

2.17B

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company ACW Technology Limited	Company number 02402477
In the High Court of Justice, Chancery Division (full name of court)	Court case number 9478 of 2012

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

We (a)
James Richard Tickell
Portland Business & Financial Solutions
1640 Parkway
Solent Business Park
Whiteley
Fareham
Hampshire
PO15 7AH

Carl Derek Faulds
Portland Business & Financial Solutions
1640 Parkway
Solent Business Park
Whiteley, Fareham
Hampshire


*Delete as
applicable

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) 30th January 2013

Signed


Joint Administrators

Dated

30th January 2013

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

James Richard Tickell
Portland Business & Financial Solutions
1640 Parkway
Solent Business Park
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Fareham
Hampshire
PO15 7AH

The contact information that you give will be visible to the public

01489 550 440
DX Exchange

number post@portbfs.co.uk

you have completed and signed this form, please send it to the
Registrar of Companies at -
Companies House, Crown Way, Cardiff CF14 3UZ DX 33050 Cardiff

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COMPANIES HOUSE

Joint administrators' proposals

- 1 We propose to continue the administration so we can manage the affairs, business and property of the company with a view to -
 - 1 1 fulfilling our contractual obligations to the purchaser of the UK business to effect an orderly transition of the business, which includes continuing to trade with the purchaser through the group company operation in China, providing a continuing management and administration service and recovering the final payment due to the administration,
 - 1 2 achieving a disposal of the company's freehold factory premises in Tonypanyd,
 - 1 3 assisting the directors of the other group companies based in US, China and UK to realise their businesses and assets, thereby improving on the prospects of recovering the inter-company debts due to the company in administration, and
 - 1 4 generally arranging for an orderly winding up of the company's affairs prior to liquidation, or if appropriate prior to a company voluntary arrangement
- 2 In order to distribute funds to unsecured creditors, the administration will move to creditors' voluntary liquidation, in accordance with paragraph 83 of schedule B1 to the Insolvency Act 1986, estimated to be within nine months of our appointment. We propose that the joint administrators will become the joint liquidators, although creditors are entitled to nominate other practitioners to act if this is done before these proposals are considered. The liquidators' powers will be joint and several, as the administrators currently are.
- 3 In the meantime, the expenses of the administration procedure along with any preferential and any secured claims will be settled during the administration to the extent that realisations allow.
- 4 If, contrary to our current thought, the eventual outcome is such that the administrators think that there is likely to be a better outcome for creditors by proposing a company voluntary arrangement rather than creditors voluntary liquidation, proposals can be circulated to creditors for their consideration before the move to liquidation under clause 2 above is considered.
- 5 We shall carry out a standard investigation into the events leading up to the failure of the company and scrutinise preceding transactions with a view to recovery for creditors. In addition to covering the requirements of Statement of Insolvency Practice 2 investigations by office holders in administrations and insolvent liquidation (SIP2), the scope of the investigation will be defined through consultations with the major creditors affected by the cost of the work and likely recoveries. We expect this work to carry over into the liquidation if appropriate.

ACW Technology Limited in administration

Joint administrators' proposals

- 6 In the event that a creditors' committee is not formed, our remuneration as administrators shall be fixed on the basis set out in rule 2.106(2)(b) of the Insolvency Rules 1986, (by reference to the time properly given by the office holders and their staff in attending to matters arising in the administration). The disbursements and expenses necessarily incurred in connection with this case will be reimbursed according to the details given in this document. Fees and disbursements can be drawn on account as the time and cost accrues. In addition, the funding provided by Portland will incur an interest charge of LIBOR plus 5%.
- 7 We shall be seeking approval at the meeting of creditors for pre-administration costs. This includes our own outstanding fees, incurred on the same time cost basis as above and totalling £62,622.50 plus VAT for work undertaken before the company entered into administration but with a view to it doing so. The services included in this cost are more fully described in this document and principally comprise the work to achieve a sale of the majority of the company's UK business in a 'pre-pack' arrangement. They also include dealing with the formalities of placing the company into administration, which is in any event allowable as an administration expense in line with Rule 2.67(1)(c) Insolvency Rules 1986. We shall also be seeking approval for the expenses that we incurred, being disbursements in line with our policy and proposed charges of other professionals instructed by us prior to our appointment. These expenses are fully detailed later in this document.
- 8 In accordance with paragraph 98 of Schedule B1 to the Insolvency Act 1986, our discharge from liability in respect of any action as administrators takes effect when we file the prescribed forms at Companies House to cause the administration to cease.

James Tickell

Joint Administrator

29th January 2013

ACW Technology Limited in administration

Statement accompanying joint administrators' proposals

This statement provides background information about the company, the events leading up to the administration appointment and the conduct of the administration

1 Statutory company information

Details of the court and the reference number

Supervising court	High Court of Justice, Chancery Division	Court reference no	9478 of 2012
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Details of the company

Full registered name	ACW Technology Limited	Former registered office (before being changed to the administrators' office)	Strategic Park Comines Way Hedge End Southampton Hampshire SO30 4XX
Registered number	02402477	Trading addresses	Strategic Park, Comines Way Hedge End, Southampton Hampshire, SO30 4XX Dinas Isaf, West Tonypany Mid- Glamorgan, CF40 1XX
Other trading names	None		

Details about the administration appointment

Name of administrators and licensing bodies	James Richard Tickell	Insolvency Practitioners Association	
	Carl Derek Faulds	Insolvency Practitioners Association	
Date of appointment	12th December 2012	Appointor	Directors of the company
Allocation of administrators' powers	All the powers and functions of an administrator are exercisable by either or both of the appointed administrators		
EC regulations	The EC regulations concerning insolvency proceedings apply to this administration and these are main proceedings		

Directors of the company

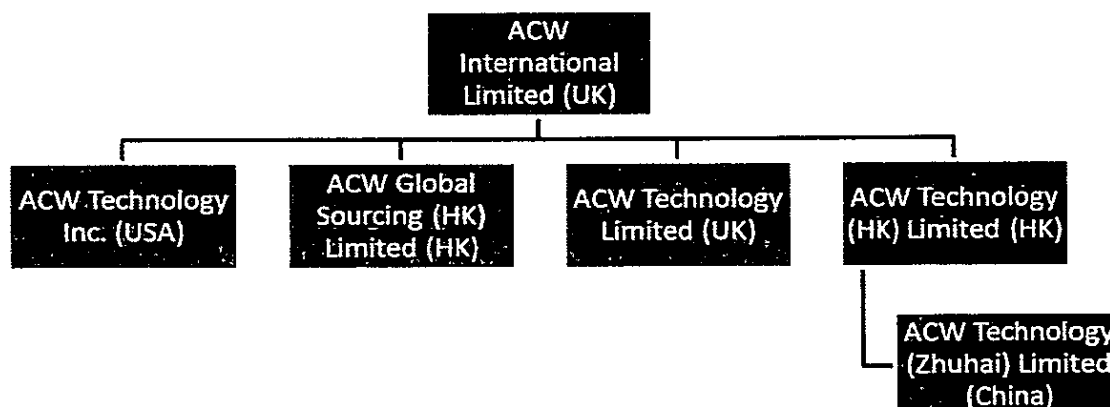
Name of director	Date resigned
Christopher Woods	--
Martin Davey	--
Owen Reeves	12th December 2012
Grant Bennett	9th December 2012
Julian Navey	9th December 2012
Nicholas Potter	4th April 2011
Other significant stakeholders	Shareholding
ACW International Limited	100% shareholder

ACW Technology Limited in administration

Statement accompanying joint administrators' proposals

2 The circumstances leading to the appointment of an administrator

- 2.1 ACW Group is an electronics manufacturing services group with operations in the UK, Far East and USA. ACW Technology Limited is the UK subsidiary of the group, which is ultimately owned by the majority shareholder and founder, Christopher Woods. The group structure is as follows:



- 2.2 The UK company was incorporated in 1989 and founded upon the acquisition of certain business and assets of an existing business owned by a small plc. The business expanded organically and by acquisition. In 2005 the business took the strategic decision to expand into China to offer low cost manufacturing to its European client base. A factory was opened in Zhuhai, South China supported by sourcing operations in Hong Kong and Shenzhen. These operations provide services primarily to the UK. A facility was opened in USA in 2010 to service customers in the Americas.

