

Company Registration No 2989901

TENNECO MANAGEMENT (EUROPE) LIMITED

Report and Financial Statements

31 December 2010



TENNECO MANAGEMENT (EUROPE) LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

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TENNECO MANAGEMENT (EUROPE) LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T V Bonneu (Belgium)
L M Vogt

SECRETARY

L M Vogt

REGISTERED OFFICE

21 Holborn Viaduct
London
EC1A 2DY

BANKERS

Bank of America NA, London
The Royal Bank of Scotland NV, Amsterdam

SOLICITORS

Baker & McKenzie LLP
London

AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

TENNECO MANAGEMENT (EUROPE) LIMITED

DIRECTORS' REPORT

Year ended 31 December 2010

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 2010

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The company is a wholly owned subsidiary of Tenneco Inc and continued to provide 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

The directors consider the reserves and gearing of the company to be satisfactory and expect the current position to continue in the future

The profit for the year of £7,893,000 (2009 £7,276,000) has been transferred to reserves

KEY PERFORMANCE INDICATORS

The company regards net interest, the level of net retained income and debt/equity ratio as key measurements of the effectiveness of the company's operations

	2010 £'000	2009 £'000
Net interest, inclusive of foreign exchange profit (2009 loss)	11,690	10,737
Profit for the financial year	7,893	7,276
Debt/Equity Ratio	1.22	2.08

The calculation of the debt/equity ratio is detailed in note 8

The Tenneco Inc group manages its operations on a divisional basis. For this reason the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business

The directors consider the debt/equity ratio of the company, given the nature of its business as a non-bank finance company to the Tenneco Inc group, to be within acceptable levels

The directors anticipate the same level of profitability in the foreseeable future

PRINCIPAL RISKS AND UNCERTAINTIES

As a result of its normal business activities, the company is exposed to a variety of risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk

Liquidity risk

The company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk of damage to the company's reputation. The company also relies on its ultimate holding company, Tenneco Inc, to provide liquidity as and when required

TENNECO MANAGEMENT (EUROPE) LIMITED

DIRECTORS' REPORT (continued) Year ended 31 December 2010

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Credit risk

The company recognises a 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. Third party credit risk is managed by entering into transactions with major financial institutions that can be expected to fully perform under the terms of such agreements. For banks only independently rated parties with a minimum rating of "A" are accepted. For Tenneco group companies, the company relies on the support of its ultimate holding company, Tenneco Inc.

The company's activities expose it to the potential adverse change in company income arising from movements in foreign currency exchange rates and interest rates.

Interest rate risk

The company's income comprises interest received/paid on inter-company loans and overnight deposits and overdrafts with banks. The company operates its inter-company loan portfolio denominated in several foreign currencies. Interest rates for inter-company loans are set on a quarterly basis for loans to/from Tenneco group undertakings. Exposure to interest rates movement is minimised as the company both pays on all its loans and receives on all its offsetting investments a variable rate of interest, linked to transactional currency LIBOR.

Foreign currency risk

The company's primary exposure to foreign currency exchange risk results from inter-company loans made between Tenneco group undertakings and overnight deposits and overdrafts with banks. The company manages its foreign currency exchange risk using, within predetermined parameters, foreign currency purchase and sale contracts with terms of less than one year.

DIVIDENDS

The directors do not recommend the payment of a dividend (2009 £nil)

DIRECTORS

The directors who served during the year were as follows

T V Bonneu (Belgium)
L M Vogt

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 parent company, Tenneco Inc) was in force for the benefit of all the directors of the company,
- for the financial year ending 31 December 2010 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

EMPLOYEES

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

TENNECO MANAGEMENT (EUROPE) LIMITED

DIRECTORS' REPORT (continued) Year ended 31 December 2010

GOING CONCERN

The directors have assessed that the company has adequate resources to counteract the current economic uncertainty. However, as the company is closely linked to the overall activities of Tenneco Inc group, further considerations have been made. After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. In order to reach their decision, the directors reviewed the disclosures in the annual report of the ultimate holding company, Tenneco Inc. These disclosures related to actions taken to counteract the current economic crisis, future growth in adjacent markets and the outlook of the Tenneco Inc board. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are directors of the company at the date when this report is approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

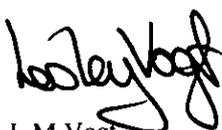
This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

INDEPENDENT AUDITORS

During the year Deloitte LLP resigned as auditors and in accordance with Section 485 of the Companies Act 2006, the directors have appointed PricewaterhouseCoopers LLP to fill the casual vacancy.

