

164204

**Joint Supervisors'  
Annual Report to Creditors**

**Federal-Mogul Sealing  
Systems (Slough) Limited -  
Company Voluntary  
Arrangement**

**28 November 2008**



**KROLL**



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## 1 Introduction

- 1.1 You will recall that I was appointed Joint Supervisor of Federal-Mogul Sealing Systems (Slough) Limited (the **Company**)'s CVA, together with my partners, J Gleave and S Mackellar, on 11 October 2006.
- 1.2 This is my 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 £3,000,000. 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 £214,179.27.

## 3 Creditors

### *Preferential Creditors*

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

	Agreed Claims £
HM Revenue & Customs – PAYE / NI	70,308
HM Revenue & Customs – VAT	109,826
	<b>180,134</b>

### *Unsecured Creditors*

#### *Trade Creditors*

- 3.2 The process of reviewing and agreeing creditor claims is complete. I have agreed 275 claims totalling £722,513.65 of which 98 were agreed at a nil value. I have paid out a total of

£122,819.38 representing a dividend of 17 pence in the pound. All known creditor claims have now been agreed and has been paid an interim dividend.

- 3.3 The difference of £8.00 relates to one creditor's dividend payment being reduced by £8.00 as a bank charge was incurred when re-issuing their dividend cheque to them.

- 3.4 A second dividend will be paid to trade creditors once the position relating the non asbestos personal injury claims is resolved, further details of which can be found in 3.16 below.

*Inter-Company Creditors*

- 3.5 In accordance with the terms of the CVA proposals, the Inter-Company claims against the Company were capped at £80,000. I confirm that an Inter-Company claim of £80,000 has been received and agreed. To date I have paid £13,600 representing a dividend of 17 pence in the pound.

*Agency Companies*

- 3.6 The Company acted as an Agent of T&N Limited (**T&N**). T&N has no trading operations in its own name and conducted its operations through a number of subsidiaries, many of which acted as Agents of T&N. The Agency Agreement was not disclosed to external suppliers and other parties dealing with those subsidiaries.
- 3.7 The effect of this Agency status is that if the unsecured creditors of the Company receive a dividend which is below 100 pence in the pound, the Supervisor of the Company is entitled to make a claim against T&N for the balance of any such claims. This will result in a further dividend to the unsecured creditors of the Company. The additional dividend will be 25 pence in the pound on the balance of their outstanding claim.

*S75 Pension Creditors*

- 3.8 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.
- 3.9 In accordance with the terms of the CVA proposals, the Section 75 claim against the Company was capped at £9,180,000 and a claim of £8,584,000 was received from the Pension Protection Fund (**PPF**).
- 3.10 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 £8,584,000. A catch up dividend was paid to the PPF in May 2008, to bring their total distribution £1,459,280 representing a dividend of 17 pence in the pound.

- 3.11 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 delayed until several months after the payment to the other unsecured creditors, interest was also paid on the claim. The amount of £22,929 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.

*Asbestos Personal Injury Claimants*

- 3.12 The Company and a number of its affiliates were historically involved in the production of asbestos products. Exposure to asbestos can cause illnesses such as asbestosis and mesothelioma. These illnesses can take several decades to develop and become apparent. Former employees (and certain other people) who develop asbestos illnesses may be entitled to claim compensation from the Company.
- 3.13 Under the terms of the CVA, claims from asbestos personal injury claimants are dealt with by The T&N Asbestos Trustee Company Limited (the **Trustee**). However, the Company then reimburses the Trust for any payments made. All claims have been reviewed in detail by the Trustee of the T&N Asbestos Trust and the EL Trust, in line with the Trust Distribution Procedures. To date, £19,690 has been reimbursed to the Trust in respect of asbestos claimants of the Company.
- 3.14 Claims for compensation might continue to be made against the Company for many years to come, therefore to ensure that compensation will still be available after the CVAs end, the Trusts will remain open for many years to come.
- 3.15 If you think you are entitled to make a claim in the UK Asbestos Trust or if you require an annual report on the UK Asbestos Trust and EL Trust, please contact:

T&N Asbestos Trustee Company Limited  
Suite 11b  
Manchester International Office Centre  
Styal Road  
Manchester  
M22 5WB

*Non-Asbestos Personal Injury Claims*

- 3.16 I previously reported that there was a potential liability in respect of non asbestos personal injury claims. To date I have received one claim which is currently being adjudicated and I estimate that this claim will be finalised within three months.
- 3.17 Once this claim has been finalised I will be able to pay a second dividend to trade creditors.

**4 Supervisors' Remuneration**

- 4.1 The CVA Proposals stated that a Remuneration Reserve shall 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 £105,390.50. This represents 550.6 hours at an average rate of £191 per hour. To date, £102,993.50 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 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 in 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 our policy on staffing, the use of sub-contractors and re-charging of disbursements.

**5 Conclusion**

- 5.1 Finally, following this report the Supervisors will continue to deal with the non asbestos personal injury and unsecured creditor claims, pay a final dividend and proceed to make an agency claim against T&N.

**FEDERAL-MOGUL SEALING SYSTEMS (SLOUGH) LIMITED - COMPANY  
VOLUNTARY ARRANGEMENT (CVA)**

5.2 I estimate that the CVA will be concluded during the second quarter of 2009.

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

Yours faithfully

A handwritten signature in black ink, appearing to read 'Anne O'Keefe', written in a cursive style.

