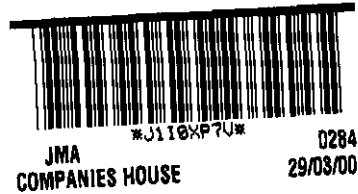


T&N International Limited

Company Number 1073619

Directors' Report for the Year Ended 31st December 1998



Activities

The principal activity of the Company is that of an investment holding company and it is not envisaged that this will change in the foreseeable future.

Results for the year can be found on page 4.

The Company made a profit of £181,730,000 (1997: loss £5,636,000).

The directors have not declared a dividend (1997: £1,220,000).

Directors

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

H F Baines, resigned 17/6/98
N A Graham, appointed 17/6/98
D A Harding, resigned 17/6/98
Sir Colin Hope, resigned 17/6/98
A Johnson, appointed 6/7/98, resigned 1/1/99
I F R Much, resigned 17/6/98
T Ryan, appointed 17/6/98, resigned 6/3/2000
R A Snell, appointed 6/7/98
K P Thomas, appointed 17/6/98
M Verwilt, appointed 1/9/99

Directors' Interests

None of the directors had any interest in the share capital of the company at 31 December 1998 or at the date of appointment.

Auditors

KPMG resigned as auditors and Ernst & Young were appointed in their place. A resolution to reappoint Ernst & Young will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

N A Graham
Director

Date:

24th MARCH 2000

T&N INTERNATIONAL 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.

T&N INTERNATIONAL LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF T&N INTERNATIONAL LIMITED

We have audited the accounts on pages 4 to 12 which have been prepared under the historic cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditors
Manchester

27/3/00

T&N INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1998

	Notes	1998 £	1997 £
Administrative income/expenses		45,624	(148)
Operating profit/(loss)		<u>45,624</u>	<u>(148)</u>
Profit on sale of investments		154,139,349	275,821
Income from shares in group undertakings		14,373,687	2,061,141
Income from shares in participating interests		27,272	-
Income from other fixed assets investments		-	19,739
Provision against fixed asset investment		(10,378,264)	(7,185,134)
Interest receivable from Group Companies		9,248,411	-
Interest receivable from third parties		6,579	-
Translation adjustment on loans denominated in foreign currency		<u>14,271,384</u>	<u>-</u>
Profit/(loss) on ordinary activities before taxation	2	181,734,042	(4,828,581)
Tax on profit on ordinary activities	4	(4,091)	(807,565)
Profit/(loss) on ordinary activities after taxation		<u>181,729,951</u>	<u>(5,636,146)</u>
Dividends paid		-	(1,220,000)
Retained profit/(loss) for the financial year	12	<u><u>181,729,951</u></u>	<u><u>(6,856,146)</u></u>

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

All results have been derived from continuing operations.

BALANCE SHEETAS AT 31ST DECEMBER 1998

	Notes	1998 £	1997 £
<u>Fixed Assets</u>			
Investments	5	349,612,760	185,818,219
<u>Current Assets</u>			
Cash at bank		3,976,670	1,259,716
Debtors	6	54,712	13,800
		4,031,382	1,273,516
Creditors: amounts falling due within one year	7	(594,551)	(593,382)
Net current assets		3,436,831	680,134
Total assets less current liabilities		353,049,591	186,498,353
Debtors: amounts falling due after more than one year	8	8,928,571	8,928,571
Creditors: amounts falling due after more than one year	9	(35,658,423)	(50,497,572)
Net assets		326,319,739	144,929,352
<u>Capital and Reserves</u>			
Called up share capital	11	110	110
Share Premium	12	9,577,260	9,577,260
Revaluation reserve	12	22,358,803	98,930,870
Profit & Loss Account	12	294,383,566	36,421,112
Shareholders' funds - equity		326,319,739	144,929,352

The financial statements on pages 4 to 12 were approved by the Board on 24th March 2000
were signed on its behalf by:-

Director



- 5 -

24.03.2000

T&N INTERNATIONAL LIMITED
FOR THE YEAR ENDED 31ST DECEMBER 1998

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1998 £	1997 £
Profit/(loss) on ordinary activities after taxation (see page 4)	181,729,951	(5,636,146)
Translation adjustment on investment denominated in foreign currency	(378,624)	(7,999,965)
Currency translation on hedging loans	39,060	825,336
	<hr/>	<hr/>
Total gains and losses since the last annual report	<u>181,390,387</u>	<u>(12,810,775)</u>

