

Federal-Mogul (Continental European Operations) Limited

Company Number 05642166

Directors' Report for the Year Ended 31st December 2010



The directors present their report and financial statements for the year ended 31 December 2010

Principal activities, review of the business and future developments

The Company has not traded during the year.

Results for the year can be found on page 6

The Company made a loss after tax of £2,004 in the year (2009: loss after tax £38,166)

The directors do not recommend a dividend (2009: £nil)

Treasury Policies

Financial Instruments

The Company's financial instruments comprise a balance with a group undertaking and cash at bank. The main purpose of these financial instruments is to raise finance for the Company's operations. It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

Interest Rate Risk

The Company has a bank account which is interest bearing. The balance kept in this bank account is not material and therefore any interest rate risk is minimal.

Foreign Currency Risk

The Company had a bank account which was denominated in a foreign currency which was set up to be used in relation to interest receipts when the Company had intra-group loans which were denominated in a foreign currency. These loans have all been disposed of in previous years. During the year the balance on this account was converted to sterling and transferred to the Company's sterling account, thus eliminating any foreign currency risk.

Directors

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

E J Milner
A G Holmes

Federal-Mogul (Continental European Operations) Limited

Company Number 05642166

Directors' 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, each of the directors:

- 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.

On behalf of the Board



E. J. Milner

Director

Date 27 May 2011

FEDERAL-MOGUL (CONTINENTAL EUROPEAN OPERATIONS) LIMITED

STATEMENT OF DIRECTORS' 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 FEDERAL-MOGUL
(CONTINENTAL EUROPEAN OPERATIONS) 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 11. 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 3, 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 loss 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

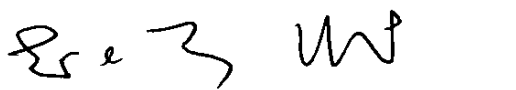
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FEDERAL-MOGUL
(CONTINENTAL EUROPEAN OPERATIONS) 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



2011

FEDERAL-MOGUL (CONTINENTAL EUROPEAN OPERATIONS) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £	2009 £
Bank fees and charges		(47)	(46)
Foreign currency loss		(2,284)	(12,401)
Operating loss		<u>(2,331)</u>	<u>(12,447)</u>
Net interest receivable	2	327	595
Loss on ordinary activities before taxation	3	<u>(2,004)</u>	<u>(11,852)</u>
Tax on loss on ordinary activities	5	-	(26,314)
Loss attributable to shareholders	9	<u>(2,004)</u>	<u>(38,166)</u>

A reconciliation of movements in shareholders' funds is given in note 9 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 loss for the year ended 31 December 2010 and the profit for the period ended 31 December 2009

FEDERAL-MOGUL (CONTINENTAL EUROPEAN OPERATIONS) LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER 2010

	Notes	2010 £	2009 £
<u>Debtors</u> amounts falling due within one year	6	584,512	584,376
Cash at bank		360,788	362,928
		<u>945,300</u>	<u>947,304</u>
<u>Creditors</u> amounts falling due within one year	7	<u>(835,080)</u>	<u>(835,080)</u>
Net current assets		<u>110,220</u>	<u>112,224</u>
Net assets		<u>110,220</u>	<u>112,224</u>
<u>Capital and Reserves</u>			
Called up share capital	8	10,000	10,000
Profit & loss account	9	<u>100,220</u>	<u>102,224</u>
Shareholders' funds – equity	9	<u>110,220</u>	<u>112,224</u>

The financial statements on pages 6 to 11 were approved by the Board on 27 May 2011 and were signed on its behalf by -



E J Milner
Director

27 May 2011

FEDERAL-MOGUL (CONTINENTAL EUROPEAN OPERATIONS) 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

(b) Foreign currency translation

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 arising in the ordinary course of business are included in profit on ordinary activities before taxation.

(c) 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 exception:

- 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.

(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) 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.

FEDERAL-MOGUL (CONTINENTAL EUROPEAN OPERATIONS) LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

2	<u>NET INTEREST RECEIVABLE</u>	2010	2009
		£	£
	Interest receivable on bank accounts	327	896
	Interest payable on UK taxation balance	-	(301)
	Net interest receivable	<u>327</u>	<u>595</u>

3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The audit fees of £3,000 (2009 £5,000) were borne by a fellow group company during the year

4 DIRECTORS AND EMPLOYEES

None of the directors of the Company received any emoluments in respect of their services as a director of the Company during the year (2009 £nil)

There are no employees of the Company (2009 nil)

5 TAXATION

(a) Analysis of charge in the period

	2010	2009
	£	£
Current tax		
<u>UK Corporation tax</u>		
UK corporation tax @ %(2009 28%) on profits of the period	-	-
Adjustment in respect of previous period	-	26,314
Total current tax (note 5(b)) and tax on loss on ordinary activities	<u>-</u>	<u>26,314</u>

(b) Factors affecting tax charge for period

In the year the tax credited for the period is lower (2009 higher) than the standard rate of corporation tax in the UK (28%) (2009 28%) The differences are explained below

	2010	2009
	£	£
Loss on ordinary activities before taxation	<u>(2,004)</u>	<u>(11,852)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	(561)	(3,319)
Effect of		
Group relief surrendered for nil payment	561	3,319
Adjustment in respect of previous period	-	26,314
Current tax charge for period (note 5(a))	<u>-</u>	<u>26,314</u>

FEDERAL-MOGUL (CONTINENTAL EUROPEAN OPERATIONS) LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

5 TAXATION (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.

6	<u>DEBTORS</u> Amounts falling due within one year	2010	2009
		£	£
	Amounts owed by fellow subsidiary undertakings	584,376	584,376
	Accrued income	136	-
		<u>584,512</u>	<u>584,376</u>
7	<u>CREDITORS</u> Amounts falling due within one year	2010	2009
		£	£
	Amounts owed to fellow subsidiary undertakings	<u>835,080</u>	<u>835,080</u>
8	<u>SHARE CAPITAL</u>	2010	2009
		£	£
	Authorised, allotted, issued and fully paid 10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital	Profit and loss Account	Total
	£	£	£
At 1 January 2009	10,000	140,390	150,390
Loss for the year 2009	-	(38,166)	(38,166)
At 31 December 2009	10,000	102,224	112,224
Loss for the year 2010	-	(2,004)	(2,004)
At 31 December 2010	10,000	100,220	110,220

FEDERAL-MOGUL (CONTINENTAL EUROPEAN OPERATIONS) LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTINUED)

10 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

11 ULTIMATE PARENT COMPANY

The Company's immediate parent company is Federal-Mogul Investments BV which is registered in the Netherlands. The Company's 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