

Company Registration No. 2989901

TENNECO MANAGEMENT (EUROPE) LIMITED

Report and Financial Statements

31 December 2005



TENNECO MANAGEMENT (EUROPE) LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

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TENNECO MANAGEMENT (EUROPE) LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T V Bonneau (Belgium)
L M Vogt

SECRETARY

L M Vogt

REGISTERED OFFICE

21 Holborn Viaduct
London
EC1A 2DY

BANKERS

Bank of America NA

SOLICITORS

Baker & McKenzie

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Birmingham

TENNECO MANAGEMENT (EUROPE) LIMITED

DIRECTORS' REPORT

Year ended 31 December 2005

The directors present their annual report on the affairs of the company, together with the financial statements and independent auditors' report, for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company provides financing and foreign exchange management facilities for various undertakings within the Tenneco Inc. group.

The term "Tenneco group undertakings" used throughout these financial statements refers to Tenneco Inc. and its subsidiary undertakings.

As a result of its normal business activities, the Company is exposed to a variety of risks, including credit risk, market risk and foreign currency risk.

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations as they fall due. The Company enters into financing activities primarily with Tenneco group undertakings and therefore considers any credit risk insignificant.

Market risk is the potential adverse change in Company income arising from movements in interest rates. The Company's income comprises interest received/paid on intercompany loans and overnight deposits with banks. Interest rates are set for intercompany loans on a quarterly basis for loans to/from Tenneco group undertakings. Exposure to interest rates movement is minimised as the Company both pays on its loans and receives on its offsetting investments a variable rate of interest.

Foreign currency risk is the potential adverse change in Company income arising from movements in foreign currency exchange rates. The company operates its loan portfolio in several currencies and minimizes foreign currency risk by matching its currency exposures with the use of foreign currency purchase and sale contracts.

During the year, the Company reviewed its operations and the facilities that were provided to Tenneco group undertakings. As a result of this review, in August 2006, the company entered into a cash pooling agreement with ABN AMRO N.V. Under this agreement, the Company will act as principal and together with other Tenneco group undertakings agrees to a cross-currency notional cash pooling arrangement.

RESULTS AND DIVIDENDS

The Company's profit on ordinary activities after taxation for the year ended 31 December 2005 amounted to £3,194,000 (2004 - £3,507,000) which was in line with the directors' expectations.

No dividends can be paid.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

T V Bonneu (Belgium)
L M Vogt

The directors had no beneficial interests or shares in the company or in any of the Tenneco Inc. group companies during the year.

EMPLOYEE

The Company had no employees during the year, or prior year, and relies on Tenneco group undertakings for the provision of services.

TENNECO MANAGEMENT (EUROPE) LIMITED

DIRECTORS' REPORT (continued)

Year ended 31 December 2005

AUDITORS

The company passed a written resolution in accordance with section 386 of the Companies Act 1985 to dispense with the obligation of appointing auditors annually and accordingly the company's auditors, Deloitte & Touche LLP, will remain in office until the company or the auditors otherwise determine.

By order of the Board,



L M Vogt
Director

19 October 2006

21 Holborn Viaduct
London
EC1A 2DY

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Company law requires the directors to prepare such 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 and comply with UK GAAP and the Companies Act 1985. In preparing these financial statements, the directors are required to:

- select appropriate accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare financial accounts on the going concern basis unless it is inappropriate to assume that the company will continue to be 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, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

To the members of Tenneco Management (Europe) Limited

We have audited the financial statements of Tenneco Management (Europe) Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

TENNECO MANAGEMENT (EUROPE) LIMITED

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham

20 October 2006

TENNECO MANAGEMENT (EUROPE) LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
Administrative expenses		(232)	(236)
Operating loss		(232)	(236)
Interest receivable and similar income	2	8,907	9,827
Interest payable and similar charges	3	(3,798)	(4,688)
Foreign exchange loss		(1,095)	(1,133)
Profit on ordinary activities before taxation	4	3,782	3,770
Taxation on profit on ordinary activities	5	(588)	(263)
Profit for the financial year		3,194	3,507
Retained profit, beginning of year		16,578	13,071
Retained profit, end of year		19,772	16,578

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

There are no recognised gains or losses in either year other than those stated above. Accordingly a statement of total recognised gains and losses is not provided.

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

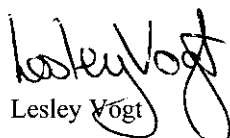
TENNECO MANAGEMENT (EUROPE) LIMITED

BALANCE SHEET Year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
Current assets			
Debtors	6	158,485	138,730
Cash in hand and at bank		175	298
		<u>158,660</u>	<u>139,028</u>
Creditors: Amounts falling due within one year	7	<u>(108,888)</u>	<u>(92,450)</u>
Net current assets		<u>49,772</u>	<u>46,578</u>
Net assets		<u>49,772</u>	<u>46,578</u>
Capital and reserves			
Called-up share capital	8	1	1
Share premium account	9	29,999	29,999
Profit and loss account	9	<u>19,772</u>	<u>16,578</u>
Shareholders' funds, all equity	10	<u>49,772</u>	<u>46,578</u>

These financial statements were approved by the Board of Directors on 19 October 2006.

