

T&N Trade Marks Limited (In Administration)

Company Number 305253

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

Results for the year can be found on page 5. The Company made a profit of £1,036,564 (2000: £160,917).

The directors do not recommend payment of a dividend (2000: £nil).

Directors

The following served as Directors 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
Director

Date: *March 26, 2003*



T&N TRADE MARKS LIMITED (IN ADMINISTRATION)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires directors to prepare financial statements for each financial 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;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable 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 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
T&N TRADE MARKS 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 13. These financial statements have been prepared on the basis of 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 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.

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

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

Basis of audit opinion (continued)

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 £3,163,490 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 £3,163,490 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 this provision, 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 profit 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
Registered Auditor
Manchester

7/4/02

T&N TRADE MARKS LIMITED (IN ADMINISTRATION)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2001

	Notes	2001 £	2000 £
Bank fees and charges		(132)	-
Foreign exchange loss		(7)	(26)
Other operating income		<u>1,392,003</u>	<u>580,943</u>
Operating profit on ordinary activities	2	1,391,864	580,917
Net interest receivable from Group Companies	3	<u>-</u>	<u>-</u>
Profit on ordinary activities before taxation		1,391,864	580,917
Tax on profit on ordinary Activities	5	<u>(355,300)</u>	<u>(420,000)</u>
Retained profit on ordinary activities after taxation		<u>1,036,564</u>	<u>160,917</u>

The Company has no recognised gains or losses other than the profit for the period. All results have been derived from continuing activities.

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

T&N TRADE MARKS LIMITED (IN ADMINISTRATION)

BALANCE SHEET

AS AT 31ST DECEMBER 2001

	Notes	2001 £	2000 £
<u>Fixed Assets</u>			
Intangible assets	6	<u>9,758,138</u>	<u>9,758,138</u>
<u>Current Assets</u>			
<u>Debtors</u> : amounts falling due within one year	7	456,870	371,285
<u>Debtors</u> : amounts falling due after more than one year	8	3,114,326	2,586,184
Cash		137,113	106,133
		<u>3,708,309</u>	<u>3,063,602</u>
<u>Creditors</u> : amounts falling due within one year	9	<u>(899,790)</u>	<u>(1,291,647)</u>
Net current assets		<u>2,808,519</u>	<u>1,771,955</u>
Net Assets		<u>12,566,657</u>	<u>11,530,093</u>
<u>Capital and Reserves</u>			
Called up share capital	10	24,000	24,000
Profit and loss account	11	<u>12,542,657</u>	<u>11,506,093</u>
Shareholders' funds – equity		<u>12,566,657</u>	<u>11,530,093</u>

The financial statements on pages 5 to 11 were approved by the Board on Apr. 26 2003 and were signed on its behalf by:-

Director



T&N TRADE MARKS 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 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 fixed assets as current assets.

(c) Deferred taxation

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

(d) 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.

T&N TRADE MARKS LIMITED (IN ADMINISTRATION)

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

(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.

(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

	2001 £	2000 £
Is stated		
After crediting:		
Trademark royalties – current year	1,464,793	1,399,194
and after charging:		
Trademark royalties – adjustment to prior years	-	(818,251)
	1,464,793	580,943
and after charging:		
Exceptional item – Costs of Administration and Chapter 11 filings	(72,790)	-

There were no audit fees charged in the year (2000: £nil).

3. NET INTEREST RECEIVABLE FROM GROUP COMPANIES

	2001 £	2000 £
Interest receivable from group company	70	2
Interest payable to group company	(70)	(2)
Net interest receivable from group company	-	-

4. DIRECTORS AND EMPLOYEES

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

There are no employees of the Company.

T&N TRADE MARKS LIMITED (IN ADMINISTRATION)
NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

5.. TAXATION

The taxation charge based on the results for the period is made up as follows:

	2001 £	2000 £
Current year UK corporation tax @ 30%	430,000	420,000
Adjustment in respect of prior years	(74,700)	-
	<u>355,300</u>	<u>420,000</u>

The current year UK corporation tax charge represents payment due to fellow group companies for group relief (2000: £420,000)

6. INTANGIBLE ASSETS

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

	2001 £	2000 £
Cost at 31 st December	<u>9,758,138</u>	<u>9,758,138</u>

7. DEBTORS: Amounts falling due within one year

	2001 £	2000 £
Amounts owed by ultimate parent undertaking	1,072	1,002
Accrued income	414,779	370,283
Amounts owed by fellow subsidiary undertakings	41,019	-
	<u>456,870</u>	<u>371,285</u>

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

	2001 £	2000 £
Amounts owed by fellow subsidiary undertaking	<u>3,114,326</u>	<u>2,586,184</u>

T&N TRADE MARKS LIMITED (IN ADMINISTRATION)

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

9. <u>CREDITORS: Amounts falling due within one year</u>	2001 £	2000 £
Amounts owed to ultimate parent undertaking	72,790	-
Amounts owed to fellow subsidiary undertakings	827,000	1,239,947
UK taxation payable	-	51,700
	<u>899,790</u>	<u>1,291,647</u>

10 <u>CALLED UP SHARE CAPITAL</u>	2001 £	2000 £
Authorised: 25,000 ordinary shares of £1 each	25,000	25,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid: 24,000 ordinary shares of £1 each	24,000	24,000
	<u> </u>	<u> </u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital £	Profit & Loss Account £	Total 2001 £	Total 2000 £
Opening shareholders' funds	24,000	11,506,093	11,530,093	11,369,176
Profit for the year	-	1,036,564	1,036,564	160,917
Closing shareholders' funds	<u>24,000</u>	<u>12,542,657</u>	<u>12,566,657</u>	<u>11,530,093</u>

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 48034, USA. The smallest group the Company is consolidated into is Federal-Mogul Global Growth Limited.

T&N TRADE MARKS LIMITED (IN ADMINISTRATION)

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

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.