

The Insolvency Act 1986
Statement of Administrator's
Proposals
Pursuant to Section 23(1)(a) of
the
Insolvency Act 1986

S.23(1)(a)

For Official Use

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Company Number

166702

To the Registrar of Companies

Name of Company

Insert full name of
company

The Washington Chemical Company Limited

Insert full name and
address

We, Simon Vincent Freakley
84 Grosvenor Street
London
W1K 3LN

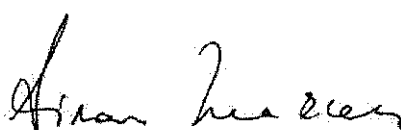
James John Gleave
1 Oxford Court
Bishopsgate
Manchester, M2 3WR

Joint Administrators of the company attach a copy of our proposals for achieving the purposes set out in the administration order filed herein. A copy of these proposals was sent to all known creditors on:

Insert date

3 December 2001

Signed



Dated 20 December 2001

Presenter's name,
address and reference
(if any)

Simon Vincent Freakley
Kroll Buchler Phillips Limited
84 Grosvenor Street
London
W1K 3LN

For Official Use

Insolvency Section

Post Room

A34
COMPANIES HOUSE0456
03/01/02

**The Washington Chemical Company Limited
(In Administration) ("the Company")**

**Statement of Joint Administrators' Proposals Pursuant to Section 23 of the
UK Insolvency Act 1986 and Rule 2.16 of the UK Insolvency Rules 1986**

This statement sets out proposals in relation to the affairs of the Company and should be read in conjunction with the attached General Report and Background ("the General Report") to the proposals of the Joint Administrators.

1. Statutory Information

The Company forms part of a complex group of companies controlled by the ultimate parent company, Federal-Mogul Corporation, based in Southfields, Michigan USA.

Attached at **Appendix 1** to this statement is a summary of the statutory information for the Company.

2. Financial Position

Attached at **Appendix 2** to this statement is a copy of the Statement of Affairs ("SoA") for the Company prepared by the Directors, including explanatory notes in support of the SoA. This information has not been audited or verified by the Joint Administrators.

Attached at **Appendix 3** to this statement is a summary of balance sheets for the Company as at 31 December 1998, 31 December 1999, 31 December 2000 and 30 June 2001.

3. Purposes of the Administration Orders

The Administration Orders were made to achieve one or more of the following purposes:-

- The approval of a voluntary arrangement under Part 1 of the UK Insolvency Act 1986; and/or
- The sanctioning under Section 425 of the Companies Act 1985 of a compromise or arrangement between the Company and any such persons as are mentioned in that section.

4. Proposals

Pursuant to Section 23 of the UK Insolvency Act 1986 and Rule 2.16 of the UK Insolvency Rules 1986, the Joint Administrators present the following proposals for consideration at the meeting of creditors of the Company on 19 December 2001:-

- The Joint Administrators continue to manage the outstanding matters in relation to the Company as they consider necessary and to work with Management towards the development of a Reorganisation Plan as discussed in Section 6 of the attached General Report. In the absence of a creditors' committee being constituted, a further meeting of creditors will be called as soon as detailed proposals can be presented, to enable the creditors to consider the matter further.

- The Joint Administrators will continue to do all such other things and generally exercise all of their powers as contained in Schedule 1 of the UK Insolvency Act 1986, as they, consider desirable or expedient in order to achieve the purposes of the Administration Order for the Company. This is also in order to protect and preserve the assets of the Company, and to maximise the realisation of its assets, or to achieve any other purposes which are consistent with these proposals, subject to the Protocol referred to in Section 5.1 of the General Report.
- The creditors consider establishing a creditors' committee. If any such a committee is formed, it be authorised to sanction any proposed act on the part of the Joint Administrators without the need to report back to a further meeting of creditors, to include making any decision about the most appropriate exit route from the Administration.
- In the absence of a creditors' committee being formed, the Joint Administrators may decide on the most appropriate exit route from the Administration, having due regard to the interests of any creditors which would be preferential in a subsequent Compulsory Liquidation. This matter will be discussed at the proposed meeting to be convened for the purpose of considering detailed proposals. The following options will be available as exit routes from the Administration of the Company:-
 - Compulsory winding-up;
 - Creditors' Voluntary winding-up;
 - Company Voluntary Arrangement;
 - Section 425 (Companies Act 1985) Scheme of Arrangement.

It is proposed that these options will be discussed fully in our detailed proposals to be submitted as soon as we are in a position to present them.

5. Recommendation

We are of the view that it is in the best interests of the creditors of the Company to vote to allow the Joint Administrators an extension of time, to report further on the conduct of the Chapter 11 and Administration proceedings, together with providing proposals (with a view towards the global resolution of claims and issues) that are based on more complete information.



G P Squires
Joint Administrator

Date: 30 November 2001

The Washington Chemical Company Limited
(In Administration)

Statutory Information

Name of Company	The Washington Chemical Company Limited
Company Number	166702
Date of Incorporation	April 19, 1920
Registered Office	c/o T&N Limited, Manchester International Office Centre, Styal Road, Manchester, M22 5TN
Current Directors	David Matthew Sherbin and James Zamoyski
Current Company Secretary	Andrew Christopher Boydell
Share Capital	3,000,000 ordinary shares @ £1.00 each

STATEMENT OF AFFAIRS The Washington Chemical Company Limited

Statement as to affairs of

:
:
:

The Washington Chemical Company Limited

On 1 October 2001

The date of the Administrators' Appointment

AFFIDAVIT / AFFIRMATION

This Affidavit / Affirmation must be sworn or affirmed before a Solicitor or Commissioner of Oaths or an officer of the court duly authorised to administer oaths when you have completed the rest of the form.

I**James J. Zamoyski****26555 Northwestern Highway, Southfield, MI 48034**

Swear / affirm that the several pages attached marked A, A1, B & C including the footnotes and exhibits are to the best of my knowledge and belief a full, true and complete statement as to the affairs of the above named company as at 1 October 2001 the date of the Administrative Receivers' Appointment and that the said company carried on business as a dormant company.

Sworn / affirmed at

Southfield, Michigan USA
NOV 21 2001

Date

Signature

James Zamoyski
Patricia S. Finney

Before Me

PATRICIA S. FINNEY
Notary Public, Oakland County, Michigan
My commission expires on July 17, 2003

A Solicitor or Commissioner of Oaths

The Solicitor or Commissioner is particularly requested, before swearing / affirming the affidavit, to make sure that the full name, address and description of the Deponent are stated, and to initial any crossings-out or other alterations in the printed form. A deficiency in the affidavit in any of the above respects will mean that it is refused by the court, and will necessitate its being re-sworn / re-affirmed.

Insolvency Act 1986

Statement of Affairs as of October 1, 2001

Explanatory Notes

The attached Statement of Affairs has been generally prepared using the historical book values of the assets and liabilities as maintained in the Company's books and records.

Intercompany receivables, payables or loans are included herein at historical book values, and may be subject to various and potentially significant adjustments, such as writedowns due to subsequent events, setoffs, or accrued interest. Many of these intercompany receivables, payables or loans arose as a result of historical acquisitions or transactions for which the underlying documentation is not readily available.

Investments represent the investments held in subsidiaries of the Company. The historical book values maintained in the Company's books and records represent the cost of the original investment or an allocation of the cost based upon various tax and structuring strategies and would not be representative of current estimated value. To the extent the Company has such investments, the line item is included herein with no designated amount, and the investments are listed and described in Exhibit 5.

Federal-Mogul Corporation, T&N Limited and many of their subsidiaries (collectively, the "Federal-Mogul Entities") have been named as defendants in litigation involving personal injury claims arising from alleged exposure to asbestos. The Company may be named as a defendant in such litigation. If the Company has been named in such litigation, based on the records that are currently available, the number of such claims, along with the respective attorney's name, to the extent known, is listed in Exhibit 3. Given the hundreds of thousands of asbestos claims that have been asserted against the Federal-Mogul Entities, along with hundreds of other unrelated companies, in litigation in the United States, it is difficult to determine at this time which Federal-Mogul Entities have been named, and the actual number of claims that have been asserted. The ultimate merit and value of these claims is currently unknown.

To the extent the Company has actual asbestos liabilities, it may obtain insurance recoveries as a named insured under various applicable insurance policies. The amount of such potential insurance recoveries is currently unknown.

If the Company has been named as a defendant in litigation, such as the asbestos personal injury lawsuits, it may have indemnification and contribution claims against co-defendants, and the co-defendants in such litigation may have similar claims against the Company. If the Company has been named in such litigation, based on the records that are currently available, a list of the potential co-defendants is listed on Exhibit 4.

This Company's Statement of Affairs does not contain Exhibit 1 or Exhibit 2, and as stated above, may or may not contain Exhibits 3, 4 or 5.

Insolvency Act 1986

Company; The Washington Chemical Company Limited

Estimated Statement of Affairs as at 1 October 2001

A - SUMMARY OF ASSETS	Book Value Per Management Accounts as at 1/10/01 £	Estimated Realisable Values £
<u>Assets Specifically Pledged:-</u>		
Bank Balances		
Less:		
Set-off		
Land and Buildings/Property		
Less:		
Amount Owed to Mortgagor		
Leased Plant and Equipment		
Less:		
Amount Owed to Lessor		
Leased Motor Vehicles		
Less:		
Amount Owed to Lessor		
Total Assets Specifically Pledged	-	
<u>Assets Not Specifically Pledged:-</u>		
Return of Deposits/Bonds		
VAT/Corporation Tax Refund		
Cash on Hand		
Cash at Bank	670	
Unit Trust Holdings		
Land and Buildings/Property		
Plant and Equipment		
Motor Vehicles		
Raw Materials		
Work in Progress		
Finished Goods		
Debtors		
Intercompany/Related Entity Receivables	2,786,002	
Branch Capital account		
Director Loan Accounts		
Investments		
Beneficial Interest in Intangible Assets		
Total Assets Not Specifically Pledged	2,786,672	
Estimated Total Assets Available for Preferential Creditors	2,786,672	

The accompanying explanatory notes should be read in conjunction with these statements

Insolvency Act 1986

Company; The Washington Chemical Company Limited

Estimated Statement of Affairs as at 1 October 2001

A1 - SUMMARY OF LIABILITIES	Book Value Per Management Accounts as at 1/10/01 £	Estimated Realisable Values £
Estimated Total Assets Available for Preferential Creditors (carried forward from Page A)	2,786,672	
Less:		
<u>Preferential Claims:-</u>		
Employee Claims		
Customs and Excise - VAT		
Inland Revenue - PAYE/NIC		
Pension Funds		
Total Preferential Claims	-	
Estimated Surplus/(Deficiency) of Assets Available for Non-Preferential Creditors	2,786,672	
Less:		
<u>Non-Preferential Claims:-</u>		
Bank Overdraft		
Trade and Expense Creditors		
Employee Claims		
Hire Purchase/Lease Liability		
Asbestos Claimants		Unknown
Unsecured Bank Loans		
Intercompany/Related Entity Loan Accounts	1,692	
Branch Capital account		
Director Loan Accounts		
Total Non-Preferential Claims	1,692	
Estimated Surplus/(Deficiency) as Regards Creditors	2,784,980	
Less:		
Issued and Paid Up Capital:- £1 Ordinary Shares	2,785,000	
Estimated Surplus/(Deficiency) as Regards Members	(20)	

The accompanying explanatory notes should be read in conjunction with these statements

Insolvency Act 1986

Company; The Washington Chemical Company Limited

B - Creditors as at 1 October 2001

Creditors	Amount £
Intercompany Current Account	
T&N Limited	690
	<u>690</u>
Intercompany Loan	
T&N Limited	1,000
	<u>1,000</u>
Interest Payable	
T&N Limited	2
	<u>2</u>
Notes	<u><u>1,692</u></u>

Insolvency Act 1986

Company; The Washington Chemical Company Limited

C - Shareholders as at 1 October 2001

Share type	Shareholder	Number held	Nominal	
			value	£
£1 Ordinary Shares	Fleetside Investments Limited	2,784,999	2,784,999	
	T&N Welfare Trust Limited	1	1	
	(Held on behalf of Fleetside Investments Limited)	<u>2,785,000</u>	<u>2,785,000</u>	

Summary of Financial Statements by Entity

The Washington Chemical Company Limited

	Six Months Ended 30 June 2001 £,000 Draft	Year ended 31 December 2000 £,000 Draft	Year ended 31 December 1999 £,000 Audited	Year ended 31 December 1998 £,000 Audited
Turnover		DORMANT		
Gross Profit / (Loss)				
Gross Profit Percentage				
Operating Profit / (Loss)				
Exceptional Items and Interest				
Profit / (Loss) on Ordinary Items before Taxation				
Profit / (Loss) after Taxation				

	Six Months Ended 30 June 2001 £,000 Draft	Year ended 31 December 2000 £,000 Draft	Year ended 31 December 1999 £,000 Audited	Year ended 31 December 1998 £,000 Audited
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Fixed Assets

Property				
Plant and Equipment				
Net Goodwill				
Intellectual Property and other intangibles				
Long Term Debts				
- Intercompany				
- Other				
Investments				
- Group	2,785	2,785	2,785	2,785
- Other				

Current Assets

Stock / Work In Progress				
Trade Debtors				
Short term Intercompany debtors	1	1	0	0
Other Debtors				
Prepayments				
Cash	1	1	0	0

Current Liabilities

Trade Creditors				
Intercompany Liabilities	(2)	(2)	0	0
Other Creditors and Accruals				
Short term debt				

<u>Net Current Assets</u>	0	0	0	0
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Long Term Liabilities

Intercompany Liabilities				
Bank Debt				
Asbestos Provision				
Lease and Other				
<u>Net Assets</u>	<u>2,785</u>	<u>2,785</u>	<u>2,785</u>	<u>2,785</u>

**FEDERAL-MOGUL UK FILING GROUP OF COMPANIES
(IN ADMINISTRATION)**

**GENERAL REPORT AND BACKGROUND TO THE PROPOSALS
OF THE JOINT ADMINISTRATORS**

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FEDERAL MOGUL UK FILING GROUP OF COMPANIES (IN ADMINISTRATION)

This executive summary has been prepared to provide creditors with a brief overview of the relevant issues relating to an extremely complex case. It also summarises a considerable amount of detail that is disclosed within the main body of the General Report and Background to the proposals.

