

REGISTERED NUMBER: 01067795 (England and Wales)

Strategic Report, Report of the Directors and

Financial Statements

for the Year Ended 31 December 2015

for

AVL United Kingdom Ltd



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for the year ended 31 December 2015**

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AVL United Kingdom Ltd

**Company Information
for the year ended 31 December 2015**

DIRECTORS:

H O List
A Ciriello

SECRETARY:

S M Sweeney

REGISTERED OFFICE:

Avon House
Hartlebury Trading Estate
Hartlebury
Worcestershire
DY10 4JB

REGISTERED NUMBER:

01067795 (England and Wales)

SENIOR STATUTORY AUDITOR: Darren Walley FCCA

AUDITORS:

Banks Sheridan
Datum House
Electra Way
Crewe
Cheshire
CW1 6ZF

BANKERS:

NatWest
Northwich Branch
The Bull Ring
Northwich
Cheshire
CW9 5BN

**Strategic Report
for the year ended 31 December 2015**

The directors present their strategic report for the year ended 31 December 2015.

REVIEW OF BUSINESS

The principle activities of the company in the year under review were those of design, supply, commissioning and service support of engine test facilities using AVL specialist instrumentation.

There have been no significant changes in the company's activities during the year.

The company has been working on a number of significant projects for its larger customers and continues to develop its links within the UK automotive industry. A number of these projects are of strategic importance to the AVL group as a whole.

The key financial performance indicators during the year and at year end are as follows:

	31 December 2015	31 December 2014
Revenue	41.75m	34.30m
Gross Profit Margin	14.4%	10.3%
Operating Profit / Revenue	4.36%	2.10%

Revenue has increased to £41.75m, a 21.7% increase over the previous year. This is mainly due to an increase in project income.

The gross profit margin has increased to 14.4% (2014 : 10.3%). In 2014 the gross profit margin was depressed by certain lower margin projects.

In order to support the growth of the business the average staff headcount has increased to 93 (2014 : 77). This has resulted in an increase in staff costs of 22.5%.

PRINCIPAL RISKS AND UNCERTAINTIES

The company has a healthy order book and is in a strong financial position going into 2016. The company is currently discussing with customers their plans for 2016 and beyond.

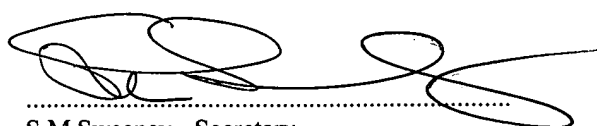
The automotive industry's commitment to undertake Research and Development work is viewed as a key risk to the company. The company is addressing this risk by working closer with its customers on implementing the latest technological and engineering innovations. AVL United Kingdom Limited has an excellent relationship with its key customers and is continually looking to implement value added services.

The company only trades with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis to ensure the company's exposure to bad debts is not significant.

In order to minimise the company's exposure to the volatility in exchange rate fluctuations, the management of the ultimate holding company regularly enter into forward exchange contracts on behalf of AVL United Kingdom Limited.

Retention of key staff is seen as a risk to the business. The company continues to invest in and develop its team, and has a strategy of only recruiting the highest calibre of staff.

ON BEHALF OF THE BOARD:


.....
S M Sweeney - Secretary

Date: 6/5/16

**Report of the Directors
for the year ended 31 December 2015**

The directors present their report with the financial statements of the company for the year ended 31 December 2015.

CHANGE IN FINANCIAL REPORTING FRAMEWORK

This is the first set of financial statements prepared by AVL United Kingdom Ltd in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"). The company transitioned from extant Irish and UK GAAP to FRS 102 as at 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 23 to the Financial Statements.

DIVIDENDS

The total distribution of dividends for the year ended 31 December 2015 will be £1,500,000.

FUTURE DEVELOPMENTS

The directors are not expecting to make any significant changes to the nature of the business in the near future.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2015 to the date of this report.

