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**Joint Supervisors'  
Annual Report to Creditors**

**Federal-Mogul Powertrain  
Systems International Limited -  
Company Voluntary  
Arrangement**

**28 November 2008**

**KROLL**

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**FEDERAL-MOGUL POWERTRAIN SYSTEMS INTERNATIONAL LIMITED - COMPANY  
VOLUNTARY ARRANGEMENT (CVA)**

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## **1 Introduction**

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

## **2 Realisation of Assets**

### ***Voluntary Contributions***

- 2.1 In accordance with the CVA proposal, at the start of the CVA a reserve was established with a deposit of £1,800,000. 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 £112,857.

## **3 Creditors**

### ***Preferential Creditors***

- 3.1 There are no preferential creditors' claims within this Arrangement.

### ***Unsecured Creditors***

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

- 3.2 The process of reviewing and agreeing creditor claims is complete. To date I have agreed 40 claims totalling £25,593. I have paid out a total of £10,237 representing a dividend of 40 in the pound. I anticipate that shortly after this report is distributed, unsecured creditors will receive a further dividend on their unsecured claims. Based on current information this will be estimated at 15 pence in the pound, bringing the total dividend to 55 pence in the pound.

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- 3.3 In addition, the unsecured creditors of the Company will receive a further final dividend from T&N Limited (**T&N**) as a result of the Company's Agency status with T&N as detailed below in section 3.7. Based on the anticipated dividend level from the Company, the unpaid balance of trade unsecured creditors' claims will be £11,517. Unsecured creditors will receive a dividend of 25 pence in the pound from T&N on the outstanding balance, therefore a further estimated dividend of £2,879 will be paid to creditors by the end of 2008. This will bring the total dividend to 66 pence in the pound.

*Inter-Company Creditors*

- 3.4 In accordance with the terms of the CVA proposals, the Inter-Company claims against the Company were capped at £10,000. I confirm that an Inter-Company claim of £10,000 has been received and agreed. To date I have paid £4,000 representing a dividend of 40 pence in the pound.
- 3.5 In line with the other unsecured creditors, a further dividend of 15 pence in the pound will be paid to Inter-Company creditors, bringing the total dividend to Inter-Company creditors to 55 pence in the pound.
- 3.6 The Inter-Company creditors are not entitled to a share of the T&N Agency dividend referred to in section 3.3 above.

*Agency Companies*

- 3.7 The Company acted as an Agent of T&N Limited (**T&N**). T&N had no trading operations in its own name and conducted its operations through a number of subsidiaries, many of which acted as Agents of T&N. The Agency Agreement was not disclosed to external suppliers and other parties dealing with those subsidiaries.
- 3.8 As mentioned above, the effect of this Agency claim is that unsecured trade creditors of the Company will receive a further 25 pence in the pound on the balance of their outstanding claim.

*S75 Pension Creditors*

- 3.9 You will recall that the Company was a participating employer in the T&N Retirement Benefits Scheme (1989) (**T&N Pension Scheme**), which had a large funding deficit on a winding up basis.
- 3.10 In accordance with the terms of the CVA proposals, the Section 75 claim against the Company was capped at £3,810,000 and a claim of £3,400,000 was received from the Pension Protection Fund (**PPF**).

- 3.11 At the date of my last report, there were two key unresolved issues which had prevented the claim being agreed. Following a decision of the High Court, I am pleased to advise that both issues have now been resolved, and that the claim has been agreed in the sum £3,400,000. A catch up dividend was paid to the PPF in May 2008, bringing their total distribution to £1,360,000 representing a dividend of 40 pence in the pound.
- 3.12 Pending the Judgment of the High Court the Joint Supervisors had held paying a dividend on the disputed element of the PPF's claim. As this payment was delayed until several months after the payment to the other unsecured creditors, interest was also paid on the claim. The amount of £21,369 was paid to the PPF, representing the interest accrued from the date other creditors were paid their dividend to the date of payment to the PPF.

