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Form 2.21

The Insolvency Act 1986
Statement of
Administrator's Proposals

S.23(1)(a)

Pursuant to Section 23(1)(a) of the
Insolvency Act 1986

For official use

To the Registrar of Companies

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Company Number

3762366

Name of Company

Insert full name
of company

UC Group Limited

I/We James R Tickell and David J Waterhouse

administrators of the company attach a copy of our proposals for achieving the purposes set out in the administration order filed herein. A copy of these proposals was sent to all known creditors on:

Insert date 20 May 2002

an order varying the administration order was made. An office copy of the said order of variation is attached.

Signed



Dated 31 May 2002

Presenter's
name address
and reference (if
any)

PricewaterhouseCoopers
Plumtree Court
London
EC4A 4HT

For Official Use

Insolvency
Section

Post Room



A12
COMPANIES HOUSE

WA25P98F5W

0730
06/06/02

UC Group Limited - in administration

The joint administrators' proposals for achieving the purposes of the administration order

20 May 2002

The company	
Registered number	3762366
Trading address	Hammersley House, 5-8 Warwick Street, London, W1R 5RA
Activity	Holding company

The creditors' meeting	
Time:	10.00am
Date:	5 June 2002
Place:	PricewaterhouseCoopers Plumtree Court London EC4A 4HT

The administrators and an outline of their proposals	
Date of the administration order	20 March 2002
Administrators	James Tickell and David Waterhouse
Means to achieve the purpose of the administration order	Uncertain
Future for the company	Uncertain
Estimated recovery for unsecured creditors	Uncertain

Contact details for queries			
Function	Contact	Address	Direct line
General queries	Scott Hayes Millar	PricewaterhouseCoopers Plumtree Court London EC4A 4HT	020 7212 4507
Creditors' claims and proxies	Christine Ainsworth		020 7212 6178
			Email
			Scott.millar@uk.pwcglobal.com
			Christine.k.ainsworth@uk.pwcglobal.com
			Fax
			020 7212 6148

To creditors of UC Group Limited

20 May 2002

Dear Sirs

**UC Group Limited – in administration (“the company”)
Joint administrators’ proposals for achieving the purposes of the
administration order**

I wrote to all creditors on 27 March 2002 to explain that the company was experiencing financial difficulties and that the Court had made an administration order appointing me and my colleague David J Waterhouse as joint administrators. *David J Waterhouse and I are licensed to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.*

I enclose with this pack a statement of our proposals for achieving the purposes of the order, a summary of the actions we have taken as administrators and some information about the company provided by its directors (Appendix A). I will explain the timing and purposes of the meeting and provide a guide to administrators’ fees (Appendix B).

What steps have we taken as administrators?

We were appointed as joint administrators to manage the affairs, business and property of the company. We act until such time as our proposals for achieving one or more of the purposes of the administration order have been agreed by creditors and implemented, following which the administration order is discharged. These purposes are (a) the survival of the company, and the whole or any part of its undertaking, as a going concern; (b) the approval of a company voluntary arrangement under Part 1 of the Insolvency Act 1986, or (c) a more advantageous realisation of the company’s assets than would be effected on a winding-up.

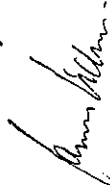
What steps should you be taking now?

You will be bound by our proposals if they are approved at the meeting by the requisite majority of creditors. However you may put forward alternative proposals for consideration at the creditor meeting. It is important therefore that you read this document carefully. You may put forward any modifications that you wish to see incorporated into the proposals and make your views known on whether they should be accepted.

As a creditor you can attend the meeting, either in person or by submitting a proxy. We explain later in this document how this is done and the rules relating to the submission of claims and the conduct of the meeting. Please let us have details of your claim on the enclosed form as soon as possible.

Finally, if you have any concerns or questions about the background to this case and what is being proposed, please contact us straight away; you do not have to wait until the meeting to raise them. If you have any modifications to put forward that you believe would improve the proposal, it is helpful for us to know in advance so we can discuss them with the other creditors.

Yours faithfully



James Tickell
Joint Administrator

Contents

Section title	Contents	Pages
The joint administrators' proposals	A statement of our proposals as to how the purposes of granting the administration order will be achieved.	1 - 2
Statement required to be annexed to the proposals	The Insolvency Rules 1986 require administrators to prepare and present certain information to creditors with their proposals. This information is set out in this section.	3 - 4
Matters potentially requiring investigation	The manner in which the affairs and business of the company have been managed and will continue to be managed. Are there any legal actions that a liquidator may be able to undertake	5 - 6
Appendix A		
Company profile	This appendix contains background information about the company – a description of its business, details about the main stakeholders, history, reasons for the current difficulties, recent financial information and a summary of the statement of affairs prepared by the directors or our own assessment of the financial position at the date of our appointment.	See contents on front page of appendix
Appendix B		
Details of the meeting	This appendix says where and when the creditors' meeting is being held. It also explains creditors' voting rights and provides a guide to administrators' fees	

The Joint Administrators' proposals

As required by Section 23 of the Insolvency Act 1986, as joint administrators we make the following proposals to creditors for achieving the purposes of the administration order dated 20 March 2002.

1. How do we propose to achieve one of the purposes of the administration order?

The administrators welcome this opportunity to meet with the company's creditors to discuss the merits of the following proposals. Approval of these proposals will be considered a single resolution at the meeting of creditors.

Proposal One

The administrators will convene a section 3 meeting in order to table a company voluntary arrangement ("CVA") proposal in the event the following conditions are met:

- a) The directors secure additional funding by 5pm on 3 June 2002.
- b) The administrators are satisfied that the rights of creditors are not being compromised by the implementation of a CVA. Additional funds will need to be made available to fund the administration and in particular to fund a programme of work necessary to satisfy the administrators that proposing a CVA will in all likelihood provide the best result for creditors. The work to be undertaken includes consideration of whether there may be claims arising under:
 - IA 1986 Section 214 - Wrongful trading
 - IA 1986 Section 238- Transactions at an undervalue
 - IA 1986 Section 239- Voidable preferences
 - IA 1986 Section 244- Extortionate credit transactions(a detailed explanation of these claims can be found on page 5)

It should be appreciated that a Supervisor cannot pursue any of these claims.

