

T&N Trade Marks Limited

Company Number 305253

Director's Report for the Year Ended 31st December 2007

WEDNESDAY



The Director presents his report and financial statements for the year ended 31 December 2007.

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.

On 26 September 2005, the Administrators entered into a Global Settlement Agreement with Federal-Mogul Corporation, the Plan Proponents and the Pension Protection Fund. The Agreement allowed Federal-Mogul to retain the businesses and other assets of the UK Filing Group in exchange for funding specific creditor payments and reserves that will be used by the Administrators to provide distributions to creditors.

On 10 July 2006 the Administrators issued to the creditors their proposals for Company Voluntary Arrangements ("CVAs") for 51 UK filing subsidiaries but not the Company. These proposals were approved at shareholders' and creditors' meetings held on 7 September 2006 and were confirmed by the UK Court on 11 October 2006. This had the effect on the Company of a reduction in the net pre-filing receivable balance from a fellow group company of 75%, therefore a write-off of £2,334,939 was made in the profit and loss account in 2006.

On 1 December 2006, 64 of the UK filing companies, including the Company, exited from UK administration.

On 8 November 2007, the US Bankruptcy Court confirmed Federal-Mogul Corporation's Fourth Amended Joint Plan of Reorganization ("the Plan") and on 14 November 2007 the Plan was affirmed by the US District Court. On 27 December 2007, following a 30 day period when objections to the Plan could be raised, the Plan became effective in accordance with its terms (the "Effective Date") and Federal-Mogul Corporation, together with 59 of the UK filing companies, emerged from Chapter 11.

On the Effective Date, the Chapter 11 Cases of a further 75 Federal-Mogul subsidiaries in the UK, including the Company, were dismissed. Each of those UK subsidiaries has either few or, in most cases, no known third-party creditors, has no history of using asbestos or manufacturing, selling or distributing asbestos containing products. None of the UK subsidiaries whose Chapter 11 Cases were dismissed were a party to the Plan.

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Director's Report for the Year Ended 31st December 2007 (continued)

Activities

The business of the Company is to deal with intellectual property matters.

Results for the year can be found on page 7. There has been an adjustment to the accrual for prior year trademark royalties, resulting in a charge of £159,317. The Company made a profit after tax of £1,962,948 (2006 loss: £380,769).

The director does not recommend payment of a dividend (2006: £nil).

Treasury Policies

Financial Instruments

The Company's financial instruments comprise of balances with group undertakings and cash at bank. These financial instruments are used to fund the Company's operations. It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken.

Foreign Currency Risk

The majority of the Company's transactions are in foreign currency. As a member of a multi-national group, the Company does not hedge currency exposure, and, as all foreign currency transactions are with fellow group undertakings there is no foreign currency risk at group level. Any gains and losses are reflected in the profit and loss account as they arise.

Interest Rate Risk

The interest rates applying to loans with a fellow group undertaking are linked to a bank rate and so are floating. As this interest is receivable from a fellow group undertaking and therefore there is no interest rate risk at group level, the Company does not hedge this interest rate exposure.

Directors

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

J H Devonald, resigned 27 November 2007
A G Holmes, appointed 22 November 2007

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Director's Report for the Year Ended 31st December 2007 (continued)

Completeness of information to Auditors

In accordance with Section 234ZA of the Companies Act 1985 the director:

- is not aware of any relevant audit information of which the Company's auditors are unaware;

and

- has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



Director

Date: 16/12/08

T&N TRADE MARKS LIMITED

STATEMENT OF THE DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 director is required to:

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

The director is responsible for keeping proper accounting records that 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. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
T&N TRADE MARKS LIMITED

We have audited the Company's financial statements (the "financial statements") for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the director and auditors

The director's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of the Director's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether, in our opinion, the information given in the Director's Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 director's remuneration and transactions with the Company is not disclosed.

We read the Director's 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 International Standards on Auditing (UK and Ireland) 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 judgments made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

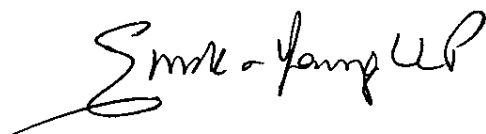
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
T&N TRADE MARKS LIMITED (CONTINUED)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of the Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's Report is consistent with the financial statements.

