REGISTERED NUMBER: 01067795 (England and Wales)

Strategic Report, Report of the Directors and Financial Statements for the Year Ended 31 December 2016 for AVL United Kingdom Ltd

Contents of the Financial Statements
for the year ended 31 December 2016

AVL United Kingdom Ltd

Company Information
for the year ended 31 December 2016

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:	Stuart Banks FCA
AUDITORS:	Banks Sheridan (Statutory Auditor) 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 2016

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

The principal 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.

OVERVIEW

There have been no significant changes in the company's activities during the year. The company has a healthy order book and is in a strong financial position going into 2017. The company is currently discussing with customers their plans for 2017 and beyond.

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.

KEY PERFORMANCE INDICATORS

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

	31 December 2016	31 December 2015
Revenue	49.23m	41.75m
Gross Profit Margin	12.9%	14.4%
Operating Profit / Revenue	3.95%	4.36%

Revenue has increased to £49.23m, a 17.91% increase over the previous year. This is mainly due to an increase in project income.

The gross profit margin has reduced to 12.9% (2015: 14.4%).

In order to support the growth of the business the average staff headcount has increased to 113 (2015: 93). This has resulted in an increase in staff costs of 22.5%.

PRINCIPAL RISKS AND UNCERTAINTIES
The risks associated with the United Kingdom's decision to leave the European Union will continue to be monitored.

The AVL group is an inward investor into the UK industry and this will remain the situation post BREXIT.
The group has recently sanctioned a number of longer term commitments by the company including the move to new premises in late 2018.

The main risks associated with BREXIT as identified by the directors are:
1) The ability to recruit skilled labour and engineers from the EU
2) Any reduction in the automotive industry's appetite to conduct research and development work in the United Kingdom.

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.

FINANCIAL INSTRUMENTS
The company operates on normal commercial terms with its customers and suppliers who are predominately in the UK and Europe.

Exposure to cash flow, liquidity, credit and price risk
Liquidity and cashflow risk
The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The company is in a strong financial position and has agreed facilities to allow it to meet its financial obligations through operating cash flows.

Credit risk
The company may offer credit terms to its customers which allow payment of the debt after delivery of the goods. The company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and effective credit control procedures.

Price risk
Price risk arises because of the volatile nature of purchase prices, for goods, materials and services. This risk is mitigated by the fact that the company's main supplier is the ultimate holding company. This allows the effect of price risk to be managed on a group wide basis.

ON BEHALF OF THE BOARD:

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S M Sweeney - Secretary

Date: 13-4-17

Report of the Directors
for the year ended 31 December 2016

The directors present their report with the financial statements of the company for the year ended 31 December 2016.

DIVIDENDS
No dividends will be distributed for the year ended 31 December 2016.

FUTURE DEVELOPMENTS
The directors will continue with the strategic policies which have resulted in the company's substantial growth in recent years. They consider that the forthcoming year will show a further significant growth in sales and earnings from continuing operations.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

H O List
A Ciriello

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Strategic Report, 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.

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

ON BEHALF OF THE BOARD:

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S M Sweeney - Secretary

Date: 13 - 4 - 17

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 2016 on pages six to twenty four. 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 four, 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 2016 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.

SP Banks

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

Date: 24th April 2017

AVL United Kingdom Ltd (Registered number: 01067795)

Income Statement
for the year ended 31 December 2016

	Notes	2016 £	2015 £
TURNOVER	3	49,234,982	41,754,946
Cost of sales		(42,875,195)	(35,749,638)
GROSS PROFIT		6,359,787	6,005,308
Administrative expenses		(4,572,372)	(4,320,516)
		1,787,415	1,684,792
Other operating income	4	159,834	137,251
OPERATING PROFIT	6	1,947,249	1,822,043
Interest receivable and similar income	7	113,183	151,696
PROFIT BEFORE TAXATION		2,060,432	1,973,739
Tax on profit	8	(411,985)	(430,313)
PROFIT FOR THE FINANCIAL YEAR		1,648,447	1,543,426

