Company Registration Number 00985395

TENNECO-WALKER (U.K.) LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2020

TENNECO-WALKER (U.K.) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

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TENNECO-WALKER (U.K.) LIMITED

DIRECTORS AND PROFESSIONAL ADVISORS

DIRECTORS
S. Minto
G. O'Connell

REGISTERED OFFICE
Highpoint Penygarnddu Industrial Estate
Dowlais Top
Merthyr Tydfil
Wales
CF48 2TA

BANKERS
Barclays Bank PLC
Citibank, N.A. London Branch
Bank Mendes Gans
ICICI Bank UK Plc, London Branch

SOLICITORS
Eversheds Sutherland LLP.
1 Callaghan Square
Cardiff
CF10 5BT

INDEPENDENT AUDITORS
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Kingsway
Cardiff
CF10 3PW

STRATEGIC REPORT

The directors present their Strategic Report on the company for the year ended 31 December 2020

Principal activities, business review and key performance indicators

The principal activities of the company continues to be the manufacture and sale of exhaust systems for motor vehicles. There have not been any significant changes to the company's principal activities in the year under review. The company's aim is to maintain a long-term relationship with its customer base by supplying high quality products on time to its customers. The commercial sales teams work closely with its customers to win new contracts to ensure continued future demand.

2020 has seen the revenues fall due to the impact of COVID-19. The business temporarily closed operations in March 2020 to control the spread of the virus following measures by the UK government. In late May 2020, operations started again, with reduced staff, to match customers' demands. The business continued to operate with reduced staff for the remainder of the 2020 financial year. The operating loss margin for 2020 is 3.0% (2019 profit margin before exceptional credit: 4.5%).

The long-term relationship with the customer base ensures there is a level of commitment with respect to future business, the current and new contracts cover model lifetimes out to between 2020 and 2028. This year has seen a number of platforms end and the company is concentrating on competitive bids to win business with both existing customers and new customers.

The company regards Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") before exceptional items as an important measure of financial performance. The table below shows the EBITDA results for each of the last 5 years:

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Revenue	123,614	223,165	282,244	318,062	257,833
Operating (loss)/profit before exceptional items	(3,671)	3,599	13,871	13,569	5,410
Add back:					
Depreciation and impairment	3,647	5,086	4,826	4,799	3,667
EBITDA pre exceptionals	**(24)**	**8,685**	**18,697**	**18,368**	**9,077**

The statement of financial position on page 14 of the financial statements shows the company's financial position at the year-end. The company regards net assets as an important measure. During the year, net assets have decreased by £5,318,000 to £48,204,000.

The level of net group indebtedness and support included in the statement of financial position as at 31 December 2020 and 2019 is shown on the next page:

STRATEGIC REPORT (continued)

	2020 £'000	2019 £'000
Due to Tenneco group companies		
Amounts owed to group undertakings – trade payables	4,240	9,144
Due from Tenneco group companies		
Amounts owed from group undertakings – trade receivables	498	3,682
Net indebtedness	3,742	5,462

The company is part of the group notional cash pool arranged through Federal Mogul Treasury. Furthermore, the company was part of a trade receivables purchase programme during the 2020 financial year and concluded in September 2020. Details are disclosed in note 10.

The company's defined benefit pension schemes were closed to future benefit accrual from 31 May 2013. The pension asset currently recognised in the company statement of financial position has diminished by £2,994,000 to £3,533,000. (2019: £6,527,000) see note 13. The loss is mainly due to the significant decrease in the discount rate assumption.

The company considers the quality of its manufactured product to be a key performance indicator. Quality is measured as the number of Parts returned Per Million supplied (PPM). The 52 PPM for 2020 is a drop of 85.7% on last year (2019: 28 PPM). The drop is due to a claim raised prior to COVID-19 lockdown and the date matured after lockdown.

Environmental, Health and Safety ("EH&S") are other areas regarded by the company as important. The company is proud to have the support and commitment of all its employees regarding EH&S and this helps to promote collective ownership within the company. Safety is measured in total case rates (TCR). The 2020 TCR is 0.0 (2019: 0.23).

Days on hand (DOH) is a key performance indicator, indicating the number of days inventory is in stock. This helps the directors target stock reduction. This is measured by taking current inventory and multiplying by 90 and then dividing by 3 months of cost of goods sold (COGS). The 2020 DOH is 34.7 (2019: 29.1).

Strategy and future developments

The local management are pro-active in seeking new sales opportunities. The company also offers a just in time sequence distribution process to meet customer demands for the supply of parts.

The company is continually looking for methods to improve efficiency and control cost in order to maintain competitiveness in the market.

Principal risks and uncertainties

The company operates in a competitive, regulated and changing market. The Tenneco Inc. group has established centralised and customer specific commercial teams who work closely with the customer to ensure competitiveness. Tenneco Inc. also invests in centralised research and development and engineering design departments, which again work closely with the customer to ensure that the demands of regulation and the changing market are met. The impact of COVID-19 on the company during 2020 and as a principal risk in the future is set out in the Directors' report.

