

AE Limited

Company Number 435189

Director's Report for the Year Ended 31st December 2008

The director presents her report and financial statements for the year ended 31 December 2008.

Administration

On 1 October 2001, the Company's then 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 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 £89,435,621 was made in the profit and loss account in 2006. Also, an accrual of £250,000 was booked in 2006 in respect of a liability to pay a premium under a Deed of Surrender of a lease of a property.

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.

Principal activities, review of the business and future development

The principal activity is that of a holding company and it is not envisaged that this will change in the foreseeable future.

Results for the year can be found on page 6. The Company has made a profit of £444,540 on the transfer of investments to its parent company and has written back a provision against investments of £350,072 following a return of capital. It has also made profits on the restatement of intra-group accounts, has made a loss on the restatement of overseas deposit accounts and has incurred bank charges on those deposit accounts. The profit after tax for the year was £2,844,216 (2007: profit £5,292,616). The director does not recommend payment of a dividend (2007: £nil).



AE Limited

Company Number 435189

Director's Report for the Year Ended 31st December 2008 (continued)

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

Some 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.

Interest Rate Risk

The interest rate applying to a loan with a fellow group undertaking is linked to a bank rate and so is 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.

Director

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

E J Milner

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 she ought to have taken as a director in order to make herself 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: 21 July 2009

AE 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. She 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 AE LIMITED

We have audited the Company's financial statements, (the "financial statements") for the year ended 31 December 2008 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 other transactions 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 judgements 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 AE LIMITED (CONTINUED)

Comparative profit and loss account

In our Audit Report of the previous period we said that included in the opening balance sheet at 31 December 2006 within fixed asset investments was an amount of £3,999,650 representing the Company's investments in Federal-Mogul group companies which were the subject of a filing under Chapter 11 of the Bankruptcy Code or may have been impacted by the Chapter 11 filing. In 2006 the Company performed a review of the investment carrying value and identified impairments against certain individual subsidiary companies. This impairment review was not carried out in accordance with the requirements of FRS11 'Impairment of fixed assets and goodwill'. In 2007, the Company carried out an impairment review in accordance with FRS11 and made an additional impairment provision of £415,078, which has been charged in the comparative profit and loss account. Because no impairment review in accordance with FRS 11 was performed at 31 December 2006, it was not practicable to determine to what extent any impairment provision should have been reflected in prior periods, with a consequential effect on the Company's profit for the comparative financial year.

Qualified opinion in respect of comparatives

Except for the financial effect of any impairment provision that may have been required in the comparative period had the directors performed an impairment review in accordance with FRS11 as at 31 December 2006.

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 2008 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;

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



Ernst & Young LLP
Registered Auditor
Manchester

22/7/09

AE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2008

	Notes	2008 £	2007 £
Bank fees and charges		(164)	(153)
Foreign exchange profit		1,778,584	106,152
Other operating expenses		(1,253)	(1,000)
Other operating income		1,121	-
Operating income excluding exceptionals		1,778,288	104,999
Exceptional operating income - profit on sale of associated undertaking	2	-	6,393,175
Exceptional operating income – profit on sale of subsidiary undertakings	2	444,540	-
Exceptional operating charges - net write-off of inter-company balances arising from the Plan	2	-	(1,055)
Exceptional item - provision against investment written back	2	350,072	401,999
Exceptional provision against investments	2	-	(415,078)
Operating income		<u>2,572,900</u>	<u>6,484,040</u>
Operating profit on ordinary activities		2,572,900	6,484,040
Dividends received from associated undertakings		-	3,723
Net interest receivable	3	<u>271,104</u>	<u>113,751</u>
Profit on ordinary activities before taxation		2,844,004	6,601,514
Tax on profit on ordinary activities	4	<u>212</u>	<u>(1,308,898)</u>
Profit on ordinary activities after taxation	11	<u>2,844,216</u>	<u>5,292,616</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2008 £	2007 £
Profit for the financial year	2,844,216	5,292,616
Release of investment revaluation surplus	-	(1,106,156)
Total recognised gains and losses relating to the year	<u>2,844,216</u>	<u>4,186,460</u>

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

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

AE LIMITED
BALANCE SHEET
AS AT 31ST DECEMBER 2008

	Notes	2008 £	2007 £
FIXED ASSETS			
Investments	6	<u>34,593,154</u>	<u>33,798,542</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	7	6,491,664	4,441,101
Debtors: amounts falling due after one year	8	<u>1,683,403</u>	<u>1,696,528</u>
		8,175,067	6,137,629
Cash at bank		<u>-</u>	<u>276</u>
CURRENT ASSETS		<u>8,175,067</u>	<u>6,137,905</u>
CREDITORS: amounts due within one year	9	(264,932)	(277,374)
NET CURRENT ASSETS		<u>7,910,135</u>	<u>5,860,531</u>
NET ASSETS		<u>42,503,289</u>	<u>39,659,073</u>
CAPITAL AND RESERVES			
Called up Share Capital	10	25,437,658	25,437,658
Share premium account	11	26,945,409	26,945,409
Capital redemption reserve fund	11	3,750,000	3,750,000
Revaluation reserve	11	2,671,000	2,671,000
Profit and loss account	11	<u>(16,300,778)</u>	<u>(19,144,994)</u>
Shareholders' funds – equity		<u>42,503,289</u>	<u>39,659,073</u>

The financial statements on pages 6 to 13 were approved by the Board on 21 July 2009 and signed on its behalf by:-



Director

AE 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, as modified by the revaluation of certain fixed assets.

(b) Investments

Investments are held in the financial statements at Director's valuation less provision for permanent diminution in value.

(c) 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:

provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

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.

(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 cash flow statement.

(e) Basis of Consolidation

The Company and all of its subsidiary undertakings are included in consolidated accounts for a larger group, Federal-Mogul Corporation, drawn up to the same date in the same financial year and those accounts are drawn up in accordance with the provisions of the Seventh Directive (83/349/EEC) or in a manner equivalent to consolidated accounts and consolidated annual reports so drawn up. Accordingly the Company, in accordance with the exemption in s228A of the Companies Act, has not prepared consolidated accounts.

(f) 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 Icahn Enterprises group, of which the ultimate parent undertaking is Icahn Enterprises L.P.

AE LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(g) 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.

2. OPERATING PROFIT

(a) Exceptional operating income – profit on sale of associated undertaking

On 16 August 2007 the Company sold all of its shareholding in its associated undertaking, India Pistons Limited, to a third party. The consideration for the sale was £6,921,021 and, after taking into account costs relating to the sale of £18,568, a profit of £6,393,175 was credited to the profit and loss account. The Company also paid income tax in India, in relation to this sale, amounting to £1,308,898.

(b) Exceptional operating income – profit on sale of subsidiary undertakings

On 18 September 2008 the Company sold all of its shareholdings in two subsidiary undertaking to its parent company, Federal-Mogul Limited. The profit on the sale was £444,540.

(c) Exceptional provision against fixed asset investments

Following an impairment review of the Company's investments it was decided that an additional provision of £415,078 was required with the result that a charge was made to the profit and loss account in 2007.

(d) Exceptional item – release of provision against fixed asset investments.

Following an impairment review of the Company's investments it was decided that a provision of £401,999 was no longer required and accordingly was released to the profit and loss account in 2007. In addition, following a return of capital in 2008 provisions of £350,072 were released to the profit and loss account.

(e) The audit fees of £4,000 (2007: £5,500) were borne by a fellow group company during the period. There were audit fees and fees for other services payable to the Company's auditor and its associates during the year in respect of the Company's subsidiary undertakings amounting to £7,000 (2007: £9,500).

3. NET INTEREST RECEIVABLE

	2008	2007
	£	£
Bank interest receivable	-	46,592
Interest receivable from group companies	271,104	67,159
Net interest receivable	<u>271,104</u>	<u>113,751</u>

AE LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

4. TAXATION

(a) Analysis of (credit) / charge in the period.

	2008 £	2007 £
Current tax:		
UK Corporation tax @ 28.5% (2007: 30%) on profits of the period	-	1,281,459
Double taxation relief	-	(1,281,459)
Adjustments in respect of previous periods	(212)	-
	(212)	-
Foreign tax:		
Current year	-	1,308,898
Total current tax (note 4(b))	(212)	1,308,898

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

The tax (credited) / assessed for the period is lower than (2007: lower than) the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before taxation	2,844,004	6,601,514
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	810,541	1,980,454
Effect of:		
Expenses not deductible for tax purposes	-	616
Provisions against investments not deductible for tax purposes	(99,770)	3,924
Adjustments in respect of prior periods	(212)	-
Group relief received for nil payment	(584,077)	(65,925)
Double taxation relief	-	(1,117)
Capital gains on disposal of associated undertaking	-	(701,211)
Higher taxes on overseas earnings	-	92,157
Non-taxable gain on capital disposal	(126,694)	-
Current tax (credit) / charge for period (note 4(a))	(212)	1,308,898

(c) Factors that may affect future tax charges

The Company has unrecognised ACT carried forward of £499,578 (2007: £499,578), the future recoverability of which is uncertain.

No deferred tax has been provided for tax that may become payable if revalued assets were disposed of at their revalued amounts.

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.

5. DIRECTORS

The director has not received any remuneration for services to the Company during the period (2007: £nil). There are no employees of the Company (2007: Nil).

AE LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

6. FIXED ASSET INVESTMENTS

	Subsidiary Undertakings Equity £	Parent Undertaking Loan £	Total £
<u>Cost or valuation</u>			
At 31.12.07	23,323,813	29,811,971	53,135,784
Transfers to group company	(5,483,273)	444,540	(5,038,733)
Return of capital	(350,072)	350,072	-
At 31.12.08	17,490,468	30,606,583	48,097,051
<u>Provisions</u>			
At 31.12.07	(19,337,242)	-	(19,337,242)
Transfers to group company	5,483,273	-	5,483,273
Reduction in year	350,072	-	350,072
At 31.12.08	(13,503,897)	-	(13,503,897)
<u>Net book value</u>			
At 31.12.08	3,986,571	30,606,583	34,593,154
At 31.12.07	3,986,571	29,811,971	33,798,542

On a historical cost basis the above investments would have been included at:-

	Subsidiary Undertakings Equity £	Parent Undertaking Loan £	Total £
<u>Original Cost</u>			
At 31.12.08	14,819,468	30,606,583	45,426,051
At 31.12.07	20,652,813	29,811,971	50,464,784
<u>Provision for Diminution in Value</u>			
At 31.12.08	(13,503,897)	-	(13,503,897)
At 31.12.07	(19,337,242)	-	(19,337,242)
<u>Net book value</u>			
At 31.12.08	1,315,571	30,606,583	31,922,154
At 31.12.07	1,315,571	29,811,971	31,127,542

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are disclosed below. Advantage has been taken of the exemption in S231(5) of the Companies Act whereby, due to the large number of undertakings in respect of which the Company would be required to make disclosure, disclosure has only been made in respect of those undertakings whose results or financial position principally affect the financial statements.

AE LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

6. FIXED ASSET INVESTMENTS (continued)

Name of Company	Country of incorporation if outside Great Britain	Holding	Proportion of voting rights and shares held	For the year ending (*)	Aggregate amount of capital and reserves at the end of its most recent financial year	Profit or (loss) for the year	Nature of business
			%		£	£	
Federal-Mogul Bradford Ltd		Ordinary shares	100	31.12.2008	3,507,258	-	Manufacture and sale of piston products as agent for T&N Ltd
Federal-Mogul Engineering Ltd		Ordinary shares	100	31.12.2008	624,154	-	Dormant
F-M Trademarks Ltd #		Ordinary shares	100	31.12.2008	22,218,146	2,656,949	Holding of Goetze trademark

(*) Financial information taken from the latest audited financial statements.

On 19 January 2009 T&N Trade Marks Limited changed its name to F-M Trademarks Limited.

All subsidiary undertakings which are incorporated in Great Britain are registered in England and Wales.

In accordance with FRS11, the director has compared the carrying value of investments to their value in use to the Company and recorded an impairment charge for any individual investments that she considered impaired.

The value in use has been derived from discounted cash flow projections using a nominal discount rate of 12.5% (2007: 10.5%).

7. DEBTORS: due within one year

	2008	2007
	£	£
Amount due from parent undertaking	12,925	12,658
Amount due from fellow subsidiary undertakings	6,475,739	4,425,655
UK Taxation	3,000	2,788
	<u>6,491,664</u>	<u>4,441,101</u>

8. DEBTORS: due after more than one year

	2008	2007
	£	£
Amount due from parent undertaking	<u>1,683,403</u>	<u>1,696,528</u>

9. CREDITORS: due within one year

	2008	2007
	£	£
Amount due to ultimate parent undertaking	-	501
Amount due to fellow subsidiary undertakings	14,932	14,932
Accruals	250,000	261,941
UK Taxation	-	-
	<u>264,932</u>	<u>277,374</u>

AE LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

10. CALLED UP SHARE CAPITAL

	2008 £	2007 £
Authorised:		
135,000,000 Ordinary Shares of 25p each	33,750,000	33,750,000
3,750,000 Unclassified Shares of £1 each	3,750,000	3,750,000
	<u>37,500,000</u>	<u>37,500,000</u>
Issued and fully paid:		
101,750,632 Ordinary Shares of 25p each	<u>25,437,658</u>	<u>25,437,658</u>

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Capital £	Share Premium £	Capital Redemption Reserve Fund £	Revaluation Reserve £	Profit & Loss account £	Total £
At 1 January 2007	25,437,658	26,945,409	3,750,000	3,777,156	(24,437,610)	35,472,613
Profit for the year 2007	-	-	-	-	5,292,616	5,292,616
Write-back of revaluation reserve	-	-	-	(1,106,156)	-	(1,106,156)
At 31 December 2007	25,437,658	26,945,409	3,750,000	2,671,000	(19,144,994)	39,659,073
Profit for the year 2008	-	-	-	-	2,844,216	2,844,216
At 31 December 2008	25,437,658	26,945,409	3,750,000	2,671,000	(16,300,778)	42,503,289

12. ULTIMATE PARENT COMPANY

The Company's parent company is Federal-Mogul Limited which is registered in England and Wales. The ultimate parent company and controlling party is Icahn Enterprises L.P., which is registered in the USA. Copies of the Icahn Enterprises L.P. Annual Report and Accounts can be obtained from Icahn Enterprises L.P., 767 Fifth Avenue, Suite 4700, New York, NY 10153, USA.

13. COMPOSITE CROSS-GUARANTEE

Contingent liabilities exist in respect of cross-guarantees given by the Company and certain of its fellow UK subsidiaries to support some of the UK banking facilities. At the year end these facilities amounted to £nil (2007: £nil).