

1131161

**Joint Supervisors'
Annual Report to Creditors**

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

28 November 2008

KROLL

SATURDAY



A8N71587

A32

29/11/2008

144

COMPANIES HOUSE

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

CONTENTS

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

APPENDICES

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

1 Introduction

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

2 Realisation of Assets

Voluntary Contributions

- 2.1 In accordance with the CVA proposal, at the start of the CVA a reserve was established with a deposit of £930,000. 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 £77,414.76.

3 Creditors

Preferential Creditors

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

	Agreed Claims £
HM Revenue & Customs – PAYE / NI	16,179
HM Revenue & Customs – VAT	22,645
	38,824

Unsecured Creditors

Trade Creditors

- 3.2 The process of reviewing and agreeing creditor claims is complete. To date I have agreed 90 claims totalling £267,079.

3.3 Cheques totalling £11,492 were not banked within the six month deadline and have therefore expired. In accordance with the CVA proposal, these funds have now been returned to the reserve available to unsecured creditors.

3.4 On this basis, we have paid out a total of £255,587, and in accordance with the CVA proposals unsecured creditors have received a dividend of 100 pence in the pound.

S75 Pension Creditors

3.5 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.

3.6 In accordance with the terms of the CVA proposals, the section 75 claim against the Company was capped at £110,000 and a claim of £20 was received from the Pension Protection Fund (**PPF**).

3.7 In May 2008, £20 was paid to the PFF in respect of their claim. In line with the other trade creditors and CVA proposals, the PFF have been paid 100 pence in the pound on their unsecured claim.

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 my 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 £50,236. This represents 240.3 hours at an average rate of £209 per hour. To date, £48,566.50 plus VAT has been drawn on account of these fees. As stated above, these fees have been drawn from the Remuneration Reserve and are therefore not reflected on the Receipts and Payments account attached at Appendix A.

4.3 Attached as Appendices B and C are Time Analyses for the period since my last report, together with a cumulative account for the duration of the CVA. The Time Analyses are produced in accordance with the provisions of Statement of Insolvency Practice 9 (**SIP9**), which provides details of the activity costs incurred by staff grade to date.

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

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

5 Conclusion

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

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

Yours faithfully



Anne O'Keefe
Joint Supervisor

Enc

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

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

Appendix A

	From 11/10/2007 To 10/10/2008	From 11/10/2006 To 10/10/2008
FLOATING REALISATIONS		
Surplus from Administration	NIL	930,000.00
Bank Interest Gross	40,530.84	77,414.76
	<u>40,530.84</u>	<u>1,007,414.76</u>
FLOATING COSTS		
Bank Charges	10.00	40.00
	<u>(10.00)</u>	<u>(40.00)</u>
PREFERENTIAL CREDITORS		
HMRC - VAT	NIL	22,644.85
HMRC - PAYE/NI	NIL	16,178.57
	<u>NIL</u>	<u>(38,823.42)</u>
UNSECURED CREDITORS		
Trade & Expense	(2,686.74)	255,587.40
S75 Pension Dividend	20.00	20.00
	<u>2,666.74</u>	<u>(255,607.40)</u>
	<u>43,187.58</u>	<u>712,943.94</u>
REPRESENTED BY		
Interest Bearing Account		712,943.94
		<u>712,943.94</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 £48,566.50, plus disbursements of £549.40 and VAT

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

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

Appendix B

	Employee Grade					(£'s)	
	(Hours)					Total Cost	Average
	<u>Partner/</u> <u>Director</u>	<u>Senior</u> <u>Associate</u>	<u>Associate/</u> <u>Analyst</u>	<u>Junior Analyst/</u> <u>Support</u>	<u>Total Hours</u>		<u>Rate p/h</u>
Administration and Planning							
Strategy and Control	1.0	1.4	10.4	0.1	12.9	3,720.5	288
Bank and Creditor Reporting	-	2.1	1.6	-	3.7	1,114.5	301
Creditors Committee	-	-	-	-	-	-	-
Statutory Duties	-	0.1	0.2	-	0.3	89.0	297
Job Administration	-	-	0.6	2.5	3.1	495.5	160
Cash Accounting and Time Records	0.1	0.5	6.3	4.5	11.4	2,625.0	230
Travel and Waiting Time	-	-	-	-	-	-	-
Case Closure	-	-	-	-	-	-	-
Internal Documentation and IT	-	-	-	-	-	-	-
Investigations							
D Reports	-	-	-	-	-	-	-
Other Investigations	-	-	-	-	-	-	-
Internal Documentation	-	-	-	-	-	-	-
Realisation of Assets - Fixed Charge							
Initial Actions and Valuations	-	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Litigation	-	-	-	-	-	-	-
Internal and External Documentation	-	-	-	-	-	-	-
Realisation of Assets - Debtors							
Debt Collection	-	-	-	-	-	-	-
Debtors Litigation	-	-	-	-	-	-	-
Crown Debtors	-	-	-	-	-	-	-
Internal and External Documentation	-	-	-	-	-	-	-
Realisation of Assets - Floating Charge							
Initial Actions and Valuations	-	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Retention of Title	-	-	-	-	-	-	-
Hire Purchase / Leased Assets	-	-	-	-	-	-	-
Litigation	-	-	-	-	-	-	-
Internal and External Communications	-	-	-	-	-	-	-
Trading							
Initial Actions	-	-	-	-	-	-	-
Cash Accounting	-	-	-	-	-	-	-
Ongoing Trading Activities	-	-	-	-	-	-	-
Internal and External Communications	-	-	-	-	-	-	-
Creditors							
Creditor Dealings	-	-	-	-	-	-	-
Creditor claims	0.3	0.8	3.3	0.4	4.8	1,253.5	261
Litigation	-	-	-	-	-	-	-
Shareholders / Bankrupts	-	-	-	-	-	-	-
Internal Documentation	-	-	-	-	-	-	-
Employees	-	-	-	-	-	-	-
Employee Communications	-	-	-	-	-	-	-
Totals	1.4	4.9	22.4	7.5	36.2	9,298.0	257

