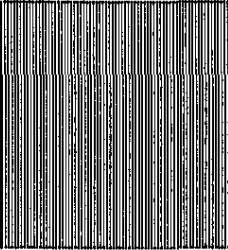


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**Joint Supervisors'  
Annual Report to Creditors**

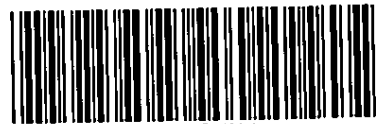
**Federal-Mogul Camshafts  
Limited - Company Voluntary  
Arrangement**

**5 December 2007**



**KROLL**

THURSDAY



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COMPANIES HOUSE

**FEDERAL-MOGUL CAMSHAFTS LIMITED - COMPANY VOLUNTARY  
ARRANGEMENT (CVA)**

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- 2 Realisation of Assets
- 3 Creditors
- 4 Supervisors' Remuneration

**APPENDICES**

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## **1 Introduction**

- 1 1 You will recall that I was appointed Joint Supervisor of Federal-Mogul Camshafts Limited (the **Company**)'s CVA, together with my partners, A O'Keefe and S Mackellar, on 11 October 2006
- 1 2 This report is our first annual report and provides an update on the progress of the CVA in accordance with Rule 1 26 of the Insolvency Rules 1986 At Appendix A, we have provided an account of our Receipts and Payments for the year ended 10 October 2007

## **2 Realisation of Assets**

### ***Voluntary Contributions***

- 2 1 In accordance with the CVA proposal, at the start of the CVA a reserve was established with a deposit of £4,500,000 This is being used to pay dividends to the creditors of the Company
- 2 2 Interest is being accrued for the benefit of the CVA from the date the CVA became effective Interest received to date totals £179,767

## **3 Creditors**

### ***Preferential Creditors***

- 3 1 We can confirm that all preferential creditors' claims have been agreed and paid in full The details of which are given in the table below

|                                 | Agreed Claims<br>£ |
|---------------------------------|--------------------|
| HM Revenue & Customs – PAYE/NIC | 81,626             |
| HM Revenue & Customs – VAT      | 33,604             |
|                                 | <b>115,230</b>     |

### ***Unsecured Creditors***

#### ***Trade Creditors***

- 3 2 The process of reviewing and agreeing creditor claims is almost complete To date we have agreed 334 claims totalling £637,159 We have paid out a total of £376,781 representing a

dividend of 75p/£ to 319 creditors. In addition, we have recently agreed a further 15 creditors' claims totalling £134,784 and they will be receiving their dividend payment in the near future. We currently only have one claim that has not been agreed which totals £699. We estimate that total claims will be in the region of £637,860. Based on current information we anticipate that a further dividend will be payable to the Company's unsecured creditors of 25p/£, bringing the total dividend to 100p/£. This final dividend will be made early in 2008.

*Agency Companies*

- 3.3 The Company acted as an agent of T&N Limited (**T&N**). T&N has no trading operations in its own name and conducted its operations through a number of subsidiaries, many of which act as agents of T&N. The agency agreement was not disclosed to external suppliers and other parties dealing with those subsidiaries.
- 3.4 The effect of this agency status is that if where the unsecured creditors of the Company receives a dividend which is below 100p/£, the Supervisor of the CVA is entitled to make a claim against T&N for the balance of any such claim. However, as stated above we anticipate that creditors of the Company will receive a dividend of 100p/£, therefore there will be no need for a further claim against T&N to be made. Nevertheless, a copy of the T&N annual report is enclosed for your information.

