

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company Sendo Limited	Company number 03718220
In the High Court of Justice, Chancery Division, Companies Court	Court case number 4070 of 2005

(a) Insert full name(s) and
address(es) of
administrator(s)

We, S J Appell and A P Beveridge of Kroll Limited, 10 Fleet Place, London, EC4M 7RB

attach a copy of our proposals in respect of the administration of the above company.

A copy of these proposals was sent to all known creditors on

(b) Insert date

19 August 2005

* Delete as applicable

Signed

Joint Administrator

Dated

22 August 2005

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

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Corporate Advisory & Restructuring Group

Kroll

**Joint Administrators'
Report and
Statement of
Proposals**

**Sendo Limited
- In Administration**

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DEFINITIONS

Company	Sendo Limited – In Administration
Group	Sendo Holdings plc, Sendo Limited, Sendo International Limited, Sendo Telecommunications Limited (all in Administration), Sendo Singapore Pte Ltd (In Liquidation), Sendo America Inc., Sendo Brasil Ltda – Telefonica Celular
Joint Administrators	Simon J Appell and Alastair P Beveridge
\$	USD (where converted to £, an exchange rate at the time of writing of 1USD = 0.55GBP has been used)

THE JOINT ADMINISTRATORS' REPORT AND STATEMENT OF PROPOSALS**1 Statutory information**

- 1.1 The Company's name is name is Sendo Limited – In Administration and its registered number is 03718220.
- 1.2 The trading address of the Company is Hatchford Brook, Hatchford Way, Birmingham, B26 3RZ England.
- 1.3 The registered office of the Company has been changed from Hatchford Brook, Hatchford Way, Birmingham, B26 3RZ England to c/o Kroll, 10 Fleet Place, London EC4M 7RB.
- 1.4 Details of the Company's Directors and secretary are as follows:

Director	Date appointed	Date resigned
Hugh Brogan	10 May 1999	n/a
Howard Lewis	24 July 2000	n/a
Woo Siu Ying Iris	2 July 1999	7 December 2000
Anthony Jones	7 December 2000	26 May 2005
Secretary	Date appointed	Date resigned
Robert Pocknell	7 December 2000	n/a

2 Background to the Administration

- 2.1 The Company is part of the Sendo Group of companies. Its parent company is Sendo Holdings plc, a UK incorporated company. The Company was incorporated on 23 February 1999.
- 2.2 The Group was founded in 1999 and designs, manufactures and sells mobile telephones and related equipment. The Company's principal activities were the design and development of mobile electronic devices.
- 2.3 From March 2004 onwards the Group began to experience financial difficulties as a consequence of the reduced sales and margins caused by difficult market conditions and higher manufacturing costs. The Group experienced deterioration in the margins on products as a result of pricing pressures in the marketplace and the high cost of manufacture of products.

- 2.4 In May 2005, following the Company's failure to meet its payment obligations on extended credit lines made available by its principal supplier Celestica Inc (**Celestica**), the supply of further products on credit terms was withdrawn.
- 2.5 It had become apparent to the Directors that the Company had insufficient funds to allow it to continue to trade and they were unable to source new monies or material stock.
- 2.6 As a result, Administration applications were filed by the Directors in respect of the Company and Sendo International Limited on 20 June 2005. By Court order dated 29 June 2005, Simon Appell and Alastair Beveridge of Kroll were appointed Joint Administrators of the Company.
- 2.7 Simon Appell and Alastair Beveridge are licensed by the Institute of Chartered Accountants in England and Wales.
- 2.8 The Court reference number is 4070 of 2005.
- 2.9 The Company's centre of main operations is based in the United Kingdom. The EC Regulation on Insolvency Proceedings 2000 (No: 1346/2000) applies to the Administration. The proceedings are main proceedings as defined by Article 3 of those Regulations.
- 2.10 The Joint Administrators act jointly and severally so that all functions may be exercised by either Administrator.
- 2.11 The Joint Administrators of the Company must perform their functions with the purpose of achieving one of the following objectives:
- Rescuing the Company as a going concern; or
 - Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration); or
 - Realising property in order to make a distribution to one or more secured or preferential creditors.

Further information on the pursuance of the above objectives is detailed in the next section.

- 2.12 The Court ordered that the Administration will end on 29 December 2005, unless an extension application is made.

3 Administration strategy

Sale of Assets

- 3.1 From late 2004, the Company, through Sendo International Limited, instructed Lehman Brothers (**Lehman**) to initiate a sales and marketing campaign in an effort to sell parts of the Group's business and/or assets.

