

Federal-Mogul UK Investments Limited

Company Number SC020152

Strategic Report for the year ended 31 December 2019



The directors of Federal-Mogul UK Investments Limited (“the Company”) present the strategic report for the year ended 31 December 2019.

Strategy

The Company is a member of a large multi-national group. The strategy of the group is determined by the high-level group management.

The group strategy is designed to create sustainable profitable growth by leveraging existing and developing new competitive advantages. This strategy consists of the following primary elements:

- Provide value-added products to customers in all markets served through leading technology and innovation;
- Utilize leading technology resources to develop advanced and innovative products, processes and manufacturing capabilities;
- Expand coverage in existing product lines and add new product lines which are critical to maintaining leadership position;
- Continue to invest in product innovation to support premium brands and to enhance marketing initiatives to more effectively communicate the value proposition of branded products to end customers;
- Aggressively pursue cost competitiveness by continuing to drive productivity in operations and rationalizing business resources and infrastructure.

Review of the business

The principal activity is that of a holding company.

There are no key performance indicators relevant to the Company.

The Company made a profit after tax of £80,118,458 (2018: loss £40,517,222). There was no change to provisions against investments in the current year (2018: increase of £52,500,547).

On 9 April 2019 and on 7 May 2019 the Company received dividends of £2,741,895 and £3,883,382 respectively (2018: £3,183,986) from one of its subsidiary undertakings, Federal-Mogul (Thailand) Limited. On 11 April 2019 and on 30 October 2019 the Company received dividends of £52,406,585 and £12,348,050 respectively (2018: £nil) from one of its subsidiary undertakings, Federal-Mogul Germany Investments Holding GmbH. On 17 April 2019 the Company received a dividend of £6,853,834 (2018: £6,647,168) from one of its subsidiary undertakings, Federal-Mogul Japan KK.

On 6 September 2019, the Company received a dividend of £62,403 (2018: £57,850) from its trade investment, Federal-Mogul TPR (India) Limited.

The directors consider that the period end financial position of the Company was satisfactory.

Acquisition by Tenneco

On 1 October 2018, Tenneco Inc. acquired Federal-Mogul LLC, the lead company of the Federal-Mogul Group and became the Company’s ultimate holding company. The change in ownership has had no impact on the Company or its subsidiaries.

Section 172 statement

The directors of the Company set out below how they have performed their individual and collective duty, whilst acting in good faith, under Section 172 of the Companies Act 2006, in promoting the success of the Company for the benefit of its members as a whole, encompassing all stakeholder interests.

The key decisions of the board during the year related to the most effective way to use dividends received from the Company's investments. For each receipt they considered how it could be used in the best interests of the Company. The board decided that the Company should use these receipts to repay intra-group indebtedness and also to pay dividends to its shareholder. Whilst making those key decisions the board also took into account the effect they would have on all of the Company's stakeholders. Key decisions made were consistent with the Company's business strategy.

The Company does not have any employees, customers or suppliers and therefore the directors did not need to consider these groups of potential stakeholders whilst performing their duties and making their decisions.

Going concern

During 2020 there has been a worldwide pandemic caused by a novel coronavirus (SARS-CoV-2). As the virus was not identified at 31 December 2019, the date at which these accounts are prepared, it is a non-adjusting subsequent event. However, the directors have considered the potential consequences of this pandemic, and have concluded that it is unlikely to have a long-term effect on the Company's subsidiaries and also that it will have no significant long-term effect, if any, on the Company itself nor its ability to continue as a going concern.

Principal risks and uncertainties

Aside from any uncertainty relating to the current pandemic, the principal risk and uncertainty faced by the Company is a possible fall in the value in use of its investments that could lead to the recording of an impairment charge. The most significant variable elements of the value in use calculation are:

- The profitability of a subsidiary or sub-subsidiary as represented by its EBITDA;
- The exchange rates used to convert the results of any of those companies that operate overseas;
- The discount rates applied to the cash flow projections to derive the value in use.