The directors have been and are currently attempting to raise £1.65million of additional equity from existing shareholders, which will be used both to provide working capital for the subsidiaries and a balance of about £1.2m made available for a CVA. This would need to include an unconditional element to cover the balance of our costs to date, the preparatory work for the CVA and the investigation work to enable us to recommend it to creditors. In the event that they achieve this and satisfy condition (b), the broad proposal would be that creditors would be given an option of a cash dividend and/or a debt for equity swap. In the event that all creditors seek a cash dividend it is envisaged that the dividend would range from 6 to 9 pence in the pound.

Proposal Two

In the event that the conditions set out in proposal one are not achievable, the administrators will be unable to achieve any of the purposes for which they were appointed. Therefore, they will seek their discharge and petition for the winding up of the company pursuant to section 140 of the Insolvency Act 1986.

The Joint Administrators' proposals

<p>2. What is the future for the company itself?</p>	<ul style="list-style-type: none"> ▪ In the event a CVA is adopted the company will survive following the compromise agreed with the creditors in respect of their claims. If the other proposal is adopted the company will be placed into liquidation.
<p>3. What investigation work will the administrators undertake?</p>	<ul style="list-style-type: none"> ▪ The administrators are not prepared to recommend a CVA proposal, in the form indicated in proposal one, without undertaking a program of work in order to satisfy themselves that the rights of creditors would not be compromised. The extent of this investigation would be agreed through discussions with the creditor's committee and subject to funding, which at the time of writing is unavailable. ▪ The administrators are also required to submit a report to the Department of Trade and Industry concerning the conduct of every director, who has held office in the past three years from the date of the administration order.
<p>4. How long will the administration order remain in force?</p>	<ul style="list-style-type: none"> ▪ The length of the administration is currently uncertain for the reasons detailed above, however the administrators must report to the Court within four months of their appointment.
<p>5. Will there be a creditors' committee?</p>	<ul style="list-style-type: none"> ▪ The joint administrators are proposing that a creditors' committee be formed at the meeting. ▪ A creditors' committee may be formed if at least three with a maximum of five creditors are willing to serve on it. ▪ If a committee is formed, we shall consult with it from time to time on the conduct of the administration and the implementation and development of proposals. Where we consider it appropriate, we will seek the committee's sanction to proposed action on our part instead of convening a meeting of all the creditors.
<p>6. How will the joint administrators' fees be calculated?</p>	<ul style="list-style-type: none"> ▪ The creditors' committee will fix our fees as administrators. ▪ If no creditors' committee is formed, our fees will be calculated on the time properly spent on the administration by us and the various grades of our staff according to our firm's usual charge out rates for work of this nature. We will be authorised to draw such fees and reasonable disbursements on account from time to time. An extract from Statement of Insolvency Practice 9; creditors guidance to fees in administrations, is enclosed at Appendix B.

Statement required to be annexed to the proposals

Details relating to:	
a) The appointment of administrators	James R Tickell and David J Waterhouse, both of PricewaterhouseCoopers, were appointed as joint administrators on 20 March 2002 following a petition by the company.
b) The purposes for which an administration order was made	<p>The purposes of the administration order are:</p> <ul style="list-style-type: none"> a) The survival of the company, and the whole or any part of its undertaking, as a going concern; b) The approval of a voluntary arrangement under Part I of the Insolvency Act 1986; c) a more advantageous realisation of the company's assets than would be effected on a winding-up
c) Any subsequent variation of those purposes	None.
The names of the company's directors and secretary	<p>Directors: Kobus Paulsen Robert Robinson Philip Meyer</p> <p>Secretary: Robert Robinson</p> <p>Details of the directors are given in Appendix A.</p>
The circumstances giving rise to the application for an administration order	<p>The failure of an attempt to prepare a CVA proposal coupled with a winding up petition against the company presented to Court on 17 December 2001.</p> <p>Further background information about the company, its history and the directors' reasons for failure are set out in the company Profile attached at Appendix A.</p>
If a statement of affairs has been submitted, a copy or summary of it, with the administrator's comments.	The directors have provided us with a sworn statement of affairs. We include a summary of this statement in Appendix A.

Statement required to be annexed to the proposals

The manner in which the affairs and business of the company:	
<p>a) have, since the date of the administrator's appointment, been managed and financed, and</p>	<p>The strategy during the administration has been to allow the directors and management of the trading subsidiaries to remain in day to day control with the administrators acting in the capacity of shareholder and major creditor.</p> <p>The directors are currently pursuing a strategy of raising additional equity in order to allow the administrators to formulate a CVA proposal. The deadline that has been agreed with the directors for raising these additional funds is 5 pm on 3 June 2002.</p> <p>The majority of the costs of the administration, as detailed in the receipts and payments account in Appendix A, that have been incurred to date are professional costs relating to the petition and subsequent administration. In addition costs have been incurred retaining two employees in order to ascertain the company and general group position. The administration period has been funded by a number of shareholders forwarding additional funds which will be converted into equity in the event that a CVA proposal is recommended by the administrators and approved by the creditors.</p>
<p>b) will, if the administrator's proposals are approved, continue to be managed and financed; and</p>	<p>In the event that the conditions necessary for the administrators to recommend a CVA proposal are met the administrators will immediately convene a Section 3 meeting in order to table the CVA proposal to the shareholders and creditors of the company.</p> <p>In the event that the conditions necessary for the administrators to recommend a CVA proposal are not met the administrators will immediately seek their discharge and petition for the winding up of the company.</p>
<p>c) such other information (if any) as the administrator thinks necessary to enable creditors to decide whether or not to vote for the adoption of the proposals</p>	<p>1. One of the purposes of the administration order is a more advantageous realisation of the company's assets than would be effected on a winding-up. However in this case those assets are the share capital and inter-company loans held in uc Market Makers Limited and uc.com e-commerce Limited. Such a course of action would require the full co-operation of all directors concerned, together with the necessary funding to enable this course of action to be implemented. As funding is not available, we do not believe this is currently a viable option.</p> <p>The administrators are aware that this may be an area of concern for the creditors and propose to deal with this area at the meeting of creditors due to its complexity.</p> <p>2. The administrators agreed target dates with the directors for two rounds of funding that would be made available to creditors as part of a CVA proposal as follows.</p> <ul style="list-style-type: none"> ▪ 1st Round – Raising funds by 29 April 2002 secured on a director's personal assets in order to attract 2nd round funding ▪ 2nd Round – Raising funds from the current shareholders and preparation of a CVA proposal by 3 June 2002 <p>At the time of writing the directors and their independent brokers have advised that they have secured the round one funding. We are waiting for direct bank documentary evidence that these funds have in fact been secured which, if available, we shall show to creditors at the meeting.</p>

Matters potentially requiring investigation

Are there any legal actions that a liquidator may be able to undertake?

