

116952

**Joint Supervisors'  
Annual Report to Creditors**

**Federal-Mogul Sintered  
Products Limited - Company  
Voluntary Arrangement**

**28 November 2008**

**KROLL**

SATURDAY



A07 29/11/2008 395  
COMPANIES HOUSE

# **FEDERAL-MOGUL SINTERED PRODUCTS LIMITED - COMPANY VOLUNTARY ARRANGEMENT (CVA)**

## **CONTENTS**

- 1 Introduction
- 2 Realisation of Assets
- 3 Creditors
- 4 Supervisors' Remuneration
- 5 Conclusion

## **APPENDICES**

Receipts and Payments Account for the Period from 11 October 2007 to 10 October 2008 and a Cumulative Account for the Period from 11 October 2006 to 10 October 2008	Appendix A
Time Analysis for the Period from 11 October 2007 to 10 October 2008	Appendix B
Cumulative Time Analysis for the Period from 11 October 2006 to 10 October 2008	Appendix C
Additional Information in Relation to Supervisors' Fees Pursuant to Statement of Insolvency Practice 9	Appendix D

# FEDERAL-MOGUL SINTERED PRODUCTS LIMITED - COMPANY VOLUNTARY ARRANGEMENT (CVA)

## 1 Introduction

- 1.1 I was appointed Joint Supervisor of Federal-Mogul Sintered Products Limited (the **Company**)'s CVA, together with my partners, J Gleave and S Mackellar, on 11 October 2006.
- 1.2 This is the second annual report and provides an update on the progress of the CVA in accordance with Rule 1.26 of the Insolvency Rules 1986. At Appendix A, I have provided an account of my Receipts and Payments for the year ended 10 October 2008, together with a cumulative account for the CVA to the date of its second anniversary.

## 2 Realisation of Assets

### *Voluntary Contributions*

- 2.1 In accordance with the CVA proposal, at the start of the CVA a reserve was established with a deposit of £7,480,000. This is being used to pay dividends to the creditors of the Company.
- 2.2 Interest is being accrued for the benefit of the CVA from the date the CVA became effective. Interest received to date totals £394,023.

## 3 Creditors

### *Preferential Creditors*

- 3.1 Preferential creditors have been paid in full as follows:

	Agreed Claims £
HM Revenue & Customs – PAYE & NIC	200,714
HM Revenue & Customs – VAT	460,891
	<b>661,605</b>

### *Unsecured Creditors*

#### *Trade Creditors*

- 3.2 The process of agreeing unsecured creditor claims is complete. We have agreed 330 claims totalling £905,000.43. We have paid out a total of £905,001.43, the small discrepancy of

## FEDERAL-MOGUL SINTERED PRODUCTS LIMITED - COMPANY VOLUNTARY ARRANGEMENT (CVA)

£1.00 is due to a cheque error which would be cost prohibitive to pursue. In accordance with the CVA proposals unsecured creditors have received a dividend of 100 pence in the pound.

### *S75 Pension Creditors*

- 3.3 You will recall that the Company was a participating employer in the T&N Retirement Benefits Scheme (1989) (**T&N Pension Scheme**), which had a large funding deficit on a winding up basis.
- 3.4 In accordance with the terms of the CVA proposals, the section 75 claim against the Company was capped at £5,150,000 and a claim of £4,821,000 was received from the Pension Protection Fund (**PPF**).
- 3.5 At the date of my last report, there were two key unresolved issues which had prevented the claim being agreed. Following a decision of the High Court, I am pleased to advise that both issues have now been resolved, and that the claim has been agreed in the sum £4,821,000. A catch up dividend was paid to the PPF in May 2008, to bring their distribution to 100 pence in the pound.
- 3.6 Pending the Judgment of the High Court the Joint Supervisors had held paying a dividend on the disputed element of the PPF's claim. As this payment was paid several months after the payment to the other unsecured creditors, interest was also paid on the claim. The amount of £75,749 was paid to the PPF, representing the interest accrued from the date other creditors were paid their dividend to the date of payment to the PPF. . .