- 2.3 The recent trading results are shown here:

	31 Oct 2012 10 months Draft £000	31st December 2011 Year Unaudited £000	30th Sept 2010 15 months Audited £000	30th Sept 2009 Year Audited £000
Turnover	32,558	54,223	68,770	51,657
Gross margin	3,265	6,904	9,567	8,762
	10%	13%	14%	17%
Expenses	(5,673)	(7,456)	(9,812)	(7,329)
Net profit/loss	(2,408)	(552)	(245)	1,433
Tax	-	142	260	(316)
Dividends	-	-	(1,000)	(1,000)
Balance on reserves	5,848	8,256	8,666	9,651

ACW Technology Limited in administration

Statement accompanying joint administrators' proposals

- 2 4 The directors advise that the business enjoyed considerable financial success until the last 2-3 years. During that period, the electronic component supply market has faced testing market conditions globally with lead times becoming extended across all sectors. The group faced particular challenges around strong global competition depressing margins, the unavailability of component parts at critical times and the failure of suppliers to deliver to agreed timeframes coupled with extensive delays induced by some customers. These placed considerable strain on production planning and shipping, with additional costs incurred. The company incurred significant set-up costs when taking on new customers, which did not flow through into sufficient production to recoup the set-up costs. Compounding this was a severe and increasing downturn in purchase requirements from the customer base during 2012 while costs were not correspondingly reduced as readily.
- 2 5 The group initially sought to address the lack of profitability by devising a rationalisation programme, which involved redundancies, the eventual closure of its Hedge End and USA factories and consolidation of production in existing facilities in Tonypandy and China. The financial difficulties were brought to a head in early 2012 when the company's principal lender, GE Capital Bank Limited, which had itself inherited the relationship through acquisition of another lender, indicated that it wanted its facilities to be replaced during the course of the year.
- 2 6 We were consulted briefly along with other advisers about whether an insolvency solution could then be appropriate and the merits of other options. The main ultimate shareholder decided to provide further loan funding of £710k in summer 2012 to assist the finances whilst continuing to focus on finding either a new lender or a buyer for the group as a going concern. The group instructed James Cowper Corporate Finance LLP (James Cowper) in late April 2012 to assist in that regard. The directors and their advisers carried out market research to identify potential funders and buyers.
- 2 7 By the end of August 2012, it seemed clear that the directors would not be able to refinance the company largely because of restrictions in the provision of credit generally and the poor recent track record and concern that profitability would not be recovered. After several months of marketing, there remained two interested parties for a purchase, one with a view to taking over the shares for a nominal amount with a potential compromise of the shareholder loans and one to buy part of the business as an asset transaction. Following discussions with Portland and other advisers, the directors decided to proceed with the former and entered into a period of due diligence.
- 2 8 Unfortunately, this party pulled out in October 2012. Following further discussions with Portland and other advisers, James Cowper approached the remaining party, TT Electronics Plc (TT), which was the eventual buyer, to negotiate a purchase of assets. An offer was received on 8th November 2012 for the business assets and a period of six weeks exclusivity for due diligence commenced.

ACW Technology Limited in administration

Statement accompanying joint administrators' proposals

- 2 9 The format of the offer was unusual in that the buyer required the purchase not just of the business goodwill, stocks and tangible assets for approximately net book values, but also the assumption of the trade debts, the obligation to settle the GE Capital advance and the obligation to deal with amounts due to trade suppliers. This approach was driven by the buyer's concern that it should take over the entire chain from customer to supplier so that there was no disruption and thus loss of value.
- 2 10 As the offer did not provide for all liabilities to be settled, only all the trade suppliers, and the company would thus be insolvent, the buyer required the transaction to be concluded through an insolvency procedure to avoid any subsequent challenge to a sale by directors. The directors also preferred the protection of an insolvency officeholder handling the transaction.
- 2 11 We advised the company, along with other advisers that the TT offer was better than alternative approaches. As there were no other interested parties for the business, the alternative would have been an orderly closure, attempting to exploit a captive customer base to realise best value for the stocks and debtor book through demanding enhanced prices and volumes before they could re-source to obtain supplies from elsewhere. We advised the company on this comparison and concurred with the directors' and shareholders' conclusion that the TT offer was in the better interest of creditors. Clearly it was in the best interests of the trade creditors whose debts would be paid in full by TT but the directors and we also calculated that it would provide a clearly enhanced dividend for the other liabilities, the largest of which was the loan due to Mr Woods.
- 2 12 Before appointment on 12th December 2012, we shared details of the offer and our recommendation with the major creditors, including the secured lenders and HM Revenue & Customs, seeking their comments on the proposal. GE Capital's advance was cleared by TT and the trade debts assumed shortly before appointment, so its consent as qualifying floating charge holder to the appointment was then not required. NatWest was given notice as a charge holder, consenting to the appointment and subsequent disposal to TT.

3 Achieving the purpose of administration

- 3 1 The statutory objectives of administration are to rescue the company as a going concern, to achieve a better result for the company's creditors as a whole than would be likely in a winding up without administration and to realise property in order to make a distribution to secured or preferential creditors. We are obliged to pursue the first objective in the first instance, only if this is not practicable, we should pursue the second objective and then the third in that order.

ACW Technology Limited in administration

Statement accompanying joint administrators' proposals

- 3 2 We had already concluded by the time of the appointment that it would not be realistic in practice to rescue the company as a going concern and instead had resolved along with the directors and other main stakeholders to enter into an immediate disposal to TT. The reason for discounting saving the company as an option is that the shareholder was not willing or able to provide the further finance that the company needed to survive, being both to make good recent trading losses and the repayment of the GE Capital facility. The company had just been through a lengthy period of marketing to find both replacement lenders and new shareholders without success. The company's business was still incurring significant trading losses for want of sufficient profitable turnover and the only obvious way that these could be avoided in the time available was to sell the business to a new owner, most obviously as an industry consolidation. After the period of marketing, the only available purchaser with a credible ability to conclude a transaction was TT, which required to buy business assets from an administration and not the company itself.
- 3 3 Immediately upon appointment, we concluded a transaction to sell the business to TT Electronics Integrated Manufacturing Services Limited, a subsidiary of TT Electronics Plc adopting an approach that is known as "pre-pack". In accordance with Statement of Insolvency Practice 16 and so that creditors can understand how this approach was in their interests, we circulated our report on 19th December 2012 setting out details of the transaction and provide a further copy with these proposals.
- 3 4 Following the transaction, TT took control of the majority of the UK business, all but one of its customers and debts due from them, responsibility for settlement of the trade suppliers, and the responsibility for almost 200 employees under TUPE Regulations. GE Capital's secured advance had been settled by TT direct shortly before appointment. The secured liabilities due to NatWest provisionally estimated at £600k were cleared through the provision of an advance from Portland and the cash element of the transaction with TT in order that the bank's deed of release of security could be received as required by TT.
- 3 5 The matters that remained to be addressed during the administration are discussed in the next section. As we are continuing to trade in a limited way and require the continued use of leasehold premises in Hedge End in respect of which there are rent arrears, it is appropriate that the administration continues for the time being. Once these have concluded, the administration will move to creditors voluntary liquidation or company voluntary arrangement as appropriate, to enable a distribution to be made to unsecured creditors. We have already settled the secured liabilities outstanding at the date of appointment and will also be settling the preferential liabilities, which are not significant in value as most employee contracts have transferred with the business.

4 Management and finance of the company's affairs during administration

- 4 1 The statement of estimated outcome in Appendix A shows our current projection for the asset disposals, debt collection and expenses across the entire administration. Appendix B shows our receipts and payments to date.

ACW Technology Limited in administration

Statement accompanying joint administrators' proposals

- 4 2 The matters to be addressed during the administration are as follows
- 4 2 1 We need to fulfil our contractual obligations to the purchaser of the UK business to effect an orderly transition of the business
 - 4 2 2 There was one customer and associated debt excluded in the business disposal to TT, which we are continuing to service until it makes other arrangements
 - 4 2 3 We are assisting the directors of the other group companies based in US, China and UK to realise their businesses and assets, thereby improving on the prospects of recovering the inter-company debts due to the company in administration
 - 4 2 4 We shall be selling the company's freehold factory premises in Tonypandy
 - 4 2 5 We shall be vacating the leasehold premises and selling some assets in Hedge End, Southampton
 - 4 2 6 Generally, we shall be arranging for an orderly winding up of the company's affairs prior to liquidation, settling administration expenses and arranging for the move to liquidation or company voluntary arrangement

Transitional arrangements with TT Electronics

- 4 3 As well as a disposal of a business, the contract between the company in administration, other ACW group companies and TT comprise arrangements whereby -
- 4 3 1 Supplies continue to TT for use in the business from ACW's Chinese associates for around six months for a fixed price until it can make other arrangements
 - 4 3 2 TT purchases any remaining stocks of raw materials usable by the end of 2013 at cost at the end of that process. Whilst these stocks are owned by the ACW group company in China, this benefits the administration as its principal creditor
 - 4 3 3 The administration grants to TT a lease for occupation at the Tonypandy factory where production is now mainly undertaken in the UK
 - 4 3 4 The administration also provides a licence to share the premises and facilities at Hedge End where certain administrative functions are undertaken for the time being
 - 4 3 5 All parties generally assist each other where required with a view to an orderly transition of the business and winding up of ACW Technology's business

ACW Technology Limited in administration

Statement accompanying joint administrators' proposals

- 4 4 There is a final instalment of the consideration of £100k that is due from TT that depends on the satisfactory conclusion of these arrangements. So far, progress is satisfactory whilst various practical issues arise that need close co-operation between TT, the directors and us to address them.