A supervisor of a CVA, which is one of the outcomes that we envisage for this administration, is unable to take action in respect of the following events occurring before his appointment.

Section 214 - Wrongful trading

Section 238 - Transactions at undervalue

Section 239 - Preferences

Section 244 - Extortionate credit transactions

Section 245 - Floating charges invalid

An administrator continuing to act, in conjunction with a CVA, can however take action in respect to all of these areas with the exception of wrongful trading. In deciding to approve a CVA, creditors will therefore be foregoing the possibility of a wrongful trading action.

Certain creditors have expressed concern over the conduct of the company's affairs, in particular wrongful trading, preferences and the directors' general conduct. No detailed investigation work has yet been undertaken in respect of any action that could be taken, partly because of the absence of funding and partly because we want to discuss in a creditors' meeting or with a committee those steps that should be taken. We are however waiting for legal advice about the merits of wrongful trading which we can discuss with creditors later.

A more detailed explanation of the events that a liquidator and administrator could challenge is set out summarised below.

Section 214 – Wrongful trading (not available to an administrator)

- If in the course of the winding up of a company it appears that subsection (2) of this section applies in relation to a person who is or has been a director of the company, the court, on the application of the liquidator, may declare that that person is liable to make such contribution (if any) to the company's assets as the Court thinks proper.
- This applies in relation to a person if:
 - a) The company has gone into insolvent liquidation.
 - b) At some time before the commencement of the winding up of the company, that person knew or ought to have concluded that there was no reasonable prospect that the company would avoid going into insolvent liquidation, and
 - c) That person was a director of the company at the time.

Section 238 – Transactions at an undervalue.

- A company enters into a transaction with a person at an undervalue if:
 - a) The company makes a gift to that person or otherwise enters into a transaction with a person on terms that provide for the company to receive no consideration, or
 - b) The company enters into a transaction with that person for a value of which, in money or money's worth, is significantly less than the value, in money or money's worth, of the consideration provided by the company.

Matters potentially requiring investigation

<p>Section 239 – Preferences.</p> <ul style="list-style-type: none"> ▪ Payments made to particular creditors (or fixed charges given to them) where the intention is to favour them over the other creditors. 	<p>Section 245 – Floating charges invalid</p> <ul style="list-style-type: none"> ▪ A floating charge on the company's undertaking or property created at a relevant time is invalid except to the extent of the aggregate of - <ol style="list-style-type: none"> a) the value of so much of the consideration for the creation of the charge as consists of money paid, or goods or services supplied, to the company at the same time as, or after, the creation of the charge, b) The value of so much of that consideration as consists of the discharge or reduction, at the same time as, or after, the creation of the charge, of any debt of the company, and c) The amount of such interest (if any) as is payable on the amount falling within paragraph (a) or (b) in pursuance of any agreement under which the money was so paid, the goods or services were so supplied or the debt was so discharged or reduced.
<p>Section 244 – Extortionate credit transactions.</p> <ul style="list-style-type: none"> ▪ A transaction is extortionate if: <ol style="list-style-type: none"> a) The terms of credit are or were such as to require grossly exorbitant payments to be made. b) It otherwise grossly contravened ordinary principles of fair dealing. 	<p>Directors' conduct</p> <ul style="list-style-type: none"> ▪ An administrator is required to submit a report to the Department of Trade and Industry concerning the conduct of every director of a company that is subject to an administration order. Whilst the content of this report is confidential, creditors are invited to provide the administrators with any information they believe is relevant. This invitation is a standard part of our procedures and does not imply any criticism of the directors.

UC Group Limited

Company profile

20 May 2002

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Restriction on the content and use of this document

PricewaterhouseCoopers has prepared this report (the "Report") for information purposes only and it is intended for the sole use and benefit of the creditors of UC Group Limited. The Report should not be relied upon for any other purpose by any other party, and PricewaterhouseCoopers will accept no responsibility or liability to any other party that relies upon the Report in breach of this provision.

The information contained in the Report has been obtained from the directors, who have confirmed that the Report contains no material errors or omissions. PricewaterhouseCoopers has not verified the information contained in the Report and makes no representations or warranties as to its accuracy or completeness.

The Report must not be disclosed to any other party without the prior written consent of PricewaterhouseCoopers.

Background history

Date	Details
April 1999	The company was incorporated following a management buy-out of a former business. The company managed to raise £9million at the first round of fund raising.
May 1999 to July 2000	The company formed an extensive group structure through the acquisition of a number of Companies, which generally operated in the business to business e-commerce service industry. This acquisition drive and the subsequent funding of loss making entities resulted in the company launching a second fund raising drive.
August 2000	The company received commitment of £30million for a share placing.
October 2000	The company raised a further £13million.
November 2000	The company received commitment of £20million for a share placing.
December 2000	The directors actively explore how to deal with the build up of liabilities of the company. This involved seeking equity from existing shareholders and potential investors.
January 2001	An agreement to fund \$101million received.
February 2001	The Board instructed Andrew Visintin of Hammonds Suddards Edge to advise on the solvency of the company.
April 2001	<p>The Board instructed PricewaterhouseCoopers ("PwC") on 11 April 2001 to report on the solvency of the group.</p> <p>The Board advised PwC that they have secured a further £1.2million of funds.</p> <p>PwC report of 20 April 2001 concludes that all of the group entities are insolvent and that the group would require at least £2.1million within a month and a further £8-12million to trade for the next three months.</p>
May 2001	The directors received a letter of intent from Freeserve for the largest messaging service contract outside the US. This had to be abandoned, leaving substantial liabilities to Compaq Financial Services and Openwave Systems.
August 2001	The company terminated an internet-based payments contract with First Data Corporation
April 2001 to November 2001	<p>Revenues in 2001 proved substantially lower than expected due to the decline in the e-commerce industry, resulting in significant cash-flow difficulties and thus the accumulation of liabilities of approximately £13 million. This was further exasperated by the difficulties in raising additional funds and resulted in all but two of the company's subsidiaries ceasing to trade.</p> <p>The directors continued to pursue the first instalment of the \$101 million funding agreement, which was re-confirmed in November 2001.</p>