1. EXECUTIVE SUMMARY

- 1.1.1 Partners at Kroll Buchler Phillips have been appointed as Administrators of 133 (out of 182) companies of the Federal-Mogul UK Group of Companies (the **"UK Filing Group"**). They have been appointed as part of a global rescue plan in parallel with a Chapter 11 proceedings in the USA.
- 1.1.2 The purpose of the General Report is to provide all creditors with a statement of the Joint Administrators' proposals for achieving the purposes specified within the Administration Orders dated 1 October 2001.
- 1.1.3 The shares in Federal-Mogul Corporation (**"FMC"**), the ultimate parent of the Federal-Mogul Group (**"FM Group"**), are listed on the New York Stock Exchange. The FM Group carries on business from approximately 295 locations in 53 countries. Approximately one-third of the FM Group's sales in the year ended 31 December 2000 occurred outside North America, with 31% of total sales being in Europe. Global Turnover for 2000 was approximately US\$6.01 billion.
- 1.1.4 The FM Group is an automotive and vehicle parts manufacturer. The products are marketed under a variety of brand names, including Champion, Anco, Moog, Sealed Power and Wagner. Approximately 56% of FM Group sales are to original equipment manufacturers, with the balance going to aftermarket customers. The FM Group is the sole-source provider of one or more critical components for most automobiles produced in the USA.
- 1.1.5 FM Group's involvement in the UK commenced, to a significant extent, with the acquisition of T&N Limited (**"T&N"**), pursuant to a public offer made in November 1997. This acquisition greatly increased the FM Group's exposure to asbestos related claims from claimants in both the USA and the UK. It is the actual and contingent asbestos related liabilities that are threatening the solvency of the FM Group, culminating in the FM Group filing for Chapter 11 protection in the USA. This also resulted in the UK Filing Group applying for Administration Orders. As of 30 June 2001, the FM Group estimated its future aggregated asbestos related liability at US\$1.6 billion.
- 1.1.6 The UK Filing Group had turnover in the year to 31 December 2000 of approximately £400 million and employed around 4,500 people. It supplies all the major vehicle manufacturers in Europe, trading under trademarks such as Champion, Ferodo, Payen and AE.
- 1.1.7 The FM Group operates and is managed, to a large extent, on a global product basis rather than on a corporate entity basis. Management and production decisions are generally made in respect of product groups, rather than being specific to individual companies or countries. As a result, the management, operations and intrinsic value of the individual entities are inextricably linked to the members of both the UK Filing Group and the FM Group in other countries.

- 1.1.8 It is our view that the interests of the creditors of each entity are best served by securing, where possible, the survival of the relevant entity in order that it is in a position to discharge its liabilities. In turn, the interests of each entity are best served by the FM Group continuing to be managed as a group. This requires considerable co-operation between the UK, Continental Europe and the USA. We have agreed with the management of the UK Filing Group and USA management (together referred to as "**Management**") a cross-border insolvency protocol (the "**Protocol**") to regulate the management of the UK Filing Group during the Administrations. Given the interdependence of the members of the FM Group, the realisation of assets on a break-up basis or by attempting to sell the businesses on a entity-by-entity basis is unlikely to be practical or in the best interests of creditors.
- 1.1.9 Globally, the FM Group will require significant funding in order to trade during the USA Chapter 11 and UK Administration proceedings and credit facilities are in place. At present, we believe that sufficient funding is already in place or could be made available for the UK Filing Group during the Administrations. Trading performance in the Administrations is being kept under careful review.
- 1.1.10 Management intend, in consultation with the Joint Administrators, to commence discussions in relation to the development of a consensual, global plan of reorganisation designed to be approved by all classes of creditors (the "**Reorganisation Plan**"). Both the Joint Administrators and Management believe that the pursuit and approval of such a plan provides the best prospect for maximum recovery in a reasonable timeframe. We expect this plan to provide a mechanism for managing asbestos liabilities and to propose an arrangement for payment or compromise of all claims. The long-term survival of the UK Filing Group is inextricably linked with the survival of the FM Group as a whole. In the event that the Reorganisation Plan involves a compromise of the claims of any of the UK Filing Group's creditors, we will work towards an arrangement with those creditors under English law.
- 1.1.11 The Joint Administrators propose to work with Management towards achieving greater certainty as to the broad outline of the Reorganisation Plan. In the absence of a creditors' committees being constituted, further meetings of creditors will be called as soon as detailed proposals can be presented, to enable creditors to consider the matter further.
- 1.1.12 Based on USA legal advice, the Joint Administrators believe that if Liquidation processes were commenced, it is probable that the asbestos creditors would seek to prove in the liquidations. Whether or not such claims could be sustained, the distribution process would be severely delayed until these claims were resolved.
- 1.1.13 If the Reorganisation Plan can be agreed giving asbestos claimants satisfaction from other sources, it is likely that dividends to other creditors will be enhanced.

2. INTRODUCTION

2.1 Introduction and Purposes

2.1.1 This is the independent report, pursuant to Section 23 of the UK Insolvency Act 1986, of the Joint Administrators of 133 companies of the UK Filing Group, as set out in Appendix 1.

2.1.2 Each UK Filing Group Company has three Joint Administrators who were appointed by an Order of the UK High Court of Justice, Chancery Division, on 1 October 2001. Simon Vincent Freakley and James John Gleave are common to all appointments, and the following were appointed as third Joint Administrator to specific UK Filing Group Companies:-

Ian Peter Phillips	Federal-Mogul Global Growth Limited F-M UK Holding Limited
Gurpal Singh Johal	Federal-Mogul Camshaft Castings Limited Federal-Mogul Camshafts Limited Federal-Mogul Sintered Products Limited
Charles Peter Holder	Federal-Mogul Bradford Limited Federal-Mogul Bridgwater Limited
Alastair Paul Beveridge	Federal-Mogul Sealing Systems (Cardiff) Limited Federal-Mogul Sealing Systems (Rochdale) Limited Federal Mogul Sealing Systems (Slough) Limited
Simon Wilson	Federal-Mogul Aftermarket UK Limited Federal Mogul Systems Protection Group Limited
Fraser James Gray	Federal-Mogul Engineering Limited Federal-Mogul Ignition (U.K.) Limited
Gary Peter Squires	All other UK Filing Group Companies not addressed above

2.1.3 The Joint Administrators have been appointed to the UK Filing Group as part of a global rescue plan which is operating in parallel with Chapter 11 proceedings in the USA. All companies in the UK Filing Group have also filed for Chapter 11 proceedings. However, none of the Federal-Mogul sites in Continental Europe are subject to any form of insolvency proceedings and those sites are continuing to operate under the direct control of pre-existing management.

2.1.4 The purpose of this report is to provide all creditors with a statement of the Joint Administrators' proposals for achieving the purposes specified in the Administration Orders dated 1 October 2001.

2.1.5 The Administration Orders were made to achieve one or more of the following:-

- The survival of the UK Filing Group of Companies, and the whole or any part of their undertakings, as going concerns;
- The approval of voluntary arrangements under Part 1 of the UK Insolvency Act 1986;
- The sanctioning under Section 425 of the Companies Act 1985 of compromises or arrangements between the UK Filing Group of Companies and any such persons as are mentioned in that Section;
- And/or, in one case, a more advantageous realisation of assets than would be effected on a winding-up.

The specific Administration purpose for the UK Filing Group on an individual company-by-company basis is set out in **Appendix 1**.

- 2.1.6 The registered office of each member of the UK Filing Group is at Styal Road, Manchester, M22 5TN. Key statutory information for each member of the UK Filing Group is summarised in the Statement of Joint Administrators' Proposals for each individual company attached to this report.

2.2 Qualifications and Independence :

- 2.2.1 We, Simon Vincent Freakley, Ian Peter Phillips, Gary Peter Squires and Alastair Paul Beveridge of Kroll Buchler Phillips ("KBP"), 84 Grosvenor Street, London W1K 3LN, James John Gleave and Simon Wilson of KBP, 1 Oxford Court, Bishopsgate, Manchester M2 3WR, Gurpal Singh Johal of KBP, Aspect Court, 4 Temple Row, Birmingham B2 5HG, Fraser James Gray of KBP, Afton House, 26 West Nile Street, Glasgow G1 2PF and Charles Peter Holder of KBP, Level 5, Airedale House, 77 Albion Street, Leeds LS1 5AP are all experienced Chartered Accountants and Licenced Insolvency Practitioners.
- 2.2.2 In December 2000, we had an initial video-conference call with James Zamoyski the Senior Vice President and General Counsel of FMC together with their legal advisers, Sidley Austin Brown & Wood ("SABW") and FMC's financial advisers PricewaterhouseCoopers ("PWC") to discuss the position of the FM Group. Prior to that time, neither KBP nor its employees had any professional relationship, dealings, or involvement with the FM Group or its Directors.
- 2.2.3 Following subsequent meetings with FMC, SABW and PWC we ascertained that, due principally to the asbestos liabilities that have accrued and continue to accrue, the FM Group was in financial difficulty. FMC's Directors recognised the problems facing the FM Group and considered the various options and strategies available.
- 2.2.4 We neither prepared detailed accounts nor conducted any audit work prior to the granting of the Administration Orders. All background and pre-Administration information in this report has been obtained from the Directors and employees of FMC and the UK Filing Group, or their professional advisors, and from documents filed at the Registrar of Companies.

3. BACKGROUND

3.1 Global Background

General

- 3.1.1 FMC was incorporated in the State of Michigan, USA, in 1899 and its shares are listed on the New York Stock Exchange. FMC is the ultimate corporate parent of a worldwide group of companies (the "FM Group") which carries on its businesses from approximately 295 manufacturing and technical centres, distribution and sales and administrative office facilities, which are located in approximately 53 countries throughout North and South America, Asia, Africa, Europe, Australia and New Zealand. Approximately one-third of the FM Group's sales in the financial year ended 31 December 2000 occurred outside North America, with the majority of those sales (31% of the FM Group's aggregate sales) being in Europe. The FM Group has approximately 50,000 full-time employees, of whom roughly 23,000 are employed in the United States, with the majority of the remainder employed throughout Europe.
- 3.1.2 The members of the FM Group are automotive and vehicle parts manufacturers providing solutions and systems to global customers in the automotive, small engine, heavy-duty and industrial markets. Among the products manufactured by the FM Group are engine bearings, pistons, rings, sealing systems, wipers, ignition, brake, friction and chassis products. The products of the FM Group are marketed under a variety of brand names including Federal-Mogul, Champion, Anco, Moog, Sealed Power and Wagner. The principal customers of the FM Group include:-
- A majority of the world's leading original equipment manufacturers ("OEMs") of vehicles and industrial products;
 - Suppliers to the original equipment manufacturers ("OESs"); and
 - Aftermarket customers, which include a variety of distributors, engine rebuilders and retail parts stores.
- 3.1.3 Approximately 56% of the aggregate sales of the FM Group are to OEMs, with the remaining 44% of sales going to aftermarket customers.
- 3.1.4 The FM Group is the sole-source provider of one or more critical components for most automobiles produced in the USA. It also manufactures critical parts for up to eighty percent of the heavy-duty industrial vehicles produced by their customers, such as Caterpillar, John Deere and Navistar, among others. The vast majority of the products are specifically engineered for use by these customers, and the relevant members of the FM Group have undergone rigorous quality certification by their customers as a precondition to the supply of these products. Given both the breadth of the FM Group's customer base and the FM Group's status as the exclusive provider of many of its customers' products, any disruption in the FM Group's manufacturing operations would have significant adverse effects on the automotive and other vehicle-manufacturing industries throughout the world, and compromise severely the FM Group's prospects for a successful reorganisation.
- 3.1.5 Through acquisition, the FM Group has inherited businesses, including those in the UK, which have been subject to an increasing number of asbestos-related lawsuits. The cost of litigation to the FM Group, prior to the statutory stay granted by the Chapter 11 and UK Administration procedures, was overwhelming. The financial difficulties facing the FM Group as a result of this litigation have been compounded by the deterioration of automotive sector trading conditions in the USA and worldwide. As with a number of companies in the USA facing similar asbestos-related litigation, the FM Group has been forced to seek protection through USA Chapter 11 proceedings.

Global Product Groups

3.1.6 The FM Group's operations are currently organised into the following four global product groups (the "Product Groups"):-

- Powertrain (which itself is divided into Power Cylinder, and Valve Train and Transmissions);
- Friction;
- Sealing Systems and Systems Protection; and
- Ignition, Wipers and Filters.

3.1.7 The sites of each of the four Product Groups in Europe (which, for FM Group purposes includes South Africa) are summarised below.

- **Powertrain:** Power Cylinder has 23 plants; 19 in Europe and four in South Africa with the UK sites being at Sunderland (a joint venture), Bradford, Bridgwater and Ilminster. Valve Train and Transmissions has seven plants, all in Europe; the UK sites are situated at Elstead, Lydney and Coventry.
- **Friction:** This Product Group has eight plants in Europe and South Africa. There are two plants in the UK, being at Chapel-en-le-Frith and Kilmarnock. Chapel-en-le-Frith is the lead plant for this Product Group.
- **Sealing Systems and Systems Protection:** This Product Group has ten plants; nine in Europe and one in South Africa. The UK sites are situated at Slough, Cardiff and two in Rochdale (one of the Rochdale sites being Systems Protection).
- **Ignition, Wipers and Filters:** There is one plant in the UK, at Upton.

Aftermarket

3.1.8 In addition to the four Product Groups, there is also the European Aftermarket division (including South Africa), which, as the markets are so different, is organised on a separate European and USA basis. The European Aftermarket division comprises eight main packing, warehousing and distribution facilities. There is only one UK site, at Bradford.

