

Federal-Mogul Camshafts Limited (In Administration)

Company Number 306023

Directors' Report for the Year Ended 31st December 2004

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 Limited, the administrators.

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 should allow 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. This agreement is subject to various approvals and determinations by the UK and US Courts before it can be implemented.

On 10 July 2006 the Administrators issued to the creditors their proposals for Company Voluntary Arrangements for the Company and 50 other UK filing subsidiaries. The shareholders' and creditors' meetings to vote on these proposals are due to be held on 7 September 2006. If these proposals are approved, the Administrators have to allow 28 days for any creditors who are dissatisfied with the Arrangements to file their objections with the Court. In the absence of any objections being lodged, the proposals will be implemented.

Activities

The principal activity of the Company is in the field of precision engineering and involves the manufacture of components for truck, tractor, automobile, marine and stationary engines, as agent for T&N Limited and will continue to be so for the foreseeable future. It has bank interest and interest income and expense on loans to, and from, other group companies. It has made a loss on the restatement of an overseas deposit account and has incurred bank charges on that deposit account. The loss for the year was £123 (2003: profit of £49). The directors do not recommend a dividend (2003: £nil).

Directors

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

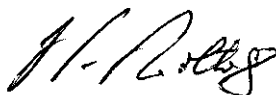
S P Northedge
S L Robins, resigned 30th September 2005
D M Sherbin, resigned 22nd December 2004

Directors' Interests

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

On behalf of the Board

Director



Date:

6/9/2006



FEDERAL-MOGUL CAMSHAFTS 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;
- * 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 FEDERAL-MOGUL CAMSHAFTS
LIMITED (IN ADMINISTRATION)

We have audited the Company's financial statements for the year ended 31 December 2004 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.

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 – Going Concern

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 and the proposals issued by the Administrators for company voluntary arrangements. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FEDERAL-MOGUL CAMSHAFTS
LIMITED (IN ADMINISTRATION)(CONTINUED)

Adverse opinion

Included in the balance sheet is an amount of £1,282 (2003: £1,212) 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 £1,282 (2003: £1,212) should have been made, reducing net assets by up to that amount.

Also included in the balance sheet is an amount of £8,747,217 (2003: £8,747,217) representing the Company's loan investments 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 £8,747,217 (2003: £8,747,217) should have been made, reducing 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 2004 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

8 September 2006

FEDERAL-MOGUL CAMSHAFTS LIMITED (IN ADMINISTRATION)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2004

	Notes	2004 £	2003 £
Bank fees and charges		(124)	(144)
Foreign exchange loss		(14)	(35)
Operating loss		<u>(138)</u>	<u>(179)</u>
Bank interest receivable		15	228
Net interest receivable from Group Companies	4	<u>-</u>	<u>-</u>
(Loss)/profit on ordinary activities before taxation		(123)	49
Tax on (loss)/profit on ordinary activities	5	<u>-</u>	<u>-</u>
(Loss)/profit on ordinary activities after taxation		<u>(123)</u>	<u>49</u>
(Loss)/profit attributable to shareholders		<u>(123)</u>	<u>49</u>

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

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

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

All results have been derived from continuing operations.

FEDERAL-MOGUL CAMSHAFTS LIMITED (IN ADMINISTRATION)

BALANCE SHEET

AS AT 31ST DECEMBER 2004

	Notes	2004 £	2003 £
<u>Fixed Assets</u>			
Investments	6	8,747,217	8,747,217
<u>Current Assets</u>			
<u>Debtors</u> : amounts falling due within one year	7	1,282	1,212
Cash at bank and in Hand		1,385	1,509
<u>Creditors</u> : amounts falling due within one year	8	2,667 (1,988)	2,721 (1,919)
Net current assets		679	802
Total assets less current liabilities		8,747,896	8,748,019
<u>Creditors</u> : due after more than one year	9	(6,248,369)	(6,248,369)
Net Assets		2,499,527	2,499,650
<u>Capital and Reserves</u>			
Called up equity share capital	10	2,438	2,438
Called up non-equity share capital	10	2,497,500	2,497,500
Profit and loss account	11	(411)	(288)
Total shareholders' funds	11	2,499,527	2,499,650
Shareholder's funds			
- equity		2,027	2,150
- non equity		2,497,500	2,497,500
		2,499,527	2,499,650

The financial statements on pages 5 to 10 were approved by the Board on *6th September* 2006 and were signed on its behalf by:-

Director



FEDERAL-MOGUL CAMSHAFTS 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 United Kingdom 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.

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 should allow 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. This agreement is subject to various approvals and determinations by the UK and US Courts before it can be implemented.

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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 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.

(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.

FEDERAL-MOGUL CAMSHAFTS LIMITED (IN ADMINISTRATION)

NOTES FORMING PART OF THE ACCOUNTS(CONTINUED)

1. ACCOUNTING POLICIES(CONTINUED)

(e) Deferred Taxation

The taxation charge is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax 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 right to pay less or to receive more, tax with the following exceptions:

Provision is made for gains on disposals of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets;

Deferred tax assets are recognised only to the extent that the directors consider 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 a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(f) Fundamental Accounting Concept

The directors believe it to be appropriate to prepare the financial statements on the going concern basis due to the continued financial support provided by the ultimate parent undertaking.

2. DIRECTORS

The directors have not received any remuneration for services to the Company during the year (2003: £nil).

3. EMPLOYEES

The average number of persons employed by the Company during the year was 180 (2003: 207). All costs relating to these employees are paid directly by T&N Limited, on whose behalf they are employed.

4. NET INTEREST RECEIVABLE FROM GROUP COMPANIES

	2004 £	2003 £
Interest receivable from group company	70	70
Interest payable to group company	<u>(70)</u>	<u>(70)</u>
Net interest receivable from group companies	<u>-</u>	<u>-</u>

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

5. TAXATION

There is no tax charge/credit for either the current or prior year.

The tax assessed on the (loss)/profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK. The difference is reconciled below:

	2004 £	2003 £
(Loss)/profit on ordinary activities before tax	<u>(123)</u>	<u>49</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(37)	15
Expenses not deductible/income not taxable	<u>37</u>	<u>(15)</u>
Tax charge/credit for the year	<u>-</u>	<u>-</u>

6. INVESTMENTS

Loan to fellow subsidiary undertaking

£

At 31st December 2003 and 2004

8,747,217

7. DEBTORS: amounts falling due within one year

2004
£

2003
£

Amounts owed by ultimate parent company

1,282

1,212

8. CREDITORS: amounts falling due within one year

2004
£

2003
£

Amounts owed to fellow subsidiary undertaking

1,978

1,908

Other creditors

10

11

1,988

1,919

9. CREDITORS: amounts falling due after more than one year

2004
£

2003
£

Loan from parent undertaking

6,248,369

6,248,369

10. CALLED UP SHARE CAPITAL

2004
£

2003
£

Authorised, issued and fully paid

4,875 ordinary shares of 50p each

2,438

2,438

4,995,000 deferred shares of 50p each

2,497,500

2,497,500

2,499,938

2,499,938

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital £	Profit and loss Account £	Total £
At 1 January 2003	2,499,938	(337)	2,499,601
Profit for the year 2003	-	49	49
At 31 December 2003	2,499,938	(288)	2,499,650
Loss for the year 2004	-	(123)	(123)
At 31 December 2004	2,499,938	(411)	2,499,527

12. ULTIMATE PARENT COMPANY

The Company's parent company is Cranhold 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.

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.