Background history

December 2001	<p>On 3 December 2001 PricewaterhouseCoopers were appointed to prepare a CVA. However this was subsequently abandoned due to the failure to secure the funding necessary for the proposal.</p> <p>On 17 December 2001 a petition for the winding up of the company was lodged at Court.</p>
March 2002	<p>At a meeting on 1 March 2002, subject to confirmation that shareholders were prepared to fund the procedure, PricewaterhouseCoopers advised the directors that the company should be placed into administration in order to achieve one of the following:</p> <ol style="list-style-type: none">a) The survival of the company, and the whole or any part of its undertaking as a going concern;b) The approval of a voluntary arrangement under Part 1 of the Insolvency Act 1986;c) A more advantageous realisation of the company's assets than would be effected on a winding-up. <p>Shareholder funding was received by 20 March 2002 and the petition for an administration was duly granted.</p>

Background history

Why, at the date of the administration order, was the company unable to pay its debts as they fell due?

- The PAYE & NIC of approximately £124,000 and £78,000, are less than 12 months overdue and so rank as preferential claims.
- There are arrears in trade suppliers, estimated by the directors to amount to about £10million, although it should be noted that Compaq and Openwave account for over £7million of this liability.
- The directors estimate that there are approximately £1.18million of employee claims.

What do the directors believe caused the company to become insolvent?

- The company did not generate a profit and so was wholly reliant on external funding.
- The downturn in the technology sector and the failure to secure additional funds led to severe cash-flow difficulties.

When did the directors first appreciate that the company was becoming insolvent and what did they do?

- The directors received advice from both HSE and PwC in April 2001 that the company and group were insolvent. The directors continued to receive advice from HSE in respect to *wrongful trading until the date of the administration order*.
- The directors initiated a work program implementing a series of actions to address the financial position.
 1. Pursue the first instalment of the \$101 million equity funding. The directors were advised by PwC that this matter should be pursued on a daily basis and written confirmation sought from the investor group. In addition, the Board should document its reasons for continuing to believe that it remains probable that these funds will be received.
 2. Secure sufficient funds to meet immediate obligations.
 3. Ensure the group avoids further crises by obtaining funding for a minimum three-month period.
 4. Commence discussions with 4 or 5 strategic business partners to secure both a formal moratorium on the current debts and possibly a cash advance.
- In December 2001 the directors instructed PwC to prepare a CVA proposal having received re-confirmation of the \$101million funding agreement. This was abandoned when funds failed to materialise.
- Unable to achieve the above goals the Board was advised by PricewaterhouseCoopers to place the company into Administration.

Statutory information

Company information

Company number	3762366
Date of incorporation	26-Apr-99
Registered office	Hammersley House, 5-8 Warwick Street, London, W1R 5RA
Trading addresses	As above
Auditors	Arthur Andersen
Solicitors	Hammonds Suddards Edge
Bankers	Barclays & HSBC

Shareholders

	Shares of 0.01p each	
Authorised	1,000,000,000	
Shareholder	Class A	Class B
External	270,608,692	
Internal-Employees	256,241,278	10
Options	8,010,000	
Unissued	473,150,030	

Guarantees provided by the company for third party liabilities

Third Party guaranteed	Liability guaranteed	Limit £'000
Compaq Financial Services	Obligations of subsidiary	5,200
Openwave Limited	Obligations of subsidiary	1,196

Director details

Name	Executive function	Date of appointment	Date of resignation
Jacobus Adriaan Paulsen	Executive	27-Apr-99	-
Robert John Robinson	Executive	27-Jun-00	-
Philippus Stefanus Meyer	Executive	15-Jun-00	-
Alan Dacre	Executive	15-Aug-00	8-Jun-01
B. van der Vorm	Non-executive	7-Aug-00	1-May-01
Robert Shaw	Executive	6-Jan-00	27-Jun-00
James Stoddart	Executive	22-Mar-00	27-Jun-00
Terence Connor	Executive	2-Mar-00	11-Aug-00
Bernard O Dea	Executive	27-Apr-99	18-Aug-99
Jacques Putzeys	Non-Executive	21-Mar-00	22-Feb-02
Patrick Boylan	Non-Executive	1-Jul-00	16-Feb-01

Statutory information

Premises

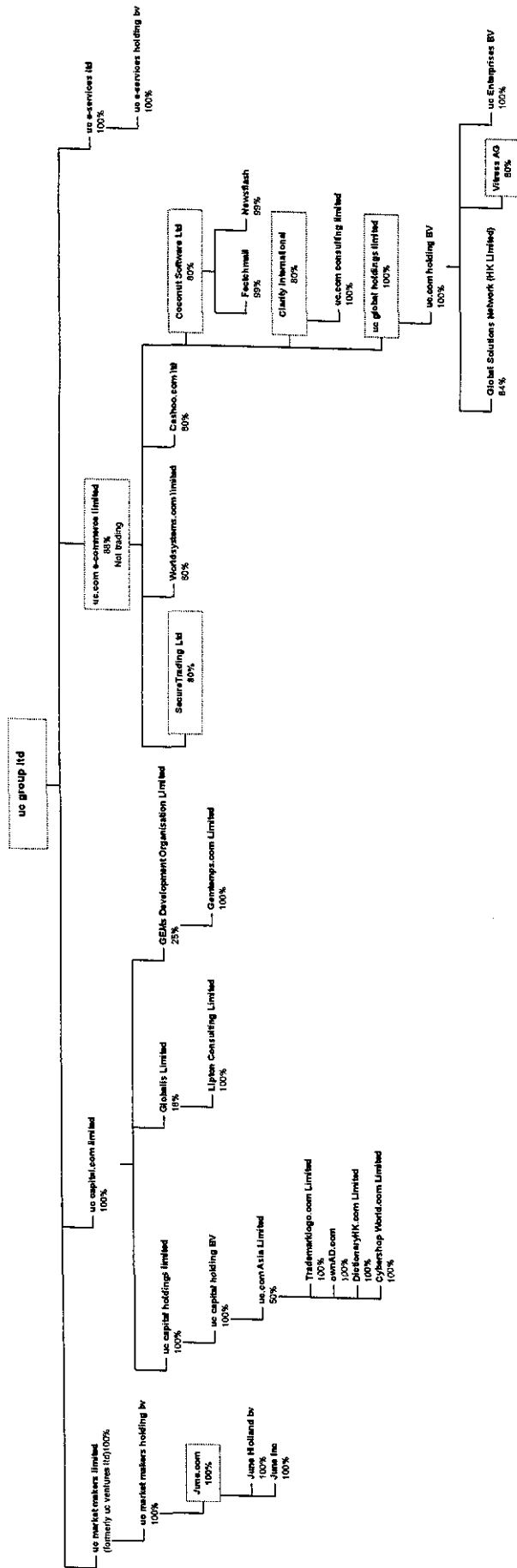
Property	Tenure	Lease term	Landlord/ agent	Value (*) £000	Annual rent £000	Rent arrears £000	Forfeiture clauses	Tenant obligations	Guarantors
Hammersley House 5-8 Warwick Street London W1R 5RA	Leasehold	10 years	Development Securities Estates Plc	Nil	150	49	Usual insolvency clauses	Full repair & insurance	None
				Nil	150	49			