Joint Ventures and Investments

3.1.9 In addition to the many wholly-owned members of the FM Group, the FM Group also has shareholdings of less than 100% in many companies around the world. Most of these investments are in conjunction with long-standing strategic partners such as Japan Brake Industrial and Teikoku Piston Ring Company Limited. The joint ventures operated by members of the FM UK Group are dealt with in more detail in paragraph 3.2.6 below.

3.2 UK Group

Brief History

- 3.2.1 There are currently 182 companies in the FM Group which are incorporated in England and Wales (together the "**English Companies**"). The FM Group also includes a company incorporated in Scotland, T&N Investments Limited ("**TNInv**"), and a company incorporated in Northern Ireland (Glass Fabrics Limited); the English Companies, together with TNInv and Glass Fabrics Limited, together referred to as the "**UK Group**".
- 3.2.2 The FM Group's substantial involvement in the UK Group was triggered by its public offer, on 13 November 1997, to acquire the whole of the issued share capital of T&N. This acquisition brought with it a greatly increased exposure to existing and potential asbestos related claims, adding to the small number of similar claims that certain FM Group members were already facing. Although the FM Group's core businesses are suffering from the deterioration in trading conditions in the automotive sector, it is the actual and contingent asbestos related liabilities which are threatening the solvency of the FM Group as a whole.

Current Structure of UK Group

- 3.2.3 A simplified version of the UK Group structure is shown at **Appendix 2**. The most senior English company in the UK Group is F-M UK Holding Limited ("**FMUKH**"), which is a direct wholly-owned subsidiary of Federal-Mogul UK Holdings Inc (a company incorporated in the USA) and which in turn is the direct wholly-owned subsidiary of FMC.

The UK Trading Companies

- 3.2.4 The businesses of the UK Group had a turnover in the year ended 31 December 2000 of approximately £400 million and employed approximately 4,500 people. It supplies all the major vehicle manufacturers in Europe, often alongside other members of the FM Group in Europe, and trades under trademarks such as Champion, Ferodo, Payen and AE.
- 3.2.5 In the UK Group, there are three trading companies:-

(1) T&N

- 3.2.5.1 By far the largest trading company is T&N. In the financial year ended 31 December 2000, T&N had a turnover of approximately £333 million. Since 1963, as a matter of group policy, T&N has carried on all its trading activities through certain of its subsidiaries acting as agents. There are currently 15 subsidiaries of T&N which carry on business as undisclosed agents for T&N (the "**Agency Companies**"). The list of Agency Companies is detailed at **Appendix 3**.
- 3.2.5.2 In relation to all but three of the Agency Companies there is documentary evidence of the agency relationship between T&N and the relevant Agency Company. Where the agency relationships have been documented, there is a pattern of standard terms. The subsidiary is generally appointed to manage, carry on and conduct the relevant business in the subsidiary's own name as an undisclosed agent for and on behalf of T&N and for T&N's account. In turn T&N undertakes to indemnify the subsidiary against all liabilities and obligations of the business.

3.2.5.3 In addition to the 15 "active" Agency Companies, there are many other subsidiaries of T&N that have, in the past, carried on business as undisclosed agents for T&N but the businesses have since been sold to third parties or closed down. There are significant assets (for example, real property and intellectual property) legal title to which is held by subsidiaries of T&N, but held beneficially for T&N.

(2) Federal-Mogul Ignition (U.K.) Limited ("FM Ignition")

3.2.5.4 FM Ignition was acquired by Federal-Mogul Global Growth Limited ("FMGG") in October 1998 and operates the site in Upton.

(3) Federal-Mogul Sealing Systems (Cardiff) Limited ("FMSS (Cardiff)")

3.2.5.5 FMSS (Cardiff) was already owned by Federal-Mogul Acquisition Company Limited ("FMAC"), a subsidiary of FMC, when FMC acquired T&N in 1998 and operates the site in Cardiff.

Joint Ventures

3.2.6 The FM Group holds investments in joint venture companies ("JVCos") throughout the world. All the JVCos are party to ancillary agreements pursuant to which members of the UK Group provide or receive goods, services, technical know how and assistance and/or licences the use of intellectual property to the JVCo. There is a considerable amount of trade between the JVCos and members of the FM Group (including members of UK Group) and most of the investments in JVCos held by members of the UK Group are of considerable value, either in their own right or as integrated components of the business of the FM Group (including the UK Group).

Aftermarket Commissionaire and Agency Arrangements

3.2.7 There are various arrangements pursuant to which, for historic reasons, the management and operation of the UK aftermarket business is consolidated in Federal-Mogul Aftermarket UK Limited ("FM Aftermarket") and sales of UK aftermarket products outside the UK is carried out by Federal-Mogul Sarl ("FM Geneva").

Sales Agency Arrangements: Overseas OE customers

3.2.8 There are contracts in place between most of the Agency Companies and Federal-Mogul Export Services Limited ("FM Export") to the effect that, when an Agency Company is contracting with its customers in certain territories (generally, the EU, certain Scandinavian and mid and eastern European countries and Turkey), it is doing so as the sales agent of FM Export. Under this arrangement the UK supplier agrees to supply the product to FM Export in order to enable FM Export to fulfil the contract with the customer.

Transfer pricing

3.2.9 A considerable amount of the sales and, to a lesser extent, purchases are intra-FM Group. The pricing of those sales is governed by a series of historic bi-lateral agreements negotiated by the supplying and receiving entities. Some of these agreements were entered into before the parties became members of the UK Group. Whilst an intra-group pricing policy was introduced in January 2000 (after consultation with Ernst & Young, the FM Group's auditors), this has not been fully implemented.

Service Companies

3.2.10 There are various service companies in the UK Group. The main service companies are as follows:-

- Federal-Mogul Powertrain Systems International Limited ("FM Powertrain");
- Federal-Mogul Technology Limited ("FM Technology");

- FM Export;
 - TBA Industrial Products Limited ("**TBA**");
 - T&N Trade Marks Limited ("**Trade Marks**");
 - Federal-Mogul Pensions and Trustees Limited ("**FM Pensions**"); and
 - Champion Pensions Limited ("**Champion Pensions**").
- 3.2.11 Trade Marks (which does not carry on its business as agent for, or hold its assets on trust for, T&N) is the legal and beneficial owner of many trade marks. FM Technology, FM Powertrain and TBA all carry on business as agents for T&N. FM Technology provides research and development assistance to members of the UK Group and FM Powertrain provides design, development and technical sales services to members of the FM Group which produce power cylinder products, principally to JVCos outside Europe. TBA is based at Rochdale and manages the site at Rochdale. FM Pensions and Champion Pensions are the sole corporate trustees of the T&N Pension Scheme and the Champion Pension Scheme, respectively. Neither FM Pensions nor Champion Pensions are part of the UK Filing Group. The function of FM Export is summarised in paragraph 3.2.8 above.

Global Management and Intra-FM Group Relationships

- 3.2.12 The FM Group operates on a global product line basis rather than on an entity by entity basis. Within the FM Group as a whole, management and production decisions are generally made in respect of product groups, rather than being specific to individual companies. As a result, the current management of the UK Filing Group is inextricably linked to the members of the FM Group in other countries.
- 3.2.13 Examples of this centralised management and the close relationship between the members of the FM Group (both within the UK Group and between members of the UK Group and other members of the FM Group) are set out in the paragraphs below.
- 3.2.14 There are various services which are provided across those members of the FM Group operating within Europe (the "**European Group**") from a central source (or sources). These include:-
- Purchasing;
 - Corporate and Head Office Support (including insurance);
 - Research and Development;
 - Engineering, Technical Sales; and
 - IT.
- 3.2.15 In an effort to reduce costs in the UK Group, it is Management's strategy for members of the UK Group to sub-contract and/or transfer certain manufacturing to members of the FM Group incorporated in Eastern European countries, such as the former Czechoslovakia and Hungary where costs are materially lower than in the UK.
- 3.2.16 There is a considerable amount of trade between the members of the FM Group, both within the UK and between the UK and the rest of Europe. Examples of this are firstly, the supply by Federal-Mogul Bradford Limited ("**FM Bradford**") of pins to many other FM Group members across Europe, secondly, Federal-Mogul Camshafts Limited ("**FM Camshafts**") machining camshafts cast by Federal-Mogul Camshaft Castings Limited ("**FMCC**") and, thirdly, the widespread supply of product to the aftermarket business.

- 3.2.17 There is also a considerable amount of inter-dependency between members of the FM Group. As an example of this, the contract for the manufacture of a camshaft by FMCC is of great importance in maintaining the relationship with BMW which is a common customer of many members of the FM Group.
- 3.2.18 A summary of the UK Filing Group intra-group sales and purchases in the 9 months to 30 September 2001 is as follows:-

	UK Filing Group Sites	European Sites	Africa and Asia Sites	N. & S. America Sites	Group Total
	£m	£m	£m	£m	£m
Sales	10	43	1	4	58
Purchases	10	30	4	1	45

- 3.2.19 We understand that some customers negotiate with the FM Group centrally and that, after the general customer requirement has been identified, the most appropriate member of the FM Group is nominated to manufacture and supply. In this type of situation, the contractual link between the FM Group and the customer would usually (but not necessarily) be the manufacturing company.

4. CIRCUMSTANCES GIVING RISE TO THE ADMINISTRATION ORDERS

4.1 The Asbestos Claims Litigation

4.1.1 The FM Group was forced to file for Chapter 11 protection because of a growing number of asbestos-related lawsuits wherein the plaintiffs claim to have suffered personal injury due to exposure to asbestos-containing products. In most cases, the defendants are companies that were acquired by FMC through merger and acquisition. In the USA, those members of the FM Group which have the bulk of the asbestos liabilities – primarily T&N and two USA subsidiaries of FMC that were formerly subsidiaries of T&N, Ferodo America Inc and Gasket Holdings Inc, as well as Felt Products Manufacturing Co. – are defendants in over 300,000 pending asbestos-related personal injury claims as of 30 June 2001. Additionally, FMC itself, as the current corporate parent of these entities, is named in certain of these lawsuits, as are several other companies in the FM Group. Certain members of the FM Group, particularly T&N, are also defendants in a substantial number of asbestos-related actions in the UK.

4.1.2 The increasing amount of such litigation has been due to a number of factors, including the filing of Chapter 11 petitions by numerous other parties alleged to be potentially responsible for the injuries suffered by asbestos plaintiffs, many of whom are co-defendants with the FM Group in numerous lawsuits. The resulting stay of litigation against such parties has placed increased financial pressure on the FM Group, in the form of higher settlement demands from plaintiffs as well as efforts to force the FM Group to cover the contributions of now-bankrupt co-defendants in existing settlement agreements.

4.1.3 The cost of this litigation to the FM Group is overwhelming. As of 30 June 2001, the FM Group estimated its aggregated asbestos-related liability at US\$1.6 billion for claims currently pending and those which can reasonably be expected to be asserted in the future, with US\$350 million of such liability to be payable within the following 12 months. The FM Group further estimated that over US\$900 million of this amount would not be covered by insurance. The magnitude of this litigation left the FM Group with no realistic alternative but to seek reorganization under Chapter 11 of the Bankruptcy Code in the USA and Administration under the Insolvency Act 1986 in the UK.

4.2 Insurance/Reinsurance Arrangements

4.2.1 In 1996, T&N purchased a £500 million layer of insurance, through the UK Group Company called Curzon Insurance Limited, which itself reinsured the cover through three major insurance companies. This will be triggered should the aggregate costs of claims made or brought after 1 July 1996 exceed £690 million. Management now believes that the aggregate cost of claims made or brought after 1 July 1996 will exceed the trigger point. Based on this assessment, the FM Group recorded an insurance recoverable asset under the T&N policy of US\$577 million in the fourth quarter of 2000.

4.2.2 One of the reinsurers, European International Insurance Company Limited (which is an affiliate of Swiss Re), issued proceedings on 22 November 2001 in the High Court to seek a declaration that it was entitled to avoid the reinsurance agreement. Notwithstanding this, Management believes, based on a review of the reinsurance arrangements, that it is probable that T&N will be entitled to receive payment from the reinsurers for the full cost of claims in excess of the trigger point of insurance in respect of the £500 million layer.

4.3 Current Global Group Financial Position

- 4.3.1 As at 30 June 2001, the FM Group had total assets of approximately US\$10.15 billion and total liabilities of approximately US\$8.86 billion. For the year ended 31 December 2000, the FM Group had net sales of approximately US\$6.01 billion (a decrease of roughly six percent (6%) from the preceding year) upon which a net loss was reported of approximately US\$283.5 million. Central to these losses were asbestos liability-related costs incurred during 2000 in the amount of US\$351 million and restructuring charges of US\$135.7 million.
- 4.3.2 FMC is party to a Senior Credit Agreement with a syndicate of lenders (the "Pre-petition Lenders") that provided it with a facility of approximately US\$2 billion. At the petition date, FMC was essentially fully drawn on this agreement. FMC's obligations under the Senior Credit Agreements are guaranteed by 16 of its USA subsidiaries and one of its UK subsidiaries (FMUKH), (the "Guarantor Subsidiaries"), each of which is subject to insolvency proceedings. FMC's obligations under the Senior Credit Agreement are secured by first charges on the assets of FMC and of the USA Guarantor Subsidiaries, the shares of its Guarantor Subsidiaries and certain of its foreign subsidiaries up to an amount of US\$350 million, and second charges on the same assets up to an amount of US\$1.65 billion. In addition, there are approximately US\$225 million in surety bonds outstanding, which are secured by liens *pari passu* with the second liens held by the Pre-petition Lenders.
- 4.3.3 In addition to the Senior Credit Agreements, FMC had at the petition date US\$2.3 billion (approx.) outstanding in long-term debt, consisting of US\$2.125 billion in Senior Notes of varying maturities, US\$84 million in medium-term notes, and US\$100 million in other borrowings. Substantially all of this debt is guaranteed by the Guarantor Subsidiaries. In addition, the Senior Notes and Medium Term Notes are secured by a charge *pari passu* with the first charge held by the Pre-petition Lenders in the shares of the USA Guarantor Subsidiaries. The FM Group also had approximately US\$250 million in trade debt outstanding as at 1 October 2001, and had approximately US\$260 million in additional debt that was secured by accounts receivable pursuant to a securitisation facility.