H O List
A Ciriello

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 judgements and accounting estimates that are reasonable and prudent;
- 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

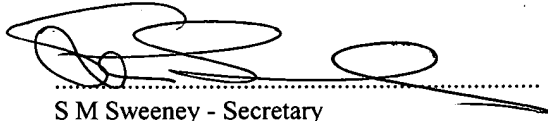
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Report of the Directors
for the year ended 31 December 2015**

AUDITORS

The auditors, Banks Sheridan, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



S M Sweeney - Secretary

Date: 6/3/16

**Report of the Independent Auditors to the Members of
AVL United Kingdom Ltd**

We have audited the financial statements of AVL United Kingdom Ltd for the year ended 31 December 2015 on pages six to twenty six. 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, 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.

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. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2015 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 Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.



Darren Walley FCCA (Senior Statutory Auditor)
for and on behalf of Banks Sheridan
Datum House
Electra Way
Crewe
Cheshire
CW1 6ZF

Date: 13 May 2016

**Income Statement
for the year ended 31 December 2015**

	Notes	2015 £	2014 £
TURNOVER	2	41,754,946	34,304,842
Cost of sales		35,749,638	30,770,819
GROSS PROFIT		6,005,308	3,534,023
Administrative expenses		4,320,516	3,100,306
		1,684,792	433,717
Other operating income	3	137,251	289,798
OPERATING PROFIT	5	1,822,043	723,515
Interest receivable and similar income	6	151,696	50,441
		1,973,739	773,956
Interest payable and similar charges	7	-	11,688
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,973,739	762,268
Tax on profit on ordinary activities	8	430,313	170,480
PROFIT FOR THE FINANCIAL YEAR		1,543,426	591,788

The notes form part of these financial statements

**Other Comprehensive Income
for the year ended 31 December 2015**

Notes	2015 £	2014 £
PROFIT FOR THE YEAR	1,543,426	591,788
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>1,543,426</u>	<u>591,788</u>

Statement of Financial Position
31 December 2015

	Notes	2015 £	2014 £
FIXED ASSETS			
Intangible assets	10	13,700	62,389
Tangible assets	11	99,817	190,641
		<u>113,517</u>	<u>253,030</u>
CURRENT ASSETS			
Stocks	12	461,383	323,041
Debtors: amounts falling due within one year	13	23,437,692	24,991,078
Debtors: amounts falling due after more than one year	13	181,405	305,890
Cash at bank and in hand		509,000	509,136
		<u>24,589,480</u>	<u>26,129,145</u>
CREDITORS			
Amounts falling due within one year	14	19,246,437	21,283,803
NET CURRENT ASSETS		<u>5,343,043</u>	<u>4,845,342</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,456,560</u>	<u>5,098,372</u>
PROVISIONS FOR LIABILITIES	17	1,161,808	847,046
NET ASSETS		<u><u>4,294,752</u></u>	<u><u>4,251,326</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	4,180,000	6,680,000
Share premium	19	11,248	11,248
Retained earnings	19	103,504	(2,439,922)
SHAREHOLDERS' FUNDS	22	<u><u>4,294,752</u></u>	<u><u>4,251,326</u></u>

The financial statements were approved by the Board of Directors on 6th May 16 and were signed on its behalf by:



A Ciriello - Director

**Statement of Changes in Equity
for the year ended 31 December 2015**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 January 2014	6,680,000	(3,031,710)	11,248	3,659,538
Changes in equity				
Total comprehensive income	-	591,788	-	591,788
Balance at 31 December 2014	<u>6,680,000</u>	<u>(2,439,922)</u>	<u>11,248</u>	<u>4,251,326</u>
Changes in equity				
Issue of share capital	(2,500,000)	-	-	(2,500,000)
Dividends	-	(1,500,000)	-	(1,500,000)
Total comprehensive income	-	1,543,426	-	1,543,426
Share capital released	-	2,500,000	-	2,500,000
Balance at 31 December 2015	<u><u>4,180,000</u></u>	<u><u>103,504</u></u>	<u><u>11,248</u></u>	<u><u>4,294,752</u></u>