(*) The valuation has been provided by the directors and not verified by independent professional surveyors at this stage

Statutory information

Associated companies

- A summary of the group structure is set out below.



Recent financial information

Profit and loss accounts

	Year to 31 December	
	2001 Draft £000	1999 Audited £000
Turnover	542	126
Gross margin	542	126
	100%	100%
Costs	1,214	1,474
Payroll	132	370
Marketing	116	176
Premises	133	482
Travel and entertainment	69	
Office costs	457	1,636
Legal and professional	(19)	368
General	304	286
Depreciation	39	
Financial		5,029
Employee share option		
Total costs	2,445	10,167
Net profit	(1,903)	(10,041)
Taxation and dividends		
Taxation		
Dividends		
Loss for the period	(1,903)	(10,041)

Balance sheets (company only, not consolidated)

	As at 31 December	
	2001 £000 Draft	1999 £000 Audited
Fixed assets		
Tangible assets	36	30
Intangible assets	105	10
Goodwill	1,180	1,704
Investments	4,559	160
	5,880	1,904
Current assets		
Trade debtors	17,011	15,188
Debts in subsidiaries	481	554
Other debtors	39	26
Prepayments	31	673
Cash	17,492	15,812
	17,492	15,812
Liabilities		
Bank overdraft	662	91
Trade creditors	2,868	2,191
Tax and social security	170	101
Other creditors	2,232	666
Accruals	2,321	1,736
	8,253	4,694
Net asset/(liabilities)	15,119	17,017
Capital and reserves		
Called up share capital	48	48
Share premium	23,994	23,989
Profit and loss	(8,994)	(7,091)
	15,048	16,946

Statement of affairs

	Note	Book value £000	Estimated to realise £000
Assets			
Tangible fixed assets	1	4,581	unascertained
Intangible fixed assets	2	1,216	10
Investments	3	23	unascertained
Debtors	4	323	50
Intercompany loans	5	20,850	unascertained
HM Customs & Excise-VAT	6	3	3
Assets available for preferential creditors		26,996	63
Preferential creditors			
Inland Revenue	7		
PAYE		124	
NIC		78	
Employee arrears of wages claims	8	8	
			(210)
Estimated deficiency as regards preferential creditors			(147)
Non-preferential creditors			
Trade creditors	9	10,241	
Other creditors	10	3,381	
Accruals	11	321	
Bank		147	
Employee claims	8	1,171	
			(15,261)
Estimated deficiency as regards creditors			(15,408)
Issued and called up share capital			(48)
Estimated total deficiency as regards members			(15,456)

Notes to the statement of affairs

- This principally comprises computer equipment with a net book value of £3.4m, almost all of which was supplied by Compaq, the largest creditor. The balance mostly represents software most of which was provided by Openwave Systems, another large creditor.
- This represents the capitalisation of goodwill (£1.11m), domain name expenditure and registration costs.
- Investments are the company's holdings in uc Market Makers Limited, uc Capital.com Limited, uc.com e-commerce Limited, uc e-services.
- A large proportion of this amount relates to the rental deposit in respect to the company's premises at Hammersley House, 5-8 Warwick Street, London, W1R 5RA. The rental arrears in respect to this property are approximately £60,000, before accounting for dilapidation costs.
- 88% of the inter-company loans are with uc.com e-commerce Limited, uc Markets Makers Limited and Surepay Limited.
- The accounts of the company record a recovery of £3,008 from HM Customs & Excise, however a further reconciliation exercise will need to be undertaken to ascertain the exact position.
- The PAYE and NIC are preferential liabilities having accrued within the past 12 months, detailed on page 8.
- Employee claims are principally fore wages in arrears and pay in lieu of notice.
- Trade creditors are summarised on page 8.
- Other creditors are summarised on page 8.
- Accruals relates to Amstel Vision, Arthur Andersen and Frank Knight with their liabilities being £210,093, £272,814 and £48,000, respectively.

Statement of affairs – details of creditors

	SoA amount (£)	Claimed amount (£)	Estimated (£)	SoA amount (£)
Non-preferential unsecured creditors				
Principal trade creditors				
Compaq Financial Services Company	5,149,868.63		5,149,868.63	
Openwave Systems	2,069,513.26		2,069,513.26	
Amstlevision Enterprises bv	654,364.91		654,364.91	
Littlejohn Frazer	513,668.89	513,668.82	513,668.89	
Arthur Andersen UK	433,939.25		433,939.25	
S J Berwin & Co	186,476.99	380,388.60	380,388.60	
Schut & Grosheide	105,725.42		105,725.42	
IDNames tm	101,292.06		101,292.06	
Kidd Rapinet Solicitors	74,166.91	78,275.95	78,275.95	
SHM Ltd	73,366.68		73,366.68	
American Express Corporate card	63,841.30		63,841.30	
Norwich Union	59,842.18		59,842.18	
Text 100 Limited	51,216.99		51,216.99	
	<u>9,537,283.47</u>	<u>972,333.37</u>	<u>9,735,304.12</u>	
Others less than £50,000	<u>704,180.09</u>	<u>289,879.03</u>	<u>731,982.27</u>	
	10,241,463.56	1,262,212.40	10,467,286.39	
Preferential creditors				
Inland Revenue	123,744.00			
PAYE	77,575.00			
NIC				
Employee Claims	<u>8,338.00</u>			
Wages in arrears	209,657.00			
Other creditors				
Directors' Loans				1,555,677
Acquisitions payments outstanding				1,178,478
Loans from Shareholders				<u>646,930</u>
				<u>3,381,085</u>

