

F-M UK Holding Limited

Company Number: 3459039

Director's Report for the Year Ended 31st December 2010

The director presents his report and audited financial statements for the year ended 31 December 2010

Principal activities, review of the business and future developments

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

Results and dividends

Following an impairment review of the Company's investments it was decided that provisions made against these investments in previous years were no longer required. Consequently, in the current year, provisions have been released to the profit and loss account amounting to £142.5m (2009 release £121.4m)

In the year ended 31 December 2010 the Company recorded a profit after taxation of £142.5m (2009 £121.4m profit after taxation)

The director does not recommend the payment of a dividend to the holders of ordinary shares and no interim dividend was paid (2009 £nil)

Financial Instruments

The Company's financial instruments comprise of balances with group undertakings. The main purpose of these financial instruments is to raise finance for 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 Company's transactions are in sterling. Being part of a multi-national group, the Company does not hedge currency exposures, reflecting gains and losses in the profit and loss account as they arise.

Director

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

Mr L D Hangran

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F-M UK Holding Limited

Company Number: 3459039

Director's Report for the Year Ended 31st December 2010 (continued)

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 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

Employees

The Company has no employees (2009 nil)

Statement of the director's responsibilities

The director is responsible for preparing the Director's Report and 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). Under company law the director must not approve the financial statements unless he is 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 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,
- 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 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 him to ensure that the financial statements comply with the Companies Act 2006. 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.

On behalf of the Board

L D Hangran
Director

Date: 27 May 2011



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF F-M UK HOLDING LIMITED

We have audited the Company's financial statements for the year ended 31 December 2010 which comprise the Profit & Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 15. 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 2010 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF F-M
UK HOLDING LIMITED (CONTINUED)**

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

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

1 June

2011

F-M UK Holding Limited

Profit and Loss Account

For the year ended 31 December 2010

	<i>Notes</i>	2010 £m	2009 £m
Exceptional operating income – liquidation dividend		-	-
Exceptional operating income – provision against fixed asset investments written back	3 (a)	142 5	121 4
Operating income		142 5	121 4
Operating profit on ordinary activities		142 5	121 4
Interest receivable from group companies	5	-	-
Profit on ordinary activities before taxation	11	142 5	121 4
Tax on profit on ordinary activities	6	-	-
Profit on ordinary activities after taxation	12	142 5	121 4

A reconciliation of movements in shareholders' funds is given in note 12 of the financial statements

All results have been derived from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit for the year ended 31 December 2010 and the profit for the year ended 31 December 2009

F-M UK Holding Limited

Balance Sheet

At 31 December 2010

	Notes	31 December 2010 £m	31 December 2009 £m
FIXED ASSETS			
Investments	7	<u>447 8</u> 447 8	<u>305 3</u> 305 3
DEBTORS – amounts falling due in more than one year	8	<u>0 7</u> 0 7	<u>1 1</u> 1 1
CREDITORS – amounts falling due within one year	9	<u>(0 2)</u>	<u>(0 6)</u>
NET CURRENT ASSETS		0 5	0 5
NET ASSETS		<u>448 3</u>	<u>305 8</u>
CAPITAL AND RESERVES			
Called up share capital	10	268 0	268 0
Profit and loss account	11	<u>180 3</u>	<u>37 8</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	12	<u>448 3</u>	<u>305 8</u>

The financial statements on pages 5 to 11 were approved by the Board of Directors on 27 May 2011 and were signed on its behalf by



L. D. Hangran
Director

F-M UK Holding Limited

Notes To The Financial Statements For The Year Ended 31 December 2010

1. Accounting Policies

a) Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards and Practice. The directors consider that the accounting policies are suitable and are supported by reasonable and prudent judgements and estimates.

b) Deferred tax

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 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.

c) 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 translated at the year end rate. Exchange differences on transactions in foreign currencies are included in the profit and loss account.

d) Investments

Fixed asset investments are stated at cost less provision for impairment.

2 Consolidation and related party disclosures

The Company's ultimate parent undertaking is Icahn Enterprises L P, a company listed on the New York Stock Exchange. The Company is included in the consolidated financial statements of Icahn Enterprises L P, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Icahn Enterprises Group or investees of the Icahn Enterprises Group.

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 F-M UK Holding Limited as an individual company and not as a group.