Continued focus on climate change and environmental sustainability is increasing the expectations for the auto industry to develop more fuel-efficient solutions from consumers and the government. The increased adoption of electrified vehicles could result in lower demand for our products. The evolution of the industry towards electrification has also attracted increased competition from entrants outside the traditional light vehicle industry. Failure to innovate and to develop or acquire new and compelling products that capitalize upon new technologies in response to consumer preferences could have a material adverse impact on our results of operations.

Section 172 Statement

The directors of the Company must act in accordance with the general duties laid down by Section 172 of The Companies Act 2006. A director of a company must act in a way they considers in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to-

(a) The likely consequences of any decision in the long term,
(b) The interests of the company's employees
(c) The need to foster the company's business relationships with suppliers, customers and others,
(d) The impact of the company's operations on the community and the environment
(e) The desirability of the company maintaining a reputation for high standards of business conduct, and
(f) The need to act fairly as between members of the company

The following paragraphs summarise how the directors have fulfilled their duties:

The company is part of the Tenneco Inc. Group and as such has a wealth of advisors to inform and advise on business matters. Furthermore decisions need to be probed for commercial viability and both legal and statutory compliance. All procedures were channelled through the company's legal and corporate advisors with care taken for the longer term ramifications.

The company is part of the Welsh Automotive forum, an industry body, that provides input to the Welsh Government. The company uses this network of managers to provide a route of feedback from customers.

The company is also investigating the possibility of using wind energy as a main source of green energy as there is currently a plan in place for a wind farm to be built in the field opposite the main site.

As part of the Tenneco Inc. Group, the directors must comply with the groups ethical business values and is required to annually verify that they are aware of them and complying with them. The group operates an online education system with regular courses on correct business practices, which must be taken and certified. The following courses have been taken by the directors:

- Responsible use of social media
- Ethics and compliance 2020
- Safeguarding company confidential information
- Conducting business with ethics and values

The company values its employees, it values their contribution and actively promotes their education. The annual employee engagement survey provides feedback to the directors on how well they are performing from an employee's perspective. The company also has a zero tolerance to discrimination and values diversity in the workplace.

STRATEGIC REPORT (continued)

The strategic report of Tenneco-Walker (U.K.) Limited was approved by the board of directors and signed on its behalf on 28 September 2021 by:

G. O'CONNELL
Director

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the audited financial statements and independent auditors' report, for the year ended 31 December 2020.

Results and dividends

The loss for the financial year of £2,250,000 (2019 profit: £9,685,000) has been transferred to reserves. The directors have not recommended the payment of a dividend during or in respect of the financial year (2019: £nil).

Going concern

The directors wish to draw attention to note 1 of these financial statements regarding the basis of accounting. This note includes the significant impact of COVID-19 on the company during the course of 2020.

Future developments

The current economic climate is challenging due to the long term repercussions of Brexit and the pandemic on the automotive sector. While this will result in a down turn of sales in 2021, the company is focusing on stabilising the consolidation of the business into one site.

The pandemic continues to disrupt the business. However, with current roll out of vaccines, the company hopes that by the end of 2021 operations will be at full capacity again and in a stable position to meet customers demands.

The company is continually looking for methods to improve efficiency and control cost in order to maintain competiveness in the market. Due to changes in the market, the company is confident to get an increase of sales to the light vehicles market share and diversifying to other products for long term stability.

Financial risk management policies

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The company uses statement of financial position currency matching to hedge these risks.

The company's principal financial assets are bank balances and cash, trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful trade receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

A significant portion of the company's receivables is concentrated in a few large customers who deal with the Tenneco Inc. group on a global basis. The directors believe that the credit risk to the company in relation to these customers is minimal as receipts from them are on regular, specific and previously agreed dates. These customers have always met their obligations and there is no indication that this situation will change.

The Tenneco Inc. group provides funding to maintain liquidity and is managed through Deutsche Bank.

The company is also exposed to commodity price risk. The company manages its exposure to commodity price risk by the recovery of alloy surcharge costs on raw material from its customers and through annual price negotiations on base raw material prices.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements unless otherwise noted were:

DIRECTORS' REPORT (continued)

S. Minto
G. O'Connell

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee engagement statement

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings.

The company, recognised trade union is UNITE, who are consulted over matters such as terms and conditions of employment. There is also regular communication with the trade union regarding the performance of the company.

Employees are also informed of many aspects of the company via multi channel process which includes town halls, team briefings and local news letter.

Research and development

During the financial year, the company has bought in external advisors to review the company's research and development position. After technical review, the company does qualify by way of producing technically challenging goods that require new process and designs that are not currently on the market to meet the customers specifications. The company has applied for research and development credit for specific products for the 2020 financial year.