## **4 Supervisors' Remuneration**

- 4.1 The CVA Proposals stated that a Remuneration Reserve would be established in order to pay the Supervisors' remuneration. This reserve is separate from the funds available to the creditors and has no impact on the level of dividends that are ultimately available for the Company's creditors. The CVA provides that our remuneration will be based upon the time costs of the Supervisors and their staff in executing the CVA.
- 4.2 The Joint Supervisors' time costs as at 10 October 2008 total £111,362. This represents 643.7 hours at an average rate of £173 per hour. To date, £109,553.50 plus VAT has been drawn on account of these fees. As stated above, these fees have been drawn from the Remuneration Reserve and are therefore not reflected on the Receipts and Payments account attached at Appendix A.
- 4.3 Attached as Appendices B and C are Time Analyses for the period since my last report, together with a cumulative account for the duration of the CVA. The Time Analyses are

**FEDERAL-MOGUL SINTERED PRODUCTS LIMITED - COMPANY VOLUNTARY  
ARRANGEMENT (CVA)**

produced in accordance with the provisions of Statement of Insolvency Practice 9 (SIP9), which provides details of the activity costs incurred by staff grade to date.

- 4.4 Please note that when time has been incurred in tasks which relate to a number of Federal-Mogul Group companies which are subject to a CVA, it has not been possible to allocate this time to individual companies and accordingly it has been charged to T&N Limited rather than the individual company.
- 4.5 Attached, as Appendix D is additional information in relation to my policy on staffing, the use of sub-contractors and re-charging of disbursements.

**5 Conclusion**

- 5.1 Finally, I should advise that the CVA will be closed imminently, following the distribution of the surplus in accordance with the terms of the CVA proposals.

Should you require further information, please do not hesitate to contact Anna Silver of this office.

Yours faithfully



**Anne O'Keefe**  
Joint Supervisor

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**FEDERAL-MOGUL SINTERED PRODUCTS LIMITED - COMPANY VOLUNTARY ARRANGEMENT (CVA)**

**Receipts and Payments Account for the Period from 11 October 2007 to 10 October 2008 and a Cumulative account for the period from 11 October 2006 to 10 October 2008**

**Appendix A**

**Voluntary Arrangement of Federal-Mogul Sintered Products Ltd**

	<b>From 11/10/2007 To 10/10/2008</b>	<b>From 11/10/2006 To 10/10/2008</b>
<b>FLOATING REALISATIONS</b>		
Bank Interest Gross	125,521.23	394,023.35
Net Agency Funds for CVA	<u>NIL</u>	<u>7,480,000.00</u>
	125,521.23	7,874,023.35
<b>FLOATING COSTS</b>		
Interest payable to PPF	75,749.00	75,749.00
Bank Charges	<u>731.81</u>	<u>793.81</u>
	(76,480.81)	(76,542.81)
<b>PREFERENTIAL CREDITORS</b>		
Preferential Creditor - VAT	NIL	(460,890.61)
Preferential Creditor - PAYE & NIC	<u>NIL</u>	<u>(200,714.08)</u>
	NIL	(661,604.69)
<b>UNSECURED CREDITORS</b>		
Trade & Expense	88,631.99	905,001.43
S75 Pension Dividend	<u>1,349,880.00</u>	<u>4,821,000.00</u>
	(1,438,511.99)	(5,726,001.43)
	<u><u>(1,389,471.57)</u></u>	<u><u>1,409,874.42</u></u>
<b>REPRESENTED BY</b>		
Dividend Account - Non Interest Bearing		13,652.16
Interest Bearing Account		<u>1,396,222.26</u>
		<u><u>1,409,874.42</u></u>

In accordance with the requirements of Statement of Insolvency Practice 7, I should advise that the Supervisors' fees have been paid from a separate Remuneration Reserve.  
Fees drawn to date total £109,553.50, plus disbursements of £549.30 and VAT