The principal risks and uncertainties faced by its subsidiaries and sub-subsidiaries that could affect EBITDA are:

Adverse conditions in the automotive market

The revenues of the Company's operations are closely tied to global OE vehicle sales, production levels, and independent aftermarket parts replacement activity. The OE market is characterised by short-term volatility, with overall expected long-term growth in global vehicle sales and production. Automotive production in the local markets served by the Company can be affected by macro-economic factors such as interest rates, fuel prices, consumer confidence and employment trends. A variation in the level of vehicle production would not only affect sales to OE customers but, depending on the reasons for the change, could impact demand from aftermarket customers. The Company's results of operations and financial position could be adversely affected if the Company fails to respond in a timely and appropriate manner to changes in the demand for its products.

Principal risks and uncertainties (continued)

Competitiveness of automotive industry

The Company operates in an extremely competitive industry, driven by global vehicle production volumes and part replacement trends. Business is typically awarded to the supplier offering the most favourable combination of cost, quality, technology and service. In addition, customers continue to require periodic price reductions that require the Company to continually assess, redefine and improve its operations, products and manufacturing capabilities to maintain and improve profitability. In addition, the Company's competitors' efforts to increase their market share could exert additional downwards pressure on product pricing and margins. The Company's management continues to develop and execute initiatives to meet the challenges of the industry, however, there can be no assurance that the Company will be able to compete effectively in the automotive market.

Brexit

The United Kingdom referendum vote to leave the European Union naturally introduced new uncertainties into an already challenging marketplace. In the short-term, this has led to economic uncertainty. The directors continue to monitor and consider Brexit developments. The United Kingdom left the European Union on the 31 January 2020, however there is a transition period which lasts until 31 December 2020, during which existing rules will still apply. Despite the end of that period approaching, the terms under which the UK and EU will function after that point are not yet agreed, consequently the directors cannot ascertain the effect of those arrangements on the Company. However, at this moment in time, taking into account the activities of the Company, the directors have no reason to think that the going concern assumption will be affected.

Currency fluctuations

The Company is exposed to a risk of gain or loss from changes in foreign exchange rates whenever the Company enters into a purchase, sales or intra-group loan agreement in a currency other than sterling. The Company is a member of a multi-national group and it is group policy not to hedge currency exposure whether it is on intra-group transactions or third party transactions.

New Technologies

Increased fuel economy and decreased vehicle emissions are of great importance to OEM's as legislators and customers continue to demand more efficient and cleaner operating vehicles. Increasingly stringent fuel economy standards and environmental regulations are driving OEM's to focus on new technologies including downsized, higher output and turbocharged petrol engines, diesel and turbocharged diesel, bio-mass and hybrid diesel applications and hybrid, electric and alternative energy engines. Also, vehicle safety continues to receive industry attention by OEM's as customers view safety as a fundamental driver in consumer purchasing decisions and legislation looks on improved vehicle safety as a public health issue. The Company strives to ensure that its products meet the requirements of these new technologies and continually develops leading edge technologies, both in respect of product and process, to allow the Company to remain competitive and to continually strive for market leadership.

Principal risks and uncertainties (continued)

Raw material cost fluctuations

In recent periods there have been significant fluctuations in the prices of raw materials and energy which have had and may continue to have an unfavourable impact on the Company's business. Competitive and marketing pressures may limit the Company's ability to pass some of the material cost increases on to the Company's customers. Furthermore, the Company's customers are generally not obligated to accept price increases that the Company may desire to pass along to them. This inability to pass on price increases to customers when material prices increase rapidly or to a significantly higher than historic levels could adversely affect the Company's operating margins and cash flow, possibly resulting in lower operating income and profitability.

Treasury Policies

Financial Instruments

The Company's financial instruments comprise cash at bank and balances with group undertakings. These financial instruments are used to fund the Company's operations. It is Company policy that no trading in financial instruments be undertaken.

Interest Rate Risk

There are no bank borrowings so interest rate risk arises only from those intra-group loans which bear interest. The Company's interest bearing loan receivable is at a fixed rate and therefore there is no interest rate risk.

Foreign currency risk

As a member of a multi-national group, the Company does not hedge currency exposure. It is not considered appropriate to do so in connection with intra-group loans or intra-group transactions. Foreign currency is held for only short periods, the general policy being to convert all cash transactions to sterling as soon as possible.