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.

By order of the Board,



L M Vogt
Director

1 July 2011

21 Holborn Viaduct
London
EC1A 2DY

TENNECO MANAGEMENT (EUROPE) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

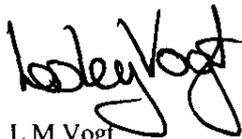
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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. They 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.

By order of the Board



L M Vogt
Director

1 July 2011

TENNECO MANAGEMENT (EUROPE) LIMITED

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 2010 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

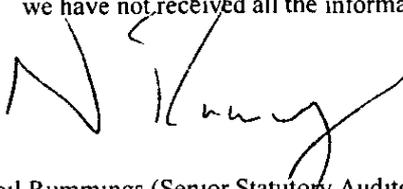
TENNECO MANAGEMENT (EUROPE) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TENNECO MANAGEMENT (EUROPE) LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Neil Rummings (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopersLLP
Chartered Accountants and Statutory Auditors
Cardiff

1 July 2011

TENNECO MANAGEMENT (EUROPE) LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Administrative expenses		(722)	(624)
Operating loss		(722)	(624)
Interest receivable and similar income	2	12,904	12,224
Interest payable and similar charges	3	(1,542)	(878)
Foreign exchange gain / (loss)			
- other gains / (losses)	503		(340)
- fair market value movement of open derivative contracts	(175)	328	(269)
Profit on ordinary activities before taxation	4	10,968	10,113
Tax on profit on ordinary activities	5	(3,075)	(2,837)
Profit for the financial year	9, 10	7,893	7,276

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.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above, and their historical cost equivalents with the exception of forward exchange contracts (shown above).

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

TENNECO MANAGEMENT (EUROPE) LIMITED

BALANCE SHEET Year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Current assets			
Debtors	6, 11	178,795	223,971
Cash in hand and at bank		44,942	43,393
		<u>223,737</u>	<u>267,364</u>
Creditors Amounts falling due within one year	7, 11	<u>(143,997)</u>	<u>(195,517)</u>
Net current assets		<u>79,740</u>	<u>71,847</u>
Net assets		<u>79,740</u>	<u>71,847</u>
Capital and reserves			
Called-up share capital	8	1	1
Share premium account	9	29,999	29,999
Profit and loss account	9	49,740	41,847
Shareholders' funds	10	<u>79,740</u>	<u>71,847</u>

These financial statements on pages 8 to 24 were approved by the Board of Directors of Tenneco Management (Europe) Limited (Company No 2989901) on 1 July 2011

Signed on behalf of the Board of Directors



Lesley Vogt

Director

The accompanying notes are an integral part of these financial accounts

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2010

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and prior financial year, are described below.

Basis of accounting

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

As described within the Directors' Report, the directors have formed a judgement, at the time of approving the financial statements, that there is reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

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.

Cash flow statement

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

The financial statements are presented in the currency of the primary economic environment in which it operates (its functional currency).

Foreign currency transactions are accounted for under FRS 23 The Effect of Changes in Foreign Exchange Rates. Transactions denominated in foreign currencies are recorded in the company's functional currency, Pounds Sterling, at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the company's functional currency at the balance sheet date are translated 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 a foreign exchange gain or loss in the profit and loss account.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, loans and borrowings, other receivables and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Cash at bank and in hand comprises cash balances and call deposits.

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2010

1 ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decision based on their fair value in accordance with the company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value, and changes therein are recognised in profit or loss.

Derivative financial instruments

The company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives are recognised initially at fair value, attributable transaction costs are recognised in profit or loss when incurred.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. These instruments are classified at fair value through profit and loss upon initial recognition and changes in fair market of such derivatives are recognised in profit or loss as part of foreign exchange gain or loss.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of ordinary shares are recognised in profit or loss.

Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Interest receivable and similar income

Interest receivable and similar income comprises interest income on bank deposits and on loans and receivables owed by other group undertakings and gains in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2010

1. ACCOUNTING POLICIES (CONTINUED)

Interest payable and similar charges

Interest payable and similar charges comprises primarily interest on amounts borrowed from financial institutions and from other group undertakings. Interest payable is recognised in profit or loss using the effective interest method.

