

The Washington Chemical Company Limited (In Administration)

Company Number 166702

Directors' Report for the Year Ended 31st December 2001

Administration

On 1 October 2001, the Company's ultimate parent undertaking, Federal-Mogul Corporation and its subsidiaries in the United States voluntarily filed for financial restructuring under Chapter 11 of the US Bankruptcy Code. In addition, the majority of Federal-Mogul subsidiaries in the United Kingdom, including the Company, filed jointly for Chapter 11 and Administration under the UK Insolvency Act 1986. The affairs, business and property of the Company are being managed by Kroll Buchler Phillips, the administrators.

Activities

The Company has not traded during the year. It has interest income and expense on loans to and from other group companies, has also made a profit on the restatement of an overseas deposit account, and has also incurred bank charges on that deposit account. The loss for the year was £124 (2000: loss of £20). The directors do not recommend a dividend (2000: £nil).

Directors

The following served as Directors during (and, unless otherwise indicated, throughout) the year:-

D M Sherbin
J Zamoyski

Directors' Interests

There are no directors' interests requiring disclosure under the Companies Act 1985.

On behalf of the Board

D M Sherbin

D M Sherbin
Director

Date:

12/12/02



THE WASHINGTON CHEMICAL COMPANY LIMITED (IN ADMINISTRATION)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires directors to prepare financial statements for each financial statements year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- * select suitable accounting policies and then apply them consistently;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- * make judgements and estimates that are reasonable and prudent;
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE WASHINGTON
CHEMICAL COMPANY LIMITED (IN ADMINISTRATION)

We have audited the Company's financial statements for the year ended 31 December 2001 which comprise Profit and Loss Account, Balance Sheet and the related notes 1 to 10. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

This report has been prepared for the members of the company pursuant to Section 235 of the Companies Act 1985 (the "Act") and for no other purpose.

No person is entitled to rely on this report unless such person:

- i) is a person who is entitled to rely on this report by virtue of and for the purposes of the Act; or
- ii) has been expressly authorized to do so by our prior written consent

Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE WASHINGTON
CHEMICAL COMPANY LIMITED (IN ADMINISTRATION) (CONTINUED)

Basis of audit opinion (continued)

to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in note 1 to the financial statements regarding the filing by the Company for financial restructuring under Chapter 11 of the U.S Bankruptcy Code and for Administration under the U.K. Insolvency Act of 1986. The financial statements are prepared on the going concern basis, the validity of which depends on the outcome of these proceedings. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Adverse opinion

Included in the balance sheet is an amount of £1,072 due from Federal-Mogul group companies which are the subject of an Administration Order under the Insolvency Act 1986 and/or a filing under Chapter 11 of the US Bankruptcy Code. The Company has no security for this debt. In our opinion the Company is unlikely to receive full payment and a provision of up to £1,072 should have been made, reducing profit before tax and net assets by up to that amount.

Also included in the balance sheet is an amount of £2,785,000 representing the Company's investment in Federal-Mogul group companies which are the subject of an Administration Order under the Insolvency Act 1986 and/or a filing under Chapter 11 of the Bankruptcy Code. In our opinion the Company is unlikely to realise full value from these investments and a provision of up to £2,785,000 should have been made, reducing profit before tax and net assets by up to that amount.

In view of the effect of the absence of these provisions, in our opinion the financial statements do not give a true and fair view of the state of the Company's affairs as at 31 December 2001 and of its loss for the year then ended. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Manchester

24/1/03

THE WASHINGTON CHEMICAL COMPANY LIMITED (IN ADMINISTRATION)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2001

	Notes	2001 £	2000 £
Bank fees and charges		(143)	-
Foreign Exchange Profit/(loss)		19	(20)
		<hr/>	<hr/>
Operating loss		(124)	(20)
Net interest receivable from group companies	3	-	-
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(124)	(20)
Tax on loss on ordinary activities	4	-	-
		<hr/>	<hr/>
Loss on ordinary activities after taxation		(124)	(20)
		<hr/>	<hr/>
Loss attributable to shareholders		(124)	(20)

There is no difference between the result as disclosed above and the result given by an unmodified historical cost basis.

A reconciliation in movements in shareholders' funds is given in note 9 of the financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The Company has no recognised gains or losses other than loss for the period.

All results have been derived from continuing operations.

