

**Federal-Mogul Eurofriction Limited** (formerly Eurofriction Limited)

Company Number 1131161

Directors' Report for the Year Ended *31st December 1998***Activities**

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

**Directors**

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

A G Holmes, appointed 25/10/99  
J McCormack  
J Tudor  
G Walker  
W Walton, resigned 8/4/99

**Directors' Interests**

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

	Ordinary Shares	
	31.12.98	31.12.97
J McCormack	-	-
J Tudor	-	-
G Walker	-	2,500
W Walton	-	-
	-	2,500

	Number of options				Exercise Price	Market price on date exercised	Date of Grant	Date from which exercisable	Expiry Date
	Granted during year		Exercised during year						
	1.1.98		31.12.98						
J McCormack	20,333	-	20,333	-	226.2	260p	12.4.94	12.4.97	11.4.2004
	25,416	-	25,416	-	207.5	260p	6.10.94	6.10.97	5.10.2004
	20,000	-	20,000	-	159.0	260p	10.5.95	10.5.98	9.5.2005
	10,000	-	10,000	-	134.5	260p	2.10.96	2.10.99	1.10.2006
	75,000	-	75,000	-	157.5	260p	2.9.97	2.9.2000	1.9.2007
	150,749	-	150,749	-					
G Walker	20,333	-	20,333	-	226.2	260p	12.4.94	12.4.97	11.4.2004
	15,249	-	15,249	-	207.5	260p	6.10.94	6.10.97	5.10.2004
	10,000	-	10,000	-	159.0	260p	10.5.95	10.5.98	9.5.2005
	5,000	-	5,000	-	134.5	260p	2.10.96	2.10.99	1.10.2006
	50,582	-	50,582	-					
R Walton	30,000	-	30,000	-	157.5	260p	2.9.97	2.9.2000	1.9.2007

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

Mr I Edmondson and Mr J Dixon were appointed on 1 July 1999. Mr Tudor had no options.

On 6 March 1998, T&N Limited (formerly T&N plc) was acquired by Federal-Mogul Corporation. As a result, all outstanding options became exercisable.

The following directors have registered interests in the share capital of Federal-Mogul Corporation in the form of options:

J MacCormack: 5,000      J Tudor: 600      G Walker: 800

By Order of the Board

*A G Holmes*  
A G Holmes

Director 28/10/99



FEDERAL-MOGUL EUROFRICTION LIMITED

(FORMERLY KNOWN AS EUROFRICTION 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.

FEDERAL-MOGUL EUROFRICTION LIMITED  
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BALANCE SHEET

AS AT 31ST DECEMBER 1998

	Notes	1998 £000	1997 £000
<u>Creditors: due after more than one year</u>	4	(3)	(3)
Total liabilities		<u>(3)</u>	<u>(3)</u>
<u>Capital and Reserves</u>			
Called up share capital	5	10	10
Profit & loss account		(13)	(13)
Shareholder's funds - equity		<u>(3)</u>	<u>(3)</u>
		=====	=====

The Company was dormant throughout the financial year.

The financial statements on pages 3 and 4 were approved by the Board on 28th October 1999 and were signed on its behalf by:-



Director

FEDERAL-MOGUL EUROFRICTION LIMITED

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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.

2. PROFIT AND LOSS ACCOUNT

The Company has traded during the year only as agent for T&N Limited. It has not traded on its own account, has received no income and incurred no expenditure, and consequently has made neither a profit nor a loss. There were no recognised gains or losses during the year.

3. DIRECTORS

The directors have not received any remuneration for services to the Company during the year (1997: £nil).

4. CREDITORS: amounts due after  
more than one year

	1998 £000	1997 £000
Loan from parent undertaking	3	3
	=====	=====

5. CALLED UP SHARE CAPITAL

Authorised, issued and fully paid 10,000 ordinary shares of £1 each	10	10
	=====	=====

6. ULTIMATE PARENT COMPANY

The Company's immediate parent company is T&N Limited which is registered in England and Wales. The ultimate parent company is Federal-Mogul Corporation which is registered in the United States of America. Copies of the Federal-Mogul Annual Report and Accounts can be obtained from Federal-Mogul Investor Relations, 26555 Northwestern Highway, Southfield, MI 48034, USA.