Kroll began advising Celestica in respect of its relationship with the Company in late 2004. In mid-June 2005, Kroll was approached by Celestica and the Company with a view to acting as the Company's Administrator. As part of our discussions with the Company and Lehman, we explained that for us to act as Administrators of the Company there must be an advanced and achievable sale process. This was necessary for two key reasons. First, because there was no available funding to enable the Company to continue to trade during the Administration and there were also patent and software licensing issues that were likely to either prevent or at the very least cause serious problems with continued trading. Secondly, because the value of the Company is largely dependant upon its employees and this value would rapidly diminish once administration orders were in place. As such, an immediate sale upon Administration was required as this was the only way by which we considered it possible to achieve the purpose of the administration.

- 3.2 On 17 June 2005, Lehman introduced Kroll into the sales discussions which concerned four interested parties.

Discussions with one of the parties did not proceed as they refused to sign an appropriate non-disclosure agreement.

Two of the interested parties were unable to complete a transaction within the required time period (prior to 29 June 2005) which would have then required the Joint Administrators, once appointed, to continue trading. Given the reasons previously outlined, such as lack of funding, retention of employees, as well as the possibility that the parties may decide not to proceed with the acquisition, this course of action was not considered to be in the best interests of all creditors.

- 3.3 Discussions began between Kroll, Motorola Inc and Motorola Limited (together **Motorola**) on 21 June 2005. Motorola had been in discussions with Lehman and the Company about the purchase of the Group's business for several months. Following the discussions between Kroll and Motorola, heads of terms were agreed for an acquisition by Motorola of certain Group assets on the understanding that the Company would go into Administration. Motorola were essentially offering a purchase price in the mid-range of the prices previously discussed with Lehman for the acquisition of fixed assets and intellectual property (IP), plus the transfer of the Group's development team, comprising 203 employees in Singapore and the UK.

Motorola were able to act quickly to finalise the acquisition and given there was no other viable option available to the Company, the sale to Motorola was completed on 29 June 2005, immediately following the appointment of the Joint Administrators.

The consideration received for the sale of the Company's plant, equipment and machinery totalled \$638,749 (£362,575). Company records indicate no IP was owned by the Company.

- 3.4 From the outset it was clear that the possibility of achieving the first objective of rescuing the Company as a going concern would not be achievable given that the extensive testing of the market place by Lehman had failed to find a purchaser of the Group (as opposed to certain assets of the Group) and the lack of funding with which to allow continued trading. Therefore, the strategy adopted was focused on achieving the second objective, through completing a sale to Motorola.

Operations from 29 June 2005

- 3.5 Immediately following the appointment, a team from Kroll attended the Company's head office located in Birmingham to establish requirements for the Administration in the short term. The Joint Administrators undertook an immediate review of the Company's affairs.
- 3.6 In the absence of external funding and given the sale to Motorola, the Company was not in a position to continue trading. Accordingly, the strategy of the Joint Administrators was to:
- Identify and protect the value of the remaining assets of the Company whilst legal and licensing issues could be resolved and a potential purchaser for the assets sought;
 - Maximise the realisable value obtained for the Company's stock on hand;
 - Ensure the smooth transition of employees who transferred to Motorola; and
 - Preserving the employment of limited key staff in the short term.

Book Debts

- 3.7 From discussions with the Company's relevant employees, the book debt ledger appears to have been collected in full with debtor receipts of \$7,842 (£4,313) being received after the deduction of commission charges.

Sale of Stock and remaining Assets

- 3.8 The Company has a stock of both generic and bespoke components located at the Company's trading address in Birmingham. The Joint Administrators are currently seeking expressions of interest in the stock. As at the date of writing this report, the Joint Administrators are unable to provide an estimate as to the likely realisations from the Company's stock on hand.
- 3.9 Upon their appointment, the Joint Administrators engaged Henry Butcher International Limited to complete an inventory and valuation of the residual fixed assets of the Company located at Birmingham which were not sold to Motorola. The Joint Administrators estimate that any realisations from the remaining fixed assets of the Company will be modest.

Trust Account

- 3.10 Prior to the appointment of the Joint Administrators, the Directors of Sendo International Limited executed two trust deeds, as follows:
- On 27 May 2005, a trust deed which purports to establish a trust in respect of liabilities incurred by Sendo International Limited to unsecured creditors during the period from 13 May 2005 to 21 June 2005 inclusive (**Trust 1**); and
 - On 24 June 2005, a trust deed which purports to establish a trust in respect of liabilities incurred by the Company, Sendo International Limited, Sendo Telecommunications Limited, Sendo Holdings plc, Sendo Singapore PTE Ltd and Sendo America Inc. to unsecured creditors during the period from 21 June 2005 to 28 June 2005 inclusive (**Trust 2**).

In order to determine the validity of both Trust 1 and Trust 2, and to confirm the steps the Joint Administrators need to take to agree the trust claims and distribute trust funds to those properly entitled, the Joint Administrators intend to make an application to the High Court for directions. It is anticipated that the application will be made as soon as possible after the court vacation ends on 3 October 2005.

Please find at Appendix F a copy of the circular to creditors in respect of the Trust Accounts.