Supplies from China

- 4 5 We are working closely with the directors of the remaining ACW group companies to continue production in the China. As ACW Technology acted as 'group banker' and funded these operations, we have provided funding to enable ACW International Limited to make payments to the employees and suppliers, which will be recouped from the invoicing to TT and subsequent disposal of stocks. The arrangement enables the company to generate some profit from the production and to dispose of the stocks efficiently at the end.

Mitel

- 4 6 Mitel Network Corporation, a Canadian company, was excluded as a customer from the TT transaction. On appointment, Mitel owed \$782k (around £488k) for supplies and there was a stocking facility for raw materials under which it was owed \$750k (£470k). Mitel had a degree of dependence on continuing supplies and would potentially have a counter-claim that would have eroded the debt if that had ceased. We have therefore arranged with Mitel to continue production through the China facility and by continued employment of five staff in Hedge End plus contract workers as required. Mitel has now settled its pre-administration debt and continues to order product for delivery intended to finish by 30th April 2013 when it plans to transfer any remaining work to other suppliers.

Realisation of the business and assets in China and USA

- 4 7 Whilst these business and assets are held by other ACW group companies in their respective countries, the outcomes matter to the administration insofar that the UK company provided the funding to establish them on inter-company loans and now is their largest creditor by some margin. We are therefore assisting the directors, who are directors of all companies, to achieve the best outcome and recover what is due back into the UK.
- 4 8 The China operation is required for the time being to provide supplies to TT and to Mitel, as described above. We envisage that this operation will complete by April. In the meantime, the directors are actively marketing the facility globally with the assistance of James Cowper, because it is felt that the investment that the group made in the tangible facility and in a corporate infrastructure that complies with local law would have value to anyone seeking to establish in the country. Further details of the opportunity are given in the website at <http://www.acwinternational.com/>

ACW Technology Limited in administration

Statement accompanying joint administrators' proposals

- 4 9 If there are no offers received for the business facility as a package, then arrangements will be made to wind it up, sell the assets piecemeal and recover what is realised to the UK. Given the costs of closure and redundancy, it would be preferred to reach a package sale but this depends on finding a buyer who would value the opportunity.

Disposal of factory in Tonypany

- 4 10 Under the business sale transaction with TT, it was granted a lease to occupy the freehold premises for five years with a three year break clause at an annual rent of £125k.
- 4 11 The freehold premises were professionally valued at £950k in March 2012 on an open market basis. We have instructed four firms of agents to provide proposals to market and sell the property and expect to make an appointment shortly.
- 4 12 In uncertain market conditions, we shall respond to the interest that is received. If an offer is received at a price that the agents recommend is accepted, then we shall sell the property and the funds will be distributed to creditors. Otherwise, if there are no acceptable offers, there is an option to hold the property and use the rent received for an annual distribution with an eventual sale in years to come. We anticipate that some creditors might prefer recovery in the form of an annuity whilst others would prefer a total realisation as soon as possible. If that is the case, it might be that a dual option choice can be provided to creditors, which could be accommodated using the flexibility of a company voluntary arrangement. It is however premature to put this to creditors at this stage until the prospects are clearer.

Vacating premises in Hedge End and disposal of assets

- 4 13 The company's head office and main factory was originally located in leasehold premises in Hedge End, near Southampton. Under the rationalisation plan devised by the directors prior to administration, it was the intention to close these premises and relocate entirely to Tonypany. They had already negotiated with the landlord that the lease could be terminated in May 2013 and a licence to occupy until that time had been granted.
- 4 14 At the time of appointment, management and accounting functions in these premises along with some limited production and testing involving personnel transferred with the business. Consequently, TT required rights to share the premises with the company in administration for a contribution to the cost.
- 4 15 We are arranging to vacate the premises by the end of the licence in May or earlier, if possible. The monthly licence fee will be paid as an administration expense, with the arrears and dilapidations accruing under the previous lease becoming a claim in the winding up. There are some items of plant that will need to be sold using agents in the usual way.

ACW Technology Limited in administration

Statement accompanying joint administrators' proposals

Funding arrangements during the administration

- 4 16 Funding has been required firstly for the continuing activity described above, essentially working capital for purchases until paid by TT and Mitel, and secondly the immediate settlement of secured liabilities due to NatWest so that its release of security could be provided to TT. NatWest was unwilling to leave its lending unpaid to be settled by subsequent realisations, in particular from the sale of the freehold factory, whilst other assets subject to its security were being sold to TT.
- 4 17 This funding requirement has been satisfied by firstly the initial cash element of the consideration paid by TT of £500k and by a loan from Portland, the joint administrators' firm of £600k. We have also negotiated prompt payment terms with TT and Mitel for its supplies of between 7-14 days.
- 4 18 As well as the statutory priority provided to advances into the administration, Portland was granted, by the directors prior to administration in anticipation of this facility, with a legal charge over the freehold premises in Tonypandy in effect to replace the security provided to NatWest for its advance of about the same amount. The loan will remain available whilst the administration requires it to achieve a more advantageous realisation through completing the arrangement with TT. In practice, we anticipate this advance being cleared by other realisations before the property is sold.
- 4 19 In these proposals, we are seeking approval for Portland to be paid interest at the same rate as NatWest would have charged if its advance had remained outstanding, so creditors are not incurring an additional cost but only a benefit through allowing the transaction with TT to proceed.

Management of the company's affairs during the administration

- 4 20 In carrying out administrations in practice, we always seek an appropriate balance of the security of the creditors' interests in the company's property and cost effectiveness of management. The use of existing company officers then typically diminishes over time with the disposal of the assets until it became more effective simply to use our own staff to complete the remaining aspects of the winding up of the affairs leading to liquidation or company voluntary arrangement.
- 4 21 We have achieved this objective here by retaining the services of the two remaining directors of the company to assist with the day to day management of the business during administration, working in conjunction with our own staff of appropriate seniority. The other directors and officers of the company transferred employment with the business and we still have access to their services through the contractual arrangements with TT. The overseas subsidiaries also have their own management that continues to be engaged.

ACW Technology Limited in administration

Statement accompanying joint administrators' proposals

- 4 22 We shall instruct third parties including other professional advisers to handle certain aspects of the administration on our behalf where it is either more cost effective for others to do so or where we need a particular expertise that we do not have available amongst the staff of this firm or of the company. In particular,
- 4 22 1 James Cowper was engaged by the company prior to our appointment to market and sell the business. Under the terms of engagement, the completion of the TT transaction triggers a fixed contingent fee of £120k, which is due to be paid as a pre-administration expense as explained in section 7. The firm continues to be engaged by ACW International Limited to secure disposals of the China assets for which a further fee of £30k is payable contingently from those proceeds.
- 4 22 2 Solicitors Blake Lapthorn was engaged by the company prior to our involvement to provide legal advice and specifically to act with respect to the sale to TT. Most of the work was completed prior to appointment and concluded in the early stages of the administration. Its fees for this work total £65k, which is due to be paid as a pre-administration expense as explained in section 7. We continue to retain this firm to provide legal advice during the administration although to date there have not been any significant matters that have required its input.
- 4 22 3 Edward Symmons was engaged as chattel asset agents prior to administration to provide a desk top valuation of the assets of the company and will be engaged in any future disposals of remaining tangible assets.
- 4 22 4 As explained above, we envisage appointing specialist agents shortly to market and sell the factory at Tonypandy.

5 Estimated outcome for creditors

- 5 1 We instructed the directors to provide us with a statement of the company's affairs as at the date of our appointment in the prescribed form and expect to receive this shortly. In the meantime, we have prepared our own summary of the financial position of the company and set this out at Appendix A along with our commentary.
- 5 2 This statement shows our view of the value of the net property that will be available to creditors and includes a list of shareholders and names and addresses of creditors with the amounts due to them. This includes details of any security. The creditors' details have been compiled from the company's records, possibly amended by claims that we have received from creditors. It does not reflect the formal process of asking creditors to submit claims and assessing them for dividend purposes so it is subject to further adjustment in due course.

