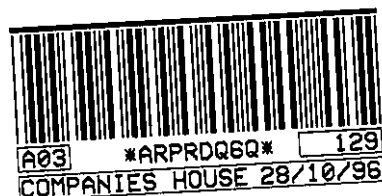


Ferodo Limited

Company Number 447826

Directors' Report for the Year Ended 31st December 1995



Activities

The principal activity of the Company is the manufacture and sale of automotive and industrial friction materials as agent for T&N plc and will continue to be so for the foreseeable future.

Directors

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

J G Anderson
R W Broadhurst
I Darke
P J Farrell
W D Galloway, appointed 01/10/95
J-P Laffaille
B M Lindsay
D C J Mellalieu
J W Murray, resigned 31/08/95
R J Newson, resigned 31/12/95
G A Ross
Dr A J P Sabberwal

Directors' Interests

The interests, all beneficial, of the Directors in the share capital of T&N plc comprise:-

		Ordinary Shares							
		31.12.95	31.12.94						
J G Anderson		-	-						
R W Broadhurst		-	-						
I Darke		-	-						
P J Farrell		-	-						
W D Galloway		-	-						
J-P Laffaille		-	-						
B M Lindsay		-	-						
D C J Mellalieu		-	-						
G A Ross		-	-						
Dr A J P Sabberwal		64,999	58,485						
		64,999	58,485						
		1.1.95	31.12.95	Exercise Price	Market price on date exercised	Date of Grant	Date from which exercisable	Expiry Date	
J G Anderson	Number of options Granted during year								
	Number of options Exercised during year								
J G Anderson	11.158	-	11.158	201.6	-	19.9.89	19.9.92	19.9.1999	
	10.760	-	10.760	171.9	-	8.4.91	11.4.94	10.4.2001	
	15.685	-	15.685	111.4	-	19.3.92	19.3.95	18.3.2002	
	7.842	-	7.842	172.1	-	15.4.93	15.4.96	14.4.2003	
	45.445	-	45.445						
R W Broadhurst	11.158	-	11.158	199.8	-	25.9.87	25.9.90	24.9.1997	
	8.927	-	8.927	159.5	-	11.4.88	11.4.91	10.4.1998	
	8.927	-	8.927	184.5	-	18.4.89	18.4.92	17.4.1999	
	10.760	-	10.760	171.9	-	8.4.91	11.4.94	10.4.2001	
	15.685	-	15.685	111.4	-	19.3.92	19.3.95	18.3.2002	
	7.842	-	7.842	172.1	-	15.4.93	15.4.96	14.4.2003	
	10.166	-	10.166	226.2	-	12.4.94	12.4.97	11.4.2004	
	-	10.000	10.000	159.0	-	10.5.95	10.5.98	9.5.2005	
	73.465	10.000	83.465						

Directors' Report for the Year Ended 31st December 1995 (continued)

		Number of options Granted during year	Exercised during year	Exercise Price	Market price on date exercised	Date of Grant	Date from which exercisable	Expiry Date
	1.1.95		31.12.95					
I Darke	3,391	-	-	3,391	191.0	-	29.4.86	28.4.1996
	6,695	-	-	6,695	213.2	-	7.4.87	6.4.1997
	13,390	-	-	13,390	182.8	-	26.4.89	25.4.1999
	21,521	-	-	21,521	171.9	-	11.4.91	10.4.2001
	20,333	-	-	20,333	226.2	-	12.4.94	11.4.2004
	15,249	-	-	15,249	207.5	-	6.10.94	5.10.2004
	-	20,000	-	20,000	159.0	-	10.5.95	9.5.2005
	80,579	20,000	-	100,579				
P J Farrell	3,391	-	-	3,391	191.1	-	29.4.86	28.4.1996
	6,695	-	-	6,695	213.2	-	7.4.87	6.4.1997
	8,927	-	-	8,927	159.5	-	11.4.88	10.4.1998
	8,927	-	-	8,927	184.5	-	18.4.89	17.4.1999
	21,521	-	-	21,521	171.9	-	8.4.91	10.4.2001
	26,142	-	-	26,142	111.4	-	19.3.92	18.3.2002
	12,548	-	-	12,548	172.1	-	15.4.93	14.4.2003
	10,166	-	-	10,166	226.2	-	12.4.94	11.4.2004
	20,333	-	-	20,333	207.5	-	6.10.94	5.10.2004
	-	20,000	-	20,000	159.0	-	10.5.95	9.5.2005
	118,650	20,000	-	138,650				
W D Galloway	20,333	-	-	20,333	226.2	-	12.4.94	11.4.2004
J-P Laffaille	16,739	-	-	16,739	182.8	-	26.4.89	25.4.1999
	21,521	-	-	21,521	171.9	-	11.4.91	10.4.2001
	20,913	-	-	20,913	111.4	-	19.3.92	18.3.2002
	7,842	-	-	7,842	172.1	-	15.4.93	14.4.2003
	20,333	-	-	20,333	226.2	-	12.4.94	11.4.2004
	25,416	-	-	25,416	207.5	-	6.10.94	5.10.2004
	-	20,000	-	20,000	159.0	-	10.5.95	9.5.2005
	112,764	20,000	-	132,764				
B M Lindsay	11,158	-	-	11,158	184.5	-	18.4.89	17.4.1999
	21,521	-	-	21,521	171.9	-	8.4.91	10.4.2001
	26,142	-	26,142	-	111.4	159.0	19.3.92	18.3.2002
	12,548	-	-	12,548	172.1	-	15.4.93	14.4.2003
	20,333	-	-	20,333	226.2	-	12.4.94	11.4.2004
	25,416	-	-	25,416	207.5	-	6.10.94	5.10.2004
	-	20,000	-	20,000	159.0	-	10.5.95	9.5.2005
	117,118	20,000	26,142	110,976				
D C J Mellalieu	3,391	-	-	3,391	191.1	-	29.4.86	28.4.1996
	8,927	-	-	8,927	159.5	-	11.4.88	10.4.1998
	21,521	-	-	21,521	171.9	-	8.4.91	10.4.2001
	26,142	-	-	26,142	111.4	-	19.3.92	18.3.2002
	12,548	-	-	12,548	172.1	-	15.4.93	14.4.2003
	20,333	-	-	20,333	226.2	-	12.4.94	11.4.2004
	25,416	-	-	25,416	207.5	-	6.10.94	5.10.2004
	-	20,000	-	20,000	159.0	-	10.5.95	9.5.2005
	118,278	20,000	-	138,278				
G A Ross	21,521	-	-	21,521	171.9	-	8.4.91	10.4.2001
	26,142	-	-	26,142	111.4	-	19.3.92	18.3.2002
	12,548	-	-	12,548	172.1	-	15.4.93	14.4.2003
	20,333	-	-	20,333	226.2	-	12.4.94	11.4.2004
	25,416	-	-	25,416	207.5	-	6.10.94	5.10.2004
	-	20,000	-	20,000	159.0	-	10.5.95	9.5.2005
(1)	-	14,348	-	14,348	135.9	-	1.7.95	31.12.2002
	105,960	34,348	-	140,308				
Dr A J P Sabberwal	9,041	-	-	9,041	191.1	-	29.4.86	28.4.1996
	17,855	-	-	17,855	213.3	-	7.4.87	6.4.1997
	52,284	-	-	52,284	160.7	-	24.9.91	23.9.2001
	52,284	-	-	52,284	111.4	-	19.3.92	18.3.2002
	15,685	-	-	15,685	172.1	-	15.4.93	14.4.2003
	25,416	-	-	25,416	226.2	-	12.4.94	11.4.2004
(1)	5,217	-	5,217	-	138.0	187.0	9.5.90	30.11.1995
(1)	2,371	-	-	2,371	158.1	-	7.5.91	31.12.1996
(1)	7,374	-	-	7,374	101.7	-	6.5.92	1.12.1997
	187,527	-	5,217	182,310				