Determination of fair values

Other debtors

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Derivatives

A discounted cash flow analysis is performed. The fair value of forward exchange contracts is determined by using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Financial risk management

Overview

The company has exposure to the following risk in its use of financial instruments:

- credit risk
- liquidity risk
- interest rate risk
- foreign currency risk

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company through management procedures, aims to develop a disciplined and constructive control environment in which all parties understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the company if a group undertaking or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally on the company's receivables from banks and Tenneco group companies. For banks only independently rated parties with a minimum rating of "A" are accepted. For Tenneco group companies, the company relies on the support of its ultimate holding company, Tenneco Inc.

Guarantees

The company's policy is to provide financial guarantees only in respect of wholly-owned subsidiaries within the Tenneco group. At 31 December 2010 and 2009, a guarantee in respect of premises leased by Tenneco Automotive UK Limited, a Tenneco group company, for £20,000 per annum was outstanding. At 31 December 2010, a guarantee in respect of pension obligations owed by Tenneco Automotive UK Limited to the Tenneco Automotive (UK) Limited Pension Scheme was outstanding. The directors' estimate, based on information from the Scheme actuaries, of the guarantee amounts to £2.5 million at the balance sheet date.

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2010

1. ACCOUNTING POLICIES (CONTINUED)

Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk of damage to the company's reputation. The company also relies on its ultimate holding company, Tenneco Inc, to provide liquidity as and when required.

The company buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All transactions are carried out within the guidelines set by the Tenneco Inc group policies that have been adopted by the company. The company does not apply hedge accounting.

Currency risk

The company is exposed to currency risk on financings and borrowings denominated in a currency other than its pound sterling functional currency. The primary currencies in which these transactions are denominated are US Dollars, Australian Dollars and Japanese Yen. Exchange exposures are managed with the approved policy parameters utilising forward foreign exchange contracts and foreign currency swaps.

In respect of monetary assets and liabilities denominated in foreign currencies, the company ensures that its net exposure is kept to an acceptable level by buying and selling currencies at spot rates when necessary to address short-term imbalances.

Interest rate risk

The exposure to interest rate risk is covered by forward contracts. Any imbalance between interest income and expense in foreign currencies is covered by forward contracts. The company does not enter into interest rate swaps.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £'000	2009 £'000
Interest on bank deposits	10,757	10,124
Interest on amounts owed by Tenneco group undertakings	2,147	2,100
	<u>12,904</u>	<u>12,224</u>

Interest rates on bank deposits are at overnight market rates based on the transactional currency LIBOR.

Interest rates on loans included in amounts owed by Tenneco group undertakings are set quarterly based on the transactional currency LIBOR.

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2010

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £'000	2009 £'000
Interest on bank loans and overdrafts	(157)	(143)
Interest on amounts owed to Tenneco group undertakings	(1,379)	(708)
Other interest	(6)	(27)
	<u>(1,542)</u>	<u>(878)</u>

Interest rates on bank loans and overdrafts are based on overnight LIBOR

Interest rates on loans included in amounts owed by Tenneco group undertakings are set quarterly based on transactional currency LIBOR

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging

	2010 £'000	2009 £'000
The analysis of auditors' remuneration is as follows		
- Fees payable to the company's auditors for the audit of the company's annual accounts	32	26
Total audit fees	<u>32</u>	<u>26</u>
Total non-audit fees	<u>-</u>	<u>-</u>

Directors' remuneration

	2010 £'000	2009 £'000
Emoluments	<u>72</u>	<u>64</u>
The emoluments of the highest paid director were	<u>72</u>	<u>64</u>

The other director received no remuneration in respect of his services to the company

The company has no employees during the year, or prior year, and relies on Tenneco group undertakings for the provision of services

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2010

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises

	2010 £'000	2009 £'000
Current tax		
UK corporation tax	(1,225)	(622)
Payment for group relief	(1,846)	(2,212)
Double tax relief	4	13
	<u>(3,067)</u>	<u>(2,821)</u>
Foreign tax		
Current period	(4)	(13)
	<u>(3,071)</u>	<u>(2,834)</u>
Adjustment in respect of prior years	(4)	(3)
	<u>(3,075)</u>	<u>(2,837)</u>
Total current tax charge	<u>(3,075)</u>	<u>(2,837)</u>