Statement of affairs – Receipts and Payments Account

Receipts	Amount (£)	Expenditure	VAT	Net	Gross
Date		Description			
		Cash at Bank			
Payments	Gross				
	100,000.00				
	55,261.10	Admin Remuneration			
	44,738.90	Pre-admin	2,625.00	15,000.00	17,625.00
	5,790.68	Director Expenses			
	50,529.58	04/03/02 Fleet Street Travel	2.63	15.00	17.63
		04/03/02 Fleet Street Travel	2.63	15.00	17.63
		04/02/02 BA Gatwick Amsterdam			373.40
		04/02/02 BA Gatwick Amsterdam			101.40
		04/19/02 BA Gatwick Geneva	2.63	774.50	777.13
		04/26/02 Orange Mobile Phone	97.58	557.63	655.21
		04/26/02 One 2 One	7.39	42.22	49.61
		05/08/02 General expenses	48.25	788.32	836.57
					2,828.58
Outstanding liabilities					
Administrators time costs to 30 April 2002	46,533.00	Employee Costs			
		04/15/02 Gillian Clements 18 March to 19 April 2002			2,480.43
		04/15/02 Gideon Kotze 19 March to 19 April 2002			3,461.54
		04/29/02 Gillian Clements 22 April to 24 May 2002			2,480.43
		04/29/02 Gideon Kotze 23 April to 24 May 2002			3,461.54
		04/29/02 Gillian Clements Overtime 13 April 2002			130.22
		04/29/02 Gideon Kotze Overtime 13 April 2003			181.73
		PAYE			4,246.95
		NIC			1,001.30
					17,444.14
		Legal fees			
		04/04/02 Pre-admin	2,985.12	17,157.80	17,157.80
		General Expenses			
		04/19/02 TMP Worldwide	17.70	101.13	118.83
		04/24/02 Companies House		45.00	45.00
		05/08/02 Companies House		15.00	15.00
		05/13/02 Companies House		15.00	15.00
		05/13/02	1.75	10.00	11.75
					205.58
		Total costs			55,261.10
					20 May 2002

Formal notice for the meeting of creditors

Notice of meeting of creditors in administration proceedings

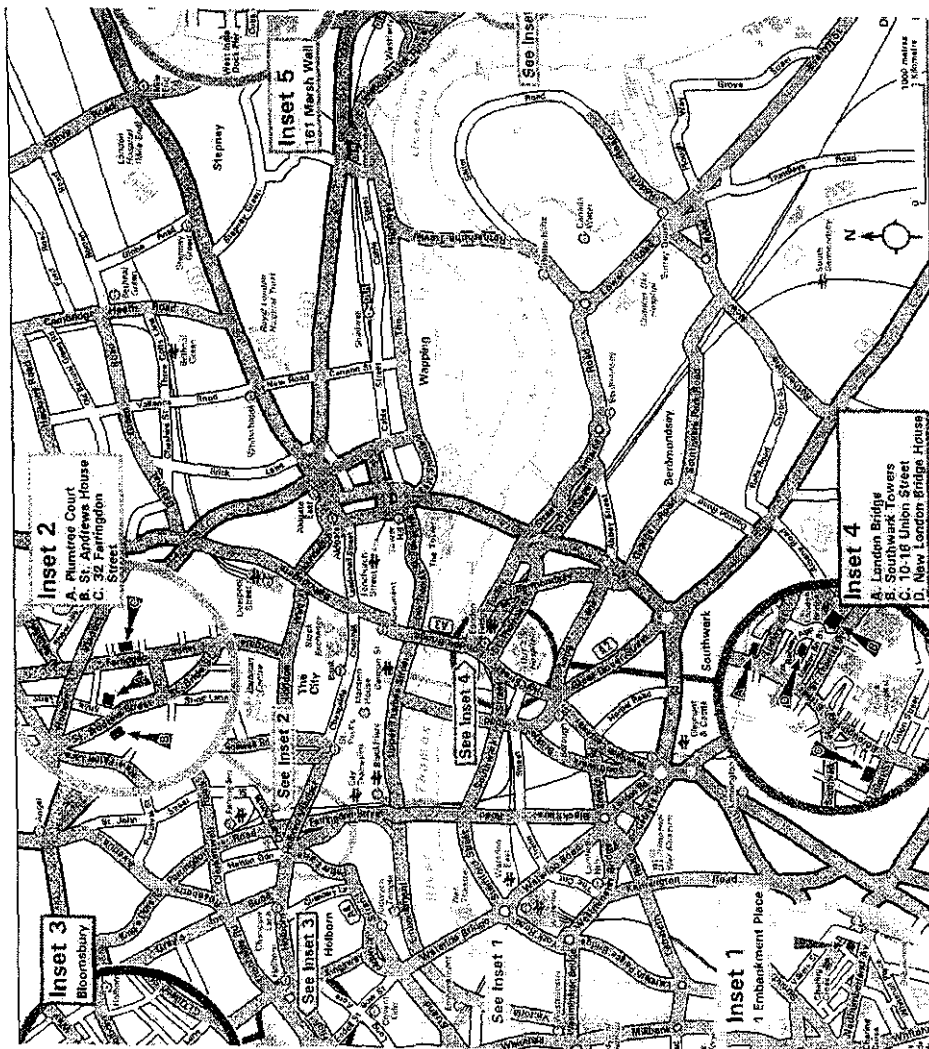
**UC Group Limited - in administration
(Registered in England & Wales 3762366)**

Notice is hereby given that a meeting of creditors in the above matter is to be held at PricewaterhouseCoopers, Plumtree Court, London EC4A 4HT at 10am on Wednesday, 5 June 2002 to consider the administrators' proposals under Section 23(1) of the Insolvency Act 1986 and to consider establishing a creditors' committee.

Votes at the meeting are based on the value of creditors' claims. If you are not a limited company, you may vote by simply attending the meeting, bringing a statement of your claim. If you do not wish to attend the meeting, you may complete and return the enclosed proxy so that someone else nominated by you, or the chairman of the meeting, can vote on your behalf. If you are a corporate body, such as a limited company, and wish to attend and vote at the meeting, you should complete and return the proxy form. (Companies can alternatively arrange to be represented by someone authorised by a resolution of their directors under section 375 of the Companies Act 1985.)

