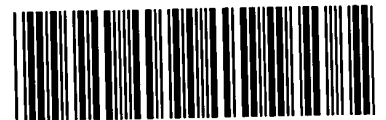


Valeo Service UK Limited

Report and Financial Statements

31 December 2016

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COMPANIES HOUSE

Company information

Directors

M Schonlank
H Myhre
P. Everitt
A Swann

Auditor

Mazars LLP
45, Church Street
Birmingham B3 2RT

Bankers

HSBC
27-32 Poultry
London EC2P 2BX

Registered Office

Unit 53 Heming Road
Washford
Redditch
Worcestershire B98 0DZ

Strategic Report

The directors present their strategic report and the financial statements for the year ended 31 December 2016.

Principal activity and review of the business

The principal activity of the company is the supply of components to the automotive aftermarket.

Turnover in the year under review was £41.2m compared with £38.6m last year, reflecting the market conditions experienced during the financial year. Gross margin was 22% compared with 31% in the previous year post the impacts of 'brexit' reflecting the unfavourable exchange rate of GBP to Euro in the latter half of the financial year.

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that the KPI's are reflected within the financial statements and a more defined analysis is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The business and its adopted strategies are subject to a number of risks. The company is a subsidiary of a French listed automotive company. The key business risks and uncertainties affecting the company are increasing competition from low cost countries and rapid consolidation in the automotive after supply market driving prices down. Continued capital investment and adoption of modern distribution techniques helps to mitigate threats from low cost countries. The worldwide group's engineering capabilities and resource are key factors in maintaining market share and meeting the widely varying component requirements of our customers.

Financial risk management

The company's operations expose it to a number of financial risks that include credit risk, liquidity risk, interest rate risk and foreign exchange risk. The group has in place a risk management policy that includes the principle of minimising finance costs from short-term borrowings via the monitoring of cash balances and working capital requirements.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the group's finance department as required.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Credit risk is managed by close attention to credit control procedures and ultimately any risk is significantly mitigated by debtor insurance.

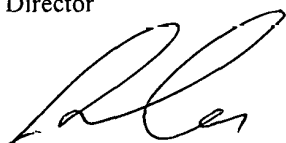
Liquidity risk

The company actively manages its working capital requirements to ensure it has sufficient funds for its operations. The company is funded by the worldwide group and by bank lenders.

Foreign exchange risk

The company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of material payments in a foreign currency where appropriate.

On behalf of the Board
A. Swann
Director



17-11-17

Directors' report

The directors present their report and financial statements for the year ended 31 December 2016.

Results

The profit for the year after taxation amounted to £1,512,000 (2015 – profit of £3,430,000).

Dividends

No dividends were paid in the year and the directors do not recommend a final dividend (2015 – £Nil).

Going concern

Against the current economic outlook the performance of the company is expected to be maintained through the remainder of 2017 and into 2018. The company is cash generative and liquidity will be strengthened over this period.

The directors have a reasonable expectation that the company has more than adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The directors who served the company during the year were as follows:

R de la Serve (resigned 19 January 2016)

M Schonlank (appointed 19 January 2016)

B Bassieux (resigned 30 October 2016)

H Myhre (appointed 30 October 2016)

P Everitt

A Swann (appointed 14 November 2017)

Directors' indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have done or omitted, by them as officers or employees of the Company.

Appropriate directors' and officers' liability insurance cover is in place in respect of all the Company's directors.

Disclosure of information to the auditor

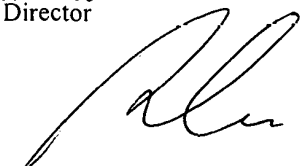
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Mazars LLP were appointed as auditor to the company during the year and a resolution to re-appoint Mazars LLP will be put to the members at the Annual General Meeting.

On behalf of the Board

A. Swann
Director



17-11-17

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report, Strategic 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 Financial Reporting Standard 101 "Reduced Disclosure Framework" (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 Statement of Comprehensive Income 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;
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

to the members of Valeo Service UK Limited

We have audited the financial statements of Valeo Service UK Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity, 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 Ethical Standards for Auditors. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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 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.