A handwritten signature in black ink, appearing to read 'Ernst & Young LLP', with a stylized flourish at the end.

Ernst & Young LLP
Registered Auditor
Manchester

14 December 2008

T&N TRADE MARKS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2007

	Notes	2007 £	2006 £
Bank fees and charges		(243)	(143)
Foreign exchange loss		-	(3,587)
Other operating income	2(a)	1,783,661	1,772,862
Operating income excluding exceptionals		1,783,418	1,769,132
Exceptional operating charges – net write-off of inter-company balances arising from the Plan	2(b)	(1,055)	-
Exceptional operating charges – write-off of inter-company balances arising from the CVA	2(b)	-	(2,334,939)
Operating income / (charges)		<u>1,782,363</u>	<u>(565,807)</u>
Operating profit / (loss) on ordinary activities	2	1,782,363	(565,807)
Net interest receivable	3	195,937	177,901
Profit / (loss) on ordinary activities before taxation		1,978,300	(387,906)
Tax on profit / (loss) on ordinary activities	5	<u>(15,352)</u>	<u>7,137</u>
Retained profit / (loss) on ordinary activities after taxation		<u>1,962,948</u>	<u>(380,769)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The Company has no recognised gains or losses other than the profit for the year ended 31 December 2007 and the loss for the year ended 31 December 2006. All results have been derived from continuing activities.

A reconciliation of movements in shareholders' funds is given in Note 11 of the financial statements.

BALANCE SHEET
AS AT 31ST DECEMBER 2007

The financial statements on pages 7 to 13 were approved by the Board on 16 December 2008 and were signed on its behalf by:-

Director

T&N TRADE MARKS LIMITED

NOTES FORMING PART OF THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Basis of accounting

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

(b) Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the director considers that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(c) Cash flow statement

Under Financial Reporting Standard 1, 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 prepares a consolidated cashflow statement.

(d) Foreign Currencies

Transactions in foreign currency are recorded at the rate ruling at the date of transaction. Any monetary 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) Related parties

The Company has taken advantage of the exemption in FRS 8 Related Party Disclosures from disclosing transactions with related parties that are part of the Federal-Mogul Corporation group.

T&N TRADE MARKS LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

1. ACCOUNTING POLICIES (continued)

(f) Intangible assets

Intangible assets are capitalised at cost and are not amortised, as it is considered that their useful lives are not limited. Their carrying values are reviewed annually to determine whether there has been any permanent impairment in value and any such reductions in value are taken to the profit and loss account.

2. OPERATING PROFIT / (LOSS) ON ORDINARY ACTIVITIES

	2007 £	2006 £
(a) <u>Is stated after crediting / (charging)</u>		
Trademark royalties – current year	1,943,978	1,772,862
Adjustment to accrual brought forward for trademark royalties	<u>(159,317)</u>	<u>-</u>

Due to changes in the business of one of the licensees in recent years a reduction to its royalties payable has been agreed. This has also reduced the accrual for prior year royalties by £159,317.

The audit fees of £5,500 (2006: £5,000) were borne by a fellow group company during the period.

(b) Exceptional operating charges – write-off of inter-company balances arising from the Plan / CVA

In 2006 a write-off of £2,334,939 was made against a net amount receivable from T&N Limited. This company is subject to a Company Voluntary Arrangement and under the terms of the CVA, the balance due will be recovered at an estimated dividend of 25p in the pound, hence the write-off.

In 2007 a write-off of £1,055 has been made against an amount due from Federal-Mogul Corporation under the terms of the Plan.

The impact of the Plan / CVAs on the balance sheet can be summarised as follows:-

	2007 £	2006 £
Debtors: amounts falling due within one year	(1,055)	522
Debtors: amounts falling due after more than one year	-	(2,336,549)
Creditors: amounts falling due within one year	<u>-</u>	<u>1,088</u>
	<u>(1,055)</u>	<u>(2,334,939)</u>

T&N TRADE MARKS LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

3. NET INTEREST RECEIVABLE

	2007 £	2006 £
Interest receivable from group company	170,586	3,629
Interest receivable on bank account	25,351	174,272
Net interest receivable	<u>195,937</u>	<u>177,901</u>

4. DIRECTOR AND EMPLOYEES

The director has not received any remuneration for services to the Company during the year (2006: £nil).