All proxies must be accompanied by a statement of your claim and be received by no later than 12:00 hours on the business day before the day fixed for the meeting. The proxy form must be signed.

JR Tickell
Joint Administrator



Common questions and answers (references to "Rules" are to the Insolvency Rules 1986)

Who will be at the meeting?

One of the joint administrators, James R Tickell, will chair the meeting and answer creditors' questions. There is no requirement for the directors of the Company to attend but we anticipate that one or more of the directors will attend in this instance.

What will happen at the meeting?

It will be assumed that creditors will already have received and read the administrators' proposals and statement enclosed with this notice. The meeting will give creditors an opportunity to put questions to the administrator and the directors. The meeting will then consider and vote upon any modifications that individual creditors might put forward, following which a vote will be taken upon the whole proposals as modified.

Various other resolutions might be considered, in particular those dealing with the basis of the administrators' remuneration and the composition of any creditors' committee.

Am I obliged to attend the creditors' meeting?

You are not obliged to attend the creditors' meeting. On the one hand, it is your opportunity to ask questions before deciding whether to suggest any modifications and how to vote on the administrators' proposals. On the other hand, you will not compromise your claim and entitlement to dividend if you do not attend. The law recognises that creditors are not always able to attend in person and allows you to ask a representative to attend as proxy and vote on your behalf.

How do I ensure that my vote counts at the meeting?

In order to vote, a creditor must have submitted a written notice of his claim and the chairman must have admitted that claim following the guidelines below. This notice needs to be submitted to the administrators before 12.00 on the business day before the meeting (Rule 2.22(1)). You might also need to lodge a proxy.

The chairman can admit a claim for voting purposes even though it was submitted late if he is satisfied this was due to reasons beyond the creditor's control (Rule 2.22(2)).

Do I need to lodge a proxy form?

If you yourself are the creditor (and not a corporate body such as a limited company), you may vote by simply attending the meeting, provided you have lodged a claim as explained above.

If you do not want to attend the meeting, you may nominate someone else, or the chairman of the meeting, to vote for you. They can vote either on your instructions or at their discretion. Do, however, remember that the chairman will be one of the administrators and you might wish to consider specifying clearly how he should vote. (Rule 8.1).

You must do this by completing the enclosed proxy form or a substantially similar form. The form needs to be signed by the creditor or by someone authorised by him, either generally or with reference to a particular meeting, and the nature of the person's authority to sign should be stated. If a company is the creditor, a director should normally sign (Rule 8.2). The proxy form must then be submitted at or before the meeting in the same way as a written notice of the claim.

Please also remember that if the debt is owed to a limited company or other corporation and you wish to attend and vote at the meeting, you should complete and return the proxy form even if you are a director of the company. (Alternatively you can produce at the meeting a resolution of the directors authorising you to represent that company.) (Rule 8.7)

Who decides whether my claim ranks for voting purposes?

The chairman has the power to accept or reject any part of your claim if he believes it to be appropriate (Rule 2.23(1)). If he is in doubt whether your claim should be admitted, he should mark it as objected to and allow you to vote. If however the objection is sustained, then your vote will be declared invalid (Rule 2.23(3)).

If your vote was critical to the outcome of the meeting, this could change the resolutions that were passed and/or result in a further meeting (Rule 2.23(4)).

Common questions and answers (references to "Rules" are to the Insolvency Rules 1986)

What happens if I disagree with the chairman's decision?

You are entitled to appeal to the court within 28 days of the administrator reporting the result of the meeting to the court for an order reversing the chairman's decision on your claim (Rule 2.23(5)). If the court does reverse the chairman's decision it can order another meeting or make such other order as it thinks just (Rule 2.23(4)).

Creditors also have the right to appeal to the court if they believe that the administration unfairly prejudices their interests or that there was a material irregularity at the meeting (Section 27, Insolvency Act 1986).

We recommend that you seek legal advice about the merits of taking these steps in any particular circumstances.

How do I calculate my claim for voting purposes?

Your vote is based on the value of your debt at the date of the administration order less any amounts paid subsequently. (Rule 2.22(4)). Votes rank in proportion to the claim.

What majorities are needed to approve resolutions?

A resolution to approve the proposals, or any modification to them, is passed at the creditors' meeting if supported by a majority in excess of 50% in value of the creditors present in person or by proxy and voting on the resolution (Rule 2.28(1)).

In addition, any resolution passed under this rule is invalid if more than 50% of these creditors not connected to the company vote against it. (Rule 2.28(1A))

What happens if I cannot yet quantify my claim with certainty?

A creditor cannot vote in respect of a debt for an unliquidated amount or any debt whose value is not ascertained, unless the chairman agrees to put on the debt an estimated minimum value for voting purposes (Rule 2.22(5))

What happens if my debt is partly secured?

You are entitled only to vote in respect of the balance of your claim (if any) after deducting the value of your security as estimated by you (Rule 2.24). Your claim should be stated after deducting the value of any goods supplied to the Company to which you still claim title under the terms of your sale contract. The position with hire purchase agreements is complex and separate advice should be sought from your own advisors.

Am I bound by the administrators' proposals if they are approved at the meeting?

The administrators' proposals, when approved by the creditors' meeting, will dictate how the company's affairs will be conducted in future and how creditors' claims will be addressed.

Once approved the proposals are binding on all creditors, including those not present or represented at the meeting. For this reason, it is important that creditors properly consider the proposals and decide whether and how they wish to vote.

What are the functions of the creditors' committee?

The creditors' committee shall assist the administrator in discharging his functions, and act in relation to him in such manner as may be agreed from time to time (Rule 2.34(1)).

In particular, it has the duty to agree the basis of the administrators' remuneration (Rule 2.47(3)).

How is the creditors' committee formed?

The creditors' committee is established at the creditors' meeting. It is not obligatory but the creditors decide whether it is necessary (Section 26(1) of the Insolvency Act 1986).

The committee must consist of at least three and not more than five creditors of the company elected at the meeting (Rule 2.32(1)).

Common questions and answers (references to "Rules" are to the Insolvency Rules 1986)

Any creditor of the company is eligible to be a member of the committee, so long as his claim has not been rejected for the purpose of his entitlement to vote (Rule 2.32(2)). A body corporate may be a member of the committee, but it can only act as such through a properly appointed representative (Rule 2.32(3)).