4.4 UK Group Financial Position

- 4.4.1 The Statements of Affairs were recently received from the Directors of the UK Filing Group after an extension of time was granted by the Joint Administrators due to the complexity of the FM Group. The Statement of Affairs for each UK Filing Group company was prepared on an individual basis and is enclosed with the Joint Administrators' proposals for each UK Filing Group company (together with any comments), which is attached and should be read in conjunction with this report.
- 4.4.2 As noted above and shown in **Appendix 2**, FMUKH is the most senior company in the UK Filing Group. It has two principal UK subsidiaries, FMGG (the principal holding company of the rest of the UK Filing Group) and FMAC which owns FMSS (Cardiff), one of the three principal trading companies.
- 4.4.3 The highest group consolidation available to us is that of FMGG. In summary, the consolidated accounts of FMGG show the following:-

	Year Ended 31 December 2000 £m	Year Ended 31 December 1999 £m
Total Assets	1,667.2	1,717.9
Total Liabilities	<u>1,610.1</u>	<u>1,261.7</u>
Net Assets	<u>67.1</u>	<u>456.2</u>

4.4.4 This shows that FMGG's consolidated net asset position has deteriorated by £389.1 million over the course of the year 2000.

4.4.5 The consolidated Group Profit and Loss accounts for FMGG may be summarised as follows:-

	Year Ended 31 December 2000 £m	Year Ended 31 December 1999 £m
Turnover	504.2	548.3
Gross Profit	114.7	132.2
Operating Loss before Asbestos related Costs	(222.4)	(39.0)
Asbestos Related Costs	(212.7)	-
Group Operating Loss	(435.1)	(39.0)
Loss for the Financial Year	(501.9)	(133.6)

4.4.6 However, it should be noted that included in the year 2000 figure of £222.4 million for Operating Loss before Asbestos related costs, are the following items:-

	£m
Goodwill Write-Off and other impairment charges	186.0
Extra-ordinary items (including plant closure cost)	12.0
Goodwill Amortisation	37.9
	<u>235.9</u>

4.4.7 Adjusting for these items yields a figure of £13.5 million as operating profit from continuing operations.

4.5 The Requirement for the Statutory Stays

4.5.1 In summary, notwithstanding the individual cases for each entity, there were four generic points which gave rise to the need for the protection afforded by Administration and Chapter 11:-

- Those companies which were direct defendants to the asbestos litigation were faced with such substantial contingent claims that they were, or were likely to become, insolvent.
- Those companies that traded as undisclosed agents of T&N and had no assets to meet their liabilities other than the indemnity of their principal were, or were likely to become, insolvent.
- All companies in the UK Filing Group, even if they were not direct defendants in the asbestos litigation at this stage, were at real risk of being made a party to the asbestos litigation and rendered insolvent thereby once the direct defendants had filed.

- The placing of the UK Filing Group into Chapter 11 restricts its Directors from paying pre-petition creditors and, as a result, Administration was required because each company within the UK Filing Group would not have been able to pay its debts as they fall due.

4.6 The Prognosis Absent the Statutory Stay

- 4.6.1 In response to its customers' needs, the FM Group is structured to operate its Product Groups on a global basis. The highly competitive environment has driven the FM Group to strive constantly for improved efficiency, which has caused it to structure its operational management by region. The UK Filing Group is part of the European region, which is managed out of Wiesbaden in Germany and includes all FM companies in Europe and South Africa (the "European Group"). There is a considerable amount of intra-group trading (approximately £75 million in the twelve months to 31 December 2000) and relationships with many customers and suppliers were often with the European Group as a whole, as opposed to individual entities within the FM Group. The individual companies that comprise the FM Group were therefore highly interdependent.
- 4.6.2 The mounting weight of asbestos claims and the cost of administering them were creating extreme liquidity pressures. Poor existing and projected market conditions were also projected to cause further deterioration in liquidity. As a direct result of this, Management felt duty bound to seek protection through USA Chapter 11 proceedings and the Administration procedure in the UK on 1 October 2001.
- 4.6.3 The USA Chapter 11 filing together with the UK Administration procedure were seen by management to be a necessary course of action to provide the FM Group (including the UK Filing Group) with formal protection in order to avoid creditors of the UK Filing Group taking uncoordinated action, which could lead to winding-up proceedings.
- 4.6.4 Winding up proceedings against individual companies could trigger the collapse of the whole FM Group as key operating components would cease to function and proceedings by Liquidators to recover intra-group debts would be commenced.
- 4.6.5 The consequence of the collapse of the FM Group would be a severe diminution in value of the assets. USA Chapter 11 and UK Administration proceedings were required to protect the FM Group's businesses pending the planned restructuring. The objective is to resolve the FM Group's substantial and increasing asbestos related liabilities and, to the extent necessary, restructure its finances and operations for the benefit of all stakeholders.

5. CONDUCT OF THE ADMINISTRATIONS

5.1 Cross Border Insolvency Protocol

5.1.1 In all cases where administrators are carrying on the business of the company post-administration they must rely, to a greater or lesser degree, on the existing management to carry on that business as they have both the in-depth knowledge and technical expertise. That point is particularly true in the case of the FM Group given:-

- The size of the FM Group;
- Its geographical spread; and
- The management of the FM Group is currently organised by reference to product divisions rather than individual companies.

5.1.2 Our view is that the interests of each of the individual companies is best served by the FM Group continuing to be managed as a group. That in turn requires considerable co-operation with the existing management, not only of those companies being placed into administration but also management employed by other companies within the FM Group. A further complicating factor is differences between both the USA and the UK insolvency regimes.

5.1.3 In order to meet these issues we have agreed with Management a Protocol to regulate the management of the UK Group following the commencement of the insolvency process. The Protocol has subsequently been approved by the English Court and, on an interim basis, by the USA Court.

5.1.4 In brief, the purpose of the Protocol is to:-

- Empower Management to continue managing the businesses subject to the supervision and control of the Joint Administrators;
- Identify those matters where Management would be expected to seek the consent of, or to consult with, the Joint Administrators;
- Identify those matters where the Joint Administrators would be expected to consult with Management; and
- Develop a framework to avoid disputes arising by virtue of a clash of jurisdictions.

5.1.5 The Protocol was the subject of very considerable negotiation between the FM Group management, acting through SABW, and ourselves, acting through Denton Wilde Sapte. We are satisfied that it sets out a *modus operandi* by which Management can be left to manage the day to day running of the FM Group businesses whilst reserving to ourselves a sufficient level of supervision and control, in order to carry out our duties and obligations as Joint Administrators.

5.2 Funding

Management's Forecasts

5.2.1 Management have prepared a summary cashflow forecast for all of the companies within the UK Filing Group for the period 1 October 2001 to 31 December 2004. Following our appointment, we have prepared cash-flow forecasts for each UK trading company for the 3 months ending 31 December 2001 which will be updated monthly on a rolling basis. Trading performance is discussed further below.

5.2.2 The revised profit and loss forecast provided by Management for the 12 months to 31 December 2001 shows:-

Profit and Loss Summary	Pre-Appointment	Post Appointment		
	Actual	Actual	Forecast	Estimated
	9 months to September 2001 £'000s	October 2001 £'000s	Nov & Dec 2001 £'000s	4 th Quarter Total £'000s
Turnover	281,002	32,014	58,832	90,846
Gross Profit	48,231	5,228	9,386	14,614
Earnings before Corporate Adjustments, Interest & Tax	11,657	972	(918)	54

- 5.2.3 The forecasts show, therefore, that the UK Group is marginally profitable at an Earnings before Corporate Adjustments, Interest and Tax level.
- 5.2.4 FMC has transferred US\$15 million to T&N for the purposes of funding the Administrations. As noted in paragraph 5.2.6 below, this is secured by a mortgage on various loans. This equates to the US\$15 million shown as being the opening position on the cashflow forecast referred to at paragraph 5.2.8 below.
- 5.2.5 In addition to the opening cash position of approximately US\$15 million, the following funds were available as at 28 September 2001:-
- Approximately £2.5 million held in various T&N bank accounts.
 - Approximately £4 million, which was previously held in a trust account on behalf of FMC.
- 5.2.6 On 24 September 2001, FMC loaned an amount of £6.4 million to T&N secured by a mortgage over certain loans owing to T&N. A further US\$15million was subsequently advanced by FMC to T&N, secured by the same mortgage (see paragraph 5.2.4 above). Save in respect of the interest due on the £6.4 million loan in 2001, 2002 and 2003, this mortgage ranked after mortgages on the loans created by T&N in favour of AE International Limited ("AEInt") and T & N International Limited ("TNInt") securing the unpaid purchase price of the loan notes together with interest thereon.
- 5.2.7 The UK forecasts are part of a complex global forecast, which is based upon a number of linked assumptions.
- 5.2.8 The key components of the forecasts and the assumptions underlying them are:-
- The UK Filing Group companies would commence the Administration with cash resources of US\$15 million (£10.2 million). The actual opening cash balance was approximately £20 million.
 - The cashflow forecasts indicate that the UK Filing Group's businesses will not require additional funding in the period to 31 December 2004.
 - T&N is due to receive annual interest of US\$28.8 million in respect of various loans in December each year. The balance of the interest (after paying the interest due to FMC for 2001, 2002 or 2003 on the loan referred to in paragraph 5.2.6 above) is now to be paid to AEInt and TNInt pursuant to the mortgages securing the unpaid purchase price (see paragraph 5.2.6 above).
 - From December 2002 funds are expected by Management to be remitted regularly to FMC – a total of approximately US\$125 million in the period from the commencement of the Administration to 31 December 2004. Other than validly secured loans from FMC to T&N, which can be repaid once the individual companies are in funds, we do not believe it will be possible to

make these payments prior to exiting Administration and therefore, the cashflow is inaccurate in this regard. We expect that this issue will be addressed by Management during 2002.

- Following the appointment, a number of suppliers sought to re-negotiate terms. The forecasts anticipated this, and it is hoped that supplier relations will be normalised over the coming months.
- The forecasts assume that all of the debtors of the UK Filing Group will continue to pay on the normal due dates with no delays or disruptions. Our experience from other Administrations suggests that this is an optimistic assumption. However the UK Filing Group companies are in a strong position with their customers, who all need regular supplies, and Management expects that of necessity problems with debtors will be limited because of the UK Filing Group's unique position and the inability of customers to second source quickly.

- 5.2.9 We have performed a high level review of the forecasts and consider the assumptions to be broadly reasonable. Further work is continuing in relation to the review and refinement of these forecasts.

Funding

- 5.2.10 Globally, the FM Group requires significant funding in order to trade during the Chapter 11 and Administration proceedings. Management has therefore investigated the available options and, following various discussions and extensive negotiations, a funding package has been agreed. Funding has been provided by The Chase Manhattan Bank ("Chase") and J.P. Morgan Securities Inc. ("JPMSI") in the form of a US\$675 million super priority secured priming debtor-in-possession revolving credit, term loan and letter of credit facility (the "DIP facility").
- 5.2.11 In the unlikely event that all of these sources of additional funds do not materialise, we are confident that the level of free assets within the UK Filing Group will enable us to obtain additional funding on conventional secured terms.
- 5.2.12 In summary, we conclude that sufficient funding is already in place or could be made available to finance the UK Filing Group during the Administrations. The funding of the UK Filing Group is kept under constant review by the Joint Administrators.

5.3 Trading and Operations

- 5.3.1 Following the appointment of the Joint Administrators, we commenced an immediate review of the UK Filing Group's businesses and other affairs, and in particular, the performance of the trading entities. This assessment is continuing and is being carried out in conjunction with Management.
- 5.3.2 Current trading conditions in the automotive industry are extremely challenging. The FM Group is under constant pressure from customers to reduce prices, resulting in significant pressure on margins. The UK Filing Group trading entities have a high level of interdependency both with each other and with other FM Group companies, particularly in Europe, as described in Section 3.2 above. As a consequence, the relative value of individual entities is inextricably linked to that of the FM Group.

- 5.3.3 In order to improve performance, it is Management's strategy for members of the UK Filing Group to sub-contract and/or to transfer certain manufacturing operations to members of the FM Group incorporated in Eastern Europe (generally, the former Czechoslovakia or Hungary) which generally produce the products under contract for the relevant member of the UK Filing Group.
- 5.3.4 Further, Management is focusing on high technology rather than commodity products. An aspect of this strategy is to maximise the extent to which technology held in one part of the FM Group is exploited in other relevant parts of the FM Group.
- 5.3.5 Continuing efficiency gains are key to the FM Group's future and we intend to work closely with Management to devise and, if appropriate, implement these plans for the benefit of the UK Filing Group.
- 5.3.6 We believe that continued trading will generally protect the value of assets available to creditors. We are keeping the trading operations under careful review. At present, the majority of the individual UK Filing Group trading entities are cash generative or cash neutral.
- 5.3.7 The profitable and cash generative entities are subject to ongoing monitoring and systems are being implemented to ensure continued profitability of these companies in Administration.
- 5.3.8 In the loss making entities Management is implementing cost-cutting measures to reduce the loss but the overall effect will be marginal. Other strategies under review in respect of these entities are possible closure and restructuring of some of the sites. A restructuring of the UK Filing Group may also be appropriate. Stemming the losses in these entities and stabilising the trading of the UK Filing Group are priorities of the Joint Administrators.
- 5.3.9 In the case of the loss-making entities the Joint Administrators recognise that there is a risk that ongoing trading will reduce returns to creditors. However, their view remains that trading should continue having regard to the following points:-
- Given the interdependence of the UK Filing Group, it is unlikely that there would be purchasers interested in acquiring separate businesses as going concerns, particularly given that some are loss-making. It is probable that in these cases one would be faced with realising assets on a break up basis, which is unlikely to maximise asset realisations.
 - If a FM Group reorganisation plan can be agreed giving asbestos claimants satisfaction from other sources, it is likely that dividends to creditors will be enhanced and will be processed in a more speedy and efficient manner.
 - In the event that the Joint Administrators conclude that any individual entity does not have a long term future and that there is no practical advantage to it continuing to trade, steps will be taken to cease trading and to seek liquidation in consultation with the creditors committee (if constituted).