Environmental reporting

At Tenneco-Walker (U.K) Limited we manage our energy use and CO2 emissions. We monitor monthly consumption through meter reading and invoices and these data are entered into our Group web-based reporting system. This enables us to track our trends in CO2 emissions. We identify improvement measures by sharing good practice and by acting on recommendations from energy surveys such as those generated during our compliance with the ESOS regulations. Recent examples of initiatives include installation of energy efficient LED lighting and implementing structured weekend shut-downs of energy using equipment. We also use ISO management systems to bring structure to the continual improvement of our approaches. The COVID-19 impacts of 2020 make accurately quantifying impacts of recent improvements difficult and, looking to the future, will make annual comparison challenging in the short term.

Scope	Source	kWh	Tonnes CO2e
1	Natural gas	3,200,000	600
2	Vehicle fuels	464,000	120
3	Purchased electricity	3,400,000	800
4	Estimated vehicle fuels in rental/employee vehicles	2,500	1
Total		**7,066,500**	**1,521**

DIRECTORS' REPORT (continued)

Intensity metric

	Total CO2e/Sales
Tonnes CO2e	1,521
Sales	123.6
	12.31

The company has used UK Government GHG conversion factors for company reporting 2020 and methodology consistent with GHG protocol. Total sales for 2020 is £123,614,000 (note 2) therefore the total CO2 emissions per sale is 12.31.

Disclosure of Indemnities

The directors confirm under section 234 of the Companies Act 2006:

- at the time this directors' report is signed a qualifying third party indemnity provision (provided by the ultimate parent company, Tenneco Inc) was in force for the benefit of all the directors of the company; and
- for the financial year ending 31 December 2020 a qualifying third party indemnity provision (provided by the parent company, Tenneco Inc) was in force for the benefit of all the directors of the company; and
- that there is no qualifying third party indemnity provision provided by the company for one or more directors of an associated company either on the date the directors' report is signed or in the last financial year.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

The directors 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.

DIRECTORS' REPORT (continued)

Independent auditors

Pursuant to sections 485-488 of the Companies Act 2006 an elective resolution was passed dispensing with the requirement to appoint auditors annually. Therefore, PricewaterhouseCoopers LLP are deemed to continue as auditors.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the board of directors and signed on its behalf by:

G. O'CONNELL
Director
28 September 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TENNECO-WALKER (U.K) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Tenneco-Walker (U.K.) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Statement of financial position as at 31 December 2020; Statement of comprehensive income, and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TENNECO-WALKER (U.K) LIMITED

the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to environmental, health and safety (including employment regulation) and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TENNECO-WALKER (U.K) LIMITED

- Evaluation of the adequacy of the design of management's controls to prevent and detect irregularities;
- Enquiry with management and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Inspection of third party reports such as the ISO 14001 certificate;
- Challenging assumptions and judgements made by management in its significant accounting estimates, in particular in relation to pension benefits, trade receivables, and inventory provision;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Obtaining third party confirmations of the company's banking arrangements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jonathan Bound (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
28 September 2021

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	2	123,614	223,165
Cost of sales		(117,488)	(200,163)
Gross profit		6,126	23,002
Distribution costs		(6,493)	(8,536)
Administrative expenses		(6,561)	(10,867)
Other income	5	3,257	-
Exceptional item - waiver of intercompany balance		-	6,455
Operating (loss)/profit		(3,671)	10,054
Finance income	3	804	707
Finance costs	4	(230)	(290)
(Loss)/profit before income tax	5	(3,097)	10,471
Tax on (loss)/profit	7	(79)	(786)
(Loss)/profit for the financial year		(3,176)	9,685
Other comprehensive (expense)/income:			
Actuarial loss relating to pension schemes	13	(3,787)	(3,433)
Tax on actuarial gain relating to pension schemes	7	719	584
Other comprehensive expense for the year, net of tax		(3,068)	(2,849)
Total comprehensive (expense)/income for the year		(6,244)	6,836

All activities derive from continuing operations in the current and prior year.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Property, plant and equipment	8	6,992	9,789
Pension surplus	13	3,533	6,527
		10,525	16,316
Current assets			
Inventories	9	11,839	13,999
Trade and other receivables	10	34,204	25,699
Cash and cash equivalents		19,909	39,707
		65,952	79,405
Trade and other payables: amounts falling due within one year	11	(29,199)	(42,039)
Net current assets		36,753	37,366
Total assets less current liabilities		47,278	53,682
Deferred taxation	7(d)	-	(160)
Net assets		47,278	53,522
Capital and reserves			
Called up share capital		12,323	12,323
Share premium account		67,564	67,564
Accumulated losses		(32,609)	(26,365)
Total equity		47,278	53,522

The financial statements on pages 13 to 37 of Tenneco-Walker (U.K.) Limited, registered number 00985395, was approved by the board of directors and signed on its behalf on 28 September 2021 by:

G. O'Connell

G. O'CONNELL
Director

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ending 31 December 2020

	Note	Called up share capital £'000	Share premium account £'000	Accumulated losses £'000	Total equity £'000
Balance as at 1 January 2019		**12,323**	**67,564**	**(33,201)**	**46,686**
Profit for the financial year		-	-	9,685	9,685
Actuarial loss relating to pension schemes	13	-	-	(3,433)	(3,433)
Tax effect on pension scheme movements		-	-	584	584
Other comprehensive expense for the year, net of tax		-	-	(2,849)	(2,849)
Total comprehensive income for the year		-	-	6,836	6,836
Balance as at 31 December 2019		**12,323**	**67,564**	**(26,365)**	**53,522**
Loss for the financial year		-	-	(3,176)	(3,176)
Actuarial loss relating to pension schemes	13	-	-	(3,787)	(3,787)
Tax effect on pension scheme movements		-	-	719	719
Other comprehensive expense for the year, net of tax		-	-	(3,068)	(3,068)
Total comprehensive expense for the year		-	-	(6,244)	(6,244)
Balance as at 31 December 2020		**12,323**	**67,564**	**(32,609)**	**47,278**

1. ACCOUNTING POLICIES

General information

Tenneco-Walker (U.K.) Limited is a private company limited by shares and it is incorporated in the United Kingdom. The address of its registered and trading office is Highpoint, Pengarnddu Ind. Est., Dowlais Top, Merthyr Tydfil, Wales, CF48 2TA. The registered number of the company is 00985395.

The principal activities of the company continue to be the manufacture and sale of exhaust systems for motor vehicles.

Statement of compliance

The individual financial statements of Tenneco-Walker (U.K.) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of accounting

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in "Critical accounting judgements and key sources of estimation uncertainty" section included within this note.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position and the company's objectives, policies and processes for managing financial risks, are set out in the strategic report and directors' report. The financial position of the company, its liquidity position and borrowing facilities are shown in the financial statements on pages 13 to 37.

The long-term relationship with the customer base ensures there is a level of commitment with respect to future business. The new contracts that started in the prior year and the further contracts, which started in 2018, secures the business for the foreseeable future.

1. ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

The directors rely on the continuing support of Tenneco Inc, the company's ultimate holding company, via the Tenneco group's finance company, to enable Tenneco-Walker (U.K.) Limited to meet its obligations as they fall due and to continue to trade. The directors have prepared the financial statements on the basis that this support is to remain in place for the foreseeable future, being at least 12 months from the date of these financial statements. Confirmation has been received from Tenneco Inc. confirming the availability of this support.

On 5 January 2020, the World Health Organisation published the first news of an outbreak of COVID-19. By the end of January, the organisation had declared COVID-19 to be a public health emergency of international concern. Unlike SARS and MERS the virus spread more quickly and across continents.

On 26 March 2020, with concerns for employees' health and the measures introduced by the U.K. government to control the spread of the virus, the business temporarily closed operations.

Throughout the month of April, the business remained closed; opening with a much reduced staff in late May to match customers' demands as customers also tentatively started manufacturing.

During 2021, as restrictions eased, the company has begun to manufacture to meet demand. However due to a shortage of microchips, there is a downturn in the market from our customers, which has resulted in lower sales than expected.

The company has taken many steps to counter the impact, it has acted quickly to protect team members and reduce the spread of the virus implementing extra health and safety precautions. Furthermore, cost actions have been implemented to mitigate the financial impact of COVID-19. Quarter two salary costs have been reduced by at least 25% with programs in all regions (unpaid furlough, net pay decreases, ceasing all temporary support).

To conclude the directors and managers have reviewed the company's position to ensure that there is adequate liquidity to weather the downturn. In their review, they have looked at the company's forecasts, its liquid resources and support available from its parent company. The directors and management believe they have adequate liquidity to run the business and support working capital requirements when unit production recovers.

Taking into account the aforementioned the directors have at the time of approving these financial statements, a reasonable expectation that the company has adequate resources and ongoing group support to continue in operational existence for the foreseeable future being a period of not less that twelve months from the date of approval of these financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The company is a qualifying entity as its results are consolidated into the financial statements of Tenneco Inc. which are publicly available.

1. ACCOUNTING POLICIES (CONTINUED)

Exemptions for qualifying entities under FRS 102 (continued)

As a qualifying entity, the company has taken advantage of the following exemptions:

i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

Foreign currency

i) Functional and presentation currency
The company's functional and presentation currency is the pound sterling.

ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.
At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates and value added tax. Revenue is recognised in accordance with the sale terms when the following criteria have been met:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1. ACCOUNTING POLICIES (CONTINUED)

Research and development

The company continues to seek the technical knowledge of external advisors to review the company's research and development position. The company does qualify by way of producing technically challenging goods that require new process and designs that are not currently on the market to meet the customers' specifications. The company has applied for research and development credit for specific products for the 2020 financial year.

Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements and defined contribution schemes and defined benefit pension plans.

i) Short term benefits
Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ii) Defined Contribution Schemes
The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

iii) Defined Benefits pension plan
For the defined benefit schemes, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the statement of comprehensive income if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount in other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each reporting date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the statement of financial position.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised directly in other comprehensive income or directly in equity respectively.

1. ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Current or deferred taxation assets and liabilities are not discounted.

i) Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

ii) *Deferred* Tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

The taxation liabilities of certain companies in the group are reduced wholly or in part by the surrender of losses to fellow group companies. The tax benefits arising from group relief are recognised in the financial statements of the surrendering and recipient companies.

Property, plant and equipment

Property, plant and equipment are shown at original historical cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold buildings	-	10-50 years
Short leasehold improvements	-	Life of lease
Plant, machinery, fixtures and fittings	-	5-10 years
Tooling	-	3-10 years

The assets' useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Depreciation is not provided on property, plant and equipment in the course of construction. Freehold land is not depreciated. Depreciation commences when the assets are put into use.

1. ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.

Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

i) Operating leases
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

ii) Lease incentives
Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.

The company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the statement of comprehensive income over the period to the first review date on which the rent is adjusted to market rates.

Impairment of non-current financial assets

At each reporting date non-current financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2020

1. ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and estimated selling price less cost to complete and sell.

Cost incurred in bringing each product to its present location and condition is based on:

Raw materials	- purchase cost on a average cost basis, including transport
Work-in-progress and finished goods	- cost of direct materials and labour, plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Estimated selling price less cost to complete and sell is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets
Basic financial assets, including trade and other receivables, cash and bank balances and loans to fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

ii) Financial liabilities
Basic financial liabilities, including trade and other payables and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The company does not hold or issue derivative financial instruments.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii) Offsetting
Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Defined benefit pension scheme
The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors, having taken actuarial advice, in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends. For details of the assumptions adopted, see note 13.

1. ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of trade and other receivables
The company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considered factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 10 for the net carrying amount of the debtors and associated impairment provision.

Impairment of inventory
The company is involved in the manufacture and sale of exhaust systems for motor vehicles and is subject to changing customer requirements. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and work in progress and future usage of raw materials. See note 9 for the net carrying amount of the inventory and associated impairment provision.

2. REVENUE

Revenue is generated from the company's principal activity, namely the manufacture and sale of exhaust systems for motor vehicles. Revenue originates in the United Kingdom. An analysis of revenue by geographical destination is as follows:

	2020 £'000	2019 £'000
United Kingdom	102,940	192,024
Europe	20,674	31,141
	123,614	223,165

3. FINANCE INCOME

	2020 £'000	2019 £'000
Interest on bank deposits	664	442
Pension financing interest (note 13)	140	265
	804	707

4. FINANCE COSTS

	2020 £'000	2019 £'000
Interest on cash pool	25	141
Other interest	205	149
	230	290

5. (LOSS)/PROFIT BEFORE INCOME TAX

	2020 £'000	2019 £'000
(Loss)/profit before tax is stated after charging/(crediting):		
Depreciation of property, plant and equipment	3,437	4,638
Profit on sale of property, plant and equipment	(1,966)	(139)
Provision for impairment of fixed assets	210	448
(Loss)/profit on foreign exchange transactions	1,214	(1,234)
Redundancy costs	1,832	1,775
Furlough income	(3,257)	-
Operating lease rentals	1,207	1,488
Auditors' remuneration		
- for the audit of the company's financial statements	127	141

No non-audit fees were paid to our auditors in the year (2019: £nil)

6. STAFF COSTS

The average monthly number of employees (including executive directors) was:

	2020 No.	2019 No.
Production	307	330
Other	84	135
	391	465

Their aggregate remuneration (including executive directors) comprised:

	2020 £'000	2019 £'000
Wages and salaries	14,748	19,600
Social security costs	1,332	1,619
Defined benefit pension costs (note 13)	943	562
Defined contribution pension costs	810	915
	17,833	22,696

6. STAFF COSTS (CONTINUED)

Directors' remuneration:

	2020 £'000	2019 £'000
Wages and salaries	183	174
Defined contribution to company pension scheme	9	10

Post-employment benefits are accruing for nil directors (2019: 2) under a defined benefit scheme. Two directors (2019: 2) were members of defined contribution schemes.

7. TAX ON (LOSS)/PROFIT

a) The tax (credit)/charge comprises:

	2020 £'000	2019 £'000
Current tax:		
UK Corporation tax on profits for the year	-	672
Adjustments in respect of prior year	175	48
Total current tax charge	175	720
Deferred tax:		
Origination and reversal of timing differences	49	106
Adjustments in respect of prior years	(145)	(40)
Total deferred tax (credit)/charge	(96)	66
Tax (credit)/charge on profit	79	786

b) Tax expense included in other comprehensive (expense)/income

The deferred tax income recognised in other comprehensive (expense)/income arises as a result of the actuarial gain relating to pension schemes reflected in other comprehensive (expense)/income

	2020 £'000	2019 £'000
Deferred tax:		
Origination and reversal of timing differences	(719)	(584)
Total tax income included in other comprehensive (expense)/income	(719)	(584)