Signed on behalf of the Board of Directors


Lesley Vogt

Director

19 October 2006

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

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2005

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below.

Basis of accounting

The financial statements have been prepared under the historical cost convention, with the exception of foreign currency purchase and sales contracts that are disclosed at fair market value, and in accordance with applicable United Kingdom accounting standards.

Due to the nature of the company's business, turnover, cost of sales and gross profit do not have any meaningful equivalents and are therefore not shown in the profit and loss account.

The company has taken advantage of the exemption available in FRS1 (revised) and does not produce its own cash flow statement on the basis that it is a wholly owned subsidiary of Tenneco Inc., which produces publicly available consolidated financial statements incorporating the results of the company.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currency

Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

In the normal course of business the Company enters into various foreign currency purchase and sale contracts to minimise the transaction effect of exchange rate movements on loans to and from Tenneco Automotive group undertakings. Any premium or discount arising from forward foreign currency contracts is recognised at inception through the profit and loss account as part of the foreign exchange gain/(loss). The amounts outstanding at the balance sheet date are translated into Sterling using rates of exchange prevailing at that date, in line with the Company's general policy for monetary assets and liabilities.

The foreign currency purchase and sale contracts are included in the balance sheet on a dealt date basis. Any contract entered into by the Company prior to the year-end is included in the balance sheet at year-end.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2005 £'000	2004 £'000
Interest on amounts owed by Tenneco group undertakings	8,907	9,827

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2005

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £'000	2004 £'000
Interest on bank loans and overdrafts repayable within five years	(140)	(179)
Interest on amounts owed to Tenneco group companies	(3,658)	(4,336)
Other interest	-	(173)
	<u>(3,798)</u>	<u>(4,688)</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging (crediting):

	2005 £'000	2004 £'000
Auditors' remuneration - audit fees	28	28

Amounts payable by the company to Deloitte & Touche LLP in respect of non-audit services were £16,000 (2004 - £39,000).

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax (charge)/credit comprises:

	2005 £'000	2004 £'000
Current Tax		
UK corporation tax	(304)	(263)
Double tax relief	304	263
	<u>-</u>	<u>-</u>
Foreign tax		
Current period	(304)	(263)
Adjustments in respect of prior years	(284)	-
	<u>(588)</u>	<u>(263)</u>

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2005

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK: 30% (2004: 30%).

The differences are explained below:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	3,782	3,770
Tax at 30% thereon	(1,135)	(1,131)
Effects of:		
Movement in short term timing differences	-	15
Group relief for no consideration	831	853
Current tax charge for year	(304)	(263)

A deferred tax asset has not been recognised in respect of timing differences relating to overseas interest payable, which is deductible when paid, as there is insufficient evidence that the asset will be recovered. The amount of asset not recognised (at a standard rate of 30%) is £125,000 (2004 - £125,000). For the asset to be recovered the interest would need to be paid.

6. DEBTORS

	2005 £'000	2004 £'000
Amounts falling due within one year:		
Amounts owed by Tenneco group undertakings	148,682	129,349
Amounts falling due after more than one year:		
Amounts owed by Tenneco group undertakings	9,803	9,381
	158,485	138,730

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2005

7. AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £'000	2004 £'000
Bank loans and overdrafts	(318)	(4,510)
Amounts owed to Tenneco group undertakings	(108,148)	(85,052)
Taxation	(14)	(11)
Other creditors	(408)	(2,877)
	<u>(108,888)</u>	<u>(92,450)</u>

8. CALLED-UP SHARE CAPITAL

	2005 £	2004 £
Authorised 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called-up and fully-paid 602 ordinary shares of £1 each	<u>602</u>	<u>602</u>

9. RESERVES

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 31 December 2004	29,999	16,578	46,577
Retained profit for the year	-	3,194	3,194
At 31 December 2005	<u>29,999</u>	<u>19,772</u>	<u>49,771</u>

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £'000	2004 £'000
Profit for the financial year	3,194	3,507
Opening shareholders' funds	<u>46,578</u>	<u>43,071</u>
Closing shareholders' funds	<u>49,772</u>	<u>46,578</u>

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **Year ended 31 December 2005**

11. POST BALANCE SHEET EVENT

In August 2006, the company entered into a cashpooling agreement with ABN AMRO. Under the agreement, the company will act as principal and together with other Tenneco group undertakings agree on a cross-currency notional cashpooling arrangement.

12. RELATED PARTY TRANSACTIONS

Substantially all of the Company's interest income is earned from the financing of various undertakings within the Tenneco Inc. group.

The company has taken advantage of the exemption granted by paragraph 3(c) of FRS 8, Related Party Disclosures, not to disclose transactions with Tenneco Inc. or other Tenneco group companies.

13. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is a wholly owned subsidiary of Walker Limited. Its ultimate parent and controlling company is Tenneco Inc., a company incorporated in the State of Delaware, United States of America.

The largest group in which the results of the company are consolidated is that headed by Tenneco Inc. The smallest group in which the results of the company are consolidated is that headed by Walker Limited. The consolidated financial statements of these groups are available to the public, and may be obtained from 21 Holborn Viaduct, London, EC1A 2DY