Statement of Cash Flows
for the year ended 31 December 2015

	Notes	2015 £	2014 £
Cash flows from operating activities			
Cash generated from operations	1	(3,774,609)	802,281
Interest paid		-	(11,688)
Tax paid		(145,829)	(244)
Net cash from operating activities		<u>(3,920,438)</u>	<u>790,349</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(9,119)	(4,963)
Purchase of tangible fixed assets		(31,428)	(115,022)
Sale of tangible fixed assets		-	3,500
Interest received		123,923	50,441
Net cash from investing activities		<u>83,376</u>	<u>(66,044)</u>
Cash flows from financing activities			
Amounts due from group companies		5,336,926	(576,988)
Equity dividends paid		(1,500,000)	-
Net cash from financing activities		<u>3,836,926</u>	<u>(576,988)</u>
(Decrease)/increase in cash and cash equivalents		<u>(136)</u>	<u>147,317</u>
Cash and cash equivalents at beginning of year	2	509,136	361,819
Cash and cash equivalents at end of year	2	<u><u>509,000</u></u>	<u><u>509,136</u></u>

The notes form part of these financial statements

Notes to the Statement of Cash Flows
for the year ended 31 December 2015

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2015	2014
	£	£
Profit before taxation	1,973,739	762,268
Depreciation charges	130,439	146,659
Loss/(profit) on disposal of fixed assets	49,621	(2,667)
Change in payments on account	(125,156)	5,138,902
Increase in provisions	314,762	424,329
Finance costs	-	11,688
Finance income	(151,696)	(50,441)
	<u>2,191,709</u>	<u>6,430,738</u>
(Increase)/decrease in stocks	(138,342)	115,455
Increase in trade and other debtors	(4,640,116)	(6,117,643)
(Decrease)/increase in trade and other creditors	(1,187,860)	373,731
	<u>(3,774,609)</u>	<u>802,281</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2015

	31.12.15	1.1.15
	£	£
Cash and cash equivalents	<u>509,000</u>	<u>509,136</u>

Year ended 31 December 2014

	31.12.14	1.1.14
	£	£
Cash and cash equivalents	<u>509,136</u>	<u>361,819</u>

**Notes to the Financial Statements
for the year ended 31 December 2015**

1. ACCOUNTING POLICIES

General information

AVL United Kingdom Limited ('The Company') is part of a group headed up by an Austrian parent company. The company is primarily engaged in the design, supply, commissioning and service support of engine test facilities using AVL specialist instrumentation.

The company is a private company limited by shares and is incorporated in England. The address of the registered office is Avon House, Hartlebury Trading Estate, Hartlebury, Worcestershire, DY10 4JB.

Statement of compliance

The financial statements of AVL United Kingdom Ltd have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. Details of the transition to FRS 102 are disclosed in note 23.

Basis of preparation

The financial statements are prepared on the going concern basis under the historical cost convention and comply with the Financial Reporting Standards of The Financial Reporting Council and Companies Act 2006.

Going concern

After reviewing the company's order book and forecasts, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue comprises the fair value of consideration received and receivable exclusive of value added tax and after discounts and rebates.

Revenue from the sale of standard products is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer. This is usually at the point the customer has signed for the delivery of the goods.

Revenue from the provision of project services is recognised by reference to the stage of completion of a project. The stage of completion of a project is measured by comparing the costs incurred to date to the total estimated project costs. Revenue is only recognised to the extent of recoverable expenses when the outcome of a project cannot be estimated reliably. When it is probable that project costs will exceed the total project revenue the expected loss is recognised as an expense immediately with a corresponding provision.

Revenue from the provision of service contracts is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred to date to the total estimated contract costs. Revenue is only recognised to the extent of recoverable expenses when the outcome of a contract cannot be estimated reliably. When it is probable that project costs will exceed the total contract revenue the expected loss is recognised as an expense immediately with a corresponding provision.

Notes to the Financial Statements - continued
for the year ended 31 December 2015

1. ACCOUNTING POLICIES - continued

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided at the following annual rates so as to write off their cost less residual amounts over their estimated useful economic lives. Assets not carried at fair value are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Plant and machinery	- at varying rates on cost
Office and computer equipment	- at varying rates on cost
Motor vehicles	- 25% on cost

The assets residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives as follows:

Computer software	- 33% on cost
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Amortisation is charged to administrative expenses in the Income Statement.

