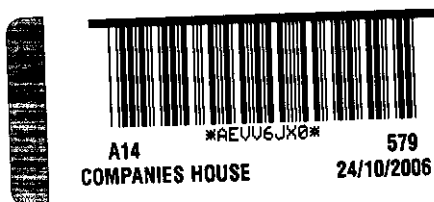


FEDERAL-MOGUL EXPORT SERVICES LIMITED (IN ADMINISTRATION)

ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2003

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Company Number: 532743



FEDERAL-MOGUL EXPORT SERVICES LIMITED (IN ADMINISTRATION)

COMPANY NUMBER 532743

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

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.

Activities

The Company acts as a selling company for the Federal-Mogul Group's exports from the UK and manages the currency transactions arising therefrom. It is not envisaged that this will change in the foreseeable future.

Results and Dividends

The profit for the year after taxation was £103,000 (2002: £147,000). There was no dividend declared in respect of the year ended 31 December 2003.

Directors

The following served as Directors throughout the year:-

D M Sherbin, resigned 22 December 2004
J Zamoyski, resigned 28 November 2003

Mr J Devonald was appointed on 20 December 2004.

Directors' Interests

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

On behalf of the Board

JHDevonald,

Director

Date: 22 August 2006

FEDERAL-MOGUL EXPORT SERVICES LIMITED (IN ADMINISTRATION)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the 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 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume 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 EXPORT SERVICES LIMITED (IN ADMINISTRATION)

We have audited the Company's financial statements for the year ended 31 December 2003 which comprise Profit and Loss Account, Balance Sheet and the related notes 1 to 14. 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

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. 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 EXPORT SERVICES LIMITED (IN ADMINISTRATION) (CONTINUED)

Adverse opinion on group balances

Included in the balance sheet is an amount of £1,894,000 (2002: £1,584,000) 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 £1,894,000 (2002: £1,584,000) should have been made, reducing net assets by up to that amount.

In view of the effect of the absence of this provision, 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 2003 and of its profit 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

23 August 2004

FEDERAL-MOGUL EXPORT SERVICES LIMITED (IN ADMINISTRATION)**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003**

	<u>Notes</u>	Continuing Operations <u>2003</u> <u>£'000</u>	Continuing Operations <u>2002</u> <u>£'000</u>
TURNOVER	2	120,334	123,122
Cost of Sales		(120,334)	(123,122)
GROSS PROFIT		-	-
Administrative expenses		(7)	(7)
Other operating income		29	115
Exceptional item - Costs of Administration and Chapter 11 filing		(3)	(4)
OPERATING PROFIT ON ORDINARY ACTIVITIES		19	104
Net finance income	3	128	101
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	147	205
Tax on profit on ordinary activities	6	(44)	(58)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		103	147
TRANSFER TO RESERVES	12	103	147

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

FEDERAL-MOGUL EXPORT SERVICES LIMITED (IN ADMINISTRATION)

BALANCE SHEET AS AT 31 DECEMBER 2003

	<u>Notes</u>	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
CURRENT ASSETS			
Debtors	7	25,355	27,430
Cash at bank and in hand		8,477	7,568
		<u>33,832</u>	<u>34,998</u>
CREDITORS: amounts falling due within one year	8	(18,620)	(19,889)
NET CURRENT ASSETS		<u>15,212</u>	<u>15,109</u>
CREDITORS: amounts falling due after more than one year	9	(12,269)	(12,269)
NET ASSETS		<u>2,943</u>	<u>2,840</u>
CAPITAL AND RESERVES			
Called up share capital	10	100	100
Profit and loss account	12	<u>2,843</u>	<u>2,740</u>
Shareholders funds - equity		<u>2,943</u>	<u>2,840</u>

The accounts on pages 6 to 12 were approved
by the Board of Directors on *22 August* 2006
and were signed on its behalf by:-

JH Devonald,

Director
Federal-Mogul Export Services Limited (In Administration)

FEDERAL-MOGUL EXPORT SERVICES LIMITED (IN ADMINISTRATION)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

(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.

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 and to provide for any further liabilities which might arise.

(c) TURNOVER

Turnover represents the value of goods and services, excluding sales taxes, invoiced to customers during the year.