*S75 Pension Creditors*

- 3.5 Historically, the Company was a participating employer in the T&N Retirement Benefits Scheme (1989) (**T&N Pension Scheme**). There was a large funding deficit in the T&N Pension Scheme on a winding up basis. When the CVA proposals were mailed to creditors, the T&N Pension Scheme entered an assessment period to determine if it is eligible for entry to the Pension Protection Fund (**PPF**). If it is accepted into the PPF, the Company's employees will receive a minimum guaranteed level of pension.
- 3.6 As the T&N Pension Scheme has a funding deficit on a winding up basis, it has a claim under section 75 of the Pensions Act 1995 against the Company for the amount of that deficit. Since the T&N Pension Scheme is in a PPF assessment period, the law treats the PPF as the creditor in the Company's CVA.
- 3.7 Despite extensive negotiations and a willingness on the part of both the Supervisors and the PPF to reach an agreement on the level of the section 75 liability, there remain two key unresolved issues. These issues significantly impact the potential level of the liability and at the date of this report, a satisfactory agreement has not been reached. In order to progress the matter we have made an application to the High Court for determination of the two key issues. The hearing is due to take place in December 2007.

- 3 8 In accordance with the terms of the CVA proposals, the section 75 claim against the Company was capped at £2,900,000. We can confirm that a claim of £2,710,000 has been received from the PPF and that an interim dividend of £1,951,200 has been paid. This dividend is based on a reduced claim value (72% of the PPF claim), which has been agreed with the PPF for interim dividend purposes only.

*Non-Asbestos Personal Injury Claims*

- 3 9 To date three potential claims have been received in respect of Non-Asbestos Personal Injury claims with an estimated claim value of £100,000. We believe that most of these claims will eventually be handled by the Company's insurers. None of the claims have been agreed due to either a lack of supporting documentation, or the fact that a claim has also been made directly against the insurers. We are in the process of writing to all potential claimants to confirm the current position in respect of their claim whether they intend to pursue the insurers directly rather than claiming in the CVA and request additional evidence as appropriate.

**4 Supervisors' Remuneration**

- 4 1 The CVA Proposals stated that a Remuneration Reserve shall be established in order to pay the Supervisors' remuneration. This Reserve is separate from the funds available to the creditors and has no impact on the level of dividends that are ultimately available for the Company's creditors. The CVA provides that our remuneration will be based upon the time costs of the Supervisors' and their staff in executing the CVA.
- 4 2 The Joint Supervisors' time costs as at 10 October 2007 total £149,370. This represents 888.9 hours at an average rate of £168 per hour. To date, £147,055 plus VAT has been drawn on account of these fees. As stated above, these fees have been drawn from the Remuneration Reserve and are therefore not reflected on the Receipts and Payments account attached at Appendix A. Attached as Appendix B is a Time Analysis in accordance with the provisions of Statement of Insolvency Practice 9 (**SIP9**), which provides details of the activity costs incurred by staff grade to date.
- 4 3 Please note that when time has been incurred in tasks which relate to a number of Federal-Mogul Group companies which are in CVA, it has not been possible to allocate this time to individual companies and accordingly it has been charged to T&N Limited rather than the individual company. As part of the CVA proposals for all of the T&N companies, a central fee reserve has been set up and the effect of this is that fees drawn will not impact on the level of dividend to the creditors of T&N Limited or the individual company.

**FEDERAL-MOGUL CAMSHAFTS LIMITED - COMPANY VOLUNTARY  
ARRANGEMENT (CVA)**

- 4 4 Attached, as Appendix C is additional information in relation to our policy on staffing, the use of sub-contractors and re-charging of disbursements
- 4 5 As detailed above, it is anticipated that a further dividend will be made during early 2008 to the agreed unsecured creditors of the Company, bringing the total dividend to 100p/£ We would hope to be in a position to bring the CVA to a close shortly after its second anniversary

Should you require further information, please do not hesitate to contact Jessica Geddes of this office

Yours faithfully



**J J Gleave**  
Joint Supervisor

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**FEDERAL-MOGUL CAMSHAFTS LIMITED - COMPANY VOLUNTARY  
ARRANGEMENT (CVA)**