The company has no unprovided deferred tax assets or liabilities that should be recognised in the accounts

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK 28% (2009 28%)

The differences are explained below

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	<u>10,968</u>	<u>10,113</u>
Tax at 28% (2009 28%) thereon	(3,071)	(2,832)
Effects of		
Disallowable items	-	(2)
	<u>(3,071)</u>	<u>(2,834)</u>
Adjustment in respect of prior years	(4)	(3)
	<u>(3,075)</u>	<u>(2,837)</u>
Total current tax charge	<u>(3,075)</u>	<u>(2,837)</u>

Factors affecting future tax charges

The Chancellor announced in the budget on 23 March 2011 that the standard rate of UK Corporation Tax will be reduced from 28% to 26% from 1 April 2011, and there will be progressive annual reductions of a further 1% until a rate of 23% is reached with effect from 1 April 2014. The Finance Act (No 2) 2010 which received Royal Assent on 27 July 2010, substantively enacted a rate reduction of 1% to 27% with effect from 1 April 2011. However, the rate reduction from 27% to 26% was not substantively enacted until 29 March 2011 and therefore the effect of this reduction will be included in the accounts to 31 December 2011. The rate change will also impact the amount of the future cash tax payments to be made by the company.

The effect on the company of these proposed changes to the UK tax system will be reflected in the company's financial statements for the year ending 31 December 2011.

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2010

6. DEBTORS

	2010 £'000	2009 £'000
Amounts falling due within one year		
Amounts owed by Tenneco group undertakings		
- Loans and receivables	177,786	221,951
- Derivative financial instruments	154	-
Amounts owed by third parties		
- Derivative financial instruments	6	1,021
- Other debtors	849	999
	<u>178,795</u>	<u>223,971</u>

The fair value of the above items is not considered to be materially different to their carrying value

The company's principal financial assets are bank balances, derivative financial instruments and amounts owed by Tenneco group undertakings

Amounts owed by Tenneco group undertakings are made under long term credit agreements. None of the amounts disclosed are past due or impaired

The other classes within debtors do not contain impaired assets nor items past due date

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Bank overdrafts	97,703	143,737
Amounts owed to Tenneco group undertakings		
- Loans and payables	40,271	45,487
- Group relief	4,302	3,862
- Derivative financial instruments	-	491
Taxation	1,592	1,602
Amounts owed to third parties		
- Derivative financial instruments	12	206
- Other creditors	117	132
	<u>143,997</u>	<u>195,517</u>

The fair value of the above items is not considered to be materially different to their carrying value

More information about the company's exposure to interest rate, foreign currency and liquidity risk is disclosed in note 11

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2010

8 CALLED-UP SHARE CAPITAL

	2010 £	2009 £
Authorised 1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called-up and fully-paid 602 ordinary shares of £1 each	602	602

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital

The company's directors review the capital structure on a monthly basis. As part of this review, the directors consider the cost of capital

Net debt is calculated as total borrowings less cash and cash equivalents. Equity is "equity" as shown in the balance sheet

During 2010, the company's strategy, which was unchanged from 2009, was to maintain a gearing ratio of less than 8:1, which was in the directors' view an acceptable level for a non-bank finance company. The gearing ratios at 31 December 2010 and 2009 were as follows

	2010 £'000	2009 £'000
Bank loans and overdrafts	97,703	143,737
Amounts owed to Tenneco group undertakings	40,271	45,487
Amounts owed to Tenneco companies for group relief	4,302	3,862
Total borrowings	142,276	193,086
Less cash in hand and at bank	(44,942)	(43,393)
Net debt	97,334	149,693
Total equity	79,740	71,847
Debt Equity Ratio	1.22:1	2.08:1

The company is not subject to externally imposed capital requirements

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2010

9 RESERVES

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 31 December 2009	29,999	41,847	71,846
Profit for the financial year	-	7,893	7,893
At 31 December 2010	<u>29,999</u>	<u>49,740</u>	<u>79,739</u>

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £'000	2009 £'000
Profit for the financial year	7,893	7,276
Opening shareholders' funds	71,847	64,571
Closing shareholders' funds	<u>79,740</u>	<u>71,847</u>