HISTORICAL COST PROFITS AND LOSSES

	1998 £	1997 £
Reported Profit/(loss) on ordinary activities before taxation	181,734,042	(4,828,581)
Realisation of investment revaluation surplus	76,572,067	3,756
	<hr/>	<hr/>
Historical cost Profit/(loss) on ordinary activities before taxation	258,306,109	(4,824,825)
	<hr/>	<hr/>
Historical cost Profit/(loss) on ordinary activities after taxation	<u>258,302,018</u>	<u>(5,632,390)</u>

1. ACCOUNTING POLICIES

(a) Basis of accounting

The accounts have been prepared in accordance with Applicable Accounting Standards and under the historical cost convention as modified by the revaluation of certain fixed assets.

(b) Foreign currency translation

Assets and liabilities are translated at the rate of exchange ruling at the balance sheet date.

The company has a foreign currency loan which was entered into as a hedge against a foreign currency investment which was disposed of during the year. Translation adjustments arising prior to the date of disposal have been dealt with in reserves, those arising after that date have been dealt with in the profit and loss account.

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

(c) Fixed asset investment

These have been included in the financial statements at directors' valuation less provisions for permanent diminution in value.

(d) Deferred taxation

Deferred tax is recognised in the Company's financial statements only to the extent that it is probable that it will be payable in the foreseeable future.

(e) 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.

(f) Group accounts

The Company is exempt under s228 of the Companies Act 1985 from preparing group accounts as it is an intermediate holding company. It's ultimate UK holding company is Federal-Mogul Global Growth Limited which is registered in England and Wales. These financial statements present information about T&N International Limited as an individual undertaking and not about its group.

T&N INTERNATIONAL LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

There were no audit fees charged in the year (1997: £Nil). Included in interest receivable and similar income is £Nil (1997: £Nil) relating to foreign exchange gains.

3. DIRECTORS AND EMPLOYEES

None of the directors of the Company received any emoluments in respect of their services as a director of the Company (1997: £Nil).

There are no employees of the Company.

4. TAXATION

The taxation charge based on the results for the period is made up as follows:-

	1998 £	1997 £
Current year UK corporation tax at 31% (1997 31.5%)	6,160,630	28,000
Relief for overseas taxation	<u>(6,160,630)</u>	<u>(28,000)</u>
	-	-
Overseas taxation	4,091	4,253
Prior period adjustments	<u>-</u>	<u>803,312</u>
	<u>4,091</u>	<u>807,565</u>

The current year charge has been reduced by £9,333,000 (1997: £630,000) as a result of group relief received and by £217,000 (1997: £12,000) as a result of ACT surrenders received for which no consideration will pass.

T&N INTERNATIONAL LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

5. FIXED ASSET INVESTMENTS

	Group Companies		Associated Undertakings	Trade Investments	Total
	Equity	Loans			
	£	£	£	£	£
<u>Valuation/Cost</u>					
At 1st January 1998	180,662,400	4,988,538	34,815,410	4,006,144	224,472,492
Disposals	(78,888,886)	-	(32,624,000)	-	(111,512,886)
Additions	12,790,599	254,630,182	-	-	267,420,781
Translation adjustment on investment denominated in foreign currency	(378,624)	14,670,135	-	-	14,291,511
At 31st December 1998	114,185,489	274,288,855	2,191,410	4,006,144	394,671,898
<u>Provisions</u>					
At 1st January 1998	(38,629,863)	-	(24,410)	-	(38,654,273)
Additions	(9,967,984)	-	(410,280)	-	(10,378,264)
Disposals	3,973,399	-	-	-	3,973,399
At 31st December 1998	(44,624,448)	-	(434,690)	-	(45,059,138)
<u>Net book value</u>					
At 31st December 1998	69,561,041	274,288,855	1,756,720	4,006,144	349,612,760
At 31st December 1997	142,032,537	4,988,538	34,791,000	4,006,144	185,818,219

Listed investments are included in the above figures at the following amounts: Group Companies listed on the South African Stock Exchange £NIL (1997: £26,590,726). Market Value: £NIL (1997: £6,873,309). Income from these investments during the year was £Nil (1997: £Nil).

On a historical cost basis the above investments would have been included at:-

Original cost

At 31st December 1998	91,826,686	274,288,855	2,191,410	4,006,144	372,313,095
At 31st December 1997	117,376,625	4,988,538	13,349,792	4,006,144	139,721,099
<u>Provision for diminution in value</u>					
At 31st December 1998	(44,624,448)	-	(434,690)	-	(45,059,138)
At 31st December 1997	(38,629,863)	-	(24,410)	-	(38,654,273)

The principal subsidiaries and associated undertakings are set out in note 13.