Credit Risk

The Company's objective is to reduce the risk of financial loss due to a counterparty's failure to honour its obligations. In respect of intra-group loans resulting from Federal-Mogul Group's policy to use cash surpluses in one area of the business to meet funding requirements in another, credit risk is assessed by a central treasury department.

On behalf of the Board



E. J. Milner
Director

Date: 28 July 2020

Federal-Mogul UK Investments Limited

Company Number SC020152

Directors' Report for the Year Ended 31 December 2019

The directors present their report and financial statements for the year ended 31 December 2019.

Principal activities, results, dividends and future developments

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

The Company made a profit after tax of £80,118,458 (2018: loss £40,517,222).

The directors do not recommend payment of a dividend. (2018: £Nil).

On 19 September 2019 the Company undertook a capital reduction to reduce its Share Premium account by £200,000,000 and credit such sum to distributable reserves.

Directors

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

E. J. Milner
C. Narten

Going concern

During 2020 there has been a worldwide pandemic caused by a novel coronavirus (SARS-CoV-2). As the virus was not identified at 31 December 2019, the date at which these accounts are prepared, it is a non-adjusting subsequent event. However, the directors have considered the potential consequences of this pandemic, and have concluded that it is unlikely to have a long-term effect on the Company's subsidiaries and also that it will have no significant long-term effect, if any, on the Company itself nor its ability to continue as a going concern.

Directors Indemnities

The Company maintained throughout the year and at the date of approval of the financial statements, liability insurance for its directors and officers, this is a qualifying provision for the purposes of the Companies Act 2006.

Disclosure of information to Auditors

In accordance with s.418(2) of the Companies Act 2006 each of the directors:

- is not aware of any relevant audit information of which the Company's auditors are unaware; and,
- has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



E. J. Milner

Director

Date: 28 July 2020

FEDERAL-MOGUL UK INVESTMENTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and 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), including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FEDERAL-MOGUL UK INVESTMENTS LIMITED

Opinion

We have audited the financial statements of Federal-Mogul UK Investments Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Income and Retained Earnings, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FEDERAL-MOGUL UK INVESTMENTS LIMITED (continued)

Conclusions relating to going concern (continued)

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the Company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic Report and Directors' Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FEDERAL-MOGUL UK INVESTMENTS LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.



Stuart Muskett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
Date: 28/7/2020

FEDERAL-MOGUL UK INVESTMENTS LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Foreign exchange (loss)/profit		(105)	(62)
Other expenses		-	-
Operating expense excluding exceptional items		(105)	(62)
Exceptional item – provision against investments	6	-	(52,500,547)
Operating expense		<u>(105)</u>	<u>(52,500,609)</u>
Operating loss	6	(105)	(52,500,609)
Income from shares in subsidiary undertaking		78,233,746	9,831,154
Income from shares in trade investment		62,403	57,850
Net interest receivable	7	2,096,603	2,094,383
Profit/(loss) on ordinary activities before taxation		<u>80,392,647</u>	<u>(40,517,222)</u>
Tax on profit/(loss) on ordinary activities	8	<u>(274,189)</u>	<u>-</u>
Profit/(loss) for the financial year attributable to the parent company		80,118,458	(40,517,222)
Profit and loss account at 1 January		(54,176,066)	(13,658,844)
Capital Reduction – transfer from Share Premium		200,000,000	-
Dividends paid	9	<u>(3,003,000)</u>	<u>-</u>
Profit and loss account at 31 December		<u>222,939,392</u>	<u>(54,176,066)</u>

FEDERAL-MOGUL UK INVESTMENTS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
<u>Fixed Assets</u>			
Investments	10	<u>330,806,128</u>	<u>330,806,128</u>
<u>Current Assets</u>			
<u>Debtors</u> : Amounts falling due within one year	11	94	1,257
<u>Debtors</u> : Amounts falling due after more than one year	12	28,843,800	28,843,800
		<u>28,843,894</u>	<u>28,845,057</u>
Cash at bank and in hand		<u>627</u>	<u>955</u>
		<u>28,844,521</u>	<u>28,846,012</u>
<u>Creditors</u> : Amounts falling due within one year	13	-	(77,116,949)
Net current assets(liabilities)		<u>28,844,521</u>	<u>(48,270,937)</u>
Net assets		<u>359,650,649</u>	<u>282,535,191</u>
<u>Capital and Reserves</u>			
Called up share capital	14	20,159	20,159
Share Premium Account	15	136,691,098	336,691,098
Profit & loss account	15	<u>222,939,392</u>	<u>(54,176,066)</u>
Shareholders' funds – equity		<u>359,650,649</u>	<u>282,535,191</u>