ACW Technology Limited in administration

Statement accompanying joint administrators' proposals

- 5.3 In summary, our preliminary estimate is that the likely recovery for creditors from this administration is as follows

Category of claim	Estimated claims (£000)	Likely recovery
Secured liabilities - NatWest GE Capital	600 2,500	Paid in full from TT sale proceeds and Portland advance Paid in full from TT sale proceeds
Preferential creditors - holiday pay due to five employees	<5	Payment in full
Unsecured creditors	1,900	It is not possible to provide a precise estimate of the dividend at this early stage of the procedure before the outcome from the inter-company debt position is known

- 5.4 In this case, the prescribed part, which is the requirement to set aside for the benefit of unsecured creditors a proportion of the funds that would otherwise be paid to a floating charge holder, does not apply. This is because all the secured liabilities were settled other than by a floating charge distribution.

6 Administrators' remuneration

- 6.1 If creditors would like further details of the approval process for administration fees, we can provide a copy of the document "Statement of Insolvency Practice 9 A Guide to Administrators' Fees" upon request or the details may be found at <http://www.insolvency-practitioners.org.uk/uploads/adm.pdf>
- 6.2 In the first instance, it is for the creditors' committee, if one is formed, to approve the basis of the remuneration of administrators. In the absence of a creditors' committee, we are required to seek approval for the basis of our remuneration by a resolution of the general body of creditors. Accordingly, these proposals set out in the next paragraph a basis for our remuneration and approval for these proposals at the forthcoming creditors' meeting will include approval for this basis of remuneration.
- 6.3 The basis of our remuneration as administrators shall be fixed on the basis set out in rule 2.106(2)(b) of the Insolvency Rules 1986, (by reference to the time properly given by the office holders and their staff in attending to matters arising in the administration). In addition we shall charge reasonable out of pocket expenses in accordance with the schedule of rates for disbursements and out of pocket expenses published by us from time to time. Fees and disbursements can be drawn on account as the time and cost accrues. The same basis of remuneration will also apply if we are subsequently appointed as liquidators of the company.

ACW Technology Limited in administration

Statement accompanying joint administrators' proposals

6.4 We set out as Appendix C a schedule of Portland's fee and disbursement policy including the current charge out rates, this also shows the time costs accrued to date under the following headings

- **Asset realisations** – Taking appropriate measures to sell the assets of the company, as more fully explained in this report
- **Trading** – Managing the trading operation of the business, including reviewing the activities and funding requirements of the group companies to achieve the requirements in the transitional services agreement with TT, reaching acceptable terms with suppliers and customers, ensuring completeness of revenue and settling expenses, arranging for funding, and arranging for continued employment
- **Administration and planning** - Internal management of the case to ensure it is completed in an expedient manner and in accordance with good practice. Maintaining estate accounts and ensuring compliance and statutory filing requirements
- **Reporting** - Notifying creditors about the initial appointment, reporting to secured lenders, and preparing and distributing this report containing our proposals
- **Investigation** - Carrying out a preliminary review of the events leading up to failure, so as to consider whether actions would be justified against third parties and in preparation for completing a CDDA report on director disqualification
- **Creditors' claims** – Corresponding with creditors about their claims and individual positions

6.5 We shall report on the current time cost position and amounts drawn as remuneration in our progress reports to creditors. An illustration of the likely overall cost is given in the statement of affairs discussed earlier

6.6 We are also seeking approval for an interest charge to be applied to the funding that we have provided, in effect treating this as a form of remuneration. We propose to charge LIBOR plus 5%, which is the same rate that NatWest would have charged if its advance had not been cleared

7 Pre-administration costs

7.1 Our unpaid fees and our unpaid expenses incurred in the period prior to the company entering administration, but with a view to it doing so, can be settled as an expense of the administration if approved by creditors in a similar way to our remuneration. In addition, any cost incurred in connection with the making of the appointment already qualifies as an administration expense under the rules without approval

ACW Technology Limited in administration

Statement accompanying joint administrators' proposals

- 7.2 This statutory provision provides assurance of payment of fees that are incurred by advisors if the appointment proceeds. In this case, Portland and its various advisors were incurring an additional credit risk that the appointment and/or the sale to TT would not proceed and the company could not afford at that time to pay fees on account. As we were playing a key role in assisting the company and its directors to achieve the best outcome for creditors and thus it would have been detrimental to have withdrawn, the directors provided Portland, on its own account and as representative of the other advisers, with a legal charge dated 21st November 2012 over the Tonypany factory. This charge also secured the cash advance made by Portland detailed in section 4.
- 7.3 In the case of Portland, we should still like creditor approval for our time costs for the pre-administration period, which is calculated in the same way as our administration remuneration detailed above. We did not bill the company for any work prior to our appointment. The time costs for this period amount to £62,622.50 plus VAT according to the analysis set out at Appendix D. This covers the entire engagement in the pre-administration period from 1st October 2012 principally in negotiating and completing the sale to TT. It also covers the statutory requirement of considering whether the objective of administration can be met so the appointment could be accepted, planning the implementation, assisting the company to make the appointment, consultations with parties that were entitled to prior notice and instructing agents to value the assets and recommending ways to deal with them.
- 7.4 In carrying out these services, we incurred disbursements which we propose to recharge in line with our standard policy as detailed in Appendix D. We also necessarily engaged the following professionals detailed earlier to assist with the TT transaction prior to administration and seek approval to recover the cost as a pre-administration disbursement that we have incurred.
- 7.4.1 Solicitors Blake Lapthorn advised with respect to the TT transaction and was instrumental in negotiating the legal documentation. It also advised about the appointment process, individual creditor rights such as those with security, and employment matters. Its total costs calculated according to its usual time costs amount to £65,000 of which about £50,000 relates to the pre-administration period and is being sought as an administration expense.
- 7.4.2 Edward Symmons, chattel agents provided a valuation of the tangible assets. Its costs for these services amount to £3,800 plus VAT which is being sought as an administration expense.
- 7.4.3 Coffins Mew LLP Solicitors were engaged to effect security over the Tonypany mentioned above. Its costs amount to £2,975 plus VAT.

ACW Technology Limited in administration

Statement accompanying joint administrators' proposals

- 7 5 The company engaged the services of James Cowper to achieve a disposal of the company's business, which included preparing the sales memorandum, extensive marketing of the business and conducting the negotiations on behalf of the company with interested parties. Its terms of engagement provided for a contingent fee that was only payable if a sale proceeded in the fixed amount of £120k plus VAT. The liability has now crystallised with the conclusion of the TT transaction and is secured by the legal charge arrangement mentioned above.

8 Matters requiring investigation

- 8 1 We have so far considered briefly whether there are transactions that happened before our appointment that could require review and action with a view to enhancing the recoveries for creditors. This is to provide information to creditors about the potential for such actions so they can influence the future direction of the insolvency process. We are not aware of any matters to bring to the attention of creditors at this stage.
- 8 2 As well as exploring any areas with a view to financial recovery for creditors, administrators and liquidators are also required to report on the circumstances of their appointment to the Insolvency Service, which then considers whether director disqualification proceedings are appropriate.
- 8 3 If creditors have any information that would assist us in either of these functions, we would appreciate hearing from you as soon as possible.

9 Exit from administration

- 9 1 Once the asset realisations are completed, estimated to be within the next nine months, we shall arrange for the company to move to creditors' voluntary liquidation in accordance with paragraph 83 of Schedule B1 to the Insolvency Act 1986, unless a company voluntary arrangement has been proposed. We are proposing that the joint administrators become the joint liquidators but creditors are entitled to nominate other practitioners as long as this is done before these proposals are approved.

10 Meeting of creditors

- 10 1 We are convening the meeting of creditors on Friday, 15th February 2013 at 2.30pm at our offices at 1640 Parkway, Solent Business Park, Whiteley, Fareham, Hampshire PO15 7AH. This meeting is to consider the contents of this report and to vote on the proposals set out at the beginning of this document. Creditors may vote via proxy and need not attend in person unless they wish to do so.