There are no employees of the Company (2006: nil).

5. TAXATION

(a) Analysis of charge in the period

	2007 £	2006 £
Current tax:		
UK corporation tax @ 30% (2006: 30%) on profits / (losses) of the period	1,505	-
Adjustments in respect of previous periods	11,088	(7,137)
Double taxation relief	(1,505)	-
	<u>11,088</u>	<u>(7,137)</u>
Foreign Tax:		
Adjustments in respect of previous periods	2,759	-
Current year	1,505	-
Total current tax (note 5(b)) and tax on profit / (loss) on ordinary activities	<u>15,352</u>	<u>(7,137)</u>

(b) Factors affecting tax charge / (credit) for period

The tax charge for the period is lower than the standard rate of corporation tax in the UK (30%). In 2006 the tax credit was lower than the standard rate of corporation tax (30%). The differences are explained below:

	2007 £	2006 £
Profit / (loss) on ordinary activities before taxation	<u>1,978,300</u>	<u>(387,906)</u>
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	593,490	(116,372)
Effect of:		
Expenses not deductible for tax purposes	317	-
CVA adjustment not deductible	-	700,482
Group relief received for nil payment	(592,302)	(584,110)
Adjustments in respect of previous periods	13,847	(7,137)
Current tax charge / (credit) for period (note 5(a))	<u>15,352</u>	<u>(7,137)</u>

T&N TRADE MARKS LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

5. TAXATION (continued)

(c) Factors that may affect future tax charges

Capital losses of approximately £33,000 (2006: £33,000) are carried forward for utilisation against future capital gains.

The Company has unrelieved ACT carried forward of £210,000 (2006: £210,000) the recovery of which is uncertain.

The Finance Act 2007 included changes which affect future tax charges. The rate of corporation tax has reduced from 30% to 28% with effect from 1 April 2008.

6. INTANGIBLE ASSETS

These consist of trade marks whose value is carried at cost.

	2007 £	2006 £
Cost at 31 December	<u>9,758,138</u>	<u>9,758,138</u>

7. DEBTORS: Amounts falling due within one year

	2007 £	2006 £
Amounts owed by ultimate parent undertaking	2,690,000	4,981
Accrued income	637,457	644,075
Amounts owed by fellow subsidiary undertakings	537,045	536,390
UK corporation tax	18,047	-
	<u>3,882,549</u>	<u>1,185,446</u>

8. DEBTORS: amounts falling due after more than one year

	2007 £	2006 £
Amounts owed by fellow subsidiary undertaking	<u>8,959,466</u>	<u>9,599,452</u>

9. CREDITORS: Amounts falling due within one year

	2007 £	2006 £
Amounts owed to fellow subsidiary undertakings	3,038,970	2,818,930
UK corporation tax	-	190,905
Accruals	11	22
	<u>3,038,981</u>	<u>3,009,857</u>

T&N TRADE MARKS LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

10. <u>CALLED UP SHARE CAPITAL</u>	2007 £	2006 £
Authorised: 25,000 ordinary shares of £1 each	25,000	25,000
	<hr/>	<hr/>
Allotted, called up and fully paid: 24,000 ordinary shares of £1 each	24,000	24,000
	<hr/>	<hr/>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital £	Profit & Loss Account £	Total £
At 1 January 2006	24,000	17,955,018	17,979,018
Loss for the year 2006	-	(380,769)	(380,769)
At 31 December 2006	24,000	17,574,249	17,598,249
Profit for the year 2007	-	1,962,948	1,962,948
At 31 December 2007	24,000	19,537,197	19,561,197

12. ULTIMATE PARENT COMPANY

The Company's immediate parent company is AE 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 48033-2146, USA.

13. COMPOSITE CROSS-GUARANTEE

The Company and certain of its fellow subsidiaries in the UK have entered into a composite cross-guarantee in relation to the facilities provided by its principal UK banker. The contingent liability in respect of this amounts to £nil (2006: £nil).