**FEDERAL-MOGUL SINTERED PRODUCTS LIMITED - COMPANY VOLUNTARY ARRANGEMENT (CVA)**

**Time Analysis for the Period from 11 October 2007 to 10 October 2008**

**Appendix B**

	Employee Grade					(£'s)	
	(Hours)					Total Cost	Average
	Partner/ Director	Senior Associate	Associate/ Analyst	Junior Analyst/ Support	Total Hours		Rate p/h
<b>Administration and Planning</b>							
Strategy and Control	1.3	1.7	0.6	3.5	7.1	1,803.0	254
Bank and Creditor Reporting	-	0.9	1.0	-	1.9	562.5	296
Creditors Committee	-	-	-	-	-	-	-
Statutory Duties	-	0.1	0.2	-	0.3	89.0	297
Job Administration	-	2.5	0.1	5.9	8.5	1,616.5	190
Cash Accounting and Time Records	0.2	-	0.5	10.5	11.2	2,096.5	187
Travel and Waiting Time	-	-	-	-	-	-	-
Case Closure	-	-	-	-	-	-	-
Internal Documentation and IT	-	0.1	-	0.2	0.3	72.0	240
<b>Investigations</b>							
D Reports	-	-	-	-	-	-	-
Other Investigations	-	-	-	-	-	-	-
Internal Documentation	-	-	-	-	-	-	-
<b>Realisation of Assets - Fixed Charge</b>							
Initial Actions and Valuations	-	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Litigation	-	-	-	-	-	-	-
Internal and External Documentation	-	-	-	-	-	-	-
<b>Realisation of Assets - Debtors</b>							
Debt Collection	-	-	-	-	-	-	-
Debtors Litigation	-	-	-	-	-	-	-
Crown Debtors	-	-	-	-	-	-	-
Internal and External Documentation	-	-	-	-	-	-	-
<b>Realisation of Assets - Floating Charge</b>							
Initial Actions and Valuations	-	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Retention of Title	-	-	-	-	-	-	-
Hire Purchase / Leased Assets	-	-	-	-	-	-	-
Litigation	-	-	-	-	-	-	-
Internal and External Communications	-	-	-	-	-	-	-
<b>Trading</b>							
Initial Actions	-	-	-	-	-	-	-
Cash Accounting	-	-	-	-	-	-	-
Ongoing Trading Activities	-	-	-	-	-	-	-
Internal and External Communications	-	-	-	-	-	-	-
<b>Creditors</b>							
Creditor Dealings	-	-	-	13.3	13.3	1,662.5	125
Creditor claims	0.3	5.5	1.2	47.5	54.5	8,264.5	152
Litigation	-	-	-	-	-	-	-
Shareholders / Bankrupts	-	-	-	-	-	-	-
Internal Documentation	-	0.2	-	0.4	0.6	120.0	200
Employees	-	-	-	-	-	-	-
Employee Communications	-	-	-	-	-	-	-
<b>Totals</b>	<b>1.8</b>	<b>11.0</b>	<b>3.6</b>	<b>81.3</b>	<b>97.7</b>	<b>16,286.5</b>	<b>167</b>