6. THE SOLUTION

6.1 The Global Group Survival Plan

- 6.1.1 The global business of the FM Group is large, multi-national and cash-generative. It is focused entirely upon the fiercely competitive automotive industry. Until recently, the problems faced by FMC derived primarily from the asbestos claims referred to at Section 4.1 of this report. However, that problem has been compounded by the well-documented deterioration of trading conditions in both the USA and world-wide generally over the last year or so, as a result of which certain businesses within the FM Group have incurred trading losses.
- 6.1.2 In the context of the USA Chapter 11 proceedings affecting the FM Group and the UK Filing Group, Management intend, in consultation with the Joint Administrators, to commence discussions in relation to the development of a Reorganisation Plan. The Joint Administrators and Management believe that the pursuit and approval of such a plan provides the best prospect for maximum recovery in the shortest amount of time.
- 6.1.3 We would expect the Reorganisation Plan to embrace three key elements:-
- It will provide a mechanism for managing asbestos liabilities in a fair manner. This will enable the FM Group operating companies to concentrate upon their trading operations rather than fighting litigation.
 - It will identify any structural re-organisation which may be necessary within the FM Group to implement the proposed arrangements for dealing with asbestos claims and/or to improve the overall trading performance of the FM Group.
 - It will propose an arrangement with creditors that may involve a re-structuring of claims to ensure the long term survival and prosperity of the FM Group. This point will naturally be influenced strongly by the FM Group experience of global trading conditions over the coming months.
- 6.1.4 It is too early to predict the detailed nature of the Reorganisation Plan. However, as Joint Administrators, we will be involved in both the formulation and implementation of the Reorganisation Plan insofar as it affects the UK Filing Group.

6.2 How the UK Filing Group fits into the Survival Plan

- 6.2.1 The long term survival of the UK Filing Group is inextricably linked with the survival and prosperity of the European and world-wide group businesses. The asbestos claims against the UK Filing Group, most notably against T&N, have created the central group problem. In our opinion, the UK Filing Group must stand or fall with the world-wide operation.
- 6.2.2 In the event that the Reorganisation Plan involves a compromise with the whole or any class of the UK Filing Group's creditors, the Joint Administrators will work towards bringing the UK Filing Group within the ambit of the Reorganisation Plan by proposing a Company Voluntary Arrangement under Part 1 of the UK Insolvency Act 1986 or a Scheme of Arrangement under Section 425 of the Companies Act 1985. The terms of any such proposal would necessarily incorporate or reflect the terms of the Reorganisation Plan.
- 6.2.3 The trading position of certain UK Filing Group entities may not support a long term strategy, notwithstanding the Joint Administrators' intentions set out in Section 5.3 above. In each of these cases, the appropriate exit route from Administration is likely to be Liquidation.

7. COMMENTARY ON THE JOINT ADMINISTRATORS' PROPOSALS AND SUPPORTING RATIONALE

7.1 General Proposals

7.1.1 It is proposed that the Joint Administrators continue to manage the outstanding matters in relation to the UK Filing Group as we consider necessary and to work with Management in relation to the development of the Reorganisation Plan discussed at Section 6 above. Further meetings of creditors will be called as soon as detailed proposals can be prepared to enable the creditors to consider the matter further.

7.1.2 The Joint Administrators are able, as an alternative under consideration (in consultation with creditors' committees, if constituted), to place certain UK Filing Group entities into Liquidation, where it is considered expedient to do so as set out in Section 6.2 above.

7.1.3 The Joint Administrators will continue to do all such other things and generally exercise all of their powers as contained in Schedule 1 of the UK Insolvency Act 1986, as they consider desirable or expedient in order to achieve the purposes of the Administration Orders, and in order to protect and preserve the assets of the UK Filing Group, and to maximise the realisation of those assets, or to achieve any other purposes which are consistent with these proposals, subject to the Protocol. In the event that the trading position of any of the UK Filing Group companies does not support a long term strategy, the Joint Administrators will, by way of cost cutting, restructuring, or any other means necessary, ensure that creditors' interests are protected.

7.1.4 It is recommended that the creditors consider establishing creditors' committees and that if any such Committees are formed they be authorised to sanction any proposed act on the part of the Joint Administrators without the need to report back to a further meeting of creditors, to include making any decision about the most appropriate exit route from the Administration. In the absence of a creditors' committee being formed, the Joint Administrators may decide on the most appropriate exit route from the Administration, having due regard to the interests of any creditors which would be preferential in a subsequent Compulsory Liquidation.

7.1.5 Our firm's costs will be categorised as an expense under Section 19(4) of the Insolvency Act 1986. The Joint Administrators' time costs across the UK Filing Group for the period 1 October 2001 to 28 October 2001 total £2,201,899, representing 11,442.72 hours at an average rate of £192.43 per hour. A Creditors' Guide to Administrators' Fees is attached to this report at Appendix 4. It is anticipated that resolutions will be put to the meetings to address the question of approval of our costs.

7.1.6 On 1 October 2001, the English Court ordered that 75% of time costs incurred could be drawn monthly on account. The Joint Administrators' fees are subject to creditor approval, irrespective of whether they have been drawn.

7.1.7 Creditors should note that the creditors' committees or, in the absence of creditors' committees being formed, the Joint Administrators, will decide on the most appropriate exit route from Administration, in the context of the general necessity to fit in with the global plan. The following options will be available as exit routes from the Administration:-

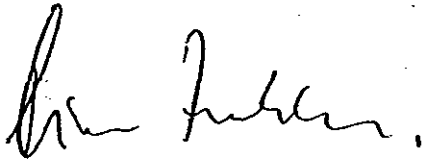
- Compulsory winding up;
- Creditors' Voluntary winding-up;
- Company Voluntary Arrangement;
- Section 425 (Companies Act 1985) Scheme of Arrangement.

It is proposed that these options will be discussed fully in our detailed proposals to be submitted as soon as we are in a position to present them.

- 7.1.8 All the above authorisations and options are subject to such restrictions as may be imposed by the USA Bankruptcy Code.

8. CONCLUSION AND RECOMMENDATION

We are of the view that it is in the best interests of the creditors of the UK Filing Group to vote to allow the Joint Administrators an extension of time to report further on the conduct of the Chapter 11 and Administration proceedings and provide proposals (with a view towards the global resolution of claims and issues) that are based on more complete information.



S V Freakley

Joint Administrator

On behalf of the Administrators of the UK Filing Group

Date: 30 November 2001

SUMMARY OF ADMINISTRATION CASE FOR EACH COMPANY WITHIN THE UK FILING GROUP

	Company Name	Dormant (D), Trading (T), Agency (A) or Holding Company (HC)	Product Division	To Specify the purpose of Administration (s8 IA 1986)	Comments Total Assets (as at 31 December 2000)
1.	AE Dayton Services Limited	HC	N/A	Survival, CVA or s425	Total Assets = £619,000 (equity in subsidiary undertaking)
2.	AE Group Machines Limited	D	N/A	CVA or s425	Total Assets = £3,046,000 (loan to fellow subsidiary undertaking)
3.	AE Holdings Limited	HC	N/A	Survival, CVA or s425	Total Assets = £418,666 (equity in subsidiary undertakings, and loans to undertakings)
4.	AE International Limited	HC	N/A	Survival, CVA or s425	Total Assets = £211,560,000 (cash at bank, equity and loans in subsidiary and associated undertakings, accrued income, and amounts owed by fellow subsidiary undertakings and ultimate parent company) The liabilities are such that this company is insolvent on a cash-flow basis. <i>Principal activity:</i> holding company for certain overseas investments and to receive certain engineering fees payable by overseas licensees. Provides finance to overseas subsidiaries. <i>Inter-company loans:</i> it has made and received various inter-company loans.
5.	AE Limited	HC	N/A	Survival, CVA or s425	Total Assets = £128,953,000 (cash at bank, equity in subsidiaries and associated undertakings, and loans to parent, subsidiary, and ultimate parent undertakings) <i>Principal activity:</i> holding company. Joint Ventures: holds the following interests: <ul style="list-style-type: none"> India Pistons Limited (30%) AEIP Precision Products (30% of 50%) <i>Other:</i> Indian subsidiary. <i>Intellectual property:</i> registered owner of patents in 12 countries and trade marks in 18 countries. Associated Engineering Limited (now AE Ltd) is the registered owner of trade marks in 13 countries. AE plc and Dresser Industries PLC are listed as co-owners of patents in 15 countries. <i>Real property:</i> legal owner of part of the freehold property at Colley Lane, Bridgwater, Somerset, occupied by Federal-Mogul Bridgwater Limited (other part owner is Wellworthy Limited (see 135 below))
6.	AE Piston Products Limited	D	N/A	CVA or s425	Total Assets = £1,672 (cash at bank, and amounts owed by ultimate parent company) <i>Intellectual property:</i> registered owner of patents in 7 countries and trade marks in 4 countries.
7.	AE Sales (Africa) Limited	D	N/A	CVA or s425	Total Assets = £100,000 (loans to fellow subsidiary undertaking)

	Company Name	Dormant (D), Trading (T), Agency (A) or Holding Company (HC)	Product Division	To Specify the purpose of Administration (s8 IA 1986)	Comments Total Assets (as at 31 December 2000)
8.	Aeroplane & Motor Aluminium Castings Limited	D	N/A	CVA or s425	Total Assets = £200,000 (loans to fellow subsidiary undertaking)
9.	Amber Supervision Limited	HC	N/A	Survival, CVA or s425	Total Assets = £461,000 (loan to parent undertaking)
10.	Ashburton Road Services Limited	HC	N/A	Survival, CVA or s425	Total Assets = £10,965,000 (loan to parent undertaking)
11.	Associated Engineering Group Limited	D	N/A	CVA or s425	Total Assets = £160 (loan to fellow subsidiary undertaking)
12.	Awncast Limited	D	N/A	CVA or s425	Total Assets = £100 (loan to parent undertaking)
13.	Bearings (North- Western) Limited	D	N/A	CVA or s425	Total Assets = £19,000 (loan to fellow subsidiary undertaking)
14.	Brake Linings Limited	D	N/A	CVA or s425	Total Assets = £1,081,940 (loan to parent undertaking, cash at bank, and amount owed by ultimate parent company) <i>Intellectual property:</i> registered owner of the trademark "DURON". Registered owner of trade marks in 58 countries. <i>Other:</i> affected by asbestos claims.
15.	Colvan Rubber Co. Limited	D	N/A	CVA or s425	Total Assets = £100 (loan to parent undertaking)
16.	Contact 100 Limited	HC	N/A	Survival, CVA or s425	Total Assets = £3,276,000 (subsidiary equity and loans to fellow subsidiary undertaking)
17.	Cosmid Limited	D	N/A	CVA or s425	Total Assets = £4,096 (loan to parent undertaking)
18.	Cranhold Limited	HC	N/A	Survival, CVA or s425	Total Assets = £8,748,000 (subsidiary shares and undertakings loans) <i>Principal activity:</i> holding company Intermediate holding company between T&N Limited and Federal-Mogul Camshafts Limited. Legal owner of real property in Godalming and of intellectual property rights. However, the latter assets may be beneficially owned by T&N Limited as the company is an agency company. <i>Other:</i> it owns Federal-Mogul Camshafts Limited (see 30 below).
19.	Dealings Limited	D	N/A	CVA or s425	Total Assets = £3,625 (loan to parent undertaking)
20.	Dumplington Services Limited	D	N/A	CVA or s425	Total Assets = £3,373 (loan to parent undertaking, cash at bank and debts owed by fellow subsidiary undertaking)
21.	Duron Limited	D	N/A	CVA or s425	Total Assets = £610,804 (loan to parent undertaking, cash at bank and amounts owed by ultimate parent company) <i>Intellectual property:</i> this company is not listed in the FM database as owning any IP rights and no IP rights have been revealed by the DWS searches. However, Belaco Limited (now Duron Limited) is the registered owner of one trade mark ("ME28") registered in Taiwan. <i>Other:</i> affected by asbestos claims.

	Company Name	Dormant (D), Trading (T), Agency (A) or Holding Company (HC)	Product Division	To Specify the purpose of Administration (s8 IA 1986)	Comments Total Assets (as at 31 December 2000)
22.	E W Engineering Limited	HC	N/A	Survival, CVA or s425	Total Assets = £566,207 (equity in subsidiary undertaking and loan to fellow subsidiary undertaking)
23.	Edmunds, Walker & Co. Limited	D	N/A	CVA or s425	Total Assets = £43,000 (debts owed by fellow subsidiaries)
24.	Engineering Components Limited	HC	N/A	Survival, CVA or s425	Total Assets = £4,437,636 (loans to parent undertaking, cash at bank and amounts owed by ultimate parent company) Joint venture. Holds the following interests:- <ul style="list-style-type: none"> • Talbros Automotive (30%) • Pars Washers (40%)
25.	Federal-Mogul Acquisition Company Limited	HC	N/A	Survival, CVA or s425	Total Assets = £7,917,000 (amounts due from subsidiary undertakings)
26.	Federal-Mogul Aftermarket UK Limited	A	Aftermarket	Survival, CVA or s425	Total Assets = £79,577 (loans to fellow subsidiaries, cash at bank and amounts owed by ultimate parent company) <i>Principal activity:</i> carries on the business of the sale and distribution of automotive components as agent for T&N Limited. <i>Financial position:</i> only asset is a loan to T&N Limited of £78,000. <i>Intellectual property:</i> registered owner of trade marks in 11 countries. AE Auto Parts Limited (now Federal-Mogul Aftermarket UK Limited) is the registered owner of trade marks in 103 countries. (including a number of AE trade marks) <i>Real property:</i> Legal owner, and occupier, of the freehold property at Greyhound Drive, Off Legrams Lane, Bradford BD7 1NQ.
27.	Federal-Mogul Bradford Limited	A	Powertrain	Survival, CVA or s425	Total Assets = £332,948 (cash at bank, loan to parent undertaking, amounts owed by ultimate parent company) <i>Principal activity:</i> the manufacture and sale of piston products as agent for T & N Limited. <i>Intellectual property:</i> registered owner of patents in 5 countries. <i>Real property:</i> legal owner, and occupier, of the freehold property at St John's Works, Neville Road, Bradford, BD4.
28.	Federal-Mogul Brake Systems Limited	D	N/A	CVA or s425	Dormant
29.	Federal-Mogul Bridgwater Limited	A	Powertrain	Survival, CVA or s425	Total Assets = £1,674 (cash at bank, investments, and amounts owed by ultimate parent company) <i>Principal activity:</i> agent of T&N Limited. <i>Financial position:</i> according to the draft [2001] accounts, the company has minimal assets (but the accounts reflect the agency).