#### **4 Supervisors' Remuneration**

- 4.1 The CVA Proposals stated that a Remuneration Reserve shall be established in order to pay the Supervisors' remuneration. This Reserve is separate from the funds available to the creditors and has no impact on the level of dividends that are ultimately available for the Company's creditors. The CVA provides that our remuneration will be based upon the time costs of the Supervisors' and their staff in executing the CVA.
- 4.2 The Joint Supervisors' time costs as at 10 October 2008 total £59,568. This represents 329.3 hours at an average rate of £181 per hour. To date, £58,582 plus VAT has been drawn on account of these fees. As stated above, these fees have been drawn from the Remuneration Reserve and are therefore not reflected on the Receipts and Payments account attached at Appendix A.
- 4.3 Attached as Appendices B and C are Time Analyses for the period since my last report, together with a cumulative account for the duration of the CVA. The Time Analyses are produced in accordance with the provisions of Statement of Insolvency Practice 9 (SIP9), which provides details of the activity costs incurred by staff grade to date.
- 4.4 Please note that when time has been incurred on tasks which relate to a number of Federal-Mogul Group companies which are in CVA, it has not been possible to allocate this time to individual companies and accordingly it has been charged to T&N Limited rather than the individual company.
- 4.5 Attached, as Appendix D is additional information in relation to my policy on staffing, the use of sub-contractors and re-charging of disbursements.

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**5 Conclusion**

5.1 Finally, I am in the process of paying a final dividend to agreed creditors and will also ensure that an Agency dividend is paid to the Company's unsecured creditors. Once these payments have been made I will be in a position to bring the CVA to a close.

5.2 I estimate that we will be in a position to close the CVA during the first quarter of 2009.

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

Yours faithfully

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

**Anne O'Keefe**  
Joint Supervisor

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**FEDERAL-MOGUL POWERTRAIN SYSTEMS INTERNATIONAL LIMITED - COMPANY  
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**Receipts and Payments Account for the Period from 11 October 2007  
to 10 October 2008 and a Cumulative Account for the Period from 11  
October 2006 to 10 October 2008**

**Appendix A**

**Voluntary Arrangement of Federal-Mogul Powertrain System International Limited**

	<b>From 11/10/2007 To 10/10/2008</b>	<b>From 11/10/2006 To 10/10/2008</b>
<b>FLOATING REALISATIONS</b>		
Bank Interest Gross	42,429.17	112,857.48
Net Agency Assets Available for CVA	<u>NIL</u>	<u>1,800,000.00</u>
	42,429.17	1,912,857.48
<b>FLOATING COSTS</b>		
Interest payable to PPF	21,369.00	21,369.00
Bank Charges	<u>239.65</u>	<u>249.65</u>
	(21,608.65)	(21,618.65)
<b>UNSECURED CREDITORS</b>		
Trade & Expense	829.50	10,237.20
Inter-Company Payables	<u>NIL</u>	<u>4,000.00</u>
S75 Pension Dividend	<u>380,800.00</u>	<u>1,360,000.00</u>
	(381,629.50)	(1,374,237.20)
	<u><b>(360,808.98)</b></u>	<u><b>517,001.63</b></u>
 Dividend Account - Non Interest Bearing		27.03
Interest Bearing Account		516,974.60
		<u><b>517,001.63</b></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 £58,582, plus disbursements of £858.82 and VAT

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

**Appendix B**

	Employee Grade				Total Hours	(£'s)	
	(Hours) Partner/ Director	Senior Associate	Associate	Analyst/ Support		Total Cost	Average Rate p/h
<b>Administration and Planning</b>							
Strategy and Control	1.0	1.6	0.8	4.9	8.3	1,853.5	223
Bank and Creditor Reporting	-	1.1	1.1	-	2.2	654.5	298
Creditors Committee	-	-	-	-	-	-	-
Statutory Duties	-	0.1	0.4	-	0.5	143.0	286
Job Administration	-	0.6	0.1	4.1	4.8	754.5	157
Cash Accounting and Time Records	-	-	0.5	4.8	5.3	989.0	187
Travel and Waiting Time	-	-	-	-	-	-	-
Case Closure	-	-	-	-	-	-	-
Internal Documentation and IT	-	0.2	-	-	0.2	70.0	350
<b>Investigations</b>							
D Reports	-	-	-	-	-	-	-
Other Investigations	-	-	-	-	-	-	-
Internal Documentation	-	-	-	-	-	-	-
<b>Realisation of Assets - Fixed Charge</b>							
Initial Actions and Valuations	-	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Litigation	-	-	-	-	-	-	-
Internal and External Documentation	-	-	-	-	-	-	-
<b>Realisation of Assets - Debtors</b>							
Debt Collection	-	-	-	-	-	-	-
Debtors Litigation	-	-	-	-	-	-	-
Crown Debtors	-	-	-	-	-	-	-
Internal and External Documentation	-	-	-	-	-	-	-
<b>Realisation of Assets - Floating Charge</b>							
Initial Actions and Valuations	-	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Retention of Title	-	-	-	-	-	-	-
Hire Purchase / Leased Assets	-	-	-	-	-	-	-
Litigation	-	-	-	-	-	-	-
Internal and External Communications	-	-	-	-	-	-	-
<b>Trading</b>							
Initial Actions	-	-	-	-	-	-	-
Cash Accounting	-	-	-	-	-	-	-
Ongoing Trading Activities	-	-	-	-	-	-	-
Internal and External Communications	-	-	-	-	-	-	-
<b>Creditors</b>							
Creditor Dealings	-	-	1.1	1.0	2.1	422.0	201
Creditor claims	1.6	1.2	-	16.0	18.8	3,194.5	170
Litigation	-	-	-	-	-	-	-
Shareholders / Bankrupts	-	-	-	-	-	-	-
Internal Documentation	-	0.2	-	-	0.2	70.0	350
Employees	0.3	-	-	-	0.3	148.5	495
Employee Communications	-	-	-	-	-	-	-
<b>Totals</b>	<b>2.9</b>	<b>5.0</b>	<b>4.0</b>	<b>30.8</b>	<b>42.7</b>	<b>8,299.5</b>	<b>194</b>