Secured creditor

- 3.11 All the Company's assets are subject to fixed and floating charges contained in a debenture granted by the Company to the Secured Creditor, Celestica, on 14 January 2004. In addition, the Company, Sendo Holdings plc and Sendo International Limited executed a cross-guarantee dated 14 January 2004 guaranteeing all their obligations to various companies within the Celestica Group. Further, on 2 December 2004, each Sendo company in the Group gave a cross-guarantee in favour of various Celestica group companies.
- 3.12 Net realisations from assets subject to a floating charge are made available to preferential creditors in priority to the Secured Creditor. The balance of any remaining funds is made available to the Secured Creditor in priority to unsecured creditors although a proportion (the Prescribed Part) is set aside for unsecured creditors (see Section 8.5 below).
- 3.13 As at the date of our appointment, the total owing to the Secured Creditor was approximately \$200 million (£110 million).

Objective of Administrator

- 3.14 As outlined in Section 2.11, the Administration must be conducted to achieve one of the objectives. We do not consider that it would be possible to achieve the rescue of the Company as a going concern because:
- Lehman and the Directors had marketed the Company for sale prior to our appointment but were unable to secure any satisfactory offers.
 - The Company has no funds with which to trade and no realistic prospect of obtaining bank finance or other external investment in the timeframe required.
 - The Company has significant creditors including approximately \$200 million (£110 million) owed to the Secured Creditor.
- 3.15 We therefore determined that the appropriate strategy was to pursue the second objective which is to achieve a better result for the Company's creditors than would be likely if the Company were wound up. We consider that realisations have been enhanced in the Administration compared to a liquidation because a liquidation of the Company would have resulted in the immediate termination of all employee contracts, thus, in all likelihood, preventing a successful sale transaction with Motorola being completed.

4 Administrators' Receipts and Payments

- 4.1 A summary of receipts and payments for the Administration period from the date of our appointment to 12 August 2005 is attached as Appendix A.

5 Financial position of the Company

- 5.1 Attached as Appendix B is a summary of the Directors' Statement of Affairs (**Statement**) of the Company as at the date of the appointment of the Joint Administrators.
- 5.2 We have the following observations to make in relation to the Directors' Statement of Affairs:-
- The Statement was prepared based on the assets and liabilities of the Company on 29 June 2005 prior to the sale of certain assets and the transfer of the employment of certain employees to Motorola.
 - Sundry debtors are estimated by the Directors to realise £25,000. Sundry debtors included VAT receivable and other debtors. Our review suggests that this will not be collectable.
 - The book value of trade debtors is estimated by Directors as £15,051 which was not considered collectable. As at the date of this report, debtor receipts totalling \$7,842 (£4,313) have been received by the Joint Administrators.
 - Intercompany debtors are stated to have a book value of £11,822,798 and estimated to realise £nil (largely because the other Group Companies are either in insolvency proceedings or in the process of closing down).
 - Cash at bank on appointment was estimated by Directors at £505,504. As at the date of the Joint Administrators appointment, £444,186.60 was recovered from the Company's pre-appointment bank accounts.
 - There is a total estimated deficiency as regards members of £9,723,422 as at 29 June 2005.
 - The Directors were not able to determine the exact amount of preferential claims however the documents relating to these claims have been provided to the Joint Administrators. The Directors have included an amount of £171,409 in the Statement as preferential claims.

- Unsecured non preferential claims are estimated by the Directors at £10,075,317 of which £5,990,848 are inter-company creditors. From a brief review of the Company's records, it would appear that trade creditors, excluding unsecured claims of employees and inter-company creditors, are in the vicinity of £2.8 million.
- Celestica's total secured claim against the Company has not been included in the Director's Statement.

6 Proposals

It is proposed that the Joint Administrators continue to manage the affairs of the Company in order to achieve the purpose of the Administration. In the circumstances it is proposed that:-

- 6.1 The Joint Administrators take any action they consider necessary with a view to continuing to manage the affairs, business and property of the Company, and to collect in and realise the remaining assets of the Company.
- 6.2 The Joint Administrators do all such other things and generally exercise all of their powers as contained in Schedule 1 of the Insolvency Act 1986, as they, in their sole and absolute discretion, consider desirable or expedient to achieve the statutory purpose of the Administration.
- 6.3 The creditors consider establishing a Creditors' Committee and that if any such Committee is formed they be authorised to sanction any proposed act on the part of the Joint Administrators without the need to report back to a further meeting of creditors generally, to include making any decision about the most appropriate exit route from the Administration.
- 6.4 Under Rule 2.106 of the Insolvency Rules 1986 (as amended) and in the absence of a Creditors' Committee, the remuneration of the Joint Administrators be fixed by reference to time properly spent by them and their staff in attending to matters arising from the Administration. In accordance with Statement of Insolvency Practice No 9, issued by the Association of Business Recovery Professionals the Joint Administrators be authorised to draw remuneration as and when funds are available on account of their time costs. A creditors' guide to fees is attached as Appendix C.
- 6.5 The Administrators apply to Court for an extension to the Administration if they think fit.