**Receipts and Payments Account for the Period from 11 October 2006  
to 10 October 2007**

**Appendix A**

**Voluntary Arrangement of Federal-Mogul Camshafts Limited**

|                                    | £                   | £                                     |
|------------------------------------|---------------------|---------------------------------------|
| <b>FLOATING REALISATIONS</b>       |                     |                                       |
| Bank Interest Gross                | 179,766 88          |                                       |
| Net Agency Funds for CVA           | <u>4,500,000 00</u> | 4,679,766 88                          |
| <br><b>FLOATING COSTS</b>          |                     |                                       |
| Bank Charges                       | <u>119 73</u>       | (119 73)                              |
| <br><b>PREFERENTIAL CREDITORS</b>  |                     |                                       |
| Preferential Creditors - VAT       | 33,603 72           |                                       |
| Preferential Creditor - PAYE / NIC | <u>81,625 69</u>    | (115,229 41)                          |
| <br><b>UNSECURED CREDITORS</b>     |                     |                                       |
| Trade & Expense                    | 376,781 34          |                                       |
| S75 Pension Dividend               | <u>1,951,200 00</u> | (2,327,981 34)                        |
|                                    |                     | <br><u><u><b>2,236,436.40</b></u></u> |
| <br><b>REPRESENTED BY</b>          |                     |                                       |
| Floating Current a/c               |                     | 383 89                                |
| Barclays Dividend Account          |                     | 235 77                                |
| Floating Money Market              |                     | 2,235,816 74                          |
|                                    |                     | <br><u><u><b>2,236,436.40</b></u></u> |

In accordance with the requirements of Statement of Insolvency Practice 7, I should advise that the Supervisors' fees have been paid from a separate Remuneration Reserve  
Fees drawn to date total £147,055 plus VAT