ACW Technology Limited in administration

Statement accompanying joint administrators' proposals

11 Appendices and enclosures

Appendices

Appendix

Statement of affairs of the company as at the appointment date including a list of creditors

A

Receipts and payments account for the administration to date

B

Portland's fee and disbursements policy, including a summary of the time costs to date in this case

C

Portland's pre appointment time analysis

D

Enclosures

Formal notice of the creditors meeting on Form 2 20B

Explanatory notes about the application of Rule 2 38 to the entitlement of creditors to vote at the meeting of creditors

A form of proxy to be used if you do not wish to attend in person but want to be represented or if you are representing a limited company

A claim form to provide us with details of your claim, which is required to be entitled to vote, if you have not already done so

SIP 16 disclosure

ACW Technology Limited in administration

Statement of estimated outcome in the administration

		Book Value	Outcome on closure	Projection for administration	
	Notes	£000	£000	Downside £000	Upside £000
Assets					
Factory - Tonypandy, Wales	2	926	750	750	850
Less fixed charge holder - NatWest	7	(550)	(554)	(554)	(554)
		376	196	196	296
Plant & machinery	2	342	725	500	600
Motor vehicles	2	-			
Furniture & equipment	2	161			
Goodwill	2	-			
Stock, WIP and trade debts net of GE Finance	2,7	7,030	100		
Tangible assets excluded from sale	2	49	60	40	50
Trade debts, stock and WIP net of Mitel loan	2	168	18	-	168
Debts due from ACW International	2	4,410	-	(150)	1,000
Debts due from ACW China	2	166	-	-	-
Debts due from ACW Hong Kong	2	799	-	-	-
Cash at bank (Bank of China and NatWest)	2	44	44	44	44
Other debtors, refunds	2		-	20	50
		13,545	1,143	650	2,208
Costs of insolvency	4				
Portland pre-appointment fees and costs				62	62
Pre-appointment legal fees and costs				50	50
Agents fees			25	135	135
Legal fees			50	50	50
Administrators' fees and disbursements			200	150	150
			275	447	447
Amounts available for preferential creditors			868	203	1,761
Preferential employee claims	5		(100)	(5)	-
Amount available for floating charge holder			768	198	1,761
Floating charge holder - Nat West	7		-	-	-
Amount available for unsecured creditors			768	198	1,761
Unsecured liabilities	8				
Trade creditors			4,506	97	97
VAT			630	630	630
PAYE			110	110	110
Shareholder loan account			1,100	710	710
Finance companies			30	30	30
Carbon Trust loan			27	27	27
Employees			750	50	50
Landlords			450	250	250
			7,603	1,904	1,904
Net asset deficiency			(6,835)	(1,706)	(143)
Estimated dividend for unsecured creditors			0 10	0 10	0 92

ACW Technology Limited in administration

Notes to statement of affairs

1 Basis of statement

1 1 We expect the directors' formal statement of affairs shortly

1 2 In the meantime, we have worked with them to prepare the statement of estimated outcome as an illustration of the likely recovery for creditors. This provides a range of likely recoveries, depending upon whether sales of businesses are achieved in China and US and the outcome of the TT transitional arrangements. This is more realistic and consistent with the current uncertainty until these outcomes are known.

2 Business sale and other assets

2 1 The freehold factory in Tonypany in Wales will be marketed for sale shortly. Four firms of local agents have been instructed to provide advice as to the best strategy to maximise the recovery from the site.

2 2 The goodwill and the majority of the plant and stock were included in the sale to TT as detailed in the main part of this report.

2 3 The sale was made shortly after appointment following negotiations that took place beforehand in an arrangement known as a "pre-pack". A table providing pertinent information to demonstrate that this transaction was in the interests of creditors is set out later within this appendix.

2 4 Within the figure of £7m shown for stock, WIP and trade debts net of the GE Capital debt, the company had recorded in its books £5.6m of raw material stock and WIP which was widely regarded as overstated. TT specifically considered that this was not an accurate reflection of the value of the stock holding. In the event, the directors are of the view that there would not be a surplus from the trade debtors after allowing for bad and doubtful debts and the termination fees of GE Capital. In addition, the stock would have minimal resale value if it had been sold by any other means.

2 5 The chattel assets that remain at Hedge End which were excluded from the TT transaction will be sold once trading has finished.

2 6 The company had entered into a stocking loan with Mitel and there was \$750k (approx. £470k) due to Mitel on appointment. In addition, Mitel was a debtor for \$782k (approx. £488k). ACW also held £150k of stock in relation to Mitel product. This was excluded from the TT transaction. ACW International Limited continues to complete work for Mitel in the short term until they can re-source elsewhere. In the meantime, this enables the stock to be converted into saleable product to enable ACW to maximise its realisation of Mitel stock and to settle the loan. Any balance of Mitel stock held on conclusion of trading will be collected by Mitel and used to settle the remainder of its debt.

ACW Technology Limited in administration

Notes to statement of affairs

2.7 There are debts due from the company's parent and its overseas subsidiaries and the administration strategy is to financially support these entities as part of the transitional agreement with TT during their wind down and possible sale to maximise the return of the inter-company debts. In this regard, Portland has provided funding of £600k to ACW Technology Limited and funds have been lent by the administrators to ACW International Limited to fund the ongoing transitional arrangements. As shown, the downside is that we may end up funding the closure costs of the subsidiaries if no sale is achieved, with the upside being a substantial return following the sale of the overseas entities.

2.8 There were cash balances held in the company's bank accounts held with NatWest and Bank of China. NatWest held a VAT deferment bond of £20k on behalf of HMRC which has been called on. This should be returned by HMRC in due course.

2.9 There are pre-payments due to the company in respect of rates and insurance refunds.

3 Connected party transactions

3.1 There have not been any sales of assets to connected parties, nor are any anticipated.

4 Costs of realisations and insolvency

4.1 For the purposes of illustration, we have included a provision for the costs of insolvency, which mainly comprise pre-appointment costs, the administrators' fees, legal fees and disbursements.

4.2 Details of the basis of the administrators' remuneration are given elsewhere in this document.

5 Preferential claims

5.1 Preferential claims comprise £800 of arrears of pay per employee and unlimited holiday pay.

5.2 There should be no preferential claims as the obligations to the majority of the employees transferred to TT as the purchaser of the business.

ACW Technology Limited in administration

Notes to statement of affairs

6 Prescribed part

- 6 1 The prescribed part is that amount set aside for unsecured creditors from the net property being the distribution that would otherwise be made to a floating chargeholder. It is calculated as 50% of the first £10k and 20% of the balance, subject to a limit of £600k. There is no prescribed part as there will not be any floating charge distributions, with all secured creditors recovering in full under their fixed charges.

7 Secured creditors

- 7 1 As noted above, the two charge-holders have been repaid in full as part of the TT transaction.

8 Unsecured creditors

- 8 1 A schedule of unsecured claims is provided within this appendix after these notes.
- 8 2 The majority of the company's creditors will be settled direct by TT at its insistence within the sale agreement to ensure continuity of the supply chain.
- 8 3 The company was part of a group VAT scheme and the last quarter's payment remains outstanding. In addition the last month's PAYE remains unpaid.
- 8 4 Christopher Woods advanced £710k to the company during the course of 2012 as a loan. He had also lent the group £400k prior to this time and repayment of these amounts are guaranteed by ACW Technology Limited.
- 8 5 A provision has been made for landlord and employee claims, although these cannot yet be ascertained with any accuracy. The landlord claim would be higher on a closure as the full unexpired period of the lease in Hedge End would become due, whereas in the circumstances the ongoing rent is being paid by the administrators.