- 6.6 At this stage, the Joint Administrators believe that it is likely that there will be sufficient realisations to pay the preferential creditors in full. However, it is unlikely that there will be sufficient realisations to pay the Secured Creditor in full. The Joint Administrators will therefore move to dissolve the Company at the end of the Administration, pursuant to paragraph 84(1) of Schedule B1 Insolvency Act 1986. Alternatively, should the Joint Administrators consider that the assets of the Company could be increased by an action which could only be brought by a liquidator, the Joint Administrators would apply to Court under S140 Insolvency Act 1986 for an order that they be appointed liquidators of the Company.
- 6.7 As it is likely the only sum available to the unsecured creditors will be the Prescribed Part (see Section 8.5 below), it is proposed that the Joint Administrators make an application to Court, under Paragraph 65(3) of Schedule B1, so allowing the Joint Administrators to make the distribution.
- 6.8 Once all assets have been realised, and if the Joint Administrators think that the Company has no property which might permit a distribution to unsecured creditors, and that there are no other actions which a liquidator might usefully carry out, the Joint Administrators propose filing a notice pursuant to part 84 of Schedule B1 together with their final progress report at Court and with the Registrar of Companies for the dissolution of the Company. We shall send copies of these documents to the Company and its creditors. The appointment will end following the registration of the notice by the Registrar of Companies.
- 6.9 The Joint Administrators' will be discharged from liability in respect of any action of them as administrators under Paragraph 98(3) of Schedule B1 to the Insolvency Act 1986 immediately upon their appointment as Joint Administrators' ceasing to have effect.

7 Administrators' remuneration

- 7.1 It is proposed that the remuneration of the Joint Administrators will be fixed by reference to time spent by them and their staff in managing the Administration, in accordance with the Statement of Insolvency Practice No.9 (SIP9) issued by the Association of Business Recovery Professionals. A copy of the 'Creditors' Guide to Administrators' Fees' is attached as Appendix C.
- 7.2 The Joint Administrators time costs at 12 August 2005 are £89,226. We have attached as Appendix D a Time Analysis in accordance with the provisions of SIP9, which provides details of the activity costs incurred by staff grade to the above date. We propose drawing fees in accordance with the proposals outlined above.

7.3 Attached as Appendix E is additional information in relation to our policy on staffing, the use of subcontractors, disbursements and details of our current charge-out rates by staff grade.

7.4 The time costs incurred to date have been incurred primarily as a consequence of dealing with matters associated with debtors, stock, employees and the general wind down of the Company's operations. The principal activities undertaken by the Joint Administrators to date have comprised:

- *Liaising with creditors:* The Company has a large number of creditors located both in the UK, Europe and other countries worldwide and the Joint Administrators have taken steps to notify all known creditors of the Company.
- *Liaising with employees:* The Joint Administrators were required to address employees of the Company both verbally and in written correspondence on a number of occasions in an effort to keep them abreast of issues concerning them.
- *Sale of stock:* Upon their appointment, the Joint Administrators took immediate action to identify and account for the Company's stock. Expressions of interest are currently being sought from interested parties.
- *Attendance at Company Premises:* In order to ensure the transfer of the development business and securing both assets and books and records of the Company, our staff were on site in Birmingham during the first half of July 2005.
- *Statutory lodgements:* The Joint Administrators have complied with all the various statutory requirements concerning the preparation and lodgement of documents.
- *Administration and Planning:* Agreeing and implementing the strategy for the Administration.

8 Estimated Outcome

8.1 As previously outlined in Section 3.3 the majority of the Company's assets have now been realised for £362,575 and we are now pursuing the sale of the Company's remaining inventory and realisation of any remaining assets.

8.2 The estimated return to each category of creditors is summarised as follows:

Secured Creditors

- 8.3 Given the debt owing to the Secured Creditor at the date of appointment of approximately \$200 million (£110 million) compared with realisations to date, there will be a substantial deficit to the Secured Creditor.

Preferential Creditors

- 8.4 Although the claims of the preferential creditors are still to be formally agreed, it is estimated that the preferential creditor claims will be in the vicinity of £130,000 and that they will be discharged in full.

Unsecured Creditors

- 8.5 Given the deficit to the Secured Creditor there will be no return to unsecured creditors other than that provided by the Prescribed Part. There is a requirement on the Joint Administrators under the Act to set aside a Prescribed Part or unsecured creditors fund from floating charge realisations (after costs) up to a maximum of £600,000. It is envisaged that approximately £100,000 will be available to the unsecured creditors of the Company. Unsecured trade creditors claims total approximately £2.8 million and unsecured employee claims total approximately £1.4 million. Therefore any return to unsecured creditors will be small.