On 7 July 1998 the company sold its interest in T&N Holdings GmbH. On 31 August 1998 the company sold its interest in T&N France SA. Both were for a consideration in interest bearing loans.

6. DEBTORS

	<u>1998</u>	<u>1997</u>
	£	£
Amounts owed by		
fellow subsidiary undertakings	<u>54,712</u>	<u>13,800</u>

T&N INTERNATIONAL LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

7. <u>CREDITORS</u> : Amounts falling due within one year	<u>1998</u> £	<u>1997</u> £
UK taxation payable	594,551	593,382
	<hr/> 594,551 <hr/>	<hr/> 593,382 <hr/>
8. <u>DEBTORS</u> : Amounts falling due after more than one year	<u>1998</u> £	<u>1997</u> £
Amounts owed by parent undertaking	8,928,571 <hr/>	8,928,571 <hr/>
9. <u>CREDITORS</u> : Amounts falling due after more than one year	<u>1998</u> £	<u>1997</u> £
Amounts owed to parent undertaking	35,603,423	50,442,572
Provision for subsidiaries net liabilities	55,000	55,000
	<hr/> 35,658,423 <hr/>	<hr/> 50,497,572 <hr/>

10. DEFERRED TAXATION

During the year the Company disposed of investments in which the proceeds took the form of loan notes. The capital gains tax liability on the disposal does not crystallise until the loan notes are redeemed. The loan notes have a term of 30 years and are not expected to be redeemed before their full term. Therefore, no provision has been made in the accounts in respect of the corporation tax liability arising on the investment disposal. The capital gain that would crystallise on redemption of the loan notes is estimated to be £174,128,000 which, using the current tax rate of 30%, would result in a capital gains tax liability of £52,238,000.

11. <u>SHARE CAPITAL</u>	<u>1998</u> £	<u>1997</u> £
Authorised, 150 ordinary shares of £1 each	150 ===	150 ===
Issued and fully paid 110 ordinary shares of £1 each	110 ===	110 ===

T&N INTERNATIONAL LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital £	Share Premium Account £	Revaluation Reserve £	Profit and loss Account £	Total £
Opening Shareholders' Funds	110	9,577,260	98,930,870	36,421,112	144,929,352
Transfer on disposal Of a subsidiary	-	-	(76,572,067)	76,572,067	-
Currency translation on hedging loan	-	-	-	39,060	39,060
Profit for year	-	-	-	181,729,951	181,729,951
Translation adjustment on investment denominated in foreign currency	-	-	-	(378,624)	(378,624)
Closing Shareholders' Funds	110	9,577,260	22,358,803	294,383,566	326,319,739

13. GROUP COMPANIES

The following information is given regarding the Company's principal subsidiaries as at 31st December 1998. The companies are incorporated in the countries indicated; the share capital of these companies is wholly-owned by T&N International Limited either directly or indirectly and consists of ordinary shares or stock, except as otherwise indicated. Where the share capital is held by a subsidiary, this is indicated by an asterisk.

	<u>Country of incorporation</u>	<u>Principal products or activity</u>
Federal-Mogul Desenzano SpA*	Italy	Piston products
Federal-Mogul Holding Srl (92.6%)	Italy	Bearings
Federal-Mogul Sealing Systems SpA*	Italy	Sealing products
Federal-Mogul Friction Products SpA*	S Africa	Friction products
Asseng Ltd*	S Africa	Piston products
Ferodo (Pty) Ltd*	S Africa	Friction products
Silverton Engineering (Pty) Ltd*	S Africa	Heat Transfer products
Federal-Mogul Friction Products Ltd	India	Friction products

The Company is exempt (under section 228 of the Companies Act 1985) from the obligation to prepare group accounts as it is a wholly owned subsidiary of Federal-Mogul Global Growth Limited, which is registered in England and Wales, and is included in Federal-Mogul Global Growth's consolidated accounts. These accounts present information about T&N International Ltd as an individual undertaking and not about its group.

T&N INTERNATIONAL LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

14. ULTIMATE PARENT COMPANY

The Company's immediate parent company is T&N Holdings Ltd which is registered in England and Wales. It's ultimate parent company is Federal-Mogul Corporation which is 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. The smallest group the Company is consolidated into is Federal-Mogul Global Growth Limited.

15. COMPOSITE CROSS-GUARANTEE

The 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.