The notes form part of these financial statements

Other Comprehensive Income
for the year ended 31 December 2016

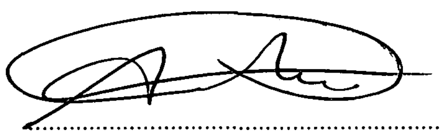
	Notes	2016 £	2015 £
PROFIT FOR THE YEAR		1,648,447	1,543,426
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,648,447	1,543,426

The notes form part of these financial statements

Statement of Financial Position
31 December 2016

		2016		2015	
	Notes	£	£	£	£
FIXED ASSETS					
Intangible assets	10		15,355		13,700
Tangible assets	11		110,828		99,817
			126,183		113,517
CURRENT ASSETS					
Stocks	12	425,194		461,383	
Debtors	13	28,979,167		23,619,097	
Cash at bank and in hand		219,471		509,000	
		29,623,832		24,589,480	
CREDITORS					
Amounts falling due within one year	14	22,503,299		19,246,437	
NET CURRENT ASSETS			7,120,533		5,343,043
TOTAL ASSETS LESS CURRENT LIABILITIES			7,246,716		5,456,560
PROVISIONS FOR LIABILITIES	17		1,303,517		1,161,808
NET ASSETS			5,943,199		4,294,752
CAPITAL AND RESERVES					
Called up share capital	18		4,180,000		4,180,000
Share premium	19		11,248		11,248
Retained earnings	19		1,751,951		103,504
SHAREHOLDERS' FUNDS	22		5,943,199		4,294,752

The financial statements were approved by the Board of Directors on 13-4-17 and were signed on its behalf by:



A Ciriello - Director

The notes form part of these financial statements

Statement of Changes in Equity
for the year ended 31 December 2016

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 January 2015	6,680,000	(2,439,922)	11,248	4,251,326
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	4,180,000	103,504	11,248	4,294,752
Changes in equity				
Total comprehensive income	-	1,648,447	-	1,648,447
Balance at 31 December 2016	4,180,000	1,751,951	11,248	5,943,199

The notes form part of these financial statements

Statement of Cash Flows
for the year ended 31 December 2016

	Notes	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	1	10,047,407	(3,774,609)
Tax paid		(350,202)	(145,829)
Net cash from operating activities		9,697,205	(3,920,438)
Cash flows from investing activities			
Purchase of intangible fixed assets		(9,736)	(9,119)
Purchase of tangible fixed assets		(87,461)	(31,428)
Interest received		4,518	123,923
Net cash from investing activities		(92,679)	83,376
Cash flows from financing activities			
Amounts due from group companies		(9,894,055)	5,336,926
Equity dividends paid		-	(1,500,000)
Net cash from financing activities		(9,894,055)	3,836,926
Decrease in cash and cash equivalents		(289,529)	(136)
Cash and cash equivalents at beginning of year	2	509,000	509,136
Cash and cash equivalents at end of year	2	219,471	509,000

The notes form part of these financial statements

Notes to the Statement of Cash Flows
for the year ended 31 December 2016

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

	2016	2015
	£	£
Profit before taxation	2,060,432	1,973,739
Depreciation charges	84,531	130,439
Loss on disposal of fixed assets	-	49,621
Change in payments on account	2,169,659	(125,156)
Increase in provisions	141,709	314,762
Finance income	(113,183)	(151,696)
	4,343,148	2,191,709
Decrease/(increase) in stocks	36,189	(138,342)
Decrease/(increase) in trade and other debtors	4,194,868	(4,640,116)
Increase/(decrease) in trade and other creditors	1,473,202	(1,187,860)
Cash generated from operations	10,047,407	(3,774,609)

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 2016

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	219,471	509,000

Year ended 31 December 2015

	31.12.15	1.1.15
	£	£
Cash and cash equivalents	509,000	509,136

1. STATUTORY INFORMATION

AVL United Kingdom Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. 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.

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 and service contracts 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 expected that total project costs will exceed the total project revenue the expected loss is recognised as an expense immediately through a provision for future losses.