9 Next report

- 9.1 The Joint Administrators are required to provide a progress report within one month of the end of the first six months of the Administration.

10 Meeting of creditors

- 10.1 An initial meeting of the Company's creditors is being convened to approve the Joint Administrators proposals. The meeting will be held on 5 September 2005 at 12.15 hrs at the Burlington Hotel, Burlington Arcade, 126 New Street, Birmingham, West Midlands, B2 4JQ, England.

Should you have any further queries in respect to the contents of this report, please do not hesitate to contact Geoff White of this office.

For and on behalf of
Sendo Limited



Alastair Beveridge
Joint Administrator

Appendix A

RECEIPTS AND PAYMENTS ACCOUNT FROM 29 JUNE 2005 TO 12 AUGUST 2005

	Total £
RECEIPTS	
Bank Interest	2,438.81
Cash at Bank	444,186.60
Debtor Receipts	4,312.57
Plant & Machinery	362,575.32
VAT Payable	63,450.68
	<u>876,963.98</u>
PAYMENTS	
Wages & Salaries	16,076.46
PAYE/NIC	4,616.34
Bank Charges	35.00
Legal Fees	150.00
Re-Direction of Mail	36.96
VAT Receivable	34.09
	<u>20,948.85</u>
Balances In Hand	<u>856,015.13</u>

Appendix B

**SUMMARY OF DIRECTORS' STATEMENT OF AFFAIRS OF THE
COMPANY AS AT 29 JUNE 2005**

	Book Value £	Estimated to Realise £
Assets subject to fixed charge:		
Investments	-	Nil
Inter company debtors	11,822,798	Nil
Sundry debtors	45,980	25,000
Cash	505,504	505,504
Fixed Assets	1,181,639	Unknown
Trade Debtors	15,051	Nil
Inventory	4,515	Nil
Intellectual Property	Nil	Unknown
Transfer of Employees	Nil	Unknown
Assets subject to floating charge		
Uncharged Assets:		
Estimated total assets available for preferential creditors	13,575,487	Unknown/530,504
Summary of Liabilities		
Liabilities		
Preferential creditors:-	171,409	171,409
Estimated deficiency/surplus as regards preferential creditors	13,404,078	359,095
Estimated prescribed part of net property where applicable (to carry forward)		
Estimated total assets available for floating charge holders	13,404,078	359,095
Debt secured by floating charges		
Estimated deficiency/surplus of assets after floating charges	13,404,078	359,095
Estimated prescribed part of net property where applicable (brought down)		
Total assets available to unsecured creditors	13,404,078	359,095
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	10,075,317	10,075,317
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)	3,328,761	(9,716,222)
Shortfall to floating charge holders (brought down)		
Estimated deficiency/surplus as regards creditors	3,328,761	(9,716,222)
Issued and called up capital	7,200	7,200
Estimated total deficiency/surplus as regards members	3,321,561	(9,723,422)

Appendix C

**A CREDITORS' GUIDE TO ADMINISTRATORS' FEES
ENGLAND AND WALES**

1 Introduction

- 1.1 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.

2 The nature of Administration

- 2.1 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:
- Rescuing the Company as a going concern; or
 - Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration); or
 - Realising property in order to make a distribution to one or more secured or preferential creditors.

Administration may be followed by a company voluntary arrangement, liquidation, dissolution or survival of the Company.

3 The Creditors' Committee

- 3.1 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 10 weeks of the commencement of the Administration to consider his proposals (subject to certain conditions). The Administrator must call the first meeting of the committee within 6 weeks 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 the power to summon the Administrator to attend before it and provide such information as it may require.

4 Fixing the Administrator's fees

- 4.1 The basis for fixing the Administrator's remuneration is set out in Rule 2.106 of the Insolvency (Amendment) Rules 2003, 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, to fix the percentage to be applied. Rule 2.106 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;
- 4.2 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.

5 What Information should be provided by the Administrator?

5.1 When seeking fee approval

5.1.1. 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 nature and extent of the supporting information which should be provided will depend on:

- the nature of the approval being sought;
- the stage during the Administration of the case at which it is being sought; and
- the size and complexity of the case.

5.1.2. Where, at any creditors' or committee meeting, the Administrator seeks agreement to the terms on which he is to be remunerated, he should provide the meeting with details of the charge-out rates of all grades of staff, including principals, which are likely to be involved on the case.

5.1.3. Where the Administrator seeks agreement to his fees during the course of the Administration, he should always provide an up to date receipts and payments account. Where the proposed fee is based on time costs the Administrator should disclose to the committee or the creditors the time spent and the charge-out value in the particular case, together with, where appropriate, such additional information as may reasonably be required having regard to the size and complexity of the case. The additional information should comprise a sufficient explanation of what the Administrator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the Administrator must fulfil certain statutory obligations that might be seen to bring no value for creditors) and to establish that the time has been properly spent on the case. That assessment will need to be made having regard to the time spent and the rates at which that time was charged, bearing in mind the factors set out in paragraph 4.1 above. To enable this assessment to be carried out it may be necessary for the Administrator to provide an analysis of the time spent on the case by type of activity and grade of staff. The degree of detail will depend on the circumstances of the case, but it will be helpful to be aware of the professional guidance which has been given to insolvency practitioners on this subject. The guidance suggests the following areas of activity as a basis for the analysis of time spent:

- Administration and planning
- Investigations
- Realisation of assets
- Trading

- Creditors
- Any other case-specific matters

The following categories are suggested as a basis for analysis by grade of staff:

- Partner
- Manager
- Other senior professionals
- Assistants and support staff

The explanation of what has been done can be expected to include an outline of the nature of the assignment and the Administrator's own initial assessment, including the anticipated return to creditors. To the extent applicable it should also explain:

- Any significant aspects of the case, particularly those that affect the amount of time spent.
- The reasons for subsequent changes in strategy.
- Any comments on any figures in the summary of time spent accompanying the request the Administrator wishes to make.
- The steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, time recording, fee drawing or fee agreement.
- Any existing agreement about fees.
- Details of how other professionals, including subcontractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees.

It should be borne in mind that the degree of analysis and form of presentation should be proportionate to the size and complexity of the case. In smaller cases not all categories of activity will always be relevant, whilst further analysis may be necessary in larger cases.

- 5.1.4. *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 sub-contracted out which would normally be undertaken directly by an Administrator or his staff.*

5.2 After fee approval

Where a resolution fixing the basis of fees is passed at any creditors' meeting held before he has substantially completed his functions, the Administrator should notify the creditors of the details of the resolution in his next report or circular to them. In all subsequent reports to creditors the Administrator should specify the amount of remuneration he has drawn in accordance with the resolution. Where the fee is based on time costs he should also provide details of the time spent and charge-out value to date and any material changes in the rates charged for the various grades since the resolution was first passed. He should also provide such additional information as may be required in accordance with the principles set out in paragraph 5.1.3. Where the fee is charged on a percentage basis the Administrator should provide the details set out in paragraph 5.1.4 above regarding the work which has been sub-contracted out.

5.3 Expenses and disbursements

There is no statutory requirement for the committee or the creditors to approve the drawing of expenses or disbursements. However, professional guidance issued to insolvency practitioners requires that, where the Administrator proposes to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, document storage or communication facilities provided by the Administrator's own firm), they must be disclosed and be authorised by those responsible for approving his remuneration. *Such expenses must be directly incurred on the case and subject to a reasonable method of calculation and allocation.*

6 What if a creditor is dissatisfied?

- 6.1 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.*

7 What if the Administrator is dissatisfied?

- 7.1 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.

8 Other matters relating to fees

- 8.1 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.
- 8.2 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.

Appendix D

TIME ANALYSIS FOR THE PERIOD 29 JUNE 2005 TO 12 AUGUST 2005

TIME CLASSIFICATION	TIME COSTS BY EMPLOYEE RANK				TOTAL	
	Partner/ Director Hours	Manager Hours	Other Sen/Prof Hours	Assistants Support Hours	Total Hours	Total Cost £
Administration and Planning	0.20	33.20	108.90	41.30	183.60	39,700.00
Investigation	0.00	0.50	17.50	0.00	18.00	4,482.50
Asset Realisations - Fixed Charge	0.00	0.00	0.00	0.00	0.00	0.00
Asset Realisations - Debtors	0.00	0.30	4.80	0.00	5.10	1,002.00
Asset Realisations - Floating Charge	0.00	11.90	36.90	0.50	49.30	12,406.00
Trading	0.00	0.00	13.80	0.00	13.80	3,185.50
Creditors	1.10	24.00	87.00	39.70	151.80	28,450.00
GRAND TOTAL	1.30	69.90	268.90	81.50	421.60	89,226.00
AVERAGE HOURLY RATE	425.00	326.52	219.97	82.20		211.64
TOTAL COST	552.50	22,823.75	59,149.93	6,699.30		

Minor rounding differences may exist

Appendix E

**ADDITIONAL INFORMATION IN RELATION TO ADMINISTRATORS' FEES
PURSUANT TO STATEMENT OF INSOLVENCY PRACTICE 9**

1 Policy

Detailed below is Kroll's policy in relation to:

- Staff allocation and the use of subcontractors
- Professional advisors
- Disbursements

1.1 Staff allocation and the use of subcontractors

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.

The constitution of the case team will usually consist of a Partner, Manager, Senior and Assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and on larger, more complex cases, several Seniors/Assistants may be allocated to meet the demands of the case.

With regard to support staff, we would advise that time spent by cashiers in relation to specific tasks on an assignment is charged. Only if there is a large block of time incurred by a member of the secretarial team, e.g. report compilation and distribution, do we seek to charge and recover our time in this regard.

We have not utilised the services of any subcontractors in this case.

1.2 Professional advisors

On this assignment we have used the professional advisors listed below. We have also indicated alongside, the basis of our fee arrangement with them, which is subject to review on a regular basis.

Name of Professional Advisor	Basis of Fee Arrangement
White & Case (legal advice)	Hourly rate & disbursements
MichelMores (legal advice)	Hourly rate & disbursements
Payco (employee claims advice)	Hourly rate & disbursements
Alexander Forbes (insurance)	Hourly rate & disbursements
Henry Butcher (valuation and disposal advice)	Hourly rate & disbursements - % of realisations

Our choice was based on our perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of our fee arrangement with them.

1.3 Disbursements

Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise of external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case.

Category 2 disbursements do require approval from creditors. These disbursements can include costs incurred which relate to payments due to associated companies for the provision of services to the office holder. We have not incurred any Category 2 disbursements to date.

2 Charge-out rates

A schedule of Kroll charge-out rates effective from 1 January 2005 is as follows:

	(per hour) £
Partner:-	
Partner 1	475
Partner 2	425
Associate Partner/Director	395
Manager:-	
Senior Manager	350
Manager	325
Other Senior Professionals:-	
Experience Senior	270
Senior	240
Administrator	185
Assistants & Support Staff:-	
Assistant	125
Experienced Cashier	185
Cashier	125
Assistant Cashier	75
Support	65

Appendix F

CIRCULAR TO CREDITORS REGARDING TRUST ACCOUNTS



**Corporate Advisory &
Restructuring Group**

Our Ref: SJ\APB\ISE03ADL16109

Your Ref:

10 Fleet Place
London EC4A 3DF
United Kingdom
Tel: +44 (0) 20 7029 5000
Fax: +44 (0) 20 7029 5001
www.krollworldwide.com

19 August 2005

TO THE CREDITOR AS ADDRESSED

Email address:

SendoGroup@krollworldwide.com

Dear Sir/ Madam

Sendo Limited (the Company) – In Administration

I refer to the letter to "all known creditors" dated 30 June 2005 from the Administrators.

As you may be aware, prior to the granting of the Administration Order, Sendo International Limited executed two trust deeds, as follows:

- on 27 May 2005, a trust deed which purports to establish a trust in respect of liabilities incurred by Sendo International Limited to unsecured creditors during the period from 13 May 2005 to 21 June 2005 inclusive (**Trust 1**); and
- on 24 June 2005, a trust deed which purports to establish a trust in respect of liabilities incurred by the Company, Sendo International Limited, Sendo Telecommunications Limited, Sendo Holdings Plc, Sendo Singapore PTE Ltd and Sendo America Inc. (together the **Sendo Group**) to unsecured creditors during the period from 21 June 2005 to 28 June 2005 inclusive (**Trust 2**).

In order to determine the validity of both Trust 1 and Trust 2, and to ratify the steps the Administrators need to take to agree the trust claims and distribute trust funds to those properly entitled, the Administrators intend to make an application to the High Court for directions. Prior to submitting this application, the Administrators need to prepare comprehensive schedules of all relevant claims which relate to the periods covered by Trust 1 and Trust 2.

As a creditor of the Company, you may have a valid unsecured claim which may be covered by Trust 2. If you believe you have an unsecured claim against **the Company or any other entity in the Sendo Group** incurred within the period 21 June 2005 to 28 June 2005 inclusive, please complete the attached Trust Claim Form 2

When submitting your Trust Claim Form, the following information should also be provided, as appropriate:

1. Copy invoices covering debts incurred in the relevant time period.
2. Copy purchase order documentation from the Company.
3. Any other information or documentation that you consider to be relevant to establishing your claim

Do not include amounts that were incurred or contracted for by you outside of the dates given. Any such amounts will be discounted.

The Administrators intend to submit their application to the High Court as soon as possible after the end of the court vacation on 3 October 2005. Accordingly, in order to give us enough time to deal with the information, all claim forms must be submitted by close of business on 23 September 2005.

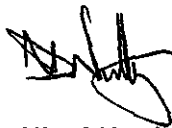
As part of this application, we as Administrators will be applying to Court for an Order that our proper fees and expenses incurred in dealing with all matters arising in connection with both Trust 1 and Trust 2 (including the costs of the Court applications) should be paid from the relevant Trust.

Please note that the quantum of the distribution to the beneficiaries of each Trust will depend on the total value of agreed trust claims and the costs of administering the Trusts. Trust beneficiaries may prove for any shortfall as an unsecured creditor in any subsequent liquidation.