Independent auditor's report


to the members of Valeo Service UK Limited

Matters on which we are required to report by exception

In 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.

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.



Paul Lucas (Senior Statutory Auditor)
for and on behalf of Mazars LLP,
Chartered Accountants and Statutory Auditor
45 Church Street,
Birmingham,
B3 2RT

22 November 2017

Profit and loss account

for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Turnover	3	41,215	38,555
Cost of sales		(32,087)	(26,723)
Gross profit		9,128	11,832
Distribution costs	4	(2,305)	(2,279)
Administrative expenses	4	(5,297)	(5,668)
Operating profit		1,526	3,885
Interest receivable and similar income	8	8	26
Profit on ordinary activities before taxation		1,534	3,911
Tax	9	(22)	(481)
Profit for the financial year		1,512	3,430

All amounts relate to continuing activities.

Statement of other comprehensive income

for the year ended 31 December 2016

There are no recognised gains or losses other than the profit attributable to the shareholders of the company in either year.

The notes on pages 10 to 21 form part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2016

	Share Capital (£'000)	Share Premium (£'000)	Other Reserves (£'000)	Retained Earnings (£'000)	Total Equity (£'000)
At 1 January 2016	1,315	75	77	16,771	18,238
Profit for the year	-	-	-	1,512	1,512
Other Comprehensive Income	-	-	-	-	-
At 31 December 2016	<u>1,315</u>	<u>75</u>	<u>77</u>	<u>18,283</u>	<u>19,750</u>

	Share Capital (£'000)	Share Premium (£'000)	Other Reserves (£'000)	Retained Earnings (£'000)	Total Equity (£'000)
At 1 January 2015	1,315	75	77	13,341	14,808
Profit for the year	-	-	-	3,430	3,430
Other Comprehensive Income	-	-	-	-	-
At 31 December 2015	<u>1,315</u>	<u>75</u>	<u>77</u>	<u>16,771</u>	<u>18,238</u>

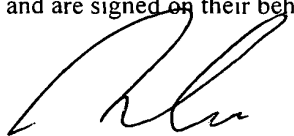
The notes on pages 10 to 21 form part of these financial statements.

Balance sheet

at 31 December 2016

	Notes	2016 £000	2015 £000
Fixed assets			
Tangible assets	10	2,217	2,284
Current assets			
Stocks	11	6,009	4,914
Debtors	12	3,078	3,204
Cash at bank and in hand		20,335	18,025
		29,422	26,143
Creditors: amounts falling due within one year	13	(11,889)	(10,179)
Net current assets		17,533	15,964
Total assets less current liabilities		19,750	18,248
Provisions	14	-	(10)
Net assets		19,750	18,238
Capital and reserves			
Called up share capital	15	1,315	1,315
Share premium account		75	75
Other reserve		77	77
Profit and loss reserve		18,283	16,771
Shareholders' funds		19,750	18,238

These financial statements were approved by the directors and authorised for issue on 17th November 2017 and are signed on their behalf by:

 17-11-17

Andrew Swann
Director

Registered number 00956685

The notes on pages 10 to 21 form part of these financial statements.

Notes to the financial statements

for the Year Ended 31 December 2016

General information

The company is a private company limited by share capital incorporated and domiciled in England.

The address of its registered office is:

Unit 53 Heming Road

Washford

Redditch

Worcestershire

B98 0DZ

England

These financial statements were authorised for issue by the Board on 17 November 2017.

The principal activities of the Company are included in the strategic report on page 2.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

Accounting policies

Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with the applicable provisions of the Companies Act 2006. Except for certain disclosure exemptions detailed below, the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (EU-adopted IFRSs) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008/410 ('Regulations').

Summary of disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101 paragraph 8:

- (i) The requirement of IFRS 7 'Financial Instruments: Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;
- (ii) The requirement of IFRS 13 'Fair Value Measurement' paragraphs 91 to 99 relating to the fair value measurement disclosures of financial assets and financial liabilities that are measured at fair value, such as available for sale investments and derivative financial instruments;
- (iii) The applicable requirements of IAS 36 'Impairment of Assets' relating to the disclosures of estimates used to measure recoverable amounts;
- (iv) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79(a)(iv)), the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73(e)) and the reconciliation of the carrying amount of intangible assets (IAS 38(118)(e));
- (v) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;

Notes to the financial statements

for the Year Ended 31 December 2016

Accounting policies (continued)

(vi) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d), 111 relating to the presentation of a Cash Flow Statement;

(vii) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective; and

(viii) The requirements of IAS 24 'Related Party Disclosures' relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the company and other wholly-owned subsidiaries of the group.

For the disclosure exemptions listed in points (i) to (iii), the equivalent disclosures are included in the consolidated financial statements of Valeo SA which the company is consolidated into.

Standards, amendments and interpretations adopted in the current financial year ended 31 December
The adoption of the following standards, amendments and interpretations in the current year have not had a material impact on the Company's financial statements.

Description	EU effective date periods beginning on or after
IAS 1 (amendment) 'Presentation of Financial Statements' - Disclosure initiative	1 January 2016
IAS 16 (amendment) 'Property, Plant and Equipment' and IAS 38 (amendment) 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 16 (amendment) 'Property, Plant and Equipment' and IAS 41 (amendment) 'Agriculture' - Agriculture: Bearer plants	1 January 2016
IAS 27 (amendment) 'Separate Financial Statements' - Equity method in separate financial statements	1 January 2016
IFRS 10 (amendment) 'Consolidated Financial Statements', IFRS 12 (amendment) 'Disclosure of Interests in Other Entities' and IAS 28 (amendment) 'Investments in Associates and Joint Ventures' - Investment entities: Applying the consolidation exception	1 January 2016
IFRS 11 (amendment) 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	1 January 2016
Annual Improvements to IFRS (2010-2012)	1 February 2015
Annual Improvements to IFRS (2012-2014)	1 January 2016

Notes to the financial statements

for the Year Ended 31 December 2016

Accounting policies (continued)

Going concern

Against the current economic outlook the performance of the company is expected to be maintained through the remainder of 2017 and into 2018. The company is cash generative, and liquidity will be strengthened over this period.

The directors have a reasonable expectation that the company has more than adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Stock

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. In general, cost is determined on a weighted average cost basis. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Where necessary, provision is made for obsolete, slow moving, and defective stocks.

Intangible fixed assets

Intangible assets are initially measured at cost or acquisition fair value. After initial recognition, intangible assets are recognised at cost less any accumulated amortisation and any accumulated impairment losses. The depreciable amount of an intangible asset with a limited useful life is allocated on a systematic basis over its useful life. Amortisation begins when the asset is available for use.

The amortisation period and the amortisation method for intangible assets with a limited useful life is reviewed at least each financial year-end. If the expected useful life of the asset is different from the previous estimates, the amortisation period is changed accordingly. At the year-end, the estimated useful lives of other intangible assets were as follows:

Computer software	–	3 years
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Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Land and buildings are recognised initially at cost, and are not revalued.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The estimated useful lives are as follows:

Freehold land	–	Not depreciated
Freehold buildings	–	20 years
Plant and machinery	–	8 years
Computer equipment	–	3 to 5 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed regularly and where adjustments are required these are made prospectively.

Notes to the financial statements

for the Year Ended 31 December 2016

Accounting policies (continued)

Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described earlier in this note, the Directors are required to make judgements, estimates and assumptions. The directors consider there are no key assumptions concerning uncertainty at the year end date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Stock provision

Management judgement is required to assess the most appropriate basis for the stock provision. The company's policy is based on average stock turnover and has been applied for the years ending 31 December 2015 and 31 December 2016.

Significant accounting policies

Foreign currencies

The company's financial statements are presented in sterling, which is also the company's functional currency. Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Exchange gains or losses are included in the profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. Impairment losses on continuing operations are recognised in the income statement.

Financial Instruments - Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss or as loans and receivables. The company determines the classification of its financial assets at initial recognition.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Losses arising from impairment are recognised in the income statement in other operating expenses.

Notes to the financial statements

for the Year Ended 31 December 2016

Accounting policies (continued)

Trade debtors

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash

Cash and short term deposits in the balance sheet comprise cash at banks and in hand.

Financial Instruments - Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings.

Interest bearing loans

Obligations for loans and borrowings are recognised when the company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost.

Derivatives

The company uses derivative financial instruments in the form of forward currency contracts to hedge its risks associated with foreign currency. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The company will change the derivative financial instruments and apply hedge accounting in 2017. The derivative contract price is set at the conception of the deal. Re-measured subsequently each month at the foreign exchange rate.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Operating leases

Rentals under operating leases are charged to the profit and loss account as incurred over the lease term.

Notes to the financial statements

for the Year Ended 31 December 2016

Accounting policies (continued)

Pensions

The company participates in the Valeo UK Pension Plan which is a defined benefit plan. The assets are held separately from those of the company in separate trustee administered funds. The company financial statements accounts for the plan as a defined contribution pension plan on the basis that it is run in a way that does not allow individual participating companies within the group to readily identify their shares of the underlying assets and liabilities of the plan on a consistent and reasonable basis. In accordance with the provisions of IAS 19, the cost is charged to the profit and loss account as contributions become payable.

The company participates in an additional defined contribution pension scheme which is available to senior employees. This is known as the Valeo UK Executive Pension Scheme. The assets of the schemes are held separately from the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund during the year.

1. Turnover

The company has only one class of business. Turnover analysed by geographical destination is as follows:

	2016 £000	2015 £000
United Kingdom	38,554	35,969
Rest of Europe	2,661	2,586
	<u>41,215</u>	<u>38,555</u>

2. Net operating expenses

	2016 £000	2015 £000
Distribution costs	2,305	2,279
Administrative expenses	5,297	5,668
	<u>7,602</u>	<u>7,947</u>

3. Operating profit

This is stated after charging:

	2016 £000	2015 £000
Auditors' remuneration – audit	20	19
Net foreign currency exchange differences	245	(89)
Depreciation of owned fixed assets	303	335
Cost of stocks recognised as an expense (included in cost of sales)	30,305	25,386
Operating lease rentals – plant and machinery	26	35
– other	108	102
	<u>31,007</u>	<u>26,078</u>

Notes to the financial statements

for the Year Ended 31 December 2016

4. Directors' remuneration

	2016 £000	2015 £000
Remuneration	132	139
Company contributions paid to defined contribution pension schemes	18	11

The aggregate remuneration relates to one director only.

Retirement benefits are accruing to one (2015 – one) director under a defined benefit scheme in respect of qualifying services. Details of this scheme are contained in the financial statements of Valeo UK Limited, the company's immediate parent undertaking. Retirement benefits are accruing to one director under money purchase schemes (2015 – one)

During the year none of the directors exercised options over shares in Valeo S.A (2015 – none).

The other directors are directors of other group companies or play a role in group management. Their roles within the company are deemed to be incidental to their role as group directors and therefore the company bears no cost in relation to the directors for the years ended 31 December 2016 or 2015.

5. Staff costs

	2016 £000	2015 £000
Wages and salaries	2,616	2,687
Social security costs	283	278
Other pension costs (note 16)	194	190
	3,093	3,155

The average monthly number of employees during the year was made up as follows:

	No.	No.
Sales	30	29
Warehouse	31	30
Administration	13	13
	74	72

6. Interest receivable and similar income

	2016 £000	2015 £000
On bank deposits and balances	8	26

Notes to the financial statements

for the Year Ended 31 December 2016

7. Tax

(a) Tax charge/(credit) in the income statement

The tax charge is made up as follows:

	2016 £000	2015 £000
Current tax:		
UK corporation tax on profit for the year	78	527
Adjustments in respect of previous years	14	57
Total current tax	<u>92</u>	<u>584</u>
Deferred tax:		
Origination and reversal of timing differences	(55)	(39)
Adjustments in respect of previous years	(24)	(63)
Impact of change in tax laws and rates	9	(1)
Total deferred tax	<u>(70)</u>	<u>(103)</u>
Tax expense in the income statement	<u>22</u>	<u>481</u>

(b) Reconciliation of the total tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20.00% (2015 – 20.25%). The differences are reconciled below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	<u>1,534</u>	<u>3,910</u>
Tax calculated at UK standard rate of corporation tax of 20.00% (2015 – 20.25%)	307	792
<i>Effects of:</i>		
Expenses not deductible for tax purposes	16	14
Adjustments in respect of previous years	(10)	(6)
Tax rate changes	9	(1)
Share Options	(2)	-
Adjustments in respect of imputed pension recharge *	(298)	(318)
Total tax for the year	<u>22</u>	<u>481</u>

* No relief has been taken in respect of pension contributions paid in respect of the Valeo UK Limited pension scheme and relief is being taken for these contributions in this, and another group company, instead. A total transfer pricing estimated adjustment has been imputed of £1,487,553, based on the pension contribution in Valeo (UK) Limited.

Notes to the financial statements

for the Year Ended 31 December 2016

7. Tax (continued)

(c) Deferred tax

The company has recognised a net deferred tax asset of £60,000 based on capital allowances claimed in excess of depreciation. The deferred tax recognised at 31 December 2015 was a £10,000 liability.

The split of deferred tax is analysed as follows:

	<i>Recognised 2016 £000</i>	<i>Recognised 2015 £000</i>
Excess of capital allowances over depreciation	(88)	38
Non-qualifying assets	28	(48)
Deferred tax (liability)/asset	<u>60</u>	<u>(10)</u>

Following the finalisation of group relief calculations, the company disclaimed capital allowances of £24,000 (included as an adjustment related to prior year, resulting in a change in the capital allowances position).

(d) Factors that may affect future tax charge

Changes to the UK tax rates were enacted as part of Finance Bill 2015 on 18 November 2015. These included reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. A subsequent change to reduce the UK corporation tax rate to 17% from 1 April 2020 was included within Finance Bill 2016 which was enacted on 6 September 2016

Notes to the financial statements

for the Year Ended 31 December 2016

8. Tangible fixed assets

	<i>Freehold land and buildings</i>	<i>Plant and machinery</i>	<i>Computer equipment</i>	<i>Computer software</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost					
At 1 January 2016	4,881	868	207	947	6,903
Additions	30	8	198	-	236
Disposals	-	-	-	-	-
At 31 December 2016	4,911	876	405	947	7,139
Accumulated Depreciation					
At 1 January 2016	2,945	706	147	821	4,619
Charge for the year	197	50	42	14	303
Disposals	-	-	-	-	-
At 31 December 2016	3,142	756	189	835	4,922
Net book amount					
At 31 December 2016	1,769	120	216	112	2,217
At 1 January 2016	1,936	162	60	126	2,284

Included within fixed assets is freehold land totalling £1,014,000 (2015: £1,014,000) which is not depreciated.

9. Stocks

	<i>2016</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>
Finished goods held for resale	6,009	4,914

10. Debtors

	<i>2016</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>
Amounts falling due within one year:		
Trade debtors	2,223	2,493
Amounts owed by group undertakings	626	570
Deferred tax asset (note (9(c)))	60	-
Fair value of derivatives	46	-
Prepayments and accrued income	123	141
	<u>3,078</u>	<u>3,204</u>

Amounts owed by and to group undertakings are unsecured and repayable on demand. No interest is charged on these amounts. As at 31 December 2016, trade receivables with an initial carrying value of £72,000 (2015: £172,000) were impaired and fully provided for.

Notes to the financial statements

for the Year Ended 31 December 2016

11. Creditors: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	775	1,063
Amounts owed to group undertakings	7,616	5,332
Group relief owed to group undertakings	1,252	1,160
Other taxation and social security costs	1,343	1,189
Fair value of derivatives	-	75
Accruals and deferred income	903	1,360
	<u>11,889</u>	<u>10,179</u>

Amounts owed to group undertakings are repayable on demand. Trade creditors are non-interest bearing and usually payable between 30 and 90 days.

Fair value of derivatives represent that movement in exchange rates on future forward foreign exchange contracts.

12. Provisions

	2016 £000	2015 £000
Deferred tax liability (note (9(c)))	<u>-</u>	<u>10</u>

13. Issued share capital

	No.	2016 £000	No.	2015 £000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	1,315,072	<u>1,315</u>	1,315,072	<u>1,315</u>

14. Pensions

The company participates in the Valeo UK Pension Plan (the 'Plan'). The Plan includes a funded defined benefit section and two defined contribution sections – one for new employees and an Executive section for some senior employees. The contributions paid to the defined benefit section of the Plan are determined by the Plan Trustees and participating employer at each valuation. The contributions paid into the two defined contribution sections are set out in the Plan's Trust Deed and Rules.

The defined benefit section is valued every three years by a professionally qualified independent actuary employed by Mercer's and contributions rates are set based on the advice of that actuary. The latest formal actuarial valuation of the defined benefit section was carried out as at 5 April 2015 using the projected unit method. Details of the latest actuarial valuation are contained in the financial statements of Valeo (UK) Limited. At 31 December 2016 under the IAS19 accounting principles, the net liability in respect of the defined benefit section of the Plan, disclosed in the financial statements of Valeo (UK) Limited was £26.2m (2015 – £11.0m).

Notes to the financial statements

for the Year Ended 31 December 2016

16. Pensions (continued)

The company is required to provide disclosure under IAS19 'Retirement Benefits'. The company's employees and former employees form only part of the multi-employer Plan (Valeo Management Services UK Limited, Valeo Engine Cooling Limited being the other employers). Due to a number of changes to the Valeo Group over the years through various restructuring exercises, acquisitions and disposals, the allocation of the share of the underlying assets and liabilities in the defined benefit section of the Plan relating to individual subsidiaries would be extremely complex and not possible to complete on a consistent and reasonable basis. As a result the company has accounted for the plan as a defined contribution pension plan in accordance with the provisions of IAS19.

The total pension cost charged to the profit and loss account for the defined benefit section at 31 December 2016 was £104,000 (2015 – £106,000). There were no contributions outstanding at the balance sheet date of 31 December 2016 (2015 – £nil).

The company also participates in the two defined contribution sections of the Plan. The assets of both these section are held separately from the company in an independently administered fund. The total pension cost charged to the profit and loss account at 31 December 2016 for the defined contribution section was £80,000 (2015 – £74,000) including £10,000 in respect of the Executive section (2015 – £10,000).

17. Other financial commitments

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as set out below:

	2016	2015
	£000	£000
Operating leases which expire:		
Within one year	35	138
In two to five years	177	116
	<u>212</u>	<u>254</u>

18. Contingent liabilities

There were contingent liabilities at the year-end under letters of indemnity given by the company's bank of £80,000 (2015 – £80,000) in favour of HM Revenue and Customs for duty deferment.

19. Ultimate parent undertaking and controlling party

The directors regard the immediate parent undertaking as Valeo (U.K.) Limited, a company registered in England. The directors regard Valeo SA, a company incorporated in France, as the ultimate parent undertaking and controlling party and parent of the smallest and largest groups to consolidate these financial statements. Copies of the group financial statements of Valeo SA may be obtained from 43 Rue Bayen, 75017 Paris, France.