	Company Name	Dormant (D), Trading (T), Agency (A) or Holding Company (HC)	Product Division	To Specify the purpose of Administration (s8 IA 1986)	Comments Total Assets (as at 31 December 2000)
30.	Federal-Mogul Camshaft Castings Limited	A	Powertrain	Survival, CVA or s425	Total Assets = £1,674 (cash at bank, loan to fellow subsidiary undertaking, amounts owed by ultimate parent company) <i>Principal activity:</i> agent of T&N Limited. It is a subsidiary of Fleetside and Leeds Piston Ring & Engineering Co. Limited. <i>Intellectual property:</i> trade mark "LYDALLOY & LYDMET". Preferred to as "FMCMAHAF".
31.	Federal-Mogul Camshafts Limited	A	Powertrain	Survival, CVA or s425	Total Assets = £8,749,979 (cash at bank and in hand, loans to ultimate UK parent, shares in wholly owned subsidiaries E D Parts Limited (at £2) and amounts owed by ultimate parent company) <i>Principal activity:</i> carrying on the business of precision engineering (involving the manufacture of components for truck, tractor, automobile, marine and stationary engines), as an agent for T & N Limited. <i>Real property:</i> legal owner (and occupier) of the freehold property at Elstead, Godalming, Surrey GU6 6LD. <i>Intellectual property:</i> it owns intellectual property rights under the code "FMCMAHAF".
32.	Federal-Mogul Engineering Limited	A	Powertrain	Survival, CVA or s425	Total Assets = £2,111,199 (cash at bank, shares in subsidiary undertaking and loans to fellow subsidiary (UK) undertakings and amounts owed by ultimate parent company) <i>Principal activity:</i> manufacture and sale of special friction products as agent for T & N Limited. Has five subsidiaries. <i>Intellectual property:</i> owns patents in 8 countries and trade marks in 1 country. Some are held under the code "FMENGLTD". The company owns the trade mark "CYGNUS". <i>Real property:</i> legal owner and occupier of part of the freehold property at Winterhay Lane, Ilminster, Somerset TA19 1PH; It is also the legal owner of the leasehold property at Argyle House, Joel Street, Northwood Hills, Middlesex, HA6 1LN
33.	Federal-Mogul Eurofriction Limited	A	Friction	Survival, CVA or s425	Total Assets = £1,672 (cash at bank and amounts owed by ultimate parent company) <i>Principal activity:</i> operates as an agency company for T & N Limited. The business is based in Kilmarnock. <i>Financial position:</i> according to the draft 1999 accounts, the company has minimal assets (but the accounts reflect the agency). The company has a loan of £3,380. <i>Real property:</i> legal owner and occupier of the freehold property at Cessnock, Road, Hurlford, Kilmarnock KA1 5DD. <i>Other:</i> affected by asbestos claims.
34.	Federal-Mogul Export Services Limited	T	Powertrain	Survival, CVA or s425	Total Assets = £28,149,000 (cash at bank and in hand; trade, parent, fellow subsidiary undertaking and other debtors) <i>Principal activity:</i> tax (VAT) efficient vehicle for exporting goods manufactured by other UK group companies. Goods are sold to the company and on-sold by it to the overseas purchaser.

	Company Name	Dormant (D), Trading (T), Agency (A) or Holding Company (HC)	Product Division	To Specify the purpose of Administration (s8 IA 1986)	Comments Total Assets (as at 31 December 2000)
35.	Federal-Mogul Friction Products Limited	A : : : :	Friction : : :	Survival, CVA or s425	<p>Total Assets = £6,621,672 (cash at bank, loan to parent undertaking and amounts owed by ultimate parent company)</p> <p><i>Principal activity:</i> manufacture of automotive and industrial friction materials as agent for T & N Limited. It is still operating as agent of T&N Limited.</p> <p><i>Real Property:</i> legal owner and occupier of the freehold property at Hayfield Road, Chapel-en-le-Frith, Derbyshire SK12 6JP.</p> <p><i>Intellectual property:</i> registered owner of trade marks in three countries. Ferodo Limited (now Federal-Mogul Friction Products Limited) owns patents in 16 countries and trade marks in 100 countries (including "FERODO"). which may not have been transferred when the business was hived up to T & N Limited. Some are held under the code "FMFRIC Ltd". "FERODO" is of importance to the group. One of the patents is jointly owned with T&N Limited. Another is jointly owned (under the name "Ferodo Limited") with British Railways.</p>
36.	Federal-Mogul Global Growth Limited	HC	N/A	Survival, CVA or s425	<p>Total Assets = £1,226,900,000 (Fixed Assets: investments, and Current Assets: investments, debtors (falling due one year and after one year))</p> <p><i>Principal activity:</i> holding company; parent company of the T&N Group. Federal-Mogul Inc subscribes for "B" preference shares proceeds on-lend to T & N Limited. It is likely, therefore, that this company has an important part to play in the provision of cashflow to the T & N group.</p> <p><i>Third Party finance:</i> Federal-Mogul Global Growth Limited has made and received various inter-company loans.</p> <p>Joint ventures: holds the following interests:</p> <ul style="list-style-type: none"> Federal-Mogul Daido HWB Limited (60% now reduced to 10% (see agreements entered into in August 2001)) Federal-Mogul T.P. Sunderland Limited (75%) <p><i>Other:</i> affected by asbestos claims.</p>
37.	Federal-Mogul Ignition (U.K.) Limited	T	Ignition, Wipers and Filters	Better Realisation and/or Survival, CVA or s425	<p>Total Assets = £37,892,000 (Fixed Assets: (negative goodwill = 3,604 not included), tangible assets, and Current Assets: stock, debtors and cash (at bank and in hand)) [1998]</p> <p><i>Principal activity:</i> manufacture and sale of a wide range of engineering products for the automotive industries; direct subsidiary of Federal-Mogul Global Growth Limited.</p> <p><i>Real property:</i> legal owner and occupier of the freehold property at Arrowbrook Road, Upton, Wirral, Merseyside L49 0UQ. At 31 December 2000 it had received 2 inter-company loans: (a) £18,000,000 from Federal-Mogul Netherlands BV; and (b) £2,121,418 from T&N Limited.</p> <p><i>Possible sale:</i> there is a proposal (11.07.01) to sell this company's ignition, wipers and filter systems business (which may be effected either by a sale of the shares of the company or a sale of the business).</p> <p>The company is trading poorly and is dependent on the rest of the Group for cash.</p>

	Company Name	Dormant (D), Trading (T), Agency (A) or Holding Company (HC)	Product Division	To Specify the purpose of Administration (s8 IA 1986)	Comments Total Assets (as at 31 December 2000)
38.	Federal-Mogul Powertrain Systems International Limited	A	Powertrain	Survival, CVA or s425	Total Assets = £1,772 (cash at bank, loan to fellow subsidiary undertaking and amounts owed by ultimate parent company) <i>Principal activity:</i> the development and control of the strategic technology, market and financial objectives of the subsidiary companies of T & N Limited who are involved in the business of the design and manufacture of piston products, all as agent of T&N Limited. <i>Financial position:</i> it has minimal assets according to the [2001] accounts (but the accounts reflect the agency).
39.	Federal-Mogul RPB Limited (now called Federal- Mogul Shoreham Limited)	D	N/A	CVA or s425	Total Assets = £4,001,672 (cash at bank, loan to parent undertaking and amounts owed by ultimate parent company) <i>Financial Position:</i> only asset is £4 million lent to its parent undertaking (T&N Limited). <i>Intellectual property rights:</i> notwithstanding that they are not shown in the draft [2001] accounts, the company owns intellectual property rights.
40.	Federal-Mogul Sealing Systems (Cardiff) Limited	T	Sealing Systems	Survival, CVA or s425	Total Assets = £11,124,000 (tangible fixed assets, stock, prepayments and accrued income, trade and intragroup debtors) <i>Principal activity:</i> the design, manufacture and sale of seals, gaskets, rubber products and related sub-assemblies and services. This is a trading company. <i>Financial Position:</i> It owns freehold land and plant and machinery and operates pension schemes. <i>Intellectual property:</i> registered owner of current patents. The Group considers that this company is trading poorly and is dependent on the rest of the Group for cash.
41.	Federal-Mogul Sealing Systems (Rochdale) Limited	A	Sealing Systems	Survival, CVA or s425	Total Assets = £340,466 (loan to parent undertaking, cash at bank and amounts owed by ultimate parent company) <i>Principal activity:</i> manufacture and sale of heatshields and composite materials as agent for T & N Limited. <i>Intellectual property:</i> registered owner of the trade mark "CIRRUS & NIMBUS" and "DURESTOS". T&N Composites Limited (now Federal-Mogul Sealing Systems (Rochdale) Limited) is the registered owner of trade marks in 2 countries. <i>Real property:</i> it is the occupier of the freehold property at PO Box 115 Rochdale, Lancs, OLZ 7EX which is legally owned by TBA Industrial Products Limited.
42.	Federal-Mogul Sealing Systems (Slough) Limited	A	Sealing Systems	Survival, CVA or s425	Total Assets = £891,486 (cash at bank, loan to parent undertaking and amounts owed by ultimate parent company) <i>Principal activity:</i> manufacture of automotive gaskets as agent for T & N Limited. <i>Intellectual property:</i> Coopers Payen Limited (now FM Sealing Systems (Slough) Limited) owns patents in 2 countries.

	Company Name	Dormant (D), Trading (T), Agency (A) or Holding Company (HC)	Product Division	To Specify the purpose of Administration (s8 IA 1986)	Comments Total Assets (as at 31 December 2000)
43.	Federal-Mogul Sealing Systems Limited	HC	N/A	Survival, CVA or s425	Total Assets = £215,718 (loan to parent undertaking, cash at bank and amounts owed by ultimate parent company) <i>Principal activity:</i> dormant. <i>Intellectual property:</i> registered owner of trade mark "PAYEN" which is of importance to the group. <i>Other:</i> affected by asbestos claims.
44.	Federal-Mogul Sintered Products Limited	A	Powertrain	Survival, CVA or s425	Total Assets = £221,672 (loan to fellow subsidiary undertaking, cash at bank, loan to parent undertaking and amounts owed by ultimate parent company) <i>Principal activity:</i> the business of component manufacturer primarily for the motor vehicle industry as an agent for T&N Limited. <i>Intellectual property:</i> registered owner of trade marks in Great Britain (including the name "BRICO and BRICOME"). Brico Engineering Limited (now Federal-Mogul Sintered Products Limited) is the registered owner of patents in 14 countries and trade marks in 27 countries. <i>Real property:</i> legal owner and occupier of the freehold property at Holbrook Lane, Coventry, West Midlands CV6 4BG; the legal owner of the freehold property at Tutnalls, Lydney, Gloucs, GL5 5PX occupied by Federal-Mogul Camshaft Castings Limited. It had US\$179,000 of stock located in the US at distribution warehouses (December 2000).
45.	Federal-Mogul Systems Protection Group Limited	A	Systems Protection	Survival, CVA or s425	Total Assets = £1,674 (loan to parent undertaking, cash at bank, amounts owed by ultimate parent company) <i>Principal activity:</i> the manufacture and sale of mechanical, acoustic and thermal protective products as agent for T & N Limited. <i>Intellectual property:</i> Bentley-Harris Limited (former name of Federal-Mogul Systems Protection Group Limited) is the registered owner of patents in 8 countries.
46.	Federal-Mogul Technology Limited	A	R&D/Technical Centre	Survival, CVA or s425	Total Assets = £1,674 (loan to fellow UK subsidiaries, cash at bank, loan to parent undertaking, amounts owed by ultimate parent company) Agency Company
47.	Federal-Mogul U.K. Limited	D	N/A	Survival, CVA or s425	Total Assets = £1,672 (cash and amounts due from ultimate parent undertaking).
48.	Ferodo Caernarfon Limited	D	N/A	CVA or s425	Total Assets = £147,849 (loan to parent undertaking, cash at bank, amounts owed by ultimate parent company) <i>Principal activity:</i> dormant. Although this company operated as an agency company, it is understood that it has not so operated since 1996. <i>Other:</i> affected by asbestos claims.
49.	Ferodo Limited	D	N/A	CVA or s425	

