to view on our website at www.pwc.co.uk/phones4u.

5.4 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.

At this stage, we have not received 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.

In our next report and if agreed by that time, we will provide all the information required by insolvency legislation and Statement of Insolvency Practice No.9 that is required for whichever basis of remuneration has been approved.

5.5 Creditors' rights

An explanatory note on the rights of creditors in relation to administrator's remuneration and expenses and how to request further information can be found online 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 Michael Sullivan on 0113 289 4656.

5.6 Outcome for creditors

As confirmed earlier, there are no secured or preferential creditors in the Company. 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 the secured creditor.



Therefore in this case, 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 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.

5.7 Ending the administration

The administration will be brought to an end once its purpose has been achieved, our work has been completed and statutory obligations fulfilled.

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 six month extension to the administrators' term in office. We will continue to monitor the progress of our appointment and will apply for an extension as appropriate.

In the event that a dividend becomes likely and as set out in our approved proposals, we will either move the Company to creditors' voluntary liquidation at the appropriate time, in order for claims to be agreed and funds distributed to creditors, or alternatively we may apply to Court for permission to distribute the funds from within the administration procedure. We will choose the most appropriate route considering the nature of outstanding issues and the costs involved.

5.8 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.

6. 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.

7. Receipts and payments account

From 8 October 2014 to 7 April 2015

Directors' statement of affairs £		Receipts and payments £
Receipts		
14,424.00	Cash in hand	14,423.24
2,894.00	Intercompany debtors	-
	Bank interest gross	11.39
17,318.00	Total receipts	14,434.63
Payments		
	None	-
Total payments		-
Net receipts & payments		14,434.63
VAT control account		-
Balance held in interest bearing current account		14,434.63
Represented by		£
	Held in Barclays a/c	14,434.63
	Held in Lloyds a/c	-
Total		14,434.63

8. 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.

As explained further below, we have instructed Allen & Overy LLP to provide legal advice to us in our capacity as joint administrators of the Phones 4U Group. The majority of the cost is expected to relate to Phones 4U Limited, and A&O has confirmed that during the period to 31 March 2015, it has incurred fees of £3,878,163 across the Group. This cost is subject to negotiation and will be analysed and attributed as appropriate to the relevant entities in due course. Therefore in the meantime, the table below does not contain an estimate of the unpaid costs in this regard. We expect our next report will show the analysed position for the Company.

The table below also does not include amounts accruing in respect of our remuneration (fees and 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 exclude 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 (unpaid)	Expenses incurred (paid)	Expenses incurred (total)
	£	£	£
Administrators' remuneration	-	-	-
Administrators' disbursements – Category 1	136.82	-	136.82
Administrators' disbursements – Category 2	-	-	-
Legal fees – Allen & Overy	-	-	-
Legal fees - Brown Rudnick LLP	-	-	-
Total	136.82	-	136.82

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 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

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)(i) 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

(b) Insert dates

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

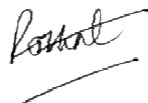
from

to

(a) 8 October 2014

(b) 7 April 2015

Signed



Joint Administrator (IP No. 8597)

Dated 7 May 2015