7. TAX ON (LOSS)/PROFIT (CONTINUED)

c) Tax reconciliation

The tax charge for the year is lower (2019: lower) than that resulting from applying the standard rate of corporation tax in the UK: 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
(Loss)/profit before taxation	(3,097)	10,471
Tax at 19% (2019: 19%)	(588)	1,989
Effects of:		
Expenses not deductible for tax purposes	38	27
Gain on disposal of property	(328)	-
Release of loan payable balance	-	(1,226)
Deferred tax asset not recognised in respect of losses	926	-
Effect of tax rate differences	1	(12)
Adjustments in respect of prior years	30	9
Total tax (credit)/charge for the year	79	786

d) Deferred tax

The movement on deferred tax recognised at the balance sheet date can be summarised as follows:

	2020 £'000	2019 £'000
Deferred tax liability at 1 January	(160)	(678)
Tax income/(expense) recognised in profit for the year (Note 7(a))	96	(66)
Tax credit recognised in other comprehensive (expense)/income (Note 7(b))	719	584
Deferred tax asset/(liability) at 31 December	655	(160)

7. TAX ON (LOSS)/PROFIT (CONTINUED)

d) Deferred tax (continued)

	2020 £'000	2019 £'000
The deferred tax asset/(liability) comprises:		
Future benefit of capital allowances	1,247	908
Post-employment benefits	(671)	(1,109)
Other timing differences	79	41
	655	(160)

The company has not recognised a deferred tax asset in respect of tax losses carried given the uncertainty over the timing of their utilisation. The deferred tax asset not recognised at 31 December 2020 is £926,000 (2019: nil).

e) Factors affecting future tax charges

The standard rate of corporation tax for the year ended 31 December 2020 was 19% (2019: 19%).

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. In March 2020, the intended reduction in corporation tax rate from 19% to 17% was cancelled. Deferred taxes at the balance sheet date have been measured using the enacted tax rate of 19% (2019: 17%) and reflected in these financial statements.

In March 2021, the Chancellor in the Budget Statement announced an increase in the rate of corporation tax to 25% with effect from 1 April 2023. This does not constitute substantive enactment and therefore deferred tax assets and liabilities at the balance sheet date continue to be measured at the enacted tax rate of 19%. However, with the increase in the corporation tax rate to 25% after 1 April 2023, the deferred tax asset recognised at the balance sheet date would be increased by £207,000 to £862,000 and the unrecognised deferred tax asset at the balance sheet date would be increased by £292,000 to £1,218,000.

The above changes to the rate of corporation tax will impact the amount of future cash tax payments to be made by the company.

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant, machinery, fixtures and fittings £'000	Tooling £'000	Asset in course of construction £'000	Total £'000
Cost						
At 1 January 2020	2,287	2,923	28,928	1,093	1,753	36,984
Additions	-	40	169	32	1,174	1,415
Disposals	(2,237)	(248)	(3,736)	-	(10)	(6,231)
Reclassification	-	254	118	29	(401)	-
At 31 December 2020	50	2,969	25,479	1,154	2,516	32,168
Accumulated depreciation						
At 1 January 2020	1,968	948	23,397	882	-	27,195
Charge for the year	36	327	2,994	80	-	3,437
Disposals	(2,012)	(41)	(3,613)	-	-	(5,666)
Impairment	-	-	210	-	-	210
Reclassification	22	-	(78)	56	-	-
At 31 December 2020	14	1,234	22,910	1,018	-	25,176
Net book value						
At 31 December 2020	36	1,735	2,569	136	2,516	6,992
At 31 December 2019	319	1,975	5,531	211	1,753	9,789

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2020

9. INVENTORIES

	2020 £'000	2019 £'000
Raw materials and consumables	4,634	5,482
Work-in-progress	5,835	5,636
Finished goods and goods for resale	1,370	2,881
	11,839	13,999

Inventories are stated after provisions for impairment of £1,357,699 (2019: £1,163,629).

The amount of inventories recognised as an expense during the year was £112,102,212 (2019: £190,547,925)

There is no material difference between the value of inventories at the reporting date and their replacement value.

10. TRADE AND OTHER RECEIVABLES

	2020 £'000	2019 £'000
Amounts falling due within one year		
Trade receivables (see below)	22,863	14,970
Amounts owed by group undertakings	498	3,682
Corporation tax recoverable	547	-
Other receivables	8,888	5,970
Deferred taxation	655	-
Prepayments and accrued income	753	1,077
	34,204	25,699

Included within other receivables are amounts due after one year of £2,435,000 (2019: £2,895,000)

Trade receivables are stated after provisions for impairment of £134,053 (2019: £273,261).

The company had a trade receivable purchase programme with a bank until September 2020. As at 31 December 2020 the gross amount of the outstanding purchased debts, which are not included in trade receivables above, is nil (2019: £22,963,456). The charges recognised in the year in relation to this arrangement were discount charges of £205,274 (2019: £369,729).

The group undertakings balance above are unsecured in nature and are expected to be settled in cash-by-cash equivalents. The balances are non-interest bearing.