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2. **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 residual values and useful lives of assets 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

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.

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2. **ACCOUNTING POLICIES - continued**

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from the profit shown in the income statement because it excludes certain items of non-taxable income or expenses. Adjustments are also made for items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period end date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. 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 expenses in tax assessments in the periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or using other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to other comprehensive income or equity, in which case the tax follows the transaction or event it relates to and is also charged or credited directly to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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.

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2. ACCOUNTING POLICIES - continued

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.

continued...

2. **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.

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.

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2. 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.

3. 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:

	2016	2015
	£	£
Projects	34,876,824	29,752,477
Standard products	8,409,221	7,004,041
Service	5,948,937	4,998,428
	49,234,982	41,754,946

During the year the company made sales to overseas companies of £4,161,587 (2015: - £682,080).

4. OTHER OPERATING INCOME

	2016	2015
	£	£
Management charges received from group companies	159,834	137,251

5. EMPLOYEES AND DIRECTORS

	2016	2015
	£	£
Wages and salaries	5,470,635	4,575,954
Social security costs	670,940	543,609
Other pension costs	273,608	234,225
	6,415,183	5,353,788

continued...

5. **EMPLOYEES AND DIRECTORS - continued**

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

	2016	2015
Management	10	10
Projects	28	22
Service and maintenance	42	33
Sales and administration	33	28
	113	93

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 pension's provider. Pension payments are recognised as an expense during the year and amounted to £273,608 (2015: £234,225).

	2016	2015
	£	£
Directors' remuneration	260,439	295,122
Directors' pension contributions to money purchase schemes	30,344	29,304

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

Money purchase schemes	1	1

Information regarding the highest paid director is as follows:

	2016	2015
	£	£
Emoluments etc	260,439	295,122
Pension contributions to money purchase schemes	30,344	29,304

6. **OPERATING PROFIT**

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

	2016	2015
	£	£
Rent	184,828	157,358
Depreciation - owned assets	76,450	72,631
Loss on disposal of fixed assets	-	49,621
Computer software amortisation	8,081	57,808
Auditors remuneration	35,000	24,000
Foreign exchange differences	(1,773,554)	252,518
Motor vehicle leasing	218,099	189,689
Fees payable to the company's auditor for other services	18,921	7,010

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7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016	2015
	£	£
Deposit account interest	3,458	2,786
Interest receivable from group companies	108,664	148,910
Corporation tax interest received	1,061	-
	113,183	151,696

8. TAXATION

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2016	2015
	£	£
Current tax:		
UK corporation tax	388,024	297,499
Adjustment relating to prior years	203	8,329
Total current tax	388,227	305,828
Deferred tax	23,758	124,485
Tax on profit	411,985	430,313

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2016	2015
	£	£
Profit before tax	2,060,432	1,973,739
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.250%)	412,086	399,682
Effects of:		
Expenses not deductible for tax purposes	3,941	31,680
Adjustments to tax charge in respect of previous periods	203	8,329
Effect of changes of tax rate on deferred tax opening position	-	(2,478)
Utilisation of previously unrecognised tax losses	-	(6,900)
Expenses now deductible for tax purposes	(4,245)	-
Total tax charge	411,985	430,313

9. DIVIDENDS

	2016	2015
	£	£
Interim	-	1,500,000

continued...

10. INTANGIBLE FIXED ASSETS

	Computer software £
COST	
At 1 January 2016	689,959
Additions	9,736
At 31 December 2016	699,695
AMORTISATION	
At 1 January 2016	676,259
Amortisation for year	8,081
At 31 December 2016	684,340
NET BOOK VALUE	
At 31 December 2016	15,355
At 31 December 2015	13,700