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

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

Appendix C

	Employee Grade					(£'s)	
	(Hours)					Total Cost	Average Rate p/h
	<u>Partner/ Director</u>	<u>Senior Associate</u>	<u>Associate/ Analyst</u>	<u>Junior Analyst/ Support</u>	<u>Total Hours</u>		
Administration and Planning							
Strategy and Control	1.5	4.7	32.9	4.7	43.8	10,485.0	239
Bank and Creditor Reporting	-	2.6	4.6	0.3	7.5	1,869.5	249
Creditors Committee	-	0.3	-	-	0.3	97.5	325
Statutory Duties	-	0.2	0.2	0.7	1.1	227.0	206
Job Administration	0.3	8.9	0.6	19.9	29.7	5,087.5	171
Cash Accounting and Time Records	0.3	1.7	9.3	12.0	23.3	5,118.0	220
Travel and Waiting Time	-	-	-	-	-	-	-
Case Closure	-	-	-	-	-	-	-
Internal Documentation and IT	0.2	0.5	0.4	0.7	1.8	431.0	239
Investigations							
D Reports	-	-	-	-	-	-	-
Other Investigations	-	-	-	-	-	-	-
Internal Documentation	-	-	-	-	-	-	-
Realisation of Assets - Fixed Charge							
Initial Actions and Valuations	-	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Litigation	-	-	-	-	-	-	-
Internal and External Documentation	-	-	-	-	-	-	-
Realisation of Assets - Debtors							
Debt Collection	-	-	-	0.2	0.2	15.0	75
Debtors Litigation	-	-	-	-	-	-	-
Crown Debtors	-	-	-	-	-	-	-
Internal and External Documentation	-	-	-	-	-	-	-
Realisation of Assets - Floating Charge							
Initial Actions and Valuations	-	-	-	-	-	-	-
Sale of Assets	0.5	-	-	-	0.5	212.5	425
Insurance	-	-	-	-	-	-	-
Retention of Title	-	-	-	-	-	-	-
Hire Purchase / Leased Assets	-	-	-	-	-	-	-
Litigation	-	-	-	-	-	-	-
Internal and External Communications	0.2	-	-	-	0.2	85.0	425
Trading							
Initial Actions	-	-	-	-	-	-	-
Cash Accounting	-	-	-	-	-	-	-
Ongoing Trading Activities	-	-	-	-	-	-	-
Internal and External Communications	-	-	-	-	-	-	-
Creditors							
Creditor Dealings	-	-	0.5	15.7	16.2	1,869.5	115
Creditor claims	2.1	37.6	31.8	41.7	113.2	24,221.0	214
Litigation	-	-	-	-	-	-	-
Shareholders / Bankrupts	-	-	-	-	-	-	-
Internal Documentation	-	-	2.5	-	2.5	517.5	207
Employees	-	-	-	-	-	-	-
Employee Communications	-	-	-	-	-	-	-
Totals	5.1	56.5	82.8	95.9	240.3	50,238.0	209

**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 e.g. report compilation and distribution, do we seek to charge and recover our time in this regard.

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

Professional Advisors

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

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.

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

1.2 Disbursements

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

2 Charge-out Rates

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

	(Per hour) £
Partner/Director:	
Partner 1*	495
Partner 2*	445
Director	400
Senior Associate:	
Senior Associate 1*	350
Senior Associate 2*	325
Associate/Analyst:	
Associate	270
Analyst*	240
Junior Analyst and Support Staff:	
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	