**FEDERAL-MOGUL SINTERED PRODUCTS LIMITED - COMPANY VOLUNTARY ARRANGEMENT (CVA)**

**Cumulative Time Analysis for the Period from 11 October 2006 to 10 October 2008**

**Appendix C**

	Employee Grade					(C's)	
	(Hours)					Total Cost	Average
	Partner/ Director	Senior Associate	Associate/ Analyst	Junior Analyst/ Support	Total Hours		Rate p/h
<b>Administration and Planning</b>							
Strategy and Control	4.8	10.6	16.4	20.2	52.0	12,672.0	244
Bank and Creditor Reporting	-	1.4	1.3	-	2.7	806.0	299
Creditors Committee	-	-	-	-	-	-	-
Statutory Duties	-	0.3	0.2	0.2	0.7	191.0	273
Job Administration	0.3	5.9	0.8	24.0	31.0	5,261.0	170
Cash Accounting and Time Records	0.3	3.0	2.2	20.6	26.1	5,136.0	197
Travel and Waiting Time	-	1.0	1.5	2.8	5.3	1,080.0	204
Case Closure	4.5	-	-	-	4.5	2,137.5	475
Internal Documentation and IT	0.8	1.6	-	2.4	4.8	1,214.5	253
<b>Investigations</b>							
D Reports	-	-	-	-	-	-	-
Other Investigations	1.2	-	-	-	1.2	570.0	475
Internal Documentation	-	-	-	-	-	-	-
<b>Realisation of Assets - Fixed Charge</b>							
Initial Actions and Valuations	-	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Litigation	-	-	-	-	-	-	-
Internal and External Documentation	-	-	-	-	-	-	-
<b>Realisation of Assets - Debtors</b>							
Debt Collection	-	-	-	-	-	-	-
Debtors Litigation	-	-	-	-	-	-	-
Crown Debtors	-	-	-	-	-	-	-
Internal and External Documentation	-	-	-	-	-	-	-
<b>Realisation of Assets - Floating Charge</b>							
Initial Actions and Valuations	-	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Retention of Title	-	-	-	-	-	-	-
Hire Purchase / Leased Assets	-	-	-	-	-	-	-
Litigation	-	-	-	-	-	-	-
Internal and External Communications	-	-	-	-	-	-	-
<b>Trading</b>							
Initial Actions	1.5	-	-	-	1.5	712.5	475
Cash Accounting	-	-	-	-	-	-	-
Ongoing Trading Activities	1.7	-	15.0	0.3	17.0	4,880.0	287
Internal and External Communications	-	-	-	-	-	-	-
<b>Creditors</b>							
Creditor Dealings	0.2	0.6	1.4	195.6	197.8	24,785.0	125
Creditor claims	5.5	45.3	26.4	189.5	266.7	47,756.5	179
Litigation	-	-	-	-	-	-	-
Shareholders / Bankrupts	-	-	-	-	-	-	-
Internal Documentation	-	0.4	-	30.0	30.4	3,885.0	128
Employees	-	0.5	-	1.5	2.0	275.0	138
Employee Communications	-	-	-	-	-	-	-
<b>Totals</b>	<b>20.8</b>	<b>70.6</b>	<b>65.2</b>	<b>487.1</b>	<b>643.7</b>	<b>111,362.0</b>	<b>173</b>



**Additional Information in Relation to Supervisors' Fees Pursuant to  
Statement of Insolvency Practice 9**

**Appendix D**

**1 Policy**

Detailed below is Kroll's policy in relation to:

- staff allocation and the use of sub-contractors;
- professional advisors; and
- disbursements.

**5.1 Staff Allocation and the use of Sub-contractors**

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

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

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

We have not utilised the services of any sub-contractors in this case.

**Professional Advisors**

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

<b>Name of Professional Advisor</b>	<b>Basis of Fee Arrangement</b>
Denton Wilde Sapte (legal advice)	Hourly rate and disbursements

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

# FEDERAL-MOGUL SINTERED PRODUCTS LIMITED - COMPANY VOLUNTARY ARRANGEMENT (CVA)

## 5.2 Disbursements

Category 1 disbursements. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise of external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case.

## 6 Charge-out Rates

A schedule of Kroll charge-out rates effective from 1 January 2008 is detailed below.

	(Per hour) £
<b>Partner/Director:</b>	
Partner 1*	495
Partner 2*	445
Director	400
<b>Senior Associate:</b>	
Senior Associate 1*	350
Senior Associate 2*	325
<b>Associate/Analyst:</b>	
Associate	270
Analyst*	240
<b>Junior Analyst and Support Staff:</b>	
Junior Analyst*	125
Senior Treasury Associate	195
Treasury Associate	135
Treasury Analyst	80
Support	80
<b>*Key</b>	
Partner 1 – Partners with 3 or more years experience at partner level	
Partner 2 – Partners with less than 3 years experience at partner level	
Senior Associate 1 – Staff who have been Senior Associates for over 2 years	
Senior Associate 2 – Staff who have been Senior Associates for less than 2 years	
Analyst – Staff who have been Analysts for more than 1 year	
Junior Analyst – First year Analyst	