11. TANGIBLE FIXED ASSETS

	Plant and machinery £	Office and computer equipment £	Motor vehicles £	Totals £
COST				
At 1 January 2016	894,532	353,989	26,266	1,274,787
Additions	30,896	56,565	-	87,461
Disposals	(623,662)	-	-	(623,662)
At 31 December 2016	301,766	410,554	26,266	738,586
DEPRECIATION				
At 1 January 2016	841,158	320,452	13,360	1,174,970
Charge for year	43,432	30,360	2,658	76,450
Eliminated on disposal	(623,662)	-	-	(623,662)
At 31 December 2016	260,928	350,812	16,018	627,758
NET BOOK VALUE				
At 31 December 2016	40,838	59,742	10,248	110,828
At 31 December 2015	53,374	33,537	12,906	99,817

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12. STOCKS

	2016	2015
	£	£
Stocks	132,353	127,346
Project work-in-progress	292,841	334,037
	425,194	461,383

The replacement value of stocks excluding work-in-progress is in the region of £405,000 (2015: £406,000).

Stocks are stated after impairment of £272,124 (2015: £278,806).

Stock recognised in cost of sales during the year as an expense was £1,219,017 (2015: £2,567,442).

13. DEBTORS

	2016	2015
	£	£
Amounts falling due within one year:		
Trade debtors	12,142,334	19,701,997
Amounts recoverable on projects	4,920,341	2,137,743
Other debtors	8,994	29,118
Amounts due from group companies	141,400	171,359
AVL List GmbH loan	10,743,799	1,135,145
Amounts due from holding company	1,000	1,000
Prepayments and accrued income	863,652	261,330
	28,821,520	23,437,692
Amounts falling due after more than one year:		
Deferred tax asset	157,647	181,405
Aggregate amounts	28,979,167	23,619,097

Trade debtors are stated after provision for impairment of £nil (2015 : £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:

	2016	2015
	£	£
Other short term timing differences	13,200	-
Excess of tax allowances over depreciation of fixed assets	144,447	181,405
	157,647	181,405

continued...

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£	£
Trade creditors	972,778	693,435
Tax	198,024	159,999
Social security and other taxes	282,651	189,980
VAT	3,223,422	2,290,001
Amounts due to group companies	2,343,691	2,659,051
Payments on account	15,042,180	12,872,521
Accruals	440,553	381,450
	22,503,299	19,246,437

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:

	2016	2015
	£	£
Within one year	437,611	195,941
Between one and five years	773,168	615,468
In more than five years	2,635	-
	1,213,414	811,409

16. FINANCIAL INSTRUMENTS

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

	2016	2015
	£	£
Financial assets that are debt instruments measured at amortised cost	23,248,004	21,518,501
Financial liabilities measured at amortised cost	(18,358,648)	(16,225,007)

17. PROVISIONS FOR LIABILITIES

	2016	2015
	£	£
Other provisions		
Warranty provision	802,765	666,000
Provision for foreseeable losses	316,627	325,901
Provision for dilapidations	133,333	123,333
Provision for leave pay	50,792	46,574
	1,303,517	1,161,808

continued...

17. PROVISIONS FOR LIABILITIES - continued

	Other provisions £
Balance at 1 January 2016	1,161,808
Utilised in the year	(530,552)
New provision in the year	672,261
Balance at 31 December 2016	1,303,517

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 £133,333 (2015: £123,333) 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 £50,792 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:	2016 £	2015 £
4,180,000	Ordinary	£1	4,180,000	4,180,000

Ordinary shares are classified as equity.

19. RESERVES

	Retained earnings £	Share premium £	Totals £
At 1 January 2016	103,504	11,248	114,752
Profit for the year	1,648,447		1,648,447
At 31 December 2016	1,751,951	11,248	1,763,199

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.

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.

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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 financial statements of AVL List Capital and Consulting GmbH. A copy of these financial statements are available from AVL List GmbH, Hans-List-Platz 1, 8020 Graz Austria. There are no related parties other than group companies.

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2016	2015
	£	£
Profit for the financial year	1,648,447	1,543,426
Dividends	-	(1,500,000)
Net addition to shareholders' funds	1,648,447	43,426
Opening shareholders' funds	4,294,752	4,251,326
Closing shareholders' funds	5,943,199	4,294,752