Stocks

Stocks are stated at the lower of cost and selling price less costs to complete and sell. Cost includes all costs of purchase and also other costs incurred in bringing stock to its present location and condition. Cost is calculated using the first-in, first-out basis.

Provision is made for damaged, obsolete and slow-moving stock where appropriate.

Tax

Current tax represents the amount of tax payable or receivable in respect of the taxable profit (or loss) for the current or past reporting periods. It is measured at the amount expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences.

**Notes to the Financial Statements - continued
for the year ended 31 December 2015**

1. ACCOUNTING POLICIES - continued

Foreign currencies

The financial statements are prepared in pound sterling which is the financial currency of the company.

Foreign currency transactions are initially recorded by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency at the balance sheet are translated using the closing rate. Foreign currency gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments paid under operating leases are charged to the profit and loss on a straight line basis over the period of the lease.

Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined contribution pension plan.

(i) Short term benefits

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

(ii) Defined contribution pension plans

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

Trade and other receivables within one year

Trade and other receivables including amounts owing from group companies, with no stated interest rate are recorded at transaction price.

Trade and other creditors

Trade and other creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand and other short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash.

**Notes to the Financial Statements - continued
for the year ended 31 December 2015**

1. ACCOUNTING POLICIES - continued

Impairment of assets

Assets not measured at fair value are reviewed for any indications that the asset maybe impaired at each balance sheet date. If such indications exists the recoverable amount of the asset or the assets cash generating unit is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in the Income Statement unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

Any losses arising from impairment are recognised in the Income Statement in other administrative expenses.

Financial instruments

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

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price and are subsequently carried at amortised cost, using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

(ii) Financial liabilities

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

Dilapidation costs

A provision is made to cover the expected costs of making good property dilapidations on leasehold properties where such work is required by the terms of the lease agreement.

Provisions for liabilities

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Notes to the Financial Statements - continued
for the year ended 31 December 2015

1. ACCOUNTING POLICIES - continued

Key accounting judgements and estimates

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

(i) Costs to completion on projects and service contracts

Expected future costs to completion and contingency provisions are calculated on a project by project basis based on the current status of the project and the latest available project appraisals.

(ii) Warranty provision

A provision is included to cover the labour and third party costs element of any warranty work outstanding at the end of the reporting period. This provision requires management's best estimate of the likely costs to be incurred. Such estimates are established using historical information on the average cost of warranty claims as a percentage of turnover.

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	2015 £	2014 £
Projects	29,752,477	24,016,617
Standard products	7,004,041	6,375,117
Service	4,998,428	3,913,108
	<u>41,754,946</u>	<u>34,304,842</u>

During the year the company made sales to overseas companies of £682,080 (2014 - £620,136).

3. OTHER OPERATING INCOME

	2015 £	2014 £
Management charges received from group companies	137,251	125,829
Other income	-	163,969
	<u>137,251</u>	<u>289,798</u>

4. STAFF COSTS

	2015 £	2014 £
Wages and salaries	4,575,954	3,784,096
Social security costs	543,609	451,990
Other pension costs	234,225	134,241
	<u>5,353,788</u>	<u>4,370,327</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2015

4. **STAFF COSTS - continued**

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

	2015	2014
Management	10	9
Projects	22	19
Service and maintenance	33	26
Sales and administration	28	23
	<u>93</u>	<u>77</u>

The company operates a defined contribution pension scheme for the benefit of employees and directors. The assets of the scheme are administered by an independent pensions provider. Pension payments are recognised as an expense during the year and amount to £234,225 (2014: £134,241.)