	Company Name	Dormant (D), Trading (T), Agency (A) or Holding Company (HC)	Product Division	To Specify the purpose of Administration (s8 IA 1986)	Comments Total Assets (as at 31 December 2000)
50.	FHE Technology Limited	D	N/A	CVA or s425	Total Assets = £110,000 (loan to parent undertaking)
51.	Fleetside Investments Limited	HC	N/A	Survival, CVA or s425	Total Assets = £64,843,162 (shares in subsidiary undertakings, cash at bank and amounts owed by ultimate parent company)
52.	F-M UK Holding Limited	HC	N/A	Survival, CVA or s425	Total Assets = £452,700,000 (investments) This company has given charges in favour of First Union National Bank. <i>Principal activity:</i> holding company. It owns 44.85 million Ordinary Shares in Federal-Mogul Global Growth Limited (see 35 above) <i>Financial position:</i> owns 6.6% of the ordinary share capital of Federal-Mogul Global Growth Limited and the whole of the issued share capital of FP Diesel Limited and F-M Acquisition Co. Limited.
53.	FP Diesel Limited	D	N/A	CVA or s425	Total Assets = £4,363,000 (cash at bank, amounts owed by fellow subsidiary undertaking and amounts owed by ultimate parent undertaking)
54.	Friction Materials Limited	D	N/A	CVA or s425	Total Assets = £301,000 (loan to parent undertaking)
55.	G.B.Tools & Components Exports Limited	D	N/A	CVA or s425	Total Assets = £1,672 (cash at bank and amounts owed by ultimate parent company)
56.	Genthope Limited	D	N/A	CVA or s425	Total Assets = £76 (loan to fellow subsidiary undertaking)
57.	Greet Limited	HC	N/A	Survival, CVA or s425	
58.	Halls Gaskets Limited	D	N/A	CVA or s425	Total Assets = £47,800 (cash at bank, loan to parent undertaking and amounts owed by ultimate parent company) <i>Principal activity:</i> dormant; only asset was £46,000 lent to fellow subsidiary undertakings; had no creditors. <i>Other:</i> affected by asbestos claims.
59.	Hepworth & Grandage Limited	D	N/A	CVA or s425	Total Assets = £218,431 (loan to parent undertaking, cash at bank, amounts owed by ultimate parent company)
60.	High Precision Equipment Limited	D	N/A	CVA or s425	Total Assets = £7,000 (loan to fellow subsidiary undertaking)
61.	Inblot Limited	D	N/A	CVA or s425	Total Assets = £7,000 (loan to parent undertaking)
62.	Instantwonder Limited	D	N/A	CVA or s425	Total Assets = £8,211 (cash at bank)
63.	J.W. Roberts Limited	D	N/A	CVA or s425	Total Assets = £520,672 (loan to parent undertaking, cash at bank amounts owed by ultimate parent company) <i>Other:</i> affected by asbestos claims.
64.	Kings Park Housing Limited	D	N/A	CVA or s425	Total Assets = £328,421 (loan to fellow subsidiary undertaking)

	Company Name	Dormant (D), Trading (T), Agency (A) or Holding Company (HC)	Product Division	To Specify the purpose of Administration (s8 IA 1986)	Comments Total Assets (as at 31 December 2000)
65.	Lalton Limited	D	N/A	CVA or s425	Total Assets = £2,000 (loan to parent undertaking)
66.	Lanoth Limited	HC	N/A	Survival, CVA or s425	Total Assets = £50,000 (equity in subsidiaries less provisions)
67.	Lanoth Precision Equipment Limited	D	N/A	CVA or s425	Total Assets = £20,000 (loan to parent undertaking)
68.	Leeds Piston Ring & Engineering Co. Limited	HC	N/A	Survival, CVA or s425	Total Assets = £4,901,672 (cash at bank, loan to parent undertaking, amounts owed by ultimate parent company) <i>Principal activity:</i> holding company. <i>Financial position:</i> Its only asset was a loan to a fellow subsidiary undertaking of £4.9 million; its only liability was a loan from T&N Limited of £4.82 million. This company is potentially insolvent because the write down of the loan of £4,900,000 to its fellow subsidiary undertaking would extinguish its net worth.
69.	M.T.A. (Kettering) Limited	D	N/A	CVA or s425	Total Assets = £1,000 (loan to parent undertaking)
70.	Mantro Engineering Co. Limited	D	N/A	CVA or s425	Total Assets = £459,000 (loan to fellow subsidiary undertaking)
71.	Mobile Distributing (Spares) Limited	D	N/A	CVA or s425	Total Assets = £13,000 (loan to parent undertaking)
72.	Moores Plastic Units Limited	D	N/A	CVA or s425	Total Assets = £465 (loan to parent undertaking and cash at bank and in hand)
73.	Newalls Insulation Company Limited	D	N/A	CVA or s425	Total Assets = £1,331,672 (loan to parent undertaking, cash at bank and amounts owed by ultimate parent company) <i>Principal activity:</i> dormant. <i>Other:</i> affected by asbestos claims.
74.	Ontall Limited	D	N/A	CVA or s425	Total Assets = £104,000 (loan to fellow subsidiary undertaking)
75.	Payen (Europe) Limited	D	N/A	CVA or s425	Total Assets = £300 (loan to parent undertaking)
76.	Pecal Limited	D	N/A	CVA or s425	Total Assets = £3,000 (loan to parent undertaking)
77.	Presswork- Components Limited	D	N/A	CVA or s425	Total Assets = £3,804 (loan to parent undertaking)
78.	Sintration Limited	D	N/A	CVA or s425	Total Assets = £3,046,000 (loan to fellow subsidiary undertaking)
79.	Sourcelook Limited	D	N/A	CVA or s425	Total Assets = £6,540 (cash at bank)
80.	Specialloid Limited	D	N/A	CVA or s425	Total Assets = £400,000 (loan to fellow subsidiary undertaking)
81.	STS (1996) Limited	D	N/A	CVA or s425	Total Assets = £3,703,000 (amounts due from group undertaking)

	Company Name	Dormant (D), Trading (T), Agency (A) or Holding Company (HC)	Product Division	To Specify the purpose of Administration (s8 IA 1986)	Comments Total Assets (as at 31 December 2000)
82.	TAF International Limited	D	N/A	CVA or s425	Total Assets = £1,672 (cash at bank and amounts owed by ultimate parent company) <i>Principal activity:</i> dormant. <i>Other:</i> affected by asbestos claims.
83.	T & N Holdings Limited	HC	N/A	Survival, CVA or s425	Total Assets = £1,036,628,000 (cash at bank and in hand, equity in subsidiary and associated undertakings, loans to parent undertakings, subsidiary and associated undertakings)
84.	T & N International Limited	HC	N/A	Survival, CVA or s425	Total Assets = £376,362,000 (cash at bank, trade investments, associated undertakings, group company loans and equity, amounts owed by fellow subsidiary and parent undertakings) <i>Principal activity:</i> holding company. T&N International Limited has made and received various inter-company loans. Joint ventures: holds the following interests: <ul style="list-style-type: none"> • Dong Suh (50%) • Goetze TP (India) Limited (24.5%) • Japan Brake Industrial (10%) • Korea Beral (22.49%) Insolvent on cash-flow basis.
85.	T & N Limited	T	N/A	Survival, CVA or s425	Total Assets = £1,343,700,000 (tangible fixed assets, subsidiary shares, undertaking loans, associated undertaking shares, other shares, stocks) (Debtors; trade, amounts owed by fellow subsidiaries and in respect of disposals of operations, prepayments and accrued income, prepaid pension costs, and asbestos insurance recoverable) <i>Principal activity:</i> the manufacture of automotive components for the original equipment manufacturers and aftermarket outlets, carried on through agency companies. T&N Limited has made and received various inter-company loans. <i>Real property:</i> legal owner of the leasehold properties at Manchester International Office Centre, and 20 St Mary's Parsonage, Manchester M3 2LY. <i>Intellectual property:</i> jointly owns patent, with Ferodo Abex SA, a French company, in 5 countries. <i>Other:</i> affected by asbestos claims.
86.	T&N Materials Research Limited	D	N/A	CVA or s425	Total Assets = £59,692 (loan to parent undertaking, cash at bank and amounts owed by ultimate parent company)
87.	T&N Piston Products Group Limited	D	N/A	CVA or s425	Total Assets = £41,000 (loan to parent undertaking)
88.	T&N Properties Limited	D	N/A	CVA or s425	Total Assets = £100 (cash at bank)
89.	T&N Shelf Eight Limited	D	N/A	CVA or s425	Total Assets = £100 (loan to parent undertaking)

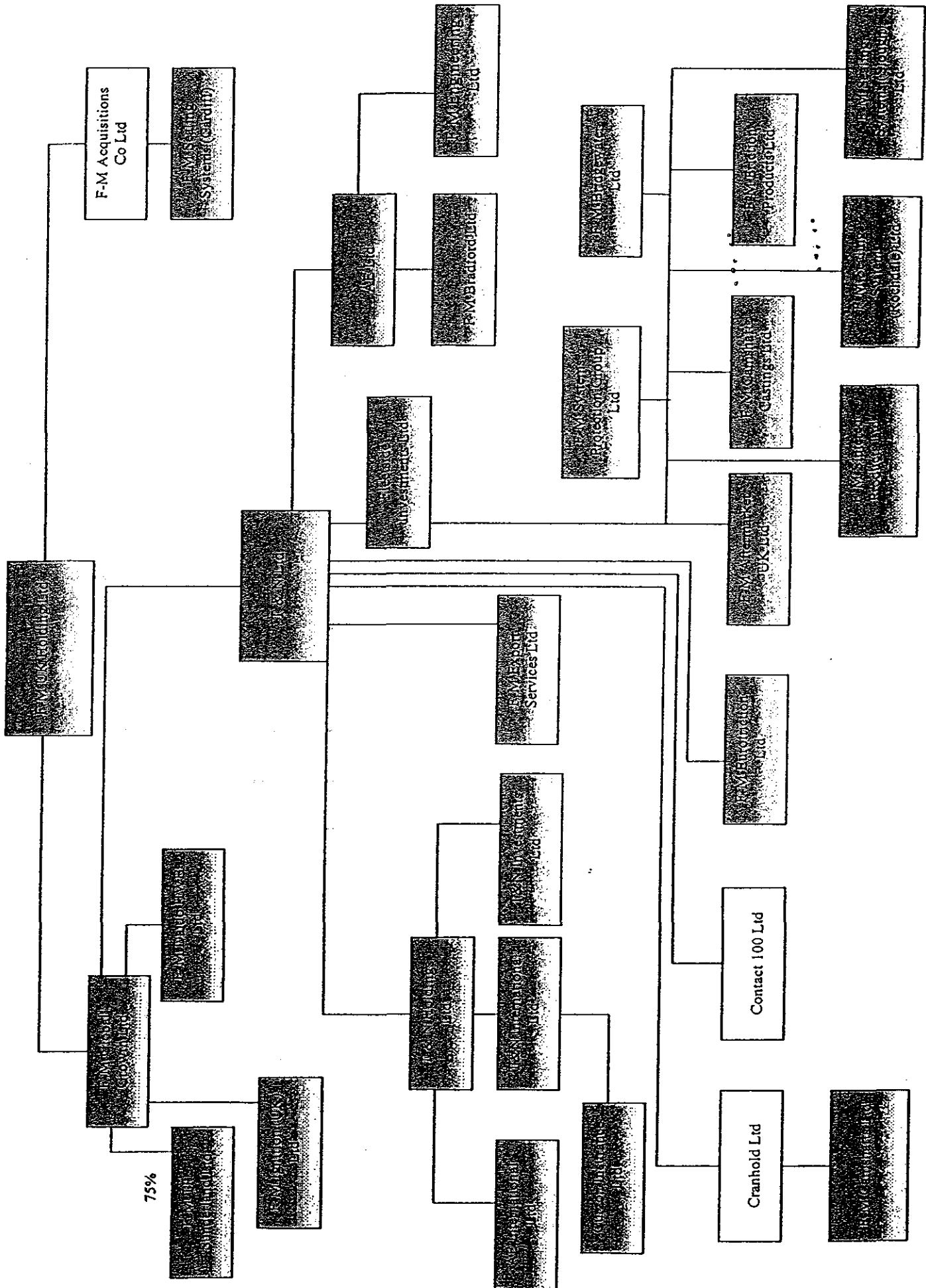
	Company Name	Dormant (D), Trading (T), Agency (A) or Holding Company (HC)	Product Division	To Specify the purpose of Administration (s8 IA 1986)	Comments Total Assets (as at 31 December 2000)
90.	T&N Shelf Eighteen Limited	HC	N/A	Survival, CVA or s425	Total Assets = £326,000 (subsidiary shares and loans to subsidiaries)
91.	T&N Shelf Fifteen Limited	D	N/A	CVA or s425	Total Assets = £456,000 (loan to parent undertaking)
92.	T&N Shelf Five Limited	D	N/A	CVA or s425	Total Assets = £37,000 (loan to parent undertaking)
93.	T&N Shelf Four Limited	D	N/A	CVA or s425	Total Assets = £689,000 (loan to fellow subsidiary undertaking)
94.	T&N Shelf Fourteen Limited	D	N/A	CVA or s425	Total Assets = £1,104,000 (loan to parent undertaking)
95.	T&N Shelf Nine Limited	D	N/A	CVA or s425	Total Assets = £150 (loan to parent undertaking)
96.	T&N Shelf Nineteen Limited	D	N/A	CVA or s425	Total Assets = £26,000 (loan to parent undertaking)
97.	T&N Shelf One Limited	D	N/A	CVA or s425	Total Assets = £48,000 (loan to fellow subsidiary undertaking)
98.	T&N Shelf Seven Limited	D	N/A	CVA or s425	Total Assets = £5,400,000 (loan to parent undertaking)
99.	T&N Shelf Six Limited	HC	N/A	Survival, CVA or s425	Total Assets = £911,000 (shares in subsidiary and loan to subsidiaries)
100.	T&N Shelf Sixteen Limited	D	N/A	CVA or s425	Total Assets = £232,846 (loan to parent undertaking)
101.	T&N Shelf Ten Limited	D	N/A	CVA or s425	Total Assets = £120,000 (loan to parent undertaking)
102.	T&N Shelf Thirteen Limited	D	N/A	CVA or s425	Total Assets = £1,378 (loan to parent undertaking)
103.	T&N Shelf Thirty Limited	D	N/A	CVA or s425	Total Assets = £3,125 (loan to immediate parent undertaking)
104.	T&N Shelf Thirty- One Limited	D	N/A	CVA or s425	Total Assets = £191,000 (loan to parent undertaking)
105.	T&N Shelf Thirty- Three Limited	D	N/A	CVA or s425	Total Assets = £6,261 (cash at bank and loan to fellow subsidiary undertakings)
106.	T&N Shelf Three Limited	D	N/A	CVA or s425	Total Assets = £1,653,000 (loan to parent undertaking)
107.	T & N Shelf Twenty Limited	D	N/A	CVA or s425	Total Assets = £176,776 (loan to parent undertaking, cash at bank and amounts owed by ultimate parent company) <i>Principal activity:</i> dormant. <i>Other:</i> affected by asbestos claims.