Portland Business & Financial Solutions
ACW Technology Limited
B - Company Creditors

Key	Name	Address	£
CB00	Blake Laphorn	New Kings Court, Tollgate, Chandler's Ford, Eastleigh, SO53 3LG	13,532 40
CB01	British Gas Business	Insolvency Department, Ayleston Road, Leicester, Leicestershire, LE2 7QH	1 00
CB02	BNP Paribas Lease Group (Rentals) Limited	St James Court, St James Court Parade, Bristol, BS1 3LH	10,000 00
CC00	Carbon Trust	Energy Efficient Loan Scheme, 3200 Century Way, Thorpe Park, Leeds, LS15 8ZB	27,000 00
CE00	Excell Personnel	Ty Nant Corwrg, Dynea Lane, Rhydyfelin, CF37 5EH	76,047 00
CE03	Ericsson Television Limited	Strategic Park, Comines Way, Hedge End, SO30 4DA	1 00
CE04	E On Energy	Newland House, 49 Mount Street, Nottingham, Nottinghamshire, NG1 6PG	1 00
CF00	Foreign & Colonial REIT	5 Wigmore Street, London, W1U 1PB	250,000 00
CI00	Investec Asset Finance Limited	C/O RSM Tenon Recovery, Salisbury House, 31 Finsbury Circus, London, EC2M 5SQ	20,000 00
CK00	KPMG LLP	Dukes Keep, Marsh Lane, Southampton, SO14 3EX	6,651 22
CS01	Scottish & Southern Energy	Customer Service, Grampian House, 200 Dunkeld House, Perth, PH1 3GH	1 00
CW00	Christopher Woods	c/o Strategic Park, Comines Way, Hedge End, Southampton, Hampshire, SO30 4XX	710,000 00
CY00	HM Revenue & Customs	National Insolvency Unit, 5th Floor Regian House, St James Street, Liverpool, L75 1AD	630,000 00
CY01	HM Revenue & Customs	Durrington Bridge House, Barrington Road, Worthing, West Sussex, BN12 4SE	110,663 66
CY02	Redundancy Payments Office	Cobalt Square, 83 - 85 Hagley Road, Birmingham, B16 8QG	50,000 00
CZ00	Allstar Business Solutions Limited	PO Box 1463, Windmill Hill, Swindon, Wiltshire, SN5 6PS	1 00
16 Entries Totalling			1,903,899.28

ACW Technology Limited in administration

Receipts and payments account for the period to 29th January 2013

	Note	£
RECEIPTS		
Sale proceeds from TT Electronics disposal	1	500,000
Trade debts excluded from this disposal (Mitel)	2	261,000
Cash at bank	3	43,775
Rates refund	4	17,875
Loan from Portland	5	600,000
Rent for Tonypandy premises (from TT)	6	35,702
Licence fees for Hedge End premises (from TT)	6	9,677
		<hr/>
		1,468,029
		<hr/>
PAYMENTS		
Legal fees	7	15,484
Bank charges		20
Statutory advertising		64
Pre-administration fees	8	54,817
Direct labour		459
Utilities		4,097
Funding to ACW International	9	741,000
Redemption of NatWest mortgage on assets	10	554,375
Reimbursement to NatWest for HMRC bond settlements	10	20,000
		<hr/>
		1,390,315
		<hr/>
Balance on hand		77,714
		<hr/>

ACW Technology Limited in administration

Notes to receipts and payments account

- 1 We have received £500k from TT in relation to the sale of the majority of the UK business assets following the disposal sale on the date of appointment
- 2 Mitel has settled the debt due at the date of appointment of £462k partly in cash and the balance by offsetting £201k against its stocking loan account. This was recovered after reaching an agreement with Mitel that the administration would continue to provide funding to the ACW Chinese facility to complete outstanding orders from Mitel. The remaining £270k of the stocking loan will be repaid as a deduction from future trading sales and any balance of Mitel stock held on conclusion of trading will be collected by Mitel and used to settle the remainder of its debt.
- 3 There were cash balances held in the company's bank accounts held with NatWest.
- 4 The company paid its business rates monthly and was in credit at the date of our appointment. We have received a rates refund in relation to the Hedge End premises and we are establishing if the company is entitled to a refund in relation to the Tonypandy property.
- 5 Portland has advanced a loan of £600,000 as detailed in section 4 of the main document.
- 6 Rent has been received from TT for the new lease at Tonypandy and licence fees for the sharing of facilities at Hedge End.
- 7 We have paid post appointment legal fees of £15,484 to Blake Lapthorn Solicitors in relation to legal work carried out for the administrators, principally in relation to the sale.
- 8 Pre-administration expenses refer to payment of professional costs incurred by Portland before the appointment but in anticipation of administration. Approval to treat these as an expense of the administration in accordance with rule 2.67(1)(c) is being sought within these proposals in section 7 and in the meantime, we are treating payment from administration funds as an application of our loan advance. These comprise £2,975 paid to Coffin Mew LLP for dealing with the legal charge over the freehold property on behalf of Portland, £40,000 plus VAT on account for Blake Lapthorn for the pre-appointment work and £3,800 to Edward Symmons for valuation advice.
- 9 An advance has been made to ACW International to enable it to continue the operation in China, which firstly satisfies the requirements of Mitel and the contractual obligations in the sale agreement with TT. This funding, effectively provided by the Portland loan and the initial Mitel receipt, has been used to procure supplies, settle outstanding local trading obligations and payroll. This in turn has resulted in deliveries to these two customers and outstanding amounts due from them, which will be used to repay the advance at the end of the process.
- 10 In order to complete the sale to TT on the day of appointment, it was necessary to obtain a release of the security held by NatWest over the company assets by settling the amounts due to the bank. This included the term loan of £554k and subsequently liability under an HMRC bond for VAT settlements.

ACW Technology Limited in administration

Appendix C

SIP9 Time and cost summary

From 12th December 2012 To 29th January 2013

Classification of work function	Partner	Manager	Other senior professionals	Assistants and support staff	Total hours	Time cost (£)	Average hourly rate (£)
Realisation of assets	38 00	16 20	7 70	0 20	62 10	16,622 50	267 67
Administration and planning	32 60	6 50	1 80	0 00	40 90	11,911 00	291 22
Creditors	14 60	20 60	25 80	0 90	61 90	12,436 00	200 90
Investigations	0 00	1 10	7 00	0 00	8 10	982 50	121 30
Reporting	15 60	5 30	1 10	0 00	22 00	6,323 50	287 43
Trading	39 50	6 60	4 20	0 00	50 30	14,585 00	289 96
Total Hours	140 30	56 30	47 60	1 10	245 30	62,860 50	256.26
Total Fees Claimed						0 00	

Category 2 Disbursements	Accrued in period £	Paid in period £	Total accrued £	Total paid £
Postage and stationery	30 48	0 00	30 48	0 00
Photocopying	0 00	0 00	0 00	0 00
Mileage	0 00	0 00	0 00	0 00
Room hire	0 00	0 00	0 00	0 00
Storage (Portland archive)	0 00	0 00	0 00	0 00
Facsimile	6 00	0 00	6 00	0 00
Company searches	26 00	0 00	26 00	0 00
	62 48	0 00	62 48	0 00

Fees and disbursements policies**Fee policy**

In line with most practices, we normally calculate our fees on the basis of the time spent by each member of staff. We are prepared to calculate fees as a percentage of realisations or as a fixed fee by special arrangement only where the circumstances warrant it. Where the assignment relates to an insolvency appointment, we are normally required to obtain a resolution from creditors approving the basis of calculation.

Staff of the appropriate grades are allocated to each task on each assignment, according to the size and complexity of the matter, and they record their time in six minute units. Where the fee is to be calculated on the basis of time spent, cost rates for each grade are then used to evaluate the fee. The effectively hourly rates are currently as follows -

	Cost per hour £
Director	310
London Principal	310
Associate	310
Senior manager	250
Case manager	210
Case administrator	175
Administrator	100
Cashiers	100
Support staff	75

These rates apply with effect from 1st December 2011. They are reviewed periodically, typically every 1-2 years, and could therefore increase during any particular assignment.

Disbursement policy

Where expenses are incurred through third parties specifically in respect of the assignment, they are recharged to the case as incurred, for example statutory advertising, external room hire, fidelity bond, rail travel and external storage. These are defined as category 1 disbursements in SIP9 and approval is not required.

Other expenses can be recharged to the assignment based on a share or allocation of a cost that Portland incurs centrally. These are defined as category 2 disbursements in SIP 9 and approval is required. Typically such expenses and the method of allocation are as follows -

Postage and stationery	-	Three times postage cost
Photocopying	-	10p per copy
Facsimile	-	£1 per page
Mileage	-	HM Revenue and Customs agreed rate
Room hire	-	£120 per meeting
Storage (Portland archive)	-	£50 per box per year
Company searches	-	Two times cost

SIP9 Time summary

Pre-appointment time summary

Classification of work function	Partner	Manager	Other senior professionals	Assistants and support staff	Total hours	Time cost (£)	Average hourly rate (£)
Realisation of assets	80 00	0 00	0 00	0 00	80 00	24,800 00	310 00
Administration and planning	8 75	13 70	0 80	0 00	23 25	7,027 50	302 26
Advice	96 00	0 00	0 00	0 00	96 00	29,760 00	310 00
Creditors	2 50	0 00	2 60	0 00	5 10	1,035 00	202 94
Total Hours	187 25	13 70	3 40	0 00	204 35	62,622 50	306 45
Total Fees Claimed						0 00	

Rule 2.35

Notice of a meeting of Creditors

Name of Company

ACW Technology Limited

Company number

02402477

In the
High Court of Justice, Chancery Division
(full name of court)Court case number
9478 of 2012(a) Insert full name(s)
and address(es) of
administrator(s)