11 FINANCIAL INSTRUMENTS

Categories of financial instruments

	2010 £'000	2009 £'000
Financial assets		
Loans and receivables		
Cash	44,942	43,393
Amounts owed by group undertakings and receivables	178,635	222,950
Fair value through profit or loss		
Derivative instruments	160	1,021
	<u>223,737</u>	<u>267,364</u>
Financial liabilities		
Other financial liabilities		
Bank overdrafts	97,703	143,737
Other liabilities at amortised cost	44,690	49,481
Fair value through profit or loss		
Derivative instruments		
- Third parties	12	206
- Tenneco group undertakings	-	491
	<u>142,405</u>	<u>193,915</u>

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2010

11. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency exposure

The company's exposure to foreign currency risk was as follows based on notional amounts in local currency

	CAD000's	AUD000's	THB000's	JPY000's	USD000's
31 December 2010					
Cash	-	1	350	1	34
Receivables from related parties	1,106	-	-	-	217,999
Other receivables	-	-	-	-	1,269
Bank loans and overdrafts	-	-	-	-	(152,407)
Payable to related parties	-	(608)	-	(505,571)	(55,386)
Other payables	-	-	-	-	-
Gross balance sheet exposure	1,106	(607)	350	(505,570)	11,509
Forward exchange contracts	(1,056)	776	-	505,008	(10,020)
Net exposure	50	169	350	(562)	1,489
31 December 2009					
Cash	7	-	2	1	1
Receivables from related parties	1,052	-	-	-	305,063
Other receivables	-	-	-	-	1,558
Bank loans and overdrafts	-	-	-	-	(232,322)
Payable to related parties	-	(42,496)	(192,714)	(558,886)	(23,070)
Other payables	-	-	-	-	-
Gross balance sheet exposure	1,059	(42,496)	(192,712)	(558,885)	51,230
Forward exchange contracts	(1,022)	42,711	193,400	558,846	(50,176)
Net exposure	37	215	688	(39)	1,054

Foreign currency sensitivity analysis

The company is mainly exposed to the currency of Australia (Australian dollar), Japan (Japanese yen), Canada (Canadian dollar) and the United States of America (US dollar)

The following table details the company's sensitivity to a 10% increase and decrease in Sterling against the relevant foreign currencies. The sensitivity only includes outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in the foreign currency rates. Additionally, it assumes a positive equal and opposite offset on the FX forwards

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2010

11 FINANCIAL INSTRUMENTS (CONTINUED)

A positive number below indicates an increase in profit where Sterling strengthens 10% against the relevant currency. For a 10% weakening of Sterling against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would have the opposite sign.

	US Dollar impact		Australian Dollar impact	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Profit and loss	(87)	(59)	(10)	(11)

	Japanese Yen impact		Canadian Dollar impact	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Profit and loss	-	-	(3)	(2)

The following significant exchange rates applied during the year

	Average rate		Reporting date Spot rate	
	2010	2009	2010	2009
AUD	1.68034	1.98609	1.52647	1.79929
CAD	1.59774	1.77965	1.55617	1.69922
EUR	1.16898	1.12625	1.16672	1.12902
JPY	134.1859	146.9772	126.6872	150.4515
USD	1.54182	1.57138	1.55990	1.61630

Interest Rate Risk

The company manages its exposure to interest rate risks to reduce any changes to profit by matching its exposures in foreign currencies by the use of foreign exchange currency contracts. However, changes to the Sterling interest rates will have an impact to the level of profit generated. The company estimates that a 100 basis point increase in Sterling interest rates would have resulted in the following increase in profit. A decrease in Sterling interest rates would have had the opposite effect.