(1) These options have been granted under the Savings-Related Scheme. All other options have been granted under the Executive Scheme.

None of the directors have any other registered interests in the shares of the Company or any other company in the T&N Group.

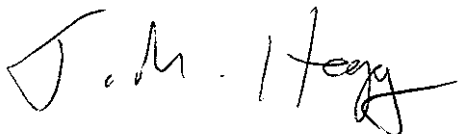
Ferodo Limited

Directors' Report for the Year Ended 31st December 1995 (continued)

Employees

Information about employee involvement and the Company's policy relating to employment of disabled persons is given in the report of the directors of the ultimate parent company, T&N plc, on whose behalf they are employed.

By Order of the Board

A handwritten signature in black ink, appearing to read 'J. M. Hogg', with a stylized flourish at the end.

Miss J M Hogg
Secretary

18th October 1996

FERODO LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires 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 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;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- * make judgements and estimates that are reasonable and prudent;
- * 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 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.

FERODO LIMITED

AUDITORS' REPORT TO THE MEMBERS OF FERODO LIMITED

We have audited the financial statements on pages 6 to 9.

Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

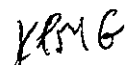
Basis of opinion

We conducted our audit in accordance with 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 1995 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors
LONDON

22 OCT 1996

FERODO LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1995

The Company has not traded during the year, has received no income and incurred no expenditure and consequently has made neither a profit nor a loss.

FERODO LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER 1995

	Notes	1995 £000	1994 £000
<u>Fixed Assets</u>			
Investments	5	6,620	6,620
Net assets		<u>6,620</u>	<u>6,620</u>
<u>Capital and Reserves</u>			
Called up share capital	6	6,620	6,620
Shareholder's funds - equity	7	<u>6,620</u>	<u>6,620</u>

The financial statements on pages 6 to 9 were approved by the Board on 18th October 1996 and were signed on its behalf by:-



Dr A J P Sabberwal - Director

FERODO LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost convention.

(b) 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.

2. PROFIT AND LOSS ACCOUNT

The Company has traded during this year and the comparative year only as agent for T&N plc. It has not traded in its own account, has received no income and incurred no expenditure and consequently has made neither a profit nor a loss.

3. DIRECTORS

The directors have not received any remuneration for services to the company during the period (1994: £nil).

4. EMPLOYEES

The average number of persons employed by the company during the year was 1,147 (1994: 1,198). All costs relating to these employees are paid directly by the ultimate parent company, T&N plc, on whose behalf they are employed.

5. INVESTMENTS

Loan to parent undertaking	£000
At 31st December 1995	6,620
	<hr/>
At 31st December 1994	6,620
	<hr/>

FERODO LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

6.	<u>CALLED UP SHARE CAPITAL</u>	1995	1994
		£000	£000
	Authorised, 7,000,000 shares of £1 each	7,000	7,000
		<u> </u>	<u> </u>
	Issued and fully paid 6,620,000 shares of £1 each	6,620	6,620
		<u> </u>	<u> </u>

7. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

There has been no movement in shareholder's funds in this year or in the comparative year

8. ULTIMATE PARENT COMPANY

The Company's immediate parent company is Fleetside Investments Limited and the ultimate parent company is T&N plc. Both are registered in England and Wales. Copies of the T&N plc Annual Report and Accounts can be obtained from the Company Secretary at Bowdon House, Ashburton Road West, Trafford Park, Manchester, M17 1RA.

8. COMPOSITE CROSS-GUARANTEE

The Company, its ultimate 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.