Notice is hereby given by (a)
James Richard Tickell
Portland Business & Financial Solutions
1640 Parkway
Solent Business Park
Whiteley
Fareham
Hampshire
PO15 7AH

Carl Derek Faulds
Portland Business & Financial Solutions
1640 Parkway
Solent Business Park
Whiteley
Fareham
Hampshire
PO15 7AH

(b) Insert full name and
address of registered
office of the company

that a meeting of creditors of (b)
ACW Technology Limited
1640 Parkway
Solent Business Park
Whiteley, Fareham
Hampshire, PO15 7AH

(c) Insert details of place
of meeting

is to be held at (c)
(c) 1640 Parkway, Solent Business Park, Whiteley, Fareham, Hampshire, PO15 7AH

(d) Insert date and time
of meeting

on (d) 15th February 2013 At 2 30 pm

The meeting is

*Delete as applicable

*(1) an initial creditors' meeting under paragraph 51 of Schedule B1 to the Insolvency Act 1986 ('the schedule')
~~*(2) an initial creditors' meeting requested under paragraph 52(2) of the Schedule~~
~~*(3) to consider revisions to my proposals under paragraph 54(2) of the Schedule~~
~~*(4) a further creditors' meeting under paragraph 56 of the Schedule~~
~~*(5) a creditors' meeting under paragraph 62 of the Schedule~~

I invite you to attend the above meeting

A proxy form is enclosed which should be completed and returned to me by the date of the meeting if you cannot attend and wish to be represented

In order to be entitled to vote under Rule 2.38 at the meeting you must give to me, not later than 12 00 hours on the business day before the day fixed for the meeting, details in writing of your claim

Signed

Joint Administrator

Dated

29th January 2013

*Delete as applicable

A copy of the proposals is attached

The following document is an extract of Rule 2.38 of the Insolvency Rules 1986. This sets out the voting rules for the meeting of creditors to be held on 15th February 2013

Rule 2 38 Insolvency Rules 1986

Entitlement to vote

(1) Subject as follows, at a meeting of creditors in administration proceedings a person is entitled to vote only if

(a) he has given to the administrator, not later than 12 00 hours on the business day before the day fixed for the meeting, details in writing of the debt which –

(i) he claims to be due to him from the company, or

(ii) in relation to a member State liquidator, is claimed to be due to creditors in proceedings in relation to which he holds office,

(b) the claim has been duly admitted under the following provisions of this Rule, and

(c) there has been lodged with the administrator any proxy which he intends to be used on his behalf,

and details of the debt must include any calculation for the purposes of Rules 2 40 to 2 42

(2) The chairman of the meeting may allow a creditor to vote, notwithstanding that he has failed to comply with paragraph (1)(a), if satisfied that the failure was due to circumstances beyond the creditor's control

(3) The chairman of the meeting may call for any document or other evidence to be produced to him, where he thinks it necessary for the purpose of substantiating the whole or any part of the claim

(4) Votes are calculated according to the amount of a creditor's claim as at the date on which the company entered administration, less any payments that have been made to him after that date in respect of his claim and any adjustment by way of set-off in accordance with Rule 2 85 as if that Rule were applied on the date that the votes are counted

(5) A creditor shall not vote in respect of a debt for an unliquidated amount, or any debt whose value is not ascertained, except where the chairman agrees to put upon the debt an estimated minimum value for the purpose of entitlement to vote and admits the claim for that purpose

(6) No vote shall be cast by virtue of a claim more than once on any resolution put to the meeting

(7) Where –

(a) a creditor is entitled to vote under this Rule,

(a) has lodged his claim in one or more sets of other proceedings, and

(b) votes (either in person or by proxy) on a resolution put to the meeting, and

(c) the member State liquidator casts a vote in respect of the same claim,

only the creditor's vote shall be counted

(8) Where –

(a) a creditor has lodged his claim in more than one set of other proceedings, and

(a) more than one member State liquidator seeks to vote by virtue of that claim,

the entitlement to vote by virtue of that claim is exercisable by the member State liquidator in main proceedings, whether or not the creditor has lodged his claim in the main proceedings

(9) For the purposes of paragraph (6), the claim of a creditor and of any member State liquidator in relation to the same debt are a single claim

(10) For the purposes of paragraphs (7) and (8), "other proceedings" means main proceedings, secondary proceedings or territorial proceedings in another member State

Proxy (Administration)

ACW Technology Limited

Name of Creditor _____

Address _____

Name of Proxy Holder

Please insert name of person (who must be 18 or over) or the Chairman of the Meeting. 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.

1 _____

2 _____

3 _____

Please delete words in brackets if the proxy holder is only to vote as directed i.e. he has no discretion

I appoint the above person to be my/the creditor's proxy holder at the meeting of creditors to be held on 15th February 2013, 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)

Voting Instructions for resolutions

*Please delete as appropriate

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 has not signed in person

Position with creditor or relationship to creditor or other authority for signature

Remember there may be resolutions on the other side of this form

ACW Technology Limited

Statement of claim

Name of creditor	
Address	
Contact name and title	
Account reference	
Telephone & facsimile	
Email address	
Amount of claim	State currency Please note that under UK insolvency law, the claim will be converted to £ sterling as at the date of liquidation and dividends will be paid in that currency
Details of how claim arose	
Supporting documents provided with this claim, eg statement	
If any part of the claim is estimated, please provide details and project when the claim will be finalised	
Recoverable VAT included in the above figure	
Details of any security or lien held over the company's assets	
Details of any retention of title claim (please ask for separate questionnaire)	

ACW Technology Limited in administration

Summary of details relating to the disposal of business assets

This schedule has been prepared to provide creditors with details about the steps taken to sell the business assets and the outcome of that exercise

The source of the administrator's initial introduction	We were introduced to the company by its solicitors
The extent of the administrator's involvement prior to appointment	<p>Before being engaged fully in October 2012, we were consulted briefly in January 2012 and August 2012 when respectively the directors first recognised financial difficulties and then to discuss options in the light of the latest progress</p> <p>The company's difficulties were brought to a head earlier this year when a historical record of profits had reversed into losses and the company's invoice discount provider indicated it wanted to be replaced. We were then consulted briefly along with other advisers about whether an insolvency solution could be appropriate and the merits of other options. The ultimate shareholder decided to provide further loan funding and to focus on finding a buyer for the shares. The further loans were provided in July and August of this year.</p> <p>The company instructed James Cowper Corporate Finance LLP in late April 2012 to find either a new source of finance or a buyer. The advisers and directors carried out market research to identify potential funders and those already in the industry with a potential to be a buyer, with respect to the means to afford a transaction and likely to be acceptable to customers.</p> <p>By the end of August 2012, it seemed clear that the directors would not be able to refinance the company largely because of restrictions in the provision of credit generally, because of the poor recent track record and concern that profitability would not be recovered. After several months of marketing, there remained two interested parties, one with a view to taking over the shares for a nominal amount with a potential compromise of the shareholder loans and one to buy part of the business as an asset transaction. Following discussions with Portland and other advisers, the directors decided to proceed with the former and entered into a period of due diligence.</p> <p>This party pulled out in October 2012. Following further discussions with Portland and other advisers, James Cowper approached the remaining party, TT Electronics Integrated Manufacturing Services Limited (TT) which was the eventual buyer, to negotiate a purchase of assets. An offer was received on 8th November 2012 and a period of six weeks exclusivity for due diligence commenced.</p> <p>As the offer did not provide for all liabilities to be settled and the company would thus be insolvent, the buyer required the transaction to be concluded through an insolvency procedure to avoid any subsequent challenge to a sale by directors. The directors also preferred the protection of an insolvency officeholder handling the transaction. At this time, we assisted the company along with other advisers to conclude that the TT offer was better than alternative approaches. As there were no other interested parties for the business, the alternative would have been an orderly closure, attempting to exploit a captive customer base to realise best value for the stocks and debtor book through demanding enhanced prices and volumes before they could re-source to obtain supplies from elsewhere. We advised the company on this comparison and concurred with the directors' and shareholders' conclusion that the TT offer was in the better interest of creditors.</p> <p>Subsequently, we have assisted the company to negotiate the detailed terms of the transaction, responded to queries during the due diligence process, liaised with solicitors over the format of legal documentation, negotiated the steps that would be taken with the buyer post-completion during the administration, arranged for funding for the administration and reported to secured funders.</p>