5. **OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2015 £	2014 £
Other operating leases	157,358	135,638
Depreciation - owned assets	72,631	70,774
Loss/(profit) on disposal of fixed assets	49,621	(2,667)
Computer software amortisation	57,808	75,885
Auditors' remuneration	24,000	22,195
Foreign exchange differences	252,518	371,444
Motor vehicle leasing	189,689	166,125
Fees payable to the company's auditor for other services	7,010	6,855
	<u>295,122</u>	<u>259,207</u>
Directors' remuneration	29,304	28,177
Directors' pension contributions to money purchase schemes		

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>1</u>	<u>1</u>
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Information regarding the highest paid director is as follows:

	2015 £	2014 £
Emoluments etc	295,122	259,207
Pension contributions to money purchase schemes	29,304	28,177

6. **INTEREST RECEIVABLE AND SIMILAR INCOME**

	2015 £	2014 £
Deposit account interest	2,786	2,681
Interest receivable from group companies	148,910	47,760
	<u>151,696</u>	<u>50,441</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2015

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £	2014 £
Interest payable to group companies	-	11,688
	<u>-</u>	<u>11,688</u>

8. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2015 £	2014 £
Current tax:		
UK corporation tax	297,499	-
Adjustment relating to prior years	8,329	244
Total current tax	<u>305,828</u>	<u>244</u>
Deferred tax	<u>124,485</u>	<u>170,236</u>
Tax on profit on ordinary activities	<u>430,313</u>	<u>170,480</u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	<u>1,973,739</u>	<u>762,268</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.250% (2014 - 21%)	399,682	160,076
Effects of:		
Expenses not deductible for tax purposes	31,680	2,501
Adjustments to tax charge in respect of previous periods	8,329	244
Enhanced research and development claim	-	(2,197)
Effect of changes of tax rate on deferred tax opening position	(2,478)	9,856
Utilisation of previously unrecognised tax losses	(6,900)	-
Total tax charge	<u>430,313</u>	<u>170,480</u>

9. DIVIDENDS

	2015 £	2014 £
Interim	<u>1,500,000</u>	<u>-</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2015

10. INTANGIBLE FIXED ASSETS

	Computer software £
COST	
At 1 January 2015	680,840
Additions	9,119
At 31 December 2015	689,959
AMORTISATION	
At 1 January 2015	618,451
Amortisation for year	57,808
At 31 December 2015	676,259
NET BOOK VALUE	
At 31 December 2015	13,700
At 31 December 2014	62,389

11. TANGIBLE FIXED ASSETS

	Plant and machinery £	Office and computer equipment £	Motor vehicles £	Assets in the course of construction £	Totals £
COST					
At 1 January 2015	879,439	337,654	26,266	49,621	1,292,980
Additions	15,093	16,335	-	-	31,428
Disposals	-	-	-	(49,621)	(49,621)
At 31 December 2015	894,532	353,989	26,266	-	1,274,787
DEPRECIATION					
At 1 January 2015	797,354	297,689	7,296	-	1,102,339
Charge for year	43,804	22,763	6,064	-	72,631
At 31 December 2015	841,158	320,452	13,360	-	1,174,970
NET BOOK VALUE					
At 31 December 2015	53,374	33,537	12,906	-	99,817
At 31 December 2014	82,085	39,965	18,970	49,621	190,641

Notes to the Financial Statements - continued
for the year ended 31 December 2015

12. STOCKS

	2015 £	2014 £
Stocks	127,346	165,099
Project work-in-progress	334,037	157,942
	<u>461,383</u>	<u>323,041</u>

The replacement value of stocks excluding work-in-progress is in the region of £406,000 (2014 : £385,000).

Stocks are stated after impairment of £278,806 (2014: £220,401).

Stock recognised in cost of sales during the year as an expense was £2,567,442 (2014: £1,926,085).

13. DEBTORS

	2015 £	2014 £
Amounts falling due within one year:		
Trade debtors	19,701,997	16,779,801
Amounts recoverable on projects	2,137,743	520,200
Other debtors	29,118	10,831
Amounts due from group companies	171,359	617,088
AVL List GmbH loan	1,135,145	6,882,918
Amounts due from holding company	1,000	1,000
Prepayments and accrued income	261,330	179,240
	<u>23,437,692</u>	<u>24,991,078</u>
Amounts falling due after more than one year:		
Deferred tax asset	<u>181,405</u>	<u>305,890</u>
Aggregate amounts	<u>23,619,097</u>	<u>25,296,968</u>

Trade debtors are stated after provision for impairment of £nil (2014 : £nil)

The AVL List GmbH loan is unsecured and has no fixed date of repayment and is repayable on demand. Interest has been charged at a rate of 1% above 3 month LIBOR rate.