**Anne O'Keefe**  
Joint Supervisor

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**FEDERAL-MOGUL SEALING SYSTEMS (SLOUGH) 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 Sealing Systems (Slough) Ltd**

	From 11/10/2007 To 10/10/2008	From 11/10/2006 To 10/10/2008
<b>ASSET REALISATIONS</b>		
Transfer from Administration	NIL	3,000,000.00
Bank Interest Gross	94,303.43	214,179.27
	<u>94,303.43</u>	<u>3,214,179.27</u>
<b>COST OF REALISATIONS</b>		
Interest payable to PPF	22,929.00	22,929.00
Bank Charges	279.76	469.49
	<u>(23,208.76)</u>	<u>(23,398.49)</u>
<b>PREFERENTIAL CREDITORS</b>		
HMRC - VAT	NIL	109,825.78
HMRC - PAYE/NI	NIL	70,308.04
	<u>NIL</u>	<u>(180,133.82)</u>
<b>UNSECURED CREDITORS</b>		
Trade & Expense Creditors	5,663.61	122,819.38
Asbestos Creditors	19,690.00	19,690.00
Inter Company Dividend	NIL	13,600.00
S75 Pension Dividend	408,598.40	1,459,280.00
	<u>(433,952.01)</u>	<u>(1,615,389.38)</u>
	<u><u>(362,857.34)</u></u>	<u><u>1,395,257.58</u></u>
<b>REPRESENTED BY</b>		
Dividend Account - Non Interest Bearing		2,074.49
Interest Bearing Account		1,393,183.09
		<u><u>1,395,257.58</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 £102,993.50, plus disbursements of £534.34 and VAT

**FEDERAL-MOGUL SEALING SYSTEMS (SLOUGH) 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
	<u>Partner/ Director</u>	<u>Senior Associate</u>	<u>Associate/ Analyst</u>	<u>Junior Analyst/ Support</u>	<u>Total Hours</u>		<u>Rate p/h</u>
<b>Administration and Planning</b>							
Strategy and Control	1.8	3.9	2.9	1.9	10.5	3,183.5	303
Bank and Creditor Reporting	-	0.7	3.0	1.7	5.4	1,211.0	224
Creditors Committee	-	-	-	-	-	-	-
Statutory Duties	0.2	0.2	0.3	0.1	0.8	245.5	307
Job Administration	-	0.1	0.4	5.3	5.8	793.5	137
Cash Accounting and Time Records	0.5	2.7	3.9	10.6	17.7	3,964.5	224
Travel and Waiting Time	-	-	-	-	-	-	-
Case Closure	-	-	-	-	-	-	-
Internal Documentation and IT	-	0.3	-	-	0.3	105.0	350
<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	-	0.1	2.7	1.2	4.0	833.0	208
Creditor claims	2.9	2.6	11.7	27.1	44.3	8,453.5	191
Litigation	-	-	-	-	-	-	-
Shareholders / Bankrupts	-	-	-	-	-	-	-
Internal Documentation	-	-	-	-	-	-	-
Employees	-	-	-	-	-	-	-
Employee Communications	-	-	-	-	-	-	-
<b>Totals</b>	<b>5.4</b>	<b>10.6</b>	<b>24.9</b>	<b>47.9</b>	<b>88.8</b>	<b>18,789.5</b>	<b>212</b>

**FEDERAL-MOGUL SEALING SYSTEMS (SLOUGH) LIMITED - COMPANY  
VOLUNTARY ARRANGEMENT (CVA)**

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

**Appendix C**

	Employee Grade					Total Hours	(£'s)	
	(Hours)	Partner/	Senior	Associate/	Junior Analyst/		Total Cost	Average
		Director	Associate	Analyst	Support			Rate p/h
<b>Administration and Planning</b>								
Strategy and Control	4.0		11.3	9.5	7.3	32.1	8,903.5	277
Bank and Creditor Reporting	-		1.2	3.4	1.7	6.3	1,481.5	235
Creditors Committee	-		-	-	-	-	-	-
Statutory Duties	0.2		0.7	0.9	0.5	2.3	602.0	262
Job Administration	-		2.0	3.7	33.8	39.5	5,553.0	141
Cash Accounting and Time Records	3.4		5.0	7.5	19.3	35.2	8,166.0	232
Travel and Waiting Time	7.2		-	-	-	7.2	3,060.0	425
Case Closure	-		-	-	-	-	-	-
Internal Documentation and IT	-		0.5	1.6	1.3	3.4	764.5	225
<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	-		0.3	-	-	0.3	97.5	325
Debtors Litigation	-		-	-	-	-	-	-
Crown Debtors	-		-	-	-	-	-	-
Internal and External Documentation	-		-	-	-	-	-	-
<b>Realisation of Assets - Floating Charge</b>								
Initial Actions and Valuations	-		-	-	-	-	-	-
Sale of Assets	0.2		-	-	-	0.2	85.0	425
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	13.4		0.1	16.8	73.3	103.6	18,299.5	177
Creditor claims	12.6		45.6	61.4	191.8	311.4	57,385.5	184
Litigation	-		-	-	-	-	-	-
Shareholders / Bankrupts	-		-	-	-	-	-	-
Internal Documentation	-		0.9	-	8.2	9.1	992.5	109
Employees	-		-	-	-	-	-	-
Employee Communications	-		-	-	-	-	-	-
<b>Totals</b>	<b>41.0</b>		<b>67.6</b>	<b>104.8</b>	<b>337.2</b>	<b>550.6</b>	<b>105,390.5</b>	<b>191</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.

**1.1 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, eg, 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 SEALING SYSTEMS (SLOUGH) LIMITED - COMPANY  
VOLUNTARY ARRANGEMENT (CVA)**

**1.2 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.

**2 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	