	Company Name	Dormant (D), Trading (T), Agency (A) or Holding Company (HC)	Product Division	To Specify the purpose of Administration (s8 IA 1986)	Comments Total Assets (as at 31 December 2000)
108.	T&N Shelf Twenty-Eight Limited	D	N/A	CVA or s425	Total Assets = £100 (loan to parent undertaking)
109.	T&N Shelf Twenty-Five Limited	D	N/A	CVA or s425	Total Assets = £434,000 (loan to parent undertaking)
110.	T&N Shelf Twenty-Four Limited	D	N/A	CVA or s425	Total Assets = £4,000 (loan to parent undertaking)
111.	T&N Shelf Twenty-Nine Limited	D	N/A	CVA or s425	Total Assets = £90,000 (loan to parent undertaking) [1999]
112.	T & N Shelf Twenty-One Limited	D	N/A	CVA or s425	Total Assets = £9,491 (loan to parent undertaking, cash at bank, and amounts owed by ultimate parent company) <i>Principal activity:</i> dormant. <i>Other:</i> affected by asbestos claims.
113.	T & N Shelf Twenty-Six Limited	D	N/A	CVA or s425	Total Assets = £11,221,672 (loan to parent undertaking, cash at bank, and amounts owed by ultimate parent company) <i>Principal activity:</i> dormant. <i>Financial position:</i> its only asset was a loan of £11.22 million to its parent, Fleetside. It had no creditors on its balance sheet. <i>Other:</i> affected by asbestos claims. <i>Intellectual property:</i> there are no IP rights listed for this company in the FM database or in the DWS searches. However, Tenmat Limited, a previous name of the company, is listed in the FM database as owning one granted US patent.
114.	T&N Shelf Twenty-Two Limited	D	N/A	CVA or s425	Total Assets = £83,000 (loan to parent undertaking)
115.	T&N Shelf Two Limited	D	N/A	CVA or s425	Total Assets = £85 (loan to parent undertaking)
116.	T & N Trade Marks Limited	T	N/A	Survival, CVA or s425	Total Assets = £12,822,000 (trademarks, cash, accrued income and amounts owed by ultimate parent company and fellow subsidiary undertakings) <i>Principal activity:</i> manages all intellectual property matters on behalf of T&N. Collects trademark royalties. <i>Intellectual property:</i> registered owner of many of the trade marks used by the group, in 70 countries. It owns the trade marks "GOETZE" and "GOETZE" and device, which is of importance to the group.
117.	T&N Welfare Trust Limited	D	N/A	CVA or s425	Total Assets = £100 (loan to parent undertaking)
118.	TBA Belting Limited	D	N/A	CVA or s425	Total Assets = £300 (loan to parent undertaking)

	Company Name	Dormant (D), Trading (T), Agency (A) or Holding Company (HC)	Product Division	To Specify the purpose of Administration (s8 1A 1986)	Comments Total Assets (as at 31 December 2000)
119.	TBA Belting (Residual) Limited	D	N/A	CVA or s425	Total Assets = £573,000 (loan to parent undertaking)
120.	TBA Industrial Products Limited	T	N/A	Survival, CVA or s425	Total Assets = £11,651,672 (loan to parent undertaking, cash at bank and amounts owed by ultimate parent company) <i>Principal activity:</i> holding company and site management service provider as agent for T & N Limited <i>Real property:</i> legal owner, and occupier of part, of the freehold property at PO Box 115, Rochdale, Lancs OL12 7EX (referred to above). <i>Intellectual property:</i> this company is listed in the FM database as owning 1 patent, granted in Canada, 4 patents for "TBA Industrial Products Limited", 3 of which are granted and 3 patents in the name of "TBA Industrial Products Limited and Hepworth", all granted. The FM database also lists the company as owning 1 trade mark in Great Britain - "PERIMAN". The DWS searches list patents owned by this company and show that it owns 7 UK trade marks, including "PERIMAN". "TBA Textiles" was a division of the company. <i>Other:</i> affected by asbestos claims.
121.	Telford Rubber Processors Limited	D	N/A	CVA or s425	Total Assets = £10,773 (loan to parent undertaking)
122.	Telford Technology Supplies Limited	D	N/A	CVA or s425	Total Assets = £100 (loan to parent undertaking)
123.	The British Piston Ring Company	D	N/A	CVA or s425	Total Assets = £1,300,000 (loan to fellow subsidiary undertaking)
124.	The Washington Chemical Company Limited	D	N/A	CVA or s425	Total Assets = £2,786,672 (loan to parent undertaking, cash at bank and amounts owed by ultimate parent company) <i>Principal activity:</i> dormant. <i>Other:</i> affected by asbestos claims.
125.	Tinblo Limited	D	N/A	CVA or s425	Total Assets = £12,000 (loan to parent undertaking)
126.	Touchdown Adhesive Products Limited	D	N/A	CVA or s425	Total Assets = £25,000 (loan to parent undertaking)
127.	Turner & Newall Limited	D	N/A	CVA or s425	Total Assets = £130,000 (loan to parent undertaking)
128.	Turner Brothers Asbestos Company Limited	D	N/A	CVA or s425	
129.	Tynoda Limited	D	N/A	CVA or s425	Total Assets = £12,001 (loan to parent undertaking)
130.	Vanwall Cars Limited	D	N/A	CVA or s425	Total Assets = £30,000 (loan to parent undertaking)
131.	Wellworthy Limited	D	N/A	CVA or s425	Total Assets = £1,093,090 (loan to parent undertaking, cash at bank and amounts owed by ultimate parent company) Legal owner of freehold property

	Company Name	Dormant (D), Trading (T), Agency (A) or Holding Company (HC)	Product Division	To Specify the purpose of Administration (s8 IA 1986)	Comments Total Assets (as at 31 December 2000)
132.	Wellworthy Property Developments Limited	D	N/A	CVA or s425 : : :	Total Assets = £90,000 (loan to fellow subsidiaries) : : :
133.	William C. Jones (Polymers) Limited	D	N/A	CVA or s425	Total Assets = £221,000 (loan to fellow subsidiary undertaking)

FEDERAL MOGUL UK GROUP SIMPLIFIED GROUP STRUCTURE CHART



Federal-Mogul UK Filing Group of Companies (In Administration)

List of Agency Companies

Operating Agency Companies

1. Federal-Mogul Aftermarket UK Limited (formerly known as AE Autoparts Limited)
2. Federal-Mogul Bradford Limited (formerly known as AE Goetze Automotive Limited)
3. Federal-Mogul Bridgwater Limited (formerly known as AE Goetze Special Products Limited)
4. Federal-Mogul Camshaft Castings Limited (formerly known as Lydmet Limited)
5. Federal-Mogul Camshafts Limited (formerly known as Weyburn Bartel Limited)
6. Federal-Mogul Engineering Limited (formerly known as The Glacier Metal Co. Limited)
7. Federal-Mogul Eurofriction Limited (formerly known as Admaco Limited)
8. Federal-Mogul Friction Products Limited (formerly known as Ferodo Limited)
9. Federal-Mogul Sintered Products Limited (formerly known as Brico Engineering Limited)
10. Federal-Mogul Systems Protection Group Limited (formerly known as Bentley Harris Limited)
11. Federal-Mogul Sealing Systems (Rochdale) Limited
12. Federal-Mogul Sealing Systems (Slough) Limited

Service Agency Companies

13. Federal-Mogul Powertrain Systems International Limited (formerly known as AE Export Services Limited)
14. Federal-Mogul Technology Limited (formerly known as T&N Technology Limited)
15. TBA Industrial Products Limited

A CREDITORS' GUIDE TO ADMINISTRATORS' FEES

ENGLAND AND WALES

1. Introduction

- 1.1 When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees and explains the basis on which fees are fixed.

2. The Nature of Administration

- 2.1 Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court in order to achieve one or more of the following statutory purposes:

- the survival of the company and its business in whole or in part;
- the approval of a company voluntary arrangement;
- the sanctioning of a scheme under section 425 of the Companies Act 1985;
- a better realisation of assets than would be possible in a liquidation.

Administration may be followed by a company voluntary arrangement or liquidation.

3. The Creditors' Committee

- 3.1 The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is established at the meeting of creditors, which the administrator is required to hold within 3 months of the administration order to consider his proposals. The administrator must call the first meeting of the committee within 3 months of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has the power to summon the administrator to attend before it and provide such information as it may require.

4. Fixing the Administrator's Fees

- 4.1 The basis for fixing the administrator's remuneration is set out in Rule 2.47 of the Insolvency Rules 1986, which states that it shall be fixed either:
- as a percentage of the value of the property which the administrator has to deal with, or
 - by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration;

It is for the creditors' committee (if there is one) to determine on which of these bases the remuneration is to be fixed, and if it is fixed as a percentage, to fix the percentage to be applied. Rule 2.47 says that in arriving at its decision the committee shall have regard to the following matters:

- the complexity (or otherwise) of the case;
- any responsibility of an exceptional kind or degree which falls on the administrator;
- the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties;
- the value and nature of the property which the administrator has to deal with;

- 4.2 If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to the same matters as the committee would. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator.

5. What Information Should be Provided by the Administrator

- 5.1 When seeking agreement to his fees the administrator should provide sufficient supporting information to enable the committee or the creditors to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case. The administrator should always make available an up to date receipts and payments account. Where the fee is to be charged on a time basis the administrator should be prepared to disclose the amount of time spent on the case and the charge-out value of the time spent, together with such additional information as may reasonably be required having regard to the size and complexity of the case. Where the fee is charged on a percentage basis the administrator should provide details of any work which has been or is intended to be contracted out which would normally be undertaken directly by an administrator or his staff.

- 5.2 The payment of expenses and disbursements is not subject to approval by the committee or the creditors. However, where an administrator makes, or proposes to make, a separate charge by way of expenses and disbursements to recover the cost of facilities provided by his own firm, he should disclose those charges to the committee or the creditors when seeking approval of his fees, together with an explanation of how those charges are made up and the basis on which they are arrived at.

6. What if a Creditor is Dissatisfied?

- 6.1 If a creditor believes that the administrator's remuneration is too high he may, if at least 25 per cent in value of the creditors (including himself) agree, apply to the court for an order that it be reduced. If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing. Unless the court orders otherwise, the costs must be paid by the applicant and not as an expense of the administration.

7. What if the Administrator is Dissatisfied?

- 7.1 If the administrator considers that the remuneration fixed by the creditors' committee is insufficient he may request that it be increased by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient, he may apply to the court for it to be increased. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented on the application. If there is no committee, the administrator's notice of his application must be sent to such of the company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

8. Other Matters Relating to Fees

- 8.1 Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors. If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.

Definition of Terms

AEInt	AE International Limited
Agency Companies	the Companies which are currently carrying on business as undisclosed agent for T&N, as listed in Appendix 3
Champion Pensions	Champion Pensions Limited, the corporate trustee of the Champion Scheme
Chase	The Chase Manhattan Bank
DIP Facility	The US\$675 million superpriority secured priming debtor-in-possession revolving credit term loan and letter of credit facility
English Companies	the members of the FM Group incorporated in England and Wales
European Group	All FM Group Companies operating in Europe and South Africa
FM Aftermarket	Federal-Mogul Aftermarket UK Limited
FM Bradford	Federal-Mogul Bradford Limited
FM Camshafts	Federal-Mogul Camshafts Limited
FM Export	Federal-Mogul Export Services Limited
FM Geneva	Federal-Mogul Sarl (a company incorporated in Switzerland)
FM Group	FMC and all of its subsidiaries wherever incorporated
FM Ignition	Federal-Mogul Ignition (U.K.) Limited
FM Pensions	Federal-Mogul Pension Trustees Limited
FM Powertrain	Federal-Mogul Powertrain Systems International Limited
FM Technology	Federal-Mogul Technology Limited
FMC	Federal-Mogul Corporation
FMCC	Federal-Mogul Camshaft Castings Limited
FMGG	Federal-Mogul Global Growth Limited
FMSS(Cardiff)	Federal-Mogul Sealing Systems (Cardiff) Limited

FMUKH	F-M UK Holding Limited
Guarantor Subsidiaries	13 USA subsidiaries and one UK subsidiary (FMUKH) guaranteeing Senior Credit Agreements.
JPMSI	J. P. Morgan Securities Inc.
JVCo	a company in whose share capital of a member of the FM Group holds an interest which is less than 100 per cent.
KBP	Kroll Buchler Phillips Limited
Management	The management of the UK Filing Group and USA management
OEMs	Original equipment manufacturers
OESs	Original equipment suppliers
Pre-Petition Lenders	Syndicate of Lenders who provided FMC with facility of approximately US\$2 billion
Product Groups	the four global product groups of the FM Group, being: Powertrain; Friction; Sealing Systems and Systems Protection; and Ignition, Wipers and Filters
Protocol	The cross-border insolvency protocol
PWC	PricewaterhouseCoopers
Reorganisation Plan	The plan of re-organisation by the USA management as part of the USA Chapter 11 proceedings
SABW	Sidley Austin Brown and Wood
TBA	TBA Industrial Products Limited
T&N	T&N Limited
TNInt	T&N Investments Limited
Trade Marks	T&N Trade Marks Limited
UK Filing Group	the Companies for which an Administration Order was granted by the English Court on 1 October 2001
UK Group	(a) FMUKH and all of its wholly-owned subsidiaries incorporated in England and Wales, (b) FMGG and all of its subsidiaries incorporated in England and Wales and c) TNInv