The accounts on pages 10 to 18 were approved by the Board on 28 July 2020 and were signed on its behalf by:-



E. J. Milner
Director

NOTES FORMING PART OF THE ACCOUNTS

1. COMPANY INFORMATION

Federal-Mogul UK Investments Limited is a limited liability company incorporated in Scotland. Its registered office is at 1 Exchange Crescent, Conference Square, Edinburgh EH3 8UL, Scotland. Its principal place of business is Manchester International Office Centre, Styal Road, Manchester M22 5TN, England.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS102") and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Sterling (£) (the Company's functional currency).

Until 30 September 2018, the Company's ultimate parent undertaking was Icahn Enterprises L.P., and from 1 October 2018 its ultimate parent has been Tenneco Inc. Both Icahn Enterprises L.P. and Tenneco Inc are incorporated in the USA and listed on the New York Stock Exchange. The Company was included in the consolidated financial statements of Icahn Enterprises L.P. until 30 September 2018 and in the consolidated financial statements of Tenneco Inc since 1 October 2018. Consolidated financial statements of the ultimate parent entities are available from their websites www.ielp.com and www.tenneco.com respectively. Consequently, the Company has taken advantage of the exemptions available, under the terms of FRS102, from preparing a cash flow statement and from disclosures in relation to financial instruments.

As stated above, the Company and all of its subsidiary undertakings are included in the consolidated financial statements of Icahn Enterprises L.P. to 30 September 2018 and in the consolidated financial statements of Tenneco Inc from 1 October 2018. The ultimate parent company accounts are drawn up to the same date in the same financial year and in accordance with the provisions of the Seventh Directive (83/349/EEC) or in a manner equivalent to consolidated accounts and consolidated annual reports so drawn up. Accordingly, the Company, in accordance with the exemption in s.401 of the Companies Act, has not prepared consolidated financial statements. The financial statements therefore contain information about Federal-Mogul UK Investments Limited as an individual company and not as a group.

The directors believe it to be appropriate to prepare the financial statements on the going concern basis and that the Coronavirus (COVID-19) pandemic will have no significant long-term effect, if any, on the Company nor its ability to continue as a going concern.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The most significant judgement made in the preparation of these accounts is the impairment review of the Company's fixed asset investments where the carrying value of investments has been compared to their value in use and an impairment charge recorded where individual investments are considered to be impaired, or where a previous impairment loss has subsequently reversed, a credit has been recorded.

NOTES FORMING PART OF THE ACCOUNTS

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

The value in use is derived from discounted future cash flow projections using nominal discount rates consistent with each applicable global industry sector. A material adjustment could occur if the actual cash flows were significantly different from those used in the impairment review.

As at 31 December 2019 the carrying amounts of the fixed asset investments are:

	£
Subsidiary Undertakings	330,670,830
Trade Investments	135,298

4. ACCOUNTING POLICIES

The principal accounting policies of the Company have remained unchanged from the prior year and are set out below.

Investments

Fixed asset investments are stated at cost less provision for any impairment.

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Creditors

Short term creditors are measured at the transaction price.

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

FEDERAL-MOGUL UK INVESTMENTS LIMITED

NOTES FORMING PART OF THE ACCOUNTS

4. ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

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

With the exception of changes arising on the initial recognition of a business combination, the tax expense/(income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense/(income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and,
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

5. DIRECTORS AND EMPLOYEES

The directors have not received any remuneration for services to the Company during the year (2018: £nil).

There are no employees of the Company (2018: Nil).