F-M UK Holding Limited

Notes To The Financial Statements For The Year Ended 31 December 2010 (continued)

3. Operating charges

(a) Exceptional operating income – provision against fixed asset investments written back

In 2010, an impairment review of the Company's investments was undertaken and it was decided that provisions made against these investments in previous years were no longer required. Consequently in the current year provisions were released to the profit and loss account amounting to £142.5m (2009: release of £121.4m)

(b) Audit fees

The audit fees of £4,300 (2009: £6,500) were borne by a fellow group company during the year. 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 £nil (2009: £nil)

4. Directors' emoluments

The directors have not received emoluments in respect of their services as a director of the Company (2009: £nil)

5. Interest receivable from group companies

	2010	2009
Interest receivable from parent undertaking	-	-
	-	-

6. Tax on profit on ordinary activities

(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 tax charge for period

The tax assessed for the period is lower (2009: lower) than the standard rate of corporation tax in the UK 28% (2009: 28%). The differences are explained below

	2010 £m	2009 £m
Profit on ordinary activities before taxation	142.5	121.4
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	39.9	34.0
Effect of		
Non-taxable release of provision against investments	(39.9)	(34.0)
Current tax charge for period (note 6(a))	-	-

F-M UK Holding Limited

Notes To The Financial Statements For The Year Ended 31 December 2010 (continued)

6. Tax on profit on ordinary activities (continued)

(c) Factors that may affect future tax charges

In his budget of 23 March 2011, 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 23% from 1 April 2014. The 2011 Finance Bill contains proposals to reduce the corporation tax rate to 26% from 1 April 2011 and to 25% from 1 April 2012 with the further reductions to 23% 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.

7. Investments	Subsidiary undertakings	Other Investments	Total
	£m	£m	£m
<u>Cost</u>			
At 1 January 2010	403.0	44.8	447.8
At 31 December 2010	403.0	44.8	447.8
<u>Provisions</u>			
At 1 January 2010	(97.7)	(44.8)	(142.5)
Reduction in provision	97.7	44.8	142.5
At 31 December 2010	-	-	-
<u>Net Book Value</u>			
At 31 December 2010	403.0	44.8	447.8
At 31 December 2009	305.3	-	305.3

Other investments include the trade investment in Federal-Mogul Global Growth Limited. Federal-Mogul Growth B.V. has the controlling interest in Federal-Mogul Global Growth Limited.

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.

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
			%			£m	
T&N Industries Inc	United States	Ordinary shares	100	31.12.2000	474.6	15.1	Holding Company

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

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

F-M UK Holding Limited

Notes To The Financial Statements For The Year Ended 31 December 2010 (continued)

7. Investments (continued)

In accordance with FRS11, the director has compared the carrying value of investments to their value in use to the Company. In earlier years this comparison indicated that some investments were impaired and an impairment charge was recorded. The exercise undertaken at 31 December 2010 indicated that impairments were no longer required and consequently a reversal of £142.5m has been recorded in the current year (2009 reversal of £121.4m).

The value in use has been derived from discounted cash flow projections using a nominal discount rate of 11.5% (2009 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.

8. Debtors – amounts falling due after more than one year	2010 £m	2009 £m
Amounts due from fellow subsidiary undertaking	0.7	1.1
9. Creditors – amounts falling due within one year	2010 £m	2009 £m
Amounts owed to fellow subsidiary undertakings	0.2	0.6
10. Called up share capital	2010 £m	2009 £m
Ordinary shares of £1 each		
Authorised – 400,000,000	400.0	400.0
Allotted and fully paid – 268,002,101	268.0	268.0
11. Profit and loss account	2010 £m	2009 £m
At 1 January	37.8	(83.6)
Retained profit for the year	142.5	121.4
At 31 December	180.3	37.8
12. Reconciliation of movements in shareholders' funds	2010 £m	2009 £m
Total shareholders' funds		
At 1 January	305.8	184.4
Profit attributable to shareholders	142.5	121.4
At 31 December	448.3	305.8

F-M UK Holding Limited

Notes To The Financial Statements For The Year Ended 31 December 2010 (continued)

13. Principal subsidiaries and trade investments at 31 December 2010

<u>Holding Companies</u>	<u>Country of Incorporation</u>
T&N Industries Inc	USA
Federal-Mogul Global Growth Limited *	UK
Federal-Mogul Friction Products Inc	USA
Gasket Holdings Inc	USA
<u>Corporate</u>	
Federal-Mogul Worldwide Inc *	USA
<u>Operating Companies</u>	
Federal-Mogul Powertrain Inc	USA
Federal-Mogul Piston Rings Inc	USA
Federal-Mogul FAP Inc	USA
<u>Non Operating Companies</u>	
Federal-Mogul Mystic Inc	USA
Federal-Mogul TP Liners Inc (46%)#	USA

Apart from Federal-Mogul Global Growth Limited, all companies operate in the USA, and are wholly owned by T&N Industries Inc (unless otherwise stated)

Associated undertaking

* Trade investment

14. 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

15. Ultimate parent company

The Company's parent company is Federal-Mogul UK Holdings Inc, a company registered in the USA. 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