Summary of details relating to the disposal of business assets

	<p>Portland has not been paid a fee to date. We have taken security over the company's factory for our fees and those of our fellow advisers for the pre-administration period, reflecting the risk that the transaction might not have concluded and our fees would then be unpaid upon an insolvency procedure. We also intend to seek creditor approval, at the time of seeking approval for our proposals, to the extent that our fees are subject to Rule 2.67A, that is they represent services provided by the administrator prior to his appointment but with a view to administration. Our standard time costs as at the date of appointment on 12th December amounts to £60k for the work set out above.</p>
Any marketing activities conducted by the company and/or the administrator	<p>The marketing activity was conducted by James Cowper Corporate Finance on the instructions of the company during the period from April 2012. All parties that were operating in this industry and thought likely to be purchasers were contacted. The pool of likely buyers was limited by the need for the buyer to be acceptable to customers as regards their various approvals and to have the financial resources to afford a purchase. All such potential buyers meeting these criteria were followed up. A total of 37 potential buyers were identified and contacted and 16 requested an information memorandum. Those expressing an interest were afforded the opportunity to visit the premises, meet company representatives and review more detailed financial and operational data.</p>
Any valuations obtained of the business or the underlying assets	<p>A desk-top valuation of the tangible assets was provided by Edward Symmons, qualified valuers specialising in insolvency situations, whose instruction was managed by this firm on behalf of the company. The company directors also have expertise in the value of assets from past disposals of assets and their market research relating to that. The valuation was £725k on a piecemeal disposal basis.</p> <p>The likely realisable value of the raw material stock in a winding up was provided from discussions with the directors and our own experience. The stock is largely customer product specific, which means it only has any worthwhile value if sold as part of the business in which the customer relationship continues. Most of the raw materials would likely not be acceptable to other buyers, as there would be concerns over source and quality assurance. The trade suppliers would largely be able to trace their products and claim retention of title for unpaid debts.</p>
The alternative courses of action that were considered by the administrator, with an explanation of possible financial outcomes	<p>The directors had concluded prior to our involvement that it would not be possible for the company to continue under its existing ownership. The shareholder had resolved to retire and wanted to sell. The company's principal funders had advised that they wanted to withdraw facilities and the directors had been unable to find replacement lenders. The shareholder has supported the company with over £1m of lending to make good losses but was unwilling to do so further.</p> <p>By the time we became fully involved prior to administration, it was already clear that there would have to be a sale of the business assets and there were no options that would allow for the saving of the company. The commercial judgement was between a sale as a going concern to the only available offeror, TT, or alternatively attempting an approach of an orderly winding down of the company's business and exploiting captive customer positions.</p> <p>The alternative approach carried a real risk that the customer base would react adversely and an immediate closure could have resulted. Moreover, this approach would have to achieve the support of the secured lenders, which would more likely exercise their security more promptly rather than allow an extended period that would principally benefit the other creditors. In the event of a prompt closure, we estimated that ordinary creditors would have received a dividend of no more than 10%, based on the valuations mentioned above, reflecting the additional costs and heavy discounts on asset values.</p>

ACW Technology Limited in administration

Summary of details relating to the disposal of business assets

	<p>On the other hand, the TT sale affords immediate full repayment for both secured creditors totalling around £4m and for around £6m of the £8m of unsecured liabilities, including all the trade suppliers. It also avoids around £1.5m of employee redundancy liability. It then allows the remaining business to continue trading for a period of 4-6 months, with a better opportunity for a sale of the overseas facilities in China and US. Of those creditors that are not immediately settled in full by being assumed by TT, we estimate that the minimum dividend will be around 20% and with a sale of the overseas facilities, it could be as much as a full repayment.</p>
<p>Why it was not appropriate to trade the business, and offer it for sale as a going concern, during the administration</p>	<p>In this case, the company has already been marketed for sale since April 2012 and we did not believe that further marketing would provide a better outcome. On the other hand, it would have carried a higher risk of further trading losses, wasted marketing costs, secured creditor intervention and depression in perceived value of the business. Furthermore, any marketing and the resulting need for due diligence would have required trading in administration for two months or more before a sale could be completed. This approach would have caused concern amongst the customer and supplier base.</p>
<p>Details of requests made to potential funders to fund working capital requirements</p>	<p>We were already aware that the directors had for some months prior to our appointment been trying without success to find invoice discount or other finance to satisfy the existing provider's requirement to withdraw. It was therefore unrealistic to find further long term funding from other sources during administration.</p> <p>As regards funding the administration strategy now planned, Portland has arranged for a funding facility from its own resources of £600k at the same cost as the company's bank would charge during administration.</p>
<p>Details of the efforts made to consult with major creditors</p>	<p>We discussed the proposed sale prior to conclusion with the following major creditors</p> <ul style="list-style-type: none"> • Two secured creditors, whose security had to be released • Mr Christopher Woods, the ultimate shareholder, who has advanced £1.1m to the company and represents over 50% of the unsecured liabilities not settled by this transaction • HMRC, owed around £0.5m
<p>The date of the transaction</p>	<p>Wednesday 12th December 2012</p>
<p>Details of the assets involved and the nature of the transaction</p>	<p>The buyer has assumed the majority of the UK business of the company comprising -</p> <ul style="list-style-type: none"> • The goodwill of the business and the customer base, excluding one significant customer • The amounts due from customers other than the one excluded customer, of book value £3.6m • The stock situated in the UK of book value £5.8m • Most of the plant and machinery, excluding certain items situated in the site in Hedge End, near Southampton, with book value £0.5m <p>The total book value in the company's accounts of the assets assumed in the transaction is £10.0m</p>

ACW Technology Limited in administration

Summary of details relating to the disposal of business assets

	<p>The assets excluded from the sale are principally -</p> <ul style="list-style-type: none"> • Amounts due from the one excluded customer of almost £0.5m • The company's freehold factory in Tonypandy • Inter-company balances • Interests in the group operations in China and US • A small quantity of equipment remaining in Hedge End
<p>The consideration for the transaction, terms of payment, and any condition of the contract that could materially affect the consideration</p>	<p>The consideration totals £7.9m and comprises -</p> <ul style="list-style-type: none"> • Settlement in full of an invoice finance facility, approximately £2.5m • Assumption of responsibility for settling the trade suppliers of the company, approximately £4.8m • Cash of £600k, including £100k deferred until successful completion of the transition of the business <p>In addition, TT has assumed responsibility for almost 200 employees of the business, saving around £1-1.5m in redundancy costs</p>
<p>Details of how this is part of a wider transaction</p>	<p>The administrators, the company, the holding company (ACW International Limited, not in administration) and the buyer have entered into a contractual arrangement whereby all parties assist each other to do the following -</p> <ul style="list-style-type: none"> • The buyer will provide management services for no cost to the company to assist in the continued supply of a customer excluded from the sale and in the winding up of its affairs • The company will provide to the buyer i) a five year lease to its freehold factory in Tonypandy at a slight discount to market rent, ii) a short term licence to share its facility in Hedge End for a share of costs, iii) management services at no cost to assist in the orderly transition of customers • A Chinese manufacturing operation in an associate, which is controlled by the holding company, will continue to provide products to the buyer at normal prices to enable it to supply the customers taken over as part of this transaction and then transfer this production to the buyer's Chinese facilities. The buyer has in turn agreed to purchase these products on agreed terms and further to purchase any remaining raw material stock at the end of the period at cost. This benefits the company because it allows for the orderly sale or closure of his facility and its assets, which would realise funds to settle an inter-company loan <p>Portland is providing the working capital facility of £600k to assist the company to fulfil its obligations above</p>
<p>The identity of the purchaser</p>	<p>TT Electronics Integrated Manufacturing Services Limited, a company registered in England under number 00896672 whose registered office is at Tregwylm Industrial Estate, Rogerstone, Newport, Gwent NP10 9YA. The ultimate parent company is TT Electronics Plc, a company quoted on the London Stock Exchange</p>

Summary of details relating to the disposal of business assets

<p>Details of the connection between the purchaser and the directors, shareholders or secured creditors of the company</p> <p>The names of any directors, or former directors, of the company who are involved in the management or ownership of the purchaser, or of any other entity into which any of the assets are transferred</p>	<p>There is no connection between the purchaser and those connected with the company</p> <p>None of the directors or former directors are involved in the management of the purchaser, other than the employment of certain executive directors are transferring to the purchaser along with the business in accordance with TUPE Regulations 2006</p>
<p>Details of any directors who had given guarantees for amounts due from the company to a prior financier, and whether that financier is financing the new business</p>	<p>None of the directors has given guarantees to a prior financier</p> <p>None of the existing or prior financiers are financing the new business</p>
<p>Any options, buy-back arrangements or similar conditions attached to the contract of sale</p>	<p>None</p>