11. TRADE AND OTHER PAYABLES: FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Trade payables	13,785	20,137
Amounts owed to group undertakings	4,240	9,144
Amounts owed to group undertakings for group relief	1,007	-
Corporation tax payable	-	574
Other taxation and social security	3,748	4,237
Accruals and deferred income	6,419	7,947
	29,199	42,039

The group undertakings balance above are unsecured in nature which are repayable on demand and are expected to be settled in cash by cash equivalents. The balances are non-interest bearing.

12. CALLED UP SHARE CAPITAL

	2020 £'000	2019 £'000
Allotted, issued and fully-paid		
10,001,000 (2019: 10,001,000) ordinary shares of £1 each	10,000	10,000
2,322,200 (2019: 2,322,200) deferred shares of £1 each	2,323	2,323
	12,323	12,323

Deferred shares do not carry any entitlement to receive a dividend nor to receive notice of or attend a general meeting or to vote on any resolution.

In the event of the winding up of the company or upon a reduction or return of capital the remaining net assets of the company will be applied to paying to the amount paid up or credited as paid up on the ordinary shares, including any premium, before being applied to the amount paid up on the holding of deferred shares.

13. PENSION SURPLUS

Defined benefit schemes

The company operates two defined benefit pension schemes for qualifying employees, the Walker Group Executive Retirement Benefit Scheme and the Walker Group Employee Benefit Scheme. The assets of the schemes are held separately from those of the company under the control of trustees. The schemes are funded schemes.

As at 31 May 2013, both defined benefit pension schemes were closed to future accruals with members no longer able to make contributions into the schemes. The company also ceased to make contributions into the scheme but continues to make additional annual payments.

The most recent actuarial valuations of the schemes' assets and the present value of the defined benefit obligations were carried out on 6 April 2017 by Alka Shah, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

As a result of the valuation at 6 April 2017, the company will not contribute additional annual payments into executive scheme, and has not made any since March 2020. For the Employee Scheme, the company will contribute an additional annual payment of £1,140,000.

The schemes are closed to new entrants. It should therefore be noted that, under the projected unit method that is required under section 28 of FRS 102, the current service cost will increase as the members of the scheme approach retirement.

	Employee Scheme valuation at		Executive Scheme valuation at	
	2020	**2019**	**2020**	**2019**
Key assumptions used:				
Discount rate	1.40%	2.00%	1.40%	2.00%
Inflation (RPI)	2.90%	3.00%	2.90%	3.00%
Inflation (CPI)	2.30%	2.00%	2.30%	2.00%
Pension increase -CPI max 3%	3.00%	1.80%	3.00%	1.80%
Pension increase -RPI max 5%	2.80%	2.90%	-	2.90%
Pension increase -RPI max 2.5%	2.10%	2.20%	2.10%	2.20%
Pension increase –RPI 3% - 5%	-	-	3.50%	3.50%

Mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that the assumed life expectations on retirement at age 65 are:

	Employee Scheme		Executive Scheme	
	2020	**2019**	**2020**	**2019**
Retiring today				
Males	85.4	85.3	88.7	88.6
Females	88.4	88.3	90.3	90.2
Retiring in 20 years				
Males	87.4	87.3	90.4	90.3
Females	90.3	90.2	92.1	92.0

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2020

13. PENSION SURPLUS (CONTINUED)

Defined benefit schemes (continued)
Amounts recognised in the income statement in respect of these defined benefit schemes are as follows:

	2020 £'000 Employee Scheme	2020 £'000 Executive Scheme	2020 £'000 Total
Administrative expenses	380	398	778
Interest income	(48)	(92)	(140)
Settlement cost	-	165	165
Pension Expense recognised in profit and loss	332	471	803
Actual return on scheme assets	8,951	2,214	11,165

	2019 £'000 Employee Scheme	2019 £'000 Executive Scheme	2019 £'000 Total
Administrative expenses	218	335	553
Interest income	(128)	(137)	(265)
Settlement cost	-	9	9
Pension Expense recognised in profit and loss	90	207	297
Actual return on scheme assets	8,707	3,355	12,062

13. PENSION SURPLUS (CONTINUED)

Defined Benefit Scheme (continued)
Of the charge for the year, £943,000 (2019: £562,000) has been included in administrative expenses. Actuarial gains and losses have been reported in other comprehensive income:

Analysis of amount recognised in other comprehensive (expense)/income:

	2020 £'000	2019 £'000
Actuarial gains arising during the year on scheme assets	9,157	9,300
Actuarial losses arising on scheme liabilities	(12,944)	(12,733)
Actuarial loss recognised in the other comprehensive (expense)/income	(3,787)	(3,433)

The amount included in the statement of financial position arising from the company's obligations in respect of its defined benefit retirement schemes is as follows:

	2020 £'000 Employee Scheme	2020 £'000 Executive Scheme	2020 £'000 Total
Present value of defined benefit obligations	(83,060)	(24,496)	(107,556)
Fair value of scheme assets	83,671	27,418	111,089
Surplus in scheme and asset recognised in the statement of financial position	611	2,922	3,533