	2010 £'000	2009 £'000
Profit and loss	758	682

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2010

11 FINANCIAL INSTRUMENTS (CONTINUED)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was

	Carrying value	
	2010	2009
	£'000	£'000
Amounts owed by Tenneco group undertakings	177,786	221,951
Other receivables	849	999
	<hr/>	<hr/>
Loans and receivables	178,635	222,950
Cash at bank and in hand	44,942	43,393
Other forward exchange contracts	160	1,021
	<hr/>	<hr/>
	223,737	267,364
	<hr/> <hr/>	<hr/> <hr/>

There is no impairment loss recognised through profit or loss

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2010

11. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

The following are the contractual maturities of non-derivative financial liabilities, excluding estimated interest payments and excluding the impact of netting agreements

	Carrying value £'000	Contractual Cash flows £'000	On demand £'000	0-3 months £'000	3-12 months £'000	1 – 5 years £'000
31 December 2010						
<u>Non-derivative financial liabilities</u>						
Amounts owed to Tenneco group undertakings	(40,271)	(40,271)	(4,765)	(6,581)	(28,925)	-
Amounts owed to Tenneco undertakings for group relief	(4,302)	(4,302)	-	(2,456)	-	(1,846)
Bank loans and overdrafts	(97,703)	(97,703)	(97,703)	-	-	-
Other creditors	(117)	(117)	-	(117)	-	-
	<u>(142,393)</u>	<u>(142,393)</u>	<u>(102,468)</u>	<u>(9,154)</u>	<u>(28,925)</u>	<u>(1,846)</u>
	Carrying value £'000	Contractual Cash flows £'000	On demand £'000	0-3 months £'000	3-12 months £'000	1 – 5 years £'000
31 December 2009						
<u>Non-derivative financial liabilities</u>						
Amounts owed to Tenneco group undertakings	(45,487)	(45,487)	(31,739)	-	(13,748)	-
Amounts owed to Tenneco undertakings for group relief	(3,862)	(3,862)	-	(1,650)	-	(2,212)
Bank loans and overdrafts	(143,737)	(143,737)	(143,737)	-	-	-
Other creditors	(132)	(132)	-	(132)	-	-
	<u>(193,218)</u>	<u>(193,218)</u>	<u>(175,476)</u>	<u>(1,782)</u>	<u>(13,748)</u>	<u>(2,212)</u>

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2010

11. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

The following are the contractual maturities of derivative financial instruments

	Carrying Value £'000	Contractual Cash flows £'000	On demand £'000	0-3 months £'000	3-12 months £'000
31 December 2010					
<u>Derivative financial assets</u>					
Other forward exchange contracts					
Outflow	-	(12,373)	-	(12,373)	-
Inflow	160	12,533	-	12,533	-
	<u>160</u>	<u>160</u>	<u>-</u>	<u>160</u>	<u>-</u>
<u>Derivative financial liabilities</u>					
Other forward exchange contracts					
Outflow	(12)	(2,223)	-	(2,223)	-
Inflow	-	2,211	-	2,211	-
	<u>(12)</u>	<u>(12)</u>	<u>-</u>	<u>(12)</u>	<u>-</u>
31 December 2009					
<u>Derivative financial assets</u>					
Other forward exchange contracts					
Outflow	-	(45,593)	-	(45,593)	-
Inflow	1,021	46,614	-	46,614	-
	<u>1,021</u>	<u>1,021</u>	<u>-</u>	<u>1,021</u>	<u>-</u>
<u>Derivative financial liabilities</u>					
Other forward exchange contracts					
Outflow	(697)	(63,300)	-	(63,300)	-
Inflow	-	62,603	-	62,603	-
	<u>(697)</u>	<u>(697)</u>	<u>-</u>	<u>(697)</u>	<u>-</u>

TENNECO MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2010

11 FINANCIAL INSTRUMENTS (CONTINUED)

Fair values

The fair values of financial assets and liabilities are equal to their carrying amounts

The directors have classified all financial instruments held at fair value as Level 2 under FRS 29

The directors use their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

12 SUBSEQUENT EVENTS

At 29 March 2011, the company entered into two guarantees in respect of pension obligations owed by Tenneco-Walker (U K) Limited, a wholly-owned subsidiary undertaking and Futaba-Tenneco U K Limited, a 49% owned associate to the Walker Group Executive Retirement Benefits Scheme and the Walker Group Employee Benefits Scheme.

On 22 June 2011, Futaba Industrial Co Ltd, the 51% shareholder of Futaba-Tenneco U K Limited entered into a deed of indemnity with the company in respect of its share of the pension obligations due from Futaba-Tenneco U K Limited to the two benefits schemes.

13. RELATED PARTY TRANSACTIONS

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, where 100% of the company's voting rights are controlled within the group, and the consolidated financial statements of the ultimate parent company are publicly available.

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