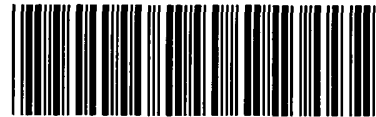


Visteon Engineering Services Limited
Annual Report and Financial Statements
Year ended 31 December 2016

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Registered number: 06213888

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Visteon Engineering Services Limited

Corporate information

Directors

R. I. Swanston
J. Pretzel
A. Wood

Company Secretary

Squire Sanders Secretarial Services Ltd.
Rutland House
148 Edmund Street
Birmingham
B3 2JR

Solicitors

Squire Patton Boggs (UK) LLP
Rutland House
148 Edmund Street
Birmingham
B3 2JR

Bankers

Bank of America N.A.
2 King Edward Street
London
EC1A 1HQ

Auditor

Ernst & Young LLP
One Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

Registered Office

1 Springfield Lyons Approach
Chelmsford Business Park
Chelmsford
Essex
CM2 5LB

Strategic report for the year ended 31 December 2016

Review of activities

The company's principal activity during the year was the engineering design and development of parts and components for the automotive industry. The company operates on a cost plus basis.

The profit and loss account on page 10 shows a profit after tax for the year of £5,163,000 (2015: £3,759,000). Exchange gains of £1,664,000 (2015: losses of £721,000) have had a significant impact on the results compared with the prior year.

Key performance indicators "KPIs"

Shareholders' funds have been impacted by a dividend payment of £5,000,000, (2015: £nil) and the defined benefit pension performance, an adverse £9,367,000 (2015: favourable £2,142,000) caused by a reduction in the discount rate to 2.75% (2015: 3.97%). Compared to 2015, turnover for 2016 is £7,552,000 lower (a decrease of 15.7%). This decrease in turnover has been primarily driven by restructuring activities and a reduction in the commissioning of work to third parties.

The profit before tax is £6,527,000 (2015: £4,972,000). The profit before tax benefited from accounting for above the line research and development expenditure credit of £600,000 (2015: £685,000).

The company's workforce at the year-end totalled 221 employees (2015: 252). This reduction in staff numbers is the result of restructuring actions (note 12).

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are considered to relate to the impact on the company of customer demand in the current economic environment, and international competition from other automotive component suppliers.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in liquidity risk, credit risk, interest rate risk, and exchange rate risk. The company has in place a risk management programme that seeks to limit its financial costs. The company had no derivative financial instruments in place at the year-end or during the year.

(a) Liquidity risk

The company actively monitors working capital and ensures it has sufficient available funds for operations and to meet its debts as they fall due.

(b) Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made and continued contact with customers after sales have been made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed on a regular basis by the directors.

(c) Interest rate risk

The company is exposed to interest rate risk relating to its defined benefit pension plan. The pension trustees review the results of the defined benefit pension plan on a quarterly basis and plan to mitigate any exposed risk.

(d) Exchange rate risk

The company is exposed to exchange rate risk on approximately one third of its revenue which is based in euro. There are no forward contracts or hedging in place.

On behalf of the board



R. I. Swanston
Director

6 September 2017

Visteon Engineering Services Limited

Directors' report for the year ended 31 December 2016

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

Directors

The following directors have held office during the year and to the date of this report:

R. I. Swanston	
P. Lloyd	Resigned 30 November 2016
J. Pretzel	
A. Parke	Resigned 12 December 2016
A. Wood	Appointed 12 December 2016

Future Developments

In 2017 the company will continue to provide engineering consultancy services for other companies within the Visteon group and to third party customers.

Dividends

A dividend of £5,000,000 was paid on 8 December 2016 (2015: £nil).

Research and development

The company is committed to a continuing programme of expenditure on research and development in automotive engineering, based in Chelmsford, Essex. Expenditure is written off as incurred and charged to the profit and loss account.

Going concern

The company does not consider that it has a going concern issue, given the nature of its cost-plus business. The company is forecast to be profitable in 2017, and the pension deficit is not payable in full in the foreseeable future. Accordingly the financial statements have been prepared under the going concern basis.

Participation of employees

The directors value an inclusive work environment where open communication and the contributions of all employees are valued. Diversity represents the differences that make everyone unique. Inclusion leverages those differences to promote our ability to deliver on Visteon's common objectives. There is a direct relationship between the business results of an organization and its culture.

Throughout the year, the company maintained a communication policy to ensure employees were informed of the company's objectives and performance. Regular consultative meetings are held with employees and employee representatives on a wide variety of subjects from general information on the company position to individual topics.

Directors' report for the year ended 31 December 2016 (continued)

Welfare and disabled employees

Visteon is an equal opportunities employer and is unreservedly opposed to any form of direct or indirect discrimination being practised against its employees or prospective employees because of their age, sex, parental status, colour, race, religion, nationality, creed, ethnic/national origin or disability status.

Environmental matters

The company is committed to practices that generate safe workplace actions, conditions and procedures. Visteon also protects and conserves the natural environment and complies with all accepted environmental standards.

Political and charitable donations

During the year ended 31 December 2016 the company made charitable donations of £1,000 (2015: £1,000).

Post balance sheet event

Since the year-end, the company has carried out further restructuring actions, with a target of reducing total agency and employee numbers by fifty heads overall.

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable law and 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 confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper 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 to 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.

**Directors' report for the year ended 31 December 2016
(continued)**

Provision of information to auditor

As far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware, and the directors have taken all the steps that ought to have been taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' liabilities

In accordance with the articles of association, the company has provided all the directors indemnity (to the extent permitted by the by section 234 of the Companies Act 2006) in respect of liabilities incurred as a result of their office. The indemnity does not cover a director in the event that the director is proved to have acted dishonestly or fraudulently.

Auditor

Ernst & Young LLP have expressed their willingness to continue in office and a motion to re-appoint them as auditor will be proposed at the annual general meeting.

On behalf of the board

A handwritten signature in black ink, appearing to read 'R. I. Swanston', written over a horizontal line.

R. I. Swanston
Director
6 September 2017

Independent auditor's report to the members of Visteon Engineering Services Limited

We have audited the financial statements of Visteon Engineering Services 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 1 to 22. 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 FRS 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 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.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the report and 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 Financial Reporting Council'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 annual report and financial statements 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, including FRS 102, the Financial Reporting Standard Applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Visteon Engineering Services Limited

Independent auditor's report to the members of Visteon Engