

**The Administrative Receiver's
Report**

S.48(1)

Pursuant to Section 48(1) of the Insolvency
Act 1986 and Rule 3.8(3) of the Insolvency
Rules 1986

To the Registrar of Companies

For official use

Company Number

01194903

Name of Company

Insert full name of
company

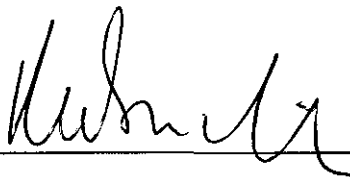
T.W.R. GROUP LIMITED

I/We R W BIRCHALL, R J HUNT and M J A JERVIS

of PRICEWATERHOUSECOOPERS LLP

administrative receiver(s) of the company attach a copy of my [our] report to
creditors and a copy of the statement of affairs of the company

Signed



Dated 13/5/03

Presentor's name
address and reference
(if any)

R W BIRCHALL
PRICEWATERHOUSECOOPERS LLP
PLUMTREE COURT
LONDON
EC4A 4HT

REF: RWB/AGW/RKM/F3.10

For Official use

Receivers Section Post Room



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TO ALL KNOWN CREDITORS

**Report to creditors pursuant to
Section 48 of the Insolvency Act 1986**

When telephoning please ask for Richard Mottershead

9 May 2003

Dear Sirs

TWR Group Limited, TWR Automotive Contracts Limited, TWR Automotive Engineering Limited, TWR International Holdings Limited and Crailglade Limited – all in administrative receivership (“the Companies” of “the Group”)

I was appointed joint administrative receiver of the above named Companies on 13 February 2003, together with my colleagues R J Hunt and M J A Jervis, by the Companies’ bankers, under the powers contained within a debenture dated 14 December 2001. The companies are jointly and severally liable for the lending to the Group by the Bank.

Brief history of the Companies

TWR Group Limited and its subsidiaries operated businesses in the automotive and motor industry providing services in road vehicle and motor sports car design, engineering and manufacturing. The company was founded originally as a motor sport operation but later diversified into managing race teams for major motor manufacturers.

TWR Group Limited is the main trading entity and is the parent company to TWR Automotive Contracts Limited, TWR Automotive Engineering Limited, TWR International Holdings Limited and Crailglade Limited.

In April 2001, the group extended its technical capability by investing in a new engineering facility (the Worthing Technical Centre) which was purchased from the Receiver of the Daewoo Motor Corporation. Shortly after the acquisition, the events of September 11 2001 stalled discussions on a number of potential contracts and which weakened TWR’s financial position. With the continued difficult world economic conditions, TWR has recently seen a number of delays to key projects which ultimately had a significant detrimental effect on the financial position.

In 1999 TWR sold its' Formula One assets and businesses to Arrows in return for the issue of loan notes. The majority of the loan notes were then swapped with Broadstone Estate Limited which in turn created a debt due from Broadstone. Following the failure to sell the Arrows business, Arrows went into administrative receivership in December 2002.

To summarise, two key events appear to have contributed to the eventual failure of the Companies:

- whilst the Companies were in the final stages of securing new contracts, these were not concluded in sufficient time, and, combined with the completion of a number of ageing contracts, led to severe cash-flow pressures.
- the cash flow constraints that arose as a direct result of the investment of significant sums in Arrows and the subsequent loss of this investment.

Statutory Information

I attach as Appendix A statutory information for the five companies in receivership. A group structure chart is also attached at Appendix B, which shows all subsidiary companies of TWR Group Limited and its holding companies, Broadstone Estate Limited and Arnold Brown Engineering Limited.

Events leading up to the appointment of the Joint Administrative Receivers

In early October 2002 the executive officers of TWR Group Limited appointed Ernst & Young LLP to advise them with regard to the financial position of the group. As a result, a contingency plan to place the Company into Administration was proposed. However, in view of the security that the Companies had given to the Bank, it exercised its legal right to demand repayment and, as a consequence of the Companies inability to satisfy the demand, the directors invited the Bank to appoint administrative receivers. This appointment was made on 13 February 2003.

Actions taken upon our appointment

A decision was taken on our appointment that the company should continue to trade, whilst attempts were made to find a purchaser for the business as a going concern. In order to maintain the business, we entered into negotiations to secure the support of two principal customers, one of which represented approximately 75% of the Group's turnover. Unfortunately, we were unable to agree terms with the main customer. As a result it was concluded that the work on the main contract had to cease and approximately 300 related redundancies were made on Friday 21 February.

The reduced workforce continued to work on the remaining contracts in order to preserve the value of the remaining business whilst negotiations with interested parties continued.

Realisation of the business and assets of the Companies

Following a response from an advert placed in the Financial Times on 18 February 2003, approximately 60 expressions of interest were received from parties requiring further details. It was evident that there were three strong, distinct businesses. The first relating to the 'Racing Division' of TWR Group Limited, for which a separate line of enquiry was established. The second distinct business related to the design, engineering and manufacturing division of the Company. The third part of the business to be sold was the shareholding owned by TWR International Holdings Limited in TWR Australia Pty Limited. Upon completion of a signed confidentiality letter, interested parties were provided with an information memorandum detailing the business and assets for sale. As a result, 12 parties visited the Group's key premises to meet management and discuss the future potential of the businesses.

Racing Division

The deadline for offers was set as 4 March 2003 by which time 2 indicative offers had been received. After a period of due diligence, the Racing division was sold on the 25 March 2003 to MCT-UK ("MCT") a subsidiary of MC Technologies Inc. The terms of the sale are confidential.

Design, Engineering and Manufacturing Division

The deadline for offers was set as 6 March 2003 when 5 indicative offers were received for either the whole or part of the business and assets. A preferred bidder was identified and following a further period of due diligence, the sale of the business and assets to Menard Engineering Limited was completed on 6 May 2003. The terms of the sale are also confidential.

TWR International Pty Limited

The Group's Australian subsidiary, TWR Australia Pty Limited, remained outside of insolvency proceedings and continued to trade. This company operated Holdens' touring cars race team as well as providing design and engineering services to a number of automotive manufacturers.

The share capital was sold to Holden Limited for AUS\$3m (£1.12m). The consideration in respect of the sale has been received in full.

Historical Racing Cars

TWR Group has in its possession a number of valuable racing cars. Due to the rarity value and provenance of these cars, significant interest has been shown by both domestic and international purchasers. I have instructed specialist agents Messrs Wyles Hardy to prepare the cars for sale either by private treaty or auction. A significant amount of refurbishment work is being undertaken on a number of vehicles in order to maximise their value.

Amounts owed to debenture holder

At the date of our appointment, the debenture holder was owed and demanded £14,968,832. This comprises a term loan of £9,500,000, current account overdrafts of £5,442,166 and accrued interest of £26,666. These amounts are secured by fixed and floating charges over the assets of the Companies. Interest continues to accrue on the balance.

The difference between the amount demanded by the debenture holder and the amount stated on the directors sworn statement of affairs has been noted, I am currently investigating the difference with the directors and the Companies' bankers. This discrepancy has no bearing on the outcome for unsecured creditors as discussed below.

Statements of Affairs

The directors have produced sworn Statements of Affairs for each company, extracts of which are attached as Appendix C to this report. It should be noted that statements do not provide for the costs of the receivership and therefore the actual final outcome for creditors will differ somewhat to that indicated in the statement of affairs. The likely outcome for preferential and ordinary unsecured creditors is discussed below.

Estimated outcome for preferential and unsecured creditors

We have yet to receive any formal claims from preferential creditors. However, the sworn Statements of Affairs show that these claims are estimated as follows:

Description	Amount £000's		
	TWR Group Limited	TWR Automotive Contracts Limited	TWR Automotive Engineering Limited
HM Customs & Excise	1,905	33	'
Inland Revenue for PAYE	654		138
Employees Claims	185		46
Total	2,744	33	184

Based upon the current information, I anticipate that there will be sufficient funds from the floating charge realisations to pay a dividend to the preferential creditors of TWR Group Limited, dependant on the value of future realisations. However, it is unlikely that the preferential creditors of the other companies will receive a dividend.

There is no prospect of any funds being available for distribution to the unsecured creditors of any of the Companies.

VAT bad debt relief

VAT bad debt relief will be available to all creditors once six months have elapsed since the date of supply and the debt has been written off in the supplier's books. A claim for this relief may be processed automatically by creditors once this period has expired and no additional paperwork is required from the Receivers in this respect.

Notice of creditors' meeting

Pursuant to Section 48 of the Insolvency Act 1986 a meeting of the unsecured creditors must be held within three months of my appointment unless the Companies are placed in liquidation before it is called. Notice to creditors was despatched under separate cover on 25 April 2003, for a meeting to be held on 12 May 2003.

The purpose of the meeting is to lay before the creditors a copy of this report and to appoint a committee of creditors to represent them, if the meeting deems this appropriate.

You are not obliged to attend the creditors' meetings. You will not compromise your rights 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.

Should you have any queries in respect of this report, please do not hesitate to contact Richard Mottershead on 0207 213 1170.

Yours faithfully

for and on behalf of

TWR Group Limited, TWR Automotive Contracts Limited, TWR Automotive Engineering Limited, TWR International Holdings Limited and Crailglade Limited



RW Birchall

Joint Administrative Receiver

R J Hunt, R W Birchall & M J A Jervis have been appointed on 13 February 2003 as Joint Administrative Receivers of TWR Group Limited, TWR Automotive Contracts Limited, TWR Automotive Engineering Limited, TWR International Holdings Limited, and Crailglade Limited, to manage their affairs, business and property as agents and without personal liability. Each of the Joint Administrative Receivers is licensed to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales.

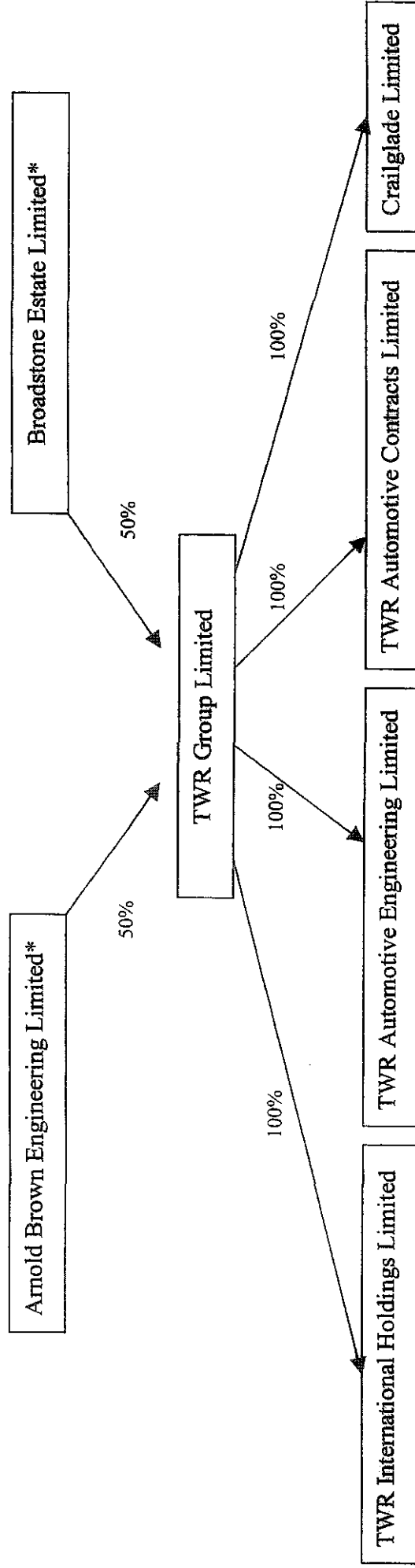
APPENDIX A

STATUTORY INFORMATION

Company Name	Company No.	Date of Incorporation	Registered Office & Principal Trading Address	Activity
TWR Group Limited	01104903	24/12/74	Leaffield Technical Centre Langley, Witney Oxfordshire OX29 9PF	Automotive engineering, manufacturing and motor racing cars.
TWR Automotive Contracts Limited	03605673	28/07/98	Leaffield Technical Centre Langley, Witney Oxfordshire OX29 9PF	Non trading company
TWR Automotive Engineering Limited	04153759	05/02/01	Leaffield Technical Centre Langley, Witney Oxfordshire OX29 9PF	Holding company
TWR International Holdings Limited	02487603	02/04/90	Leaffield Technical Centre Langley, Witney Oxfordshire OX29 9PF	Investment holding company, with subsidiaries engaged in Automotive engineering, manufacturing and motor racing cars.
Craighlade Limited	01236397	05/12/75	Leaffield Technical Centre Langley, Witney Oxfordshire OX29 9PF	Property management, development & sale of real estate.

APPENDIX B

SIMPLIFIED GROUP STRUCTURE



* NOT SUBJECT TO INSOLVENCY PROCEEDINGS

APPENDIX C

EXTRACTS & NOTES FROM STATEMENT OF AFFAIRS

1. TWR Group Limited
2. TWR Automotive Contracts Limited
3. TWR Automotive Engineering Limited
4. TWR International Holdings Limited
5. Crailglade Limited

TWR GROUP LIMITED
STATEMENT OF AFFAIRS – EXTRACT

A – Summary of Assets

Assets	Book Value £k	Estimated to Realise £k	Notes to Statement of Affairs
Assets specifically pledged:-			
Chattel Assets subject to Finance	5,492	1,406	1
Less: Due to various finance companies	(4,850)	(5,468)	
Shortfall to Non-Preferential Creditors	642	(4,062)	
Long Leasehold Property – Cumnor Hill	444	730	2
Less: Due to Anglo Irish Bank	(500)	(500)	
	(66)	230	
Short Leasehold Properties – Tenants Improvements	2,114	0	3
Chattel Assets not subject to Finance	1,865	486	4
Investments including subsidiaries	2,946	0	5
Goodwill & Intellectual Property	0	1,000	6
	6,669	1,716	
HBOS Loan (full indebtedness of the TWR Group of companies)	(9,500)	(9,500)	7
HBOS Overdraft (full indebtedness of the TWR Group of companies)	(4,111)	(4,111)	7
Shortfall to Floating Charge	(6,942)	(11,885)	
Assets not specifically pledged:-			
Museum Cars	5,718	2,900	8
Stock & WIP	6,099	325	9
Trade Debtors	1,346	902	10
Broadstone Estate Ltd (Arrows Related receivable)	17,593	0	11a
Broadstone Estate Ltd (Loan Account)	11,277	0	11b
Prepayments & Accrued Income	2,413	2,000	12
Craigglade Ltd	735	0	13
TWR Automotive Contracts Ltd	1,870	0	13
TWR International Holdings Ltd	139	0	13
TWR Automotive Inc.	101	0	13
	47,291	6,127	

Estimated total assets available for preferential creditors

Signature

Date

11th April 2003

A1 – Summary of liabilities

Estimated total assets available for preferential creditors (carried from page A)	£k	Notes to Statement of Affairs
Liabilities		
Preferential creditors:-	£k	14
HM Customs & Excise – VAT	(1,906)	
Inland Revenue – PAYE / NIC	(654)	
Employees Unpaid Salaries	(185)	
Pensions	0	
	(2,744)	
Estimated deficiency/surplus as regards preferential creditors	3,383	
Debts secured by a floating charge:-	£k	
Shortfall from Fixed Charge	(11,895)	
	(8,512)	
Estimated deficiency/surplus of assets available for non-preferential creditors	£k	
Non-preferential claims:-	£k	
Employees Unpaid Salaries, Notice, Redundancy	(1,101)	15
Trade Creditors	(11,219)	13
TWR Automotive Engineering Ltd	(3,300)	16
Tom Walkinshaw	(1,240)	
Shortfall from Assets specifically pledged to Finance Companies (including interest)	(4,062)	
	(29,434)	
Estimated deficiency/surplus as regards creditors	£k	
Issued and called up capital:-	£k	
8,000,000 "A" Ordinary Shares of £1	(8,000)	
8,000,000 "B" Ordinary Shares of £1	(8,000)	
4,000,000 Non-voting Shares of £1	(4,000)	
	(20,000)	
Estimated total deficiency/surplus as regards members	£k	
	(48,434)	

Signature

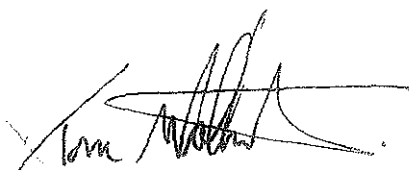
Date 11th April 2003

Note: Asset values above and on the previous page are as anticipated for a liquidation unless otherwise specified. Assumes no corporation tax on assets or liabilities.

A2 Notes to Statement of Affairs of TWR Group Limited

1. This includes an anticipated optional transaction for the sale of a 5 axis machine, and assumes computer software and hardware are of limited or no value.
2. This is based on a third party valuation within the last three years.
3. Based on a surrender of occupation of the Company's premises.
4. This includes our understanding of the figures obtained for the sale of the Company's Racing and Engines Divisions and the ownership of some items is disputed.
5. This includes unlisted investments not expected to be realised in the current economic climate.
6. Assumes anticipated sales of the major divisions of the Company.
7. Reflects inter group cross company guarantees applying only to the TWR Group Companies in administrative receivership.
8. Assumes sales by private treaty of individual refurbished vehicles and not on a 'distress' basis. There is disputed ownership of some of these vehicles.
9. Incorporates our understanding of figures obtained for the sales of the Company's Racing and Engines Division and there is disputed ownership of some items.
10. Some trade debtor information relating to a part of the Company's operations is not yet available and recoverability uncertainties affect the adjustment.
11. a The amount relates to the purchase of loan notes (issued by the Arrows Group) from the company with the consideration remaining outstanding on the intercompany account. Arrows is in Administrative Receivership. These amounts and the obligation to repay are disputed.
11. b This amount reflects a loan including capitalised interest which was to be repaid out of dividends from the company. The obligation to repay and the terms of repayment are disputed.
12. The amount recoverable depends in part on legal process being pursued by the company.
13. Reflects (inter alia) estimated inter-group balances due to / from certain companies also in administrative receivership.
14. Assumes full recoverability of bad debt relief claimed.
15. This includes accruals for unbilled items and net balances where customary. Some balances are not yet available.
16. Amount subject to confirmation. £990k confirmed. £250k is payment for assets.

Signature




Date 11/6n April 2003

TWR AUTOMOTIVE CONTRACTS LIMITED
STATEMENT OF AFFAIRS - EXTRACT

A1 - Summary of liabilities

A - Summary of Assets				
Assets				
Book Value £k	Estimated to Realise £k	Notes to Statement of Affairs		
0	0		Assets specifically pledged: --	
0	0		HBOS Loan (full indebtedness of the TWR Group of companies)	
(9,500)	(9,500)	1	HBOS Overdraft (full indebtedness of the TWR Group of companies)	
(4,111)	(4,111)	1	Shortfall to Floating Charge	
(13,611)	(13,611)			
1,898	985	2	Assets not specifically pledged -	
			Trade Debtors	
1,898	985		Estimated total assets available for preferential creditors	

Signature  Date 11th April 2003

Signature  Date 11th April 2003

A1 - Summary of liabilities		Notes to Statement of Affairs	
Estimated total assets available for preferential creditors (carried from page A)		£k	985
Liabilities			
Preferential creditors -			
HM Customs & Excise – VAT (Dec 02)		£k	(33)
Estimated deficiency/surplus as regards preferential creditors		£k	952
Debts secured by a floating charge -			
Shortfall from Fixed Charge		£k	(13,611)
Estimated deficiency/surplus of assets available for non-preferential creditors		£k	(12,659)
Non-preferential claims:-			
TWR Group Ltd		£k	(1,870)
Estimated deficiency/surplus as regards creditors		£k	(14,529)
Issued and called up capital:-			
2 Ordinary Shares of £1		£k	0
Estimated total deficiency/surplus as regards members		£k	(14,529)

A.2.

Notes to Statement of Affairs of Automotive Contracts Limited

1. Reflects inter group cross company guarantees applying only to the TWR Group Companies in administrative receivership.
2. This figure incorporates customary netting of debtor / creditor balances and excludes further date invoiced debts and includes doubtful debt provisions.
3. Reflects (inter alia) estimated inter-group balances due to / from certain companies also in administrative receivership.


Signature

Date 11th April 2000

TWR AUTOMOTIVE ENGINEERING LIMITED
STATEMENT OF AFFAIRS - EXTRACT

A1 - Summary of liabilities

Estimated total assets available for preferential creditors (carried from page A)	Estimated total assets available for preferential creditors (carried from page A)	Notes to Statement of Affairs
Liabilities	£k	0
Preferential creditors :-	£k	
HM Customs & Excise - VAT	0	
Inland Revenue - PAYE / NIC	(138)	
Employees Unpaid Salaries	(46)	
Pensions	0	
		(184)
Estimated deficiency/surplus as regards preferential creditors	£k	(184)
Debts secured by a floating charge	£k	
Shortfall from Fixed Charge		(12,611)
Estimated deficiency/surplus of assets available for non-preferential creditors	£k	(12,795)
Non-preferential claims:-	£k	
Employees Unpaid Salaries, Notice, Redundancy		(625)
Estimated deficiency/surplus as regards creditors	£k	(13,420)
Issued and called up capital:-	£k	
2 Ordinary Shares of £1	0	
		0
Estimated total deficiency/surplus as regards members	£k	(13,420)

Signature  Date 11th April 2003

Assets	Book Value £k	Estimated to Realise £k	Notes to Statement of Affairs
Assets specifically pledged:-			
Chattel Assets subject to Finance	4,521	4,000	1
Less: Due to Finance company	(3,492)	(3,970)	
	1,029	30	
Short Leasehold Property:			
Worthing - tenants improvements	9,200	1,000	2
HBOS Loan (full indebtedness of the TWR Group of companies)	9,200	1,000	
HBOS Overdraft (full indebtedness of the TWR Group of companies)	(9,500)	(9,500)	3
Shortfall to Floating Charge	(4,111)	(4,111)	3
	(4,411)	(12,611)	
Assets not specifically pledged:-			
TWR Group Ltd	3,300	0	4
Estimated total assets available for preferential creditors	£k	0	

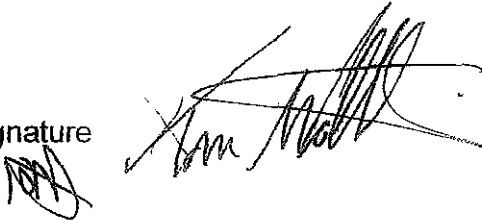
Signature  Date 11th April 2003

A.2.

Notes to Statement of Affairs of TWR Automotive Engineering Limited

1. This reflects assets acquired from a Receiver within the last two years with the bank's financing.
2. Reflects insolvency practitioner's estimate and assumes continued occupation of the under rented fitted out premises at Worthing.
3. Reflects inter group cross company guarantees applying only to the TWR Group Companies in administrative receivership.
4. Reflects (inter alia) estimated inter-group balances due to / from certain companies also in administrative receivership.

Signature

A large, stylized handwritten signature in black ink, appearing to be 'Tom Wall'.

Date 11th April 2003

TWR INTERNATIONAL HOLDINGS LIMITED

STATEMENT OF AFFAIRS - EXTRACT


A1 - Summary of liabilities

A - Summary of Assets	Book Value £k	Estimated to Realise £k	Notes to Statement of Affairs
Assets specifically pledged: -- Investment in Subsidiaries	139	1,111	1
HBOS Loan (full indebtedness of the TWR Group of companies)	139	1,111	
HBOS Overdraft (full indebtedness of the TWR Group of companies)	(9,500)	(9,500)	2
Shortfall to Floating Charge	(4,111)	(4,111)	2
	(13,472)	(12,500)	
Assets not specifically pledged			
Estimated total assets available for preferential creditors	£k	0	

Signature  Date 11th April 2003

A1 - Summary of liabilities	Estimated total assets available for preferential creditors (carried from page A)	Notes to Statement of Affairs
Liabilities	£k	0
Preferential creditors	£k	
Estimated deficiency/surplus as regards preferential creditors	£k	0
Debts secured by a floating charge		
Shortfall from Fixed Charge	£k	(12,500)
Estimated deficiency/surplus of assets available for non-preferential creditors	£k	(12,500)
Non-preferential claims	£k	
Corporation Tax 1998	(13)	3
TWR Group Ltd	(139)	4
Estimated deficiency/surplus as regards creditors	£k	(152)
Issued and called up capital:-		
2 Ordinary Shares of £1	£k	(12,652)
	0	
Estimated total deficiency/surplus as regards members	£k	0
		(12,652)


Signature  Date 11th April 2003

A.2 

Notes to Statement of Affairs of TWR International Holdings

1. Reflects our understanding of disposal of Australian subsidiary and US asset values excluded.
2. Reflects inter group cross company guarantees applying only to the TWR Group Companies in administrative receivership.
3. Amount subject to adjustment and later year's claims.
4. Reflects (inter alia) estimated inter-group balances due to / from certain companies also in administrative receivership.


Signature




Date 11th April
2007

CRAILGLADE LIMITED


STATEMENT OF AFFAIRS - EXTRACT

A1 - Summary of liabilities		Notes to Statement of Affairs
Estimated total assets available for preferential creditors (carried from page A)		201
Liabilities	£k	
Preferential creditors	£k	0
Estimated deficiency/surplus as regards preferential creditors	£k	201
Debts secured by a floating charge - Shortfall from Fixed Charge	£k	(12,767)
Estimated deficiency/surplus of assets available for non-preferential creditors	£k	(12,566)
Non-preferential claims:- Trade Creditors Corporation Tax 1998 TWR Group Ltd	£k (35) (152) (735)	3 4
Estimated deficiency/surplus as regards creditors	£k	(922)
Issued and called up capital:- 100 £1 Ordinary Shares	£k (1)	
Estimated total deficiency/surplus as regards members	£k	(1)
		(13,488)

Signature  Date 11th April 2003

Note:
Prepared using customary netting of debtor / creditor balances


A - Summary of Assets		Notes to Statement of Affairs
Assets		
Assets specifically pledged:- Long Leasehold Property - Dunchurch Highway Less: Anglo Irish Bank Loan	Book Value £k 470 (321) 149	Estimated to Realise £k 375 (321) 54
Freehold Properties: Prestonpans Gainsborough	38 190 377	600 190 844
HBOS Loan (full indebtedness of the TWR Group of companies) HBOS Overdraft (full indebtedness of the TWR Group of companies)	(9,500) (4,111) (13,234)	(9,500) (4,111) (12,767)
Shortfall to floating charge		
Assets not specifically pledged:- Syner Loan	201	201
Estimated total assets available for preferential creditors	£k	201

Signature  Date 11th April 2003

Notes to Statement of Affairs of Crailglade

1. Based on external valuation and assumes planning permission obtained.
2. Reflects inter group cross company guarantees applying only to the TWR Group Companies in administrative receivership.
3. Amount subject to adjustment and later years' claims.
4. Reflects (inter alia) estimated inter-group balances due to / from certain companies also in administrative receivership.

Signature

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke.

Date 11th April 2003