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

**Appendix C**

	Employee Grade				Total Hours	(£'s)	
	(Hours) Partner/ Director	Senior Associate	Associate	Analyst/ Support		Total Cost	Average Rate p/h
<b>Administration and Planning</b>							
Strategy and Control	1.3	9.6	11.4	31.1	53.4	10,588.0	198
Bank and Creditor Reporting	-	1.6	1.4	2.3	5.3	1,185.5	224
Creditors Committee	-	-	-	-	-	-	-
Statutory Duties	-	0.3	0.4	2.3	3.0	423.5	141
Job Administration	-	2.2	0.9	15.8	18.9	2,843.5	150
Cash Accounting and Time Records	-	1.9	2.0	13.1	17.0	3,271.5	192
Travel and Waiting Time	-	1.0	1.0	1.1	3.1	732.5	236
Case Closure	-	-	-	-	-	-	-
Internal Documentation and IT	-	0.5	0.1	3.8	4.4	656.5	149
<b>Investigations</b>							
D Reports	-	-	-	-	-	-	-
Other Investigations	-	-	1.0	-	1.0	270.0	270
Internal Documentation	-	-	-	-	-	-	-
<b>Realisation of Assets - Fixed Charge</b>							
Initial Actions and Valuations	-	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Litigation	-	-	-	-	-	-	-
Internal and External Documentation	-	-	-	-	-	-	-
<b>Realisation of Assets - Debtors</b>							
Debt Collection	-	-	-	-	-	-	-
Debtors Litigation	-	-	-	-	-	-	-
Crown Debtors	-	-	-	-	-	-	-
Internal and External Documentation	-	-	-	-	-	-	-
<b>Realisation of Assets - Floating Charge</b>							
Initial Actions and Valuations	-	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Retention of Title	-	-	-	-	-	-	-
Hire Purchase / Leased Assets	-	-	-	-	-	-	-
Litigation	-	-	-	-	-	-	-
Internal and External Communications	-	-	-	-	-	-	-
<b>Trading</b>							
Initial Actions	-	-	-	-	-	-	-
Cash Accounting	-	-	-	-	-	-	-
Ongoing Trading Activities	-	-	46.5	-	46.5	12,555.0	270
Internal and External Communications	-	-	-	-	-	-	-
<b>Creditors</b>							
Creditor Dealings	1.2	-	2.0	60.9	64.1	8,569.5	134
Creditor claims	2.0	13.2	9.8	72.5	97.5	16,574.0	170
Litigation	-	-	-	-	-	-	-
Shareholders / Bankrupts	-	-	-	-	-	-	-
Internal Documentation	-	0.2	-	11.7	11.9	1,532.5	129
Employees	0.3	-	-	2.9	3.2	366.0	114
Employee Communications	-	-	-	-	-	-	-
<b>Totals</b>	<b>4.8</b>	<b>30.5</b>	<b>76.5</b>	<b>217.5</b>	<b>329.3</b>	<b>59,568.0</b>	<b>181</b>

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

**Appendix D**

**1 Policy**

Detailed below is Kroll's policy in relation to:

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

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

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

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

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

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

**1.2 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.

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

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

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**1.3 Disbursements**

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

**2 Charge-out Rates**

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

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