**FEDERAL-MOGUL CAMSHAFTS LIMITED - COMPANY VOLUNTARY  
ARRANGEMENT (CVA)**

**Time Analysis for the Period from 11 October 2006 to 10 October 2007**

**Appendix B**

Federal-Mogul Camshafts Limited

FM06ASM

SIP 9

|  | Employee Grade       |                     |                       |                            |              | Total Hours       | (£'s)               |  |
|--|----------------------|---------------------|-----------------------|----------------------------|--------------|-------------------|---------------------|--|
|  | (Hours)              |                     |                       |                            | Total Cost   |                   | Average<br>Rate p/h |  |
|  | Partner/<br>Director | Senior<br>Associate | Associate/<br>Analyst | Junior<br>Analysts/Support |              |                   |                     |  |
| <b>Administration and Planning</b>             |                      |                     |                       |                            |              |                   |                     |  |
| Strategy and Control                           | 7 0                  | 10 8                | 11 5                  | 5 2                        | 34 5         | 10,321 50         | 299                 |  |
| Bank and Creditor Reporting                    | -                    | 0 5                 | 0 4                   | -                          | 0 9          | 270 50            | 301                 |  |
| Creditors Committee                            | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| Statutory Duties                               | -                    | 0 5                 | 0 2                   | 0 9                        | 1 6          | 335 00            | 209                 |  |
| Job Administration                             | -                    | 1 0                 | 5 3                   | 10 5                       | 16 8         | 2,697 00          | 161                 |  |
| Cash Accounting and Time Records               | 0 9                  | 2 9                 | 2 9                   | 13 4                       | 20 1         | 4,246 50          | 211                 |  |
| Travel and Waiting Time                        | -                    | 3 1                 | 1 1                   | -                          | 4 2          | 1,304 50          | 311                 |  |
| Case Closure                                   | 4 0                  | 0 4                 | 0 6                   | -                          | 5 0          | 2,174 00          | 435                 |  |
| Internal Documentation and IT                  | 0 1                  | 0 2                 | 1 5                   | 3 2                        | 5 0          | 822 50            | 165                 |  |
| <b>Investigations</b>                          |                      |                     |                       |                            |              |                   |                     |  |
| D Reports                                      | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| Other Investigations                           | 0 8                  | -                   | -                     | -                          | 0 8          | 380 00            | 475                 |  |
| Internal Documentation                         | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| <b>Realisation of Assets - Fixed Charge</b>    |                      |                     |                       |                            |              |                   |                     |  |
| Initial Actions and Valuations                 | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| Sale of Assets                                 | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| Insurance                                      | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| Litigation                                     | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| Internal and External Documentation            | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| <b>Realisation of Assets - Debtors</b>         |                      |                     |                       |                            |              |                   |                     |  |
| Debt Collection                                | -                    | 0 1                 | -                     | -                          | 0 1          | 32 50             | 325                 |  |
| Debtors Litigation                             | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| Crown Debtors                                  | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| Internal and External Documentation            | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| <b>Realisation of Assets - Floating Charge</b> |                      |                     |                       |                            |              |                   |                     |  |
| Initial Actions and Valuations                 | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| Sale of Assets                                 | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| Insurance                                      | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| Retention of Title                             | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| Hire Purchase / Leased Assets                  | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| Litigation                                     | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| Internal and External Communications           | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| <b>Trading</b>                                 |                      |                     |                       |                            |              |                   |                     |  |
| Initial Actions                                | 1 0                  | -                   | -                     | -                          | 1 0          | 475 00            | 475                 |  |
| Cash Accounting                                | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| Ongoing Trading Activities                     | 1 7                  | 0 2                 | 1 5                   | -                          | 3 4          | 1,237 50          | 364                 |  |
| Internal and External Communications           | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| <b>Creditors</b>                               |                      |                     |                       |                            |              |                   |                     |  |
| Creditor Dealings                              | 1 1                  | -                   | 25 8                  | 143 5                      | 170 4        | 23,922 00         | 140                 |  |
| Creditor claims                                | 3 2                  | 73 2                | 87 4                  | 324 8                      | 488 6        | 82,576 00         | 169                 |  |
| Litigation                                     | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| Shareholders / Bankrupts                       | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| Internal Documentation                         | -                    | 1 7                 | 8 8                   | 124 9                      | 135 4        | 18,277 00         | 135                 |  |
| Employees                                      | -                    | 0 4                 | 0 7                   | -                          | 1 1          | 298 00            | 271                 |  |
| Employee Communications                        | -                    | -                   | -                     | -                          | -            | 0 00              | -                   |  |
| <b>Totals</b>                                  | <b>19 8</b>          | <b>95 0</b>         | <b>147 7</b>          | <b>626 4</b>               | <b>888 9</b> | <b>149,369 50</b> | <b>168</b>          |  |

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

**Appendix C**

**1 Policy**

Detailed below is Kroll's policy in relation to

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

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

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

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

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

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

**Professional Advisors**

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

| <b>Name of Professional Advisor</b> | <b>Basis of Fee Arrangement</b> |
|-------------------------------------|---------------------------------|
| DWS (legal advice)                  | Hourly rate and disbursements   |

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

## **1.2 Disbursements**

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

## **2 Charge-out Rates**

With effect from 1 January 2007, certain job titles within our organisation have been re-classified and the new grade titles are shown within the table below These changes do not affect the rates our staff are being charged out at with the exception of staff previously classified as Administrators This grade has now been re-classified to Analyst and as a consequence, the charge out rate as from 1 January 2007 for this level of staff has been increased by an average of £45 per hour

A schedule of Kroll charge-out rates effective from 1 January 2007 is detailed below

|   | (Per hour)<br>£ |
|---|-----------------|
| <b>Partner/Director</b>                 |                 |
| Partner 1                               | 475             |
| Partner 2                               | 425             |
| Director                                | 395             |
| <b>Senior Associate</b>                 |                 |
| Senior Associate 1                      | 350             |
| Senior Associate 2                      | 325             |
| <b>Associate/Analyst</b>                |                 |
| Associate                               | 270             |
| Analyst                                 | 240             |
| <b>Junior Analyst and Support Staff</b> |                 |
| Junior Analyst                          | 125             |
| Senior Treasury Associate               | 185             |
| Treasury Associate                      | 125             |
| Treasury Analyst                        | 75              |
| Support                                 | 75              |