(d) DEFERRED TAXATION

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 a 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 an undiscounted 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.

(e) **TRANSLATION OF FOREIGN CURRENCIES**

Assets and liabilities in foreign currencies including forward exchange contracts are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with in the Profit and Loss account and are included as other operating income.

(f) **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.

(g) **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 Federal-Mogul Corporation group.

2. **ANALYSIS OF TURNOVER**

The geographical analysis of turnover is as follows:-

	2003 £'000	2002 £'000
Continental Europe	81,551	80,872
North America and other countries	38,783	42,250
	<u>120,334</u>	<u>123,122</u>

3. **NET FINANCE INCOME**

	2003 £'000	2002 £'000
Interest payable on bank loans, overdrafts and other loans repayable within 5 years	-	(2)
Other interest receivable	128	103
Net finance income	<u>128</u>	<u>101</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit before taxation is stated after charging:-

	2003 £'000	2002 £'000
Directors' remuneration	-	-
Auditors' remuneration	-	-

During the year the Company incurred administrative costs of £3,000 (2002: £7,000) from Kroll Limited, the Administrators. At the financial year end, no amounts were due to Kroll Limited (2002: NIL).

5. DIRECTORS AND EMPLOYEES

None of the directors of the Company received any emoluments in respect of their services as directors of the Company (2002: NIL).

There are no employees of the Company.

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

Analysis of charge in the period

	2003 £'000	2002 £'000
UK corporation tax		
UK Corporation tax on profits of the period	-	-
Group relief payable	44	61
Adjustments in respect of previous period	-	(3)
Total current tax	<u>44</u>	<u>58</u>

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 30.00% (2002: 30.00%). The differences are reconciled below.

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	<u>147</u>	<u>205</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30.00% (2002: 30.00%)	44	62
Effect of:		
Non taxable items	-	(1)
Adjustments in respect of previous periods	-	(3)
Total current tax	<u>44</u>	<u>58</u>

7. DEBTORS

	2003 <u>£'000</u>	2002 <u>£'000</u>
Trade Debtors	18,531	21,267
Amounts owed by parent undertaking or fellow subsidiary undertakings	5,517	4,885
Other Debtors	1,307	1,278
	<u>25,355</u>	<u>27,430</u>

Included within amounts owed by parent undertaking or fellow subsidiary undertakings are balances totalling £3,623,000 (2002: £3,301,000) receivable from Federal-Mogul group companies which are not the subject of an Administration Order under the Insolvency Act 1986 and/or a filing under Chapter 11 of the US Bankruptcy Code.

8. CREDITORS: Amounts falling due within one year

	2003 <u>£'000</u>	2002 <u>£'000</u>
Amounts owed to parent undertaking or fellow subsidiary undertakings	18,611	19,880
Other creditors	9	9
	<u>18,620</u>	<u>19,889</u>

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

	2003 <u>£'000</u>	2002 <u>£'000</u>
Amounts owed to parent undertaking	<u>12,269</u>	<u>12,269</u>

10. SHARE CAPITAL

	2003 <u>£'000</u>	2002 <u>£'000</u>
Authorised: 500,000 Ordinary shares of £1 each	<u>500</u>	<u>500</u>
Issued and fully paid: 100,000 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 <u>£'000</u>	2002 <u>£'000</u>
Profit for the financial period	103	147
Net addition to shareholders' funds	<u>103</u>	<u>147</u>
Opening shareholders' funds	<u>2,840</u>	<u>2,693</u>
Closing shareholders' funds	<u><u>2,943</u></u>	<u><u>2,840</u></u>

12. RESERVES

	Profit & Loss Account <u>£'000</u>
At 1 January 2003	2,740
Transfer to profit and loss account	<u>103</u>
At 31 December 2003	<u><u>2,843</u></u>

13. ULTIMATE PARENT COMPANY

The Company's parent company is T&N Limited which is registered in England and Wales. Its ultimate parent company and controlling party is Federal-Mogul Corporation, a company 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.

14. GUARANTEES AND CONTINGENT LIABILITIES

The Company, its parent 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 UK banker. The contingent liability in respect of this amounts to £6,922,000 (2002: £7,299,000).