No person may act as a member of the committee unless and until he has agreed to do so (Rule 2.33(2)). Unless the relevant proxy or authorisation contains a statement to the contrary, such agreement may be given by the creditors' proxy-holder or representative under section 375 of the Companies Act 1985 present at the meeting establishing the committee (Rule 2.33(2)).

A person acting as a committee-member's representative must hold a letter of authority entitling him so to act (either generally or specially) and signed by or on behalf of the committee-member (Rule 2.37(2)).

No member may be represented by a body corporate, or by a person who is an undischarged bankrupt, or is subject to a composition or arrangement with his creditors (Rule 2.37(4)).

No person shall act at one and the same time as representative of more than one committee-member, or act both as a member of the committee and as representative of another member (Rule 2.37(5)).

The creditors' committee does not come into being, and accordingly cannot act, until the administrator has issued a certificate of its due constitution (Rule 2.33(1)).

How is the administrators' remuneration fixed?

The following information about the administrators' fees is from Statement of Insolvency Practice 9 issued by the Association of Business Recovery Professionals, Appendix C: Administrators' guidance.

Introduction

When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as

administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees and explains the basis on which fees are fixed.

The nature of administration

Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court in order to achieve one or more of the following statutory purposes:

- the survival of the company and its business in whole or in part;
- the approval of a company voluntary arrangement;
- the sanctioning of a scheme under section 425 of the Companies Act 1985;
- a better realisation of assets than would be possible in a liquidation.

Administration may be followed by a company voluntary arrangement or liquidation.

The creditors' committee

The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is established at the meeting of creditors which the administrator is required to hold within 3 months of the administration order to consider his proposals. The administrator must call the first meeting of the committee within 3 months of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide such information as it may require.

Common questions and answers (references to "Rules" are to the *Insolvency Rules 1986*)

Fixing the administrator's fees

The basis for fixing the administrator's remuneration is set out in Rule 2.47 of the *Insolvency Rules 1986*, which states that it shall be fixed either:

- as a percentage of the value of the property which the administrator has to deal with, or
- by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration.

It is for the creditors' committee (if there is one) to determine on which of these bases the remuneration is to be fixed and if it is fixed as a percentage, fix the percentage to be applied. Rule 2.47 says that in arriving at its decision the committee shall have regard to the following matters:

- the complexity (or otherwise) of the case;
- any responsibility of an exceptional kind or degree which falls on the administrator;
- the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties;
- the value and nature of the property which the administrator has to deal with.

If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to the same matters as the committee would. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator.

What information should be provided by the administrator?

When seeking agreement to his fees the administrator should provide sufficient supporting information to enable the committee or the creditors to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case. The administrator should always make available an up to date receipts and payments account. Where the fee is to be charged on a time basis the administrator should be prepared to disclose the amount of time spent on the case and the charge-out value of the time spent, together with such additional information as may reasonably be required having regard to the size and complexity of the case. Where the fee is charged on a percentage basis the administrator should provide details of any work which has been or is intended to be contracted out which would normally be undertaken directly by an administrator or his staff.

The payment of expenses and disbursements is not subject to approval by the committee or the creditors. However, where an administrator makes, or proposes to make, a separate charge by way of expenses and disbursements to recover the cost of facilities provided by his own firm, he should disclose those charges to the committee or the creditors when seeking approval of his fees, together with an explanation of how those charges are made up and the basis on which they are arrived at.

What if a creditor is dissatisfied?

If a creditor believes that the administrator's remuneration is too high he may, if at least 25 per cent in value of the creditors (including himself) agree, apply to the court for an order that it be reduced. If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing. Unless the court orders otherwise, the costs must be paid by the applicant and not as an expense of the administration.

Common questions and answers (references to "Rules" are to the Insolvency Rules 1986)

What if the administrator is dissatisfied?

If the administrator considers that the remuneration fixed by the creditors' committee is insufficient he may request that it be increased by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient, he may apply to the court for it to be increased. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented on the application. If there is no committee, the administrator's notice of his application must be sent to such of the company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

Other matters relating to fees

Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors. If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.

**Rule 8.1 Insolvency Act 1986
Proxy (Administration)**

Notes to help completion of the form

UC Group Limited (in Administration)

Please give full name and address for communication

Name of creditor.....

Address

.....
.....

Please insert name of person (who must be 18 or over) or the "chairman of the meeting" (see note below). If you wish to provide for alternative proxy-holders in the circumstances that your first choice is unable to attend please state the name(s) of the alternatives as well

Name of proxy-holder

1.....

.....

2.....

.....

3.....

.....

Please delete words in brackets if the proxy-holder is only to vote as directed ie he has no discretion

I appoint the above person to be my/the creditor's/the member's proxy-holder at the meeting of creditors/members to be held on 5 June 2002, or at any adjournment of that meeting. The proxy-holder is to propose or vote as instructed below [and in respect of any resolution for which no specific instruction is given, may vote or abstain at his/her discretion].

Please complete paragraph 1 if you wish to nominate or vote for a specific person as liquidator

Voting instructions for resolutions

1. For the acceptance/rejection of the administrator's proposals as circulated

.....
2. For the appointment of of

.....

representing.....

as a member of the creditors' committee.....

This form must be signed

Signature Date

Name in CAPITAL LETTERS

Only to be completed if the creditor/member has not signed in person

Position with creditor/member or relationship to creditor/member or other authority for signature:

.....
.....

Creditors' voluntary liquidation statement of claim

UC Group Limited (in Administration)

1	Name of creditor	
2	Address for further correspondence	
3	Total amount of your claim, including any Value Added Tax as at the date of the liquidation	£
4	Details of any documents by reference to which the claim can be substantiated	
5	Give details of whether the whole or any part of the claim falls within any (and if so which) of the categories of preferential claims under section 386 of, and schedule 6 to, the Insolvency Act 1986	Category Amount (s) claimed as preferential £
6	Particulars of how and when the debt was incurred	
7	Particulars of any security held, the value of the security and the date it was given Give details of how you have valued your security	
8	Signature of creditor or person authorised to act on behalf of the creditor Name in block capitals Position with or relation to creditor (e.g. director, company secretary, solicitor)	

If the creditor is a limited company or will not be attending any meeting of creditors in person but wishes to be represented, a proxy form should also be completed.