	2019 £'000 Employee Scheme	2019 £'000 Executive Scheme	2019 £'000 Total
Present value of defined benefit obligations	(74,026)	(24,104)	(98,130)
Fair value of scheme assets	75,976	28,681	104,657
Surplus in scheme and asset recognised in the statement of financial position	1,950	4,577	6,527

13. PENSION SURPLUS (CONTINUED)

Defined benefit schemes (continued)
Movements in the present value of defined benefit obligations were as follows:

	2020 £'000 Employee Scheme	2020 £'000 Executive Scheme	2020 £'000 Total
At 1 January	74,026	24,104	98,130
Interest cost	1,459	409	1,868
Actuarial losses	9,691	3,253	12,944
Net benefits paid out	(2,116)	(807)	(2,923)
Settlements	-	(2,463)	(2,463)
As at 31 December	83,060	24,496	107,556

Movements in the fair value scheme assets were as follows:

	2020 £'000 Employee Scheme	2020 £'000 Executive Scheme	2020 £'000 Total
At 1 January	75,976	28,681	104,657
Interest Income on scheme assets	1,507	501	2,008
Actuarial gains	7,444	1,713	9,157
Contributions by the sponsoring companies	1,240	356	1,596
Net benefits paid out	(2,116)	(807)	(2,923)
Administration Expense Incurred	(380)	(398)	(778)
Settlements	-	(2,628)	(2,628)
As at 31 December	83,671	27,418	111,089

The analysis of the scheme assets at the reporting date are as follows:

	Fair value of assets 2020 £'000 Employee Scheme	2020 £'000 Executive Scheme
Overseas Equities	30,290	-
Government Bonds	50,073	18,313
Property	2,756	-
Cash/net current assets	552	329
Securitised credit	-	8,776
	83,671	27,418

13. PENSION SURPLUS (CONTINUED)

Defined benefit schemes (continued)

	Fair value of assets	
	2019	2019
	£'000	£'000
	Employee Scheme	Executive Scheme
Overseas Equities	27,664	4,910
Government Bonds	44,943	19,012
Property	3,142	-
Cash/net current assets	227	256
Securitised credit	-	4,503
	75,976	28,681

The most recent triennial valuation of the company's pension scheme for funding purposes has been performed as at 6 April 2020 and the report was not released until after year end. As there is an overall net deficit of £1,600,000 relative to the technical provisions and solvency liabilities, it has been agreed between the trustees and the company, that the company will pay the contributions to correct the deficit.

The funding status has deteriorated by £2,994,000 over the year. This is due to the assumptions used to calculate the liabilities changing in the year. This resulted in higher value being placed on the liabilities than had been expected at the beginning of the year.

The company will monitor funding levels annually and the funding schedule will be reviewed between the company and the trustees every three years, based on actuarial valuations. The next triennial valuation is due 6 April 2023. The company considers that the ongoing contribution rates agreed with the trustees will place the schemes in a more defensive position.

Defined Contribution Schemes

The company operated a defined contribution scheme for all qualifying employees of its original equipment division who were not members of the defined benefit schemes. The scheme was an insured scheme having policies held with AVIVA.

The company also operated a defined contribution scheme for all qualifying employees of its aftermarket division, who were not members of the defined benefit schemes. The scheme was an insured scheme having policies held with Scottish Widows.

During 2013 both the defined contribution schemes were closed with a new defined contribution scheme opening which is available to all qualifying employees of the company. This scheme is an insured scheme having policies held with Royal London.

As at April 2014 the company also introduced an additional defined contribution scheme to enable auto enrolment for those employees who do not qualify for the Royal London scheme. The auto-enrolment scheme used by the company is NEST.

14. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Lease commitments

The company has entered into non-cancellable operating leases in respect of plant and machinery, the payments for which extend over a number of years.

In addition, the company leases certain land and buildings on short-term lease. The rents payable under these leases are subject to renegotiation at various intervals specified by the lease.

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2020 £'000	2019 £'000
Payments due		
- Not later than one year	939	1,167
- Later than one year and not later than five years	3,636	3,310
- Later than five years	1,866	2,711
	6,441	7,188

15. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted under paragraph 33.1A of FRS 102 on the grounds that it is a wholly owned subsidiary of a group headed by Tenneco Inc to not disclose transactions with other entities in the group.

16. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is a wholly owned subsidiary of Tenneco International Luxembourg S.A. (B134030) registered in Luxembourg with a registered office in 12 Rue Guillaume, J. Kroll, 1882, Luxembourg.

The ultimate parent company and controlling party is Tenneco Inc., a company registered in the State of Delaware, the United States of America.

The smallest and largest group of which Tenneco-Walker (U.K.) Limited is a member and for which group financial statements are drawn up is that headed by Tenneco Inc., whose principal place of business is at 500 North Field Drive, Lake Forest, Illinois 60045.

The consolidated financial statements of Tenneco Inc. are available to the public and may be obtained from 500 North Field Drive, Lake Forest, Illinois 60045.