6. OPERATING LOSS

(a) Exceptional item – provision against investments written back

Following an impairment review of the Company's investments it was decided that no change to the provisions was required and accordingly there was neither charge nor release in the current year's profit and loss account (2018: charge of £52,500,547).

(b) The audit fees of £4,500 (2018: £4,500) were borne by a fellow group company during the year. There were audit fees and fees for other services payable to the Company's auditor and its associates during the year in respect of the Company's subsidiary undertakings amounting to £246,287 (2018: £201,149).

FEDERAL-MOGUL UK INVESTMENTS LIMITED

NOTES FORMING PART OF THE ACCOUNTS

7.	<u>NET INTEREST RECEIVABLE</u>	2019	2018
		£	£
	Interest receivable on bank accounts	8,312	6,092
	Interest receivable from subsidiary undertaking	<u>2,088,291</u>	<u>2,088,291</u>
		<u>2,096,603</u>	<u>2,094,383</u>

8. TAXATION

<u>(a) Analysis of charge in the period</u>	2019	2018
	£	£
Current tax:	-	-
Foreign tax	<u>274,189</u>	<u>-</u>
Total current tax (note 8(b))	<u>274,189</u>	<u>-</u>

(b) Factors affecting tax charge for period

The tax assessed on the profit(loss) on the ordinary activities for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£	£
Profit/(loss) on ordinary activities before taxation	<u>80,392,647</u>	<u>(40,517,222)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	15,274,603	(7,698,272)
Effect of:		
Expenses not deductible	-	-
UK: UK transfer pricing adjustment	(153,420)	(391,177)
Group relief surrendered for nil payment	-	(6,744)
Income not taxable	(14,876,268)	(1,878,911)
Effect of overseas tax	274,189	
Advance Corporation Tax utilised	(244,915)	-
Non-taxable provision against investments	<u>-</u>	<u>9,985,104</u>
Current tax charge for period (note 8(a))	<u>274,189</u>	<u>-</u>

(c) Factors that may affect future tax charges

The Company has non-trade deficits carried forward of £3,522,571 (2018: £3,522,571).

The Company has unrestricted capital losses available for carry forward of £nil (2018: £1,518,450).

The Company has unrecognised ACT carried forward of £6,903,026 (2018: £7,147,941) the future recoverability of which is uncertain.

No deferred tax has been provided for tax that may become payable if revalued assets were disposed of for their revalued amounts.

FEDERAL-MOGUL UK INVESTMENTS LIMITED

NOTES FORMING PART OF THE ACCOUNTS

8. TAXATION(CONTINUED)

(c) Factors that may affect future tax charges (continued)

The Finance Act 2016 included changes which affect future tax charges. The rate of corporation tax will reduce to 17% from 1 April 2020. The rate changes will impact the amount of future cash tax payments made by the Company. In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporation tax rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%. However, it is possible that the corporation tax rate remains at 19% after 1 April 2020.

9. <u>DIVIDENDS</u>	2019	2018
	£	£
First interim	2,400,000	-
Second interim	603,000	-
	<u>3,003,000</u>	<u>-</u>

10. INVESTMENTS

	Subsidiary Undertakings Equity £	Trade Investments Equity £	Total £
<u>Cost</u>			
At 1 January 2019	432,959,172	135,298	433,094,470
At 31 December 2019	<u>432,959,172</u>	<u>135,298</u>	<u>433,094,470</u>
<u>Provisions</u>			
At 1 January 2019	(102,288,342)	-	(102,288,342)
Increase in provision	-	-	-
At 31 December 2019	<u>(102,288,342)</u>	<u>-</u>	<u>(102,288,342)</u>
<u>Net book value</u>			
At 31 December 2019	<u>330,670,830</u>	<u>135,298</u>	<u>330,806,128</u>
At 31 December 2018	<u>330,670,830</u>	<u>135,298</u>	<u>330,806,128</u>

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are disclosed below.

Name of Company	Registered office	Holding	Proportion of voting rights and shares held %	Nature of Business
Federal-Mogul (Thailand) Ltd	No. 1/89 Moo 5, Rojana Road, Khanharm, Uthai , Ayuttaya , Thailand.	Ordinary shares	100	Systems Protection
Federal-Mogul Japan KK	Nisseki Yokohama Building 18F 1-1-8 Sakuragi-cho, Nakaku Yokohama, 231-0062 Japan	Ordinary shares	100	Composites
Federal-Mogul (T&N) Hong Kong Limited	Rooms 610-611 Block 2 , 6 th Floor, Lippo Centre, 89 Queensway, Admiralty, Hong Kong	Ordinary shares	100	Holding Company
Federal-Mogul SAS	Place Paul Bert, 45141, Saint Jean de la Ruelle, France	Ordinary shares	100	Holding Company
Federal-Mogul Germany Investment Holdings GmbH	251 Stielstraße 11, 65201 Wiesbaden, Germany	Ordinary shares	100	Holding Company

FEDERAL-MOGUL UK INVESTMENTS LIMITED

NOTES FORMING PART OF THE ACCOUNTS

10. INVESTMENTS(CONTINUED)

In accordance with FRS102, the directors have compared the carrying value of investments to their value in use to the Company. The exercise undertaken at 31 December 2019 indicated that no investments were impaired and no impairment charge was made in the current year (2018: £52,500,547).

The value in use has been derived from discounted cash flow projections using nominal discount rates consistent with each applicable global industry sector, ranging from 11.25% to 13.5% (2018: 12% to 13.75%) on a pre-tax basis. A long-term growth rate ranging from 1.5% to 3.0% (2018: 2.75% to 3.5%) has been assumed for the majority of companies. The exception being those Motorparts companies operating in Asia where a growth rate of 5.25% (2018: 8.25%) is deemed to be appropriate.

11.	<u>DEBTORS: amounts falling due within one year</u>	2019 £	2018 £
	Amount owed by fellow group company	-	1,132
	Other debtors	94	125
		<u>94</u>	<u>1,257</u>
12.	<u>DEBTORS: amounts falling due after more than one year</u>	2019 £	2018 £
	Amount owed by subsidiary undertaking	<u>28,843,800</u>	<u>28,843,800</u>
13.	<u>CREDITORS: amounts falling due within one year</u>	2019 £	2018 £
	Amount owed to fellow subsidiary undertakings	<u>-</u>	<u>77,116,949</u>
14.	<u>CALLED UP SHARE CAPITAL</u>	2019 £	2018 £
	Authorised 30,000 ordinary shares of £1 each	<u>30,000</u>	<u>30,000</u>
	Issued and fully paid 20,159 ordinary shares of £1 each	<u>20,159</u>	<u>20,159</u>

There is a single class of ordinary shares. There are no restrictions on dividends nor on the repayment of capital.

FEDERAL-MOGUL UK INVESTMENTS LIMITED

NOTES FORMING PART OF THE ACCOUNTS

15. RESERVES

Called up share capital

This represents the nominal value of shares that have been issued.

Share premium

This includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium. During the year the Company undertook a reduction of capital which reduced share premium by £200,000,000 and transferred an equivalent sum into the profit and loss account.

Profit and loss account

This includes all current and prior period retained profits and losses.

16. DEFERRED TAX

Unprovided assets

	2019	2018
	£	£
Losses	598,837	598,837
Surplus ACT	6,903,026	7,147,941
Capital losses	-	258,137
	<u>7,501,863</u>	<u>8,004,915</u>

17. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS102, para 33.1A, not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned.

There are no other related party transactions.

18. POST BALANCE SHEET EVENTS

During 2020 there has been a worldwide pandemic caused by a novel coronavirus (SARS-CoV-2). As the virus was not identified at 31 December 2019, the date at which these accounts are prepared, it is a non-adjusting subsequent event.

On 26th June 2020 a dividend of £5,740,780 was received from one of the Company's subsidiary undertakings, Federal-Mogul Thailand Limited.

19. PARENT AND ULTIMATE PARENT COMPANY

The Company's immediate parent company is FDML Holdings Ltd, a company registered in England and Wales. The ultimate parent company and controlling party is Tenneco Inc registered in the USA. The group accounts of Tenneco Inc are the smallest and largest group accounts in which the Company is included. Accounts of this company may be obtained from www.tenneco.com.