I am also required by Article 40 of the EU Regulation on Insolvency Proceedings 2000 to inform creditors of the Company, amongst other things, of their right to lodge a claim in the administration proceedings and the time limits to be observed. An appropriate notice and form is attached. Please note that this claim form should be completed with respect to all monies you are owed by the Company as at the date of the Administrators' appointment including any amounts potentially covered by Trust 2.

If you have any queries I should be grateful if you would use the email address at the top of this letter to contact my office as this will allow me to deal with queries more efficiently.

Yours faithfully
For and on behalf of
Sendo Limited



Nigel Nutting
For Simon Appell
Joint Administrator

Encl.

SENDO INTERNATIONAL LIMITED - IN ADMINISTRATION
SENDO HOLDINGS PLC - IN ADMINISTRATION
SENDO LIMITED - IN ADMINISTRATION
SENDO TELECOMMUNICATIONS LIMITED - IN ADMINISTRATION
SENDO SINGAPORE PTE LTD - IN LIQUIDATION
SENDO AMERICA INC

TRUST CLAIM FORM 2

Note: This form should only be completed if you are a creditor of any of the above companies AND you have an unsecured claim incurred during the period 21 June 2005 to 28 June 2005 inclusive.

Name and address of creditor:

Total amount claimed (including VAT) for the period 21 June 2005 to 28 June 2005 inclusive:

(Including VAT)

£ _____

Signature of creditor:

Name of creditor:

Telephone:

Fax:

E-mail:

Date:

____/____/____

Please provide appropriate documentation in support of your claim.

If you are registered for VAT the amount claimed should include VAT even if VAT bad debt relief has been claimed under the Value Added Tax Act 1994.

Please return this form when you have completed it to Joshua Dwyer at C/- Kroll Limited, 10 Fleet Place, London EC4M 7RB.

Notice to creditor in EU member state

«Convocatoria para la presentación de créditos. Plazos aplicables».

»Opfordring til anmeldelse af fordringer. Vær opmærksom på fristerne«

„Aufforderung zur Anmeldung einer Forderung. Etwaige Fristen beachten!“

«Πρόσκληση για αναγγελία απαιτήσεως. Προσοχή στις προθεσμίες»

‘Invitation to lodge a claim. Time limits to be observed’

«Invitation à produire une créance. Délais à respecter»

«Invito all’insinuazione di un credito. Termine da osservare»

„Oproep tot indiening van schuldvorderingen. In acht te nemen termijnen”

«Aviso de reclamação de créditos. Prazos legais a observar»

”Kehotus saatavan ilmoittamiseen. Noudatettavat määräajat”

”Anmodan att anmäla fordran. Tidsfrister att iaktta”

IN THE MATTER OF Sendo Limited

IN THE HIGH COURT OF JUSTICE NO. 4070 OF 2005

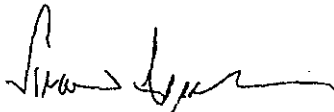
An Administration Order was made against the above company on 29 June 2005 and I am Joint Administrator of the company's estate.

It appears that you may have a claim against the company. Please provide details of the amount owing to you as at the date of the Order.

If funds become available for distribution to creditors, creditors who have not lodged their claims, including those whose claims are preferential, will be given an opportunity to do so. The applicable time limits will be notified at that time.

If it is agreed that your claim is secured or in rem, you need only lodge a claim in the event that the value of the relevant security or in rem interest is insufficient to pay the amount you are properly owed. In such a case your claim should be for the remaining balance which is owed to you.

Simon Appell



Joint Administrator

Kroll, 10 Fleet Place, London EC4M 7RB

19 August 2005

**SENDO LIMITED - IN ADMINISTRATION
CREDITOR'S STATEMENT OF CLAIM**

Name and address of creditor:

Amount claimed in the Administration:

(Including VAT)

£ _____

Signature of creditor:

Name of creditor:

Telephone:

Fax:

E-mail:

Date:

____/____/____

Please provide appropriate documentation in support of your claim.

If you are registered for VAT the amount claimed should include VAT even if VAT bad debt relief has been claimed under the Value Added Tax Act 1994.

Please return this form when you have completed it to Kroll Limited, 10 Fleet Place, London EC4M 7RB.

Creditors registered for VAT may be able to claim VAT bad debt relief in accordance with Section 36 Value Added Tax Act 1994. In broad terms relief is available when the debt is six months old and "written off" by the creditor entering it on his VAT refunds-for-bad-debts-account.

Claims lodged in the Administration should be gross, including any VAT element. If/when dividends are paid, creditors who have claimed VAT bad debt relief must apportion the dividend between VAT and the net element of their claim and account to HM Customs and Excise for the VAT element through their VAT return.

Insolvency Practitioners have no role in administering VAT bad debt relief under the Value Added Tax Act 1994. Creditors who are uncertain how to claim should contact their VAT office or take professional advice.

ADM404A