The deferred tax asset due after more than one year consists of the tax effect of the following timing differences in respect of:

	2015 £	2014 £
Losses available to offset against future trading profits	-	98,844
Excess of tax allowances over depreciation on fixed assets	181,405	207,046
	<u>181,405</u>	<u>305,890</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2015

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£	£
Trade creditors	693,435	745,470
Tax	159,999	-
Social security and other taxes	189,980	190,311
VAT	2,290,001	3,051,900
Other payables	-	37,260
Amounts due to group companies	2,659,051	3,515,627
Payments on account	12,872,521	12,997,677
Accruals	381,450	745,558
	<u>19,246,437</u>	<u>21,283,803</u>

Amounts owed to group companies are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2015	2014
	£	£
Within one year	24,880	47,850
Between one and five years	171,061	288,236
	<u>195,941</u>	<u>336,086</u>

16. FINANCIAL INSTRUMENTS

The carrying amounts of the company's financial instruments are as follows;

	2015	2014
	£	£
Financial assets that are debt instruments measured at amortised cost	21,518,501	24,789,943
Financial liabilities measured at amortised cost	(16,225,007)	(17,258,774)

17. PROVISIONS FOR LIABILITIES

	2015	2014
	£	£
Other provisions		
Warranty provision	666,000	542,000
Provision for foreseeable losses	325,901	137,780
Provision for dilapidations	123,333	118,500
Provision for leave pay	46,574	48,766
	<u>1,161,808</u>	<u>847,046</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2015

17. PROVISIONS FOR LIABILITIES - continued

	Other provisions £
Balance at 1 January 2015	847,046
Utilised in the year	(348,419)
New provision in the year	663,181
Balance at 31 December 2015	<u>1,161,808</u>

The warranty and foreseeable loss provisions are made in accordance with the company's accounting policies disclosed in note 1. The majority of the warranty provision and all the loss provision is expected to be utilised in the next financial year.

A provision of £123,333 (2014: £118,500) has been recognised for the future cost of making good dilapidations. This expenditure is expected to be incurred when the leases expire in 2020.

The leave pay provision of £46,574 represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value: £1	2015 £	2014 £
4,180,000	Ordinary		4,180,000	6,680,000
(2014 - 6,680,000)			<u> </u>	<u> </u>

Ordinary shares are classified as equity.

On 29 December 2015 the company reduced its ordinary share capital by £2,500,000 to £4,180,000 by way of a release to retained earnings. The directors of the company signed the statement of solvency required by the Companies Act 2006 in respect of this transaction.

19. RESERVES

	Retained earnings £	Share premium £	Totals £
At 1 January 2015	(2,439,922)	11,248	(2,428,674)
Profit for the year	1,543,426		1,543,426
Dividends	(1,500,000)		(1,500,000)
Share capital released	2,500,000	-	2,500,000
At 31 December 2015	<u>103,504</u>	<u>11,248</u>	<u>114,752</u>

Retained earnings represent cumulative profits and losses net of dividends and other adjustments.

The share premium account represents the premium arising on the issue of shares, net of income costs.

Dividends and other distributions to the company's shareholders are recognised as liabilities in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statements of changes in equity.

Notes to the Financial Statements - continued
for the year ended 31 December 2015

20. **ULTIMATE PARENT COMPANY**

The share capital is owned by AVL UK Holdings Limited, a company registered in England and Wales. The ultimate holding company is AVL List Capital and Consulting GmbH, a company registered in Austria.

21. **RELATED PARTY DISCLOSURES**

No related party disclosures are given in respect of transactions with group companies as the company is included in the consolidated accounts of AVL List Capital and Consulting GmbH. There are no related parties other than group companies.

22. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2015	2014
	£	£
Profit for the financial year	1,543,426	591,788
Dividends	(1,500,000)	-
Net addition to shareholders' funds	43,426	591,788
Opening shareholders' funds	4,251,326	3,659,538
Closing shareholders' funds	4,294,752	4,251,326

23. **TRANSITION TO FRS 102**

The company has adopted FRS 102 for the year ended 31 December 2015 and has restated the comparative prior year amounts.

Computer software with a net book value of £133,311 as at 1 January 2014 has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the company's net assets nor on the profit for the year, except that the previous depreciation is now described as amortisation.

FRS 102 requires short term employee benefits to be charged to the Income Statement as the employee service is received.

Reconciliation of Equity
1 January 2014
(Date of Transition to FRS 102)

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
FIXED ASSETS				
Intangible assets	23	-	133,311	133,311
Tangible assets		280,537	(133,311)	147,226
		<u>280,537</u>	<u>-</u>	<u>280,537</u>
CURRENT ASSETS				
Stocks		438,496	-	438,496
Debtors		15,344,004	-	15,344,004
Cash at bank and in hand		361,819	-	361,819
		<u>16,144,319</u>	<u>-</u>	<u>16,144,319</u>
CREDITORS				
Amounts falling due within one year		(12,342,601)	-	(12,342,601)
NET CURRENT ASSETS		<u>3,801,718</u>	<u>-</u>	<u>3,801,718</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,082,255	-	4,082,255
PROVISIONS FOR LIABILITIES		<u>(422,717)</u>	<u>-</u>	<u>(422,717)</u>
NET ASSETS		<u>3,659,538</u>	<u>-</u>	<u>3,659,538</u>
CAPITAL AND RESERVES				
Called up share capital		6,680,000	-	6,680,000
Share premium		11,248	-	11,248
Retained earnings		(3,031,710)	-	(3,031,710)
SHAREHOLDERS' FUNDS		<u>3,659,538</u>	<u>-</u>	<u>3,659,538</u>

Reconciliation of Equity - continued
31 December 2014

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
FIXED ASSETS				
Intangible assets	23	-	62,389	62,389
Tangible assets		253,030	(62,389)	190,641
		<u>253,030</u>	<u>-</u>	<u>253,030</u>
CURRENT ASSETS				
Stocks		323,041	-	323,041
Debtors		25,296,968	-	25,296,968
Cash at bank and in hand		509,136	-	509,136
		<u>26,129,145</u>	<u>-</u>	<u>26,129,145</u>
CREDITORS				
Amounts falling due within one year	23	(21,332,569)	48,766	(21,283,803)
NET CURRENT ASSETS		<u>4,796,576</u>	<u>48,766</u>	<u>4,845,342</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,049,606	48,766	5,098,372
PROVISIONS FOR LIABILITIES	23	(798,280)	(48,766)	(847,046)
NET ASSETS		<u>4,251,326</u>	<u>-</u>	<u>4,251,326</u>
CAPITAL AND RESERVES				
Called up share capital		6,680,000	-	6,680,000
Share premium		11,248	-	11,248
Retained earnings		(2,439,922)	-	(2,439,922)
SHAREHOLDERS' FUNDS		<u>4,251,326</u>	<u>-</u>	<u>4,251,326</u>

The notes form part of these financial statements

**Reconciliation of Profit
for the year ended 31 December 2014**

	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
TURNOVER	34,304,842	-	34,304,842
Cost of sales	(30,770,819)	-	(30,770,819)
GROSS PROFIT	3,534,023	-	3,534,023
Administrative expenses	(3,100,306)	-	(3,100,306)
Other operating income	289,798	-	289,798
OPERATING PROFIT	723,515	-	723,515
Interest receivable and similar income	50,441	-	50,441
Interest payable and similar charges	(11,688)	-	(11,688)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	762,268	-	762,268
Tax on profit on ordinary activities	(170,480)	-	(170,480)
PROFIT FOR THE FINANCIAL YEAR	591,788	-	591,788