THE WASHINGTON CHEMICAL COMPANY LIMITED (IN ADMINISTRATION)

BALANCE SHEET

AS AT 31ST DECEMBER 2001

	Notes	2001 £	2000 £
<u>Fixed Assets</u>			
Investments	5	2,785,000	2,785,000
<u>Current Assets</u>			
<u>Debtors</u> : amounts falling due within one year	6	1,072	1,002
Cash at bank		546	670
		<u>1,618</u>	<u>1,672</u>
<u>Creditors</u> : amounts falling due within one year	7	<u>(1,762)</u>	<u>(1,692)</u>
Net current Liabilities		(144)	(20)
Net Assets		<u>2,784,856</u>	<u>2,784,980</u>
<u>Capital and Reserves</u>			
Called up share capital	8	2,785,000	2,785,000
Profit & loss account	9	<u>(144)</u>	<u>(20)</u>
Shareholder's funds - equity	9	<u>2,784,856</u>	<u>2,784,980</u>

The financial statements on pages 5 to 9 were approved by the Board on 12/12 2002 and were signed on its behalf by:-

DM Sherbina
Director

THE WASHINGTON CHEMICAL COMPANY LIMITED (IN ADMINISTRATION)

NOTES FORMING PART OF THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost convention.

(b) Fundamental Uncertainty

On 1 October 2001, the Company's ultimate parent undertaking, Federal-Mogul Corporation and its subsidiaries in the United States voluntarily filed for financial restructuring under Chapter 11 of the US Bankruptcy Code. In addition, the majority of Federal-Mogul subsidiaries in the United Kingdom, including the Company, filed jointly for Chapter 11 and Administration under the UK Insolvency Act 1986.

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the outcome of the above proceedings. The directors of Federal-Mogul Corporation have stated that the actions are intended to preserve the companies' businesses and allow a reorganisation of their assets while protecting them from actions by creditors and asbestos claimants. It is likely that the final outcome will not be known for some considerable time. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

The financial statements do not include any adjustments that would result if the outcome of the proceedings was that the Company was unable to continue as a going concern. The directors do not consider it possible to determine the effects on the financial statements with reasonable accuracy, but adjustments would have to be made to reduce the value of assets to their realisable amount, to provide for any further liabilities which might arise and to reclassify any fixed assets as current assets.

(c) Cash Flow Statement

Under Financial Reporting Standard 1 (Revised 1996), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of Federal-Mogul Corporation, a company which has prepared a consolidated cash flow statement.

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

(d) Foreign currencies

Transactions in foreign currency are recorded at the rate ruling at the date of transaction. Any assets or liabilities denominated in foreign currency are retranslated at the year end rate. Exchange differences on transactions in foreign currencies are included in the profit and loss account.

(e) Deferred Taxation

Deferred taxation is recognised in the Company's financial statements only to the extent it is probable that it will be payable in the foreseeable future.

2. DIRECTORS

The directors have not received any remuneration for services to the Company during the year (2000: £nil).

3.

NET INTEREST RECEIVABLE FROM GROUP COMPANIES

	2001 £	2000 £
Interest receivable from group company on loans	70	2
Interest payable to group company	(70)	(2)
Net interest receivable from group company	<u>-</u>	<u>-</u>

4. TAXATION

There is no tax charge for the year.

5. INVESTMENTS

Loan to parent undertaking	£
At 31st December 2000 and 2001	<u>2,785,000</u>

6. <u>DEBTORS</u> : amounts falling due within one year	2001 £	2000 £
Amounts owed by ultimate parent company	<u>1,072</u>	<u>1,002</u>

THE WASHINGTON CHEMICAL COMPANY LIMITED (IN ADMINISTRATION)

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

7.	<u>CREDITORS: amounts falling due within one year</u>	2001 £	2000 £
	Amounts owed to fellow subsidiary Undertakings	1,762	1,692

8.	<u>CALLED UP SHARE CAPITAL</u>	2001 £	2000 £
	Authorised 3,000,000 ordinary shares of £1 each	3,000,000	3,000,000
	Issued and fully paid 2,785,000 ordinary shares of £1 each	2,785,000	2,785,000

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital £	Profit and loss Account £	Total £
At 1 January 2000	2,785,000	-	2,785,000
Loss for the year 2000	-	(20)	(20)
At 31 December 2000	2,785,000	(20)	2,784,980
Loss for the year 2001	-	(124)	(124)
At 31 December 2001	2,785,000	(144)	2,784,856

10. ULTIMATE PARENT COMPANY

The Company's parent company is Fleetside Investments Limited which is registered in England and Wales. The ultimate parent company and controlling party is Federal-Mogul Corporation which is registered in the United States of America. Copies of the Federal-Mogul Corporation Annual Report and Accounts can be obtained from Federal-Mogul Investor Relations, 26555 Northwestern Highway, Southfield, MI 48034, USA.