

AE Limited

Company Number 435189

Director's Report for the Year Ended 31st December 2011

The director presents her report and financial statements for the year ended 31 December 2011

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 5 The Company has received a dividend of £25,000,000 from F-M Trademarks Limited, one of its subsidiary undertakings The profit after tax for the year was £25,000,000 (2010 loss £235) The director does not recommend payment of a dividend (2010 £nil)

Treasury Policies

Financial Instruments

The Company's financial instruments comprise of balances with group undertakings 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

Director

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

E J Milner

Disclosure of information to Auditors

In accordance with s 418(2) of the Companies Act 2006 the director

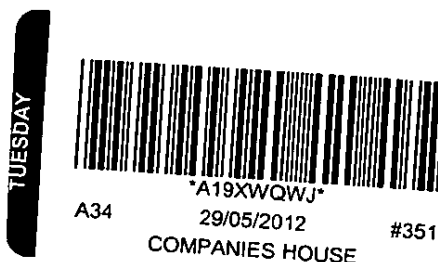
- is not aware of any relevant audit information of which the Company's auditors are unaware,
and
- has taken all the steps that she ought to have taken as a director in order to make herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

On behalf of the Board



E J Milner
Director

Date 21 May 2012



AE LIMITED

STATEMENT OF THE DIRECTOR'S RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 UK Accounting Standards have been followed;
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 for the year ended 31 December 2011 which comprise the Profit & Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AE LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Barry Flynn (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Manchester

25/5/ 2012

AE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2011

	Notes	2011 £	2010 £
Bank fees and charges		-	(235)
Operating expense		-	(235)
Operating loss on ordinary activities		-	(235)
Income from shares in subsidiary undertaking		25,000,000	-
Profit/ (loss) on ordinary activities before taxation		25,000,000	(235)
Tax on profit / (loss) on ordinary activities	3	-	-
Profit / (loss) on ordinary activities after taxation	10	25,000,000	(235)

A reconciliation of movements in shareholders' funds is given in Note 10 of the financial statements

All results have been derived from continuing operations

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 2011 and the loss for the year ended 31 December 2010

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

AE LIMITED
BALANCE SHEET
AS AT 31ST DECEMBER 2011

	Notes	2011 £	2010 £
FIXED ASSETS			
Investments	5	33,151,975	34,148,614
CURRENT ASSETS			
Debtors amounts falling due within one year	6	174	2,328
Debtors amounts falling due after one year	7	33,485,283	8,498,061
		33,485,457	8,500,389
CURRENT ASSETS		33,485,457	8,500,389
CREDITORS amounts due within one year	8	-	(14,932)
NET CURRENT ASSETS		33,485,457	8,485,457
NET ASSETS		66,637,432	42,634,071
CAPITAL AND RESERVES			
Called up Share Capital	9	25,437,658	25,437,658
Share premium account	10	26,945,409	26,945,409
Capital redemption reserve fund	10	3,750,000	3,750,000
Revaluation reserve	10	1,674,361	2,671,000
Profit and loss account	10	8,830,004	(16,169,996)
Shareholders' funds – equity		66,637,432	42,634,071

The financial statements on pages 5 to 12 were approved by the Board on 21 May 2012 and signed on its behalf by -



E J Milner
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 s 401 of the Companies Act, has not prepared consolidated financial statements The financial statements therefore contain information about AE Limited as an individual company and not as a group

(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 / (LOSS)

The audit fees of £3,000 (2010 £3,000) 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 £4,000 (2010 £5,000).

3 TAXATION

(a) Analysis of charge in the period

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

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

The tax charge / (credit) for the period is lower than (2010 higher than) the standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are explained below:

	2011 £	2010 £
Profit / (loss) on ordinary activities before taxation	25,000,000	(235)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010 28%)	6,625,000	(66)
Effect of		
Non-taxable income	(6,625,000)	-
Group relief received for nil payment	(379,071)	66
UK UK transfer pricing adjustment	379,071	-
Current tax charge / (credit) for period (note 3(a))	-	-

AE LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

3 TAXATION (continued)

(c) Factors that may affect future tax charges

The Company has unrecognised ACT carried forward of £500,004 (2010 £500,004), the future recoverability of which is uncertain

Unrecognised capital losses of £1,373,006 (2010 £1,373,006) are carried forward for utilisation against future capital profits. These losses will only be recognised as a deferred tax asset when such utilisation is foreseeable

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

In his budget of 21 March 2012, the Chancellor of the Exchequer announced certain tax changes which have an effect on the Company's future tax position. The proposals included phased reductions in the corporation tax rate to 22% from 1 April 2014. The 2012 Finance Bill contains proposals to reduce the corporation tax rate to 24% from 1 April 2012 and to 23% from 1 April 2013 with the further reductions to 22% expected to be reflected in future Finance Acts

The rate changes would impact the amount of any future cash tax payments made by the Company. The effect of the proposed changes to the UK tax system will be reflected in the financial statements in future years, as appropriate, once the proposals have been substantively enacted

4 DIRECTORS

The director has not received any remuneration for services to the Company during the period (2010 £nil). There are no employees of the Company (2010 Nil)

5 FIXED ASSET INVESTMENTS

	Subsidiary Undertakings Equity £	Parent Undertaking Loan £	Total £
<u>Cost or valuation</u>			
At 01 01 11	9,364,667	30,162,043	39,526,710
Write-back of revaluation reserve	(996,639)	-	(996,639)
At 31 12 11	8,368,028	30,162,043	38,530,071
<u>Provisions</u>			
At 31 12 10	(5,378,096)	-	(5,378,096)
At 31 12 11	(5,378,096)	-	(5,378,096)
<u>Net book value</u>			
At 31 12 11	2,989,932	30,162,043	33,151,975
At 31 12 10	3,986,571	30,162,043	34,148,614

AE LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

5 FIXED ASSET INVESTMENTS (continued)

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 11	6,693,667	30,162,043	36,855,710
At 31 12 10	6,693,667	30,162,043	36,855,710
<u>Provision for Diminution in Value</u>			
At 31 12 11	(5,378,096)	-	(5,378,096)
At 31 12 10	(5,378,096)	-	(5,378,096)
<u>Net book value</u>			
At 31 12 11	1,315,571	30,162,043	31,477,614
At 31 12 10	1,315,571	30,162,043	31,477,614

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 s 410 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.

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 2011	3,507,258	-	Manufacture and sale of piston products as agent for Federal-Mogul Ltd
Federal-Mogul Engineering Ltd		Ordinary shares	100	31 12 2011	624,154	-	Dormant
F-M Trademarks Ltd		Ordinary shares	100	31 12 2011	1,722,197	584,753	Dormant

(*) Financial information taken from the latest audited financial statements, except for Federal-Mogul Engineering Limited which is entitled to exemption from audit under Section 477 of the Companies Act 2006 relating to small companies.

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 12.0% (2010 11 5%) on a pre-tax basis. Long-term growth rates consistent with each applicable global industry sector, ranging from 1.5% to 3%, have been assumed for all years.

AE LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

6	<u>DEBTORS due within one year</u>	2011	2010
		£	£
	Amount due from parent undertaking	174	174
	Amount due from fellow subsidiary undertakings	-	2,154
		<u>174</u>	<u>2,328</u>
7	<u>DEBTORS due after more than one year</u>	2011	2010
		£	£
	Amount due from parent undertaking	<u>33,485,283</u>	<u>8,498,061</u>
8	<u>CREDITORS due within one year</u>	2011	2010
		£	£
	Amount due to fellow subsidiary undertakings	<u>-</u>	<u>14,932</u>
9	<u>CALLED UP SHARE CAPITAL</u>	2011	2010
		£	£
	Authorised		
	135,000,000 Ordinary Shares of 25p each	33,750,000	33,750,000
	3,750,000 Unclassified Shares of £1 each	<u>3,750,000</u>	<u>3,750,000</u>
		<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>

10 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Capital	Share Premium	Capital Redemption Reserve Fund	Revaluation Reserve	Profit & Loss account	Total
	£	£	£	£	£	£
At 1 January 2010	25,437,658	26,945,409	3,750,000	2,671,000	(16,169,761)	42,634,306
Loss for the year 2010	-	-	-	-	(235)	(235)
At 31 December 2010	25,437,658	26,945,409	3,750,000	2,671,000	(16,169,996)	42,634,071
Write back of revaluation reserve	-	-	-	(996,639)	-	(996,639)
Profit for the year 2011	-	-	-	-	25,000,000	25,000,000
At 31 December 2011	<u>25,437,658</u>	<u>26,945,409</u>	<u>3,750,000</u>	<u>1,674,361</u>	<u>8,830,004</u>	<u>66,637,432</u>

11 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS8, para 3c, not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent

There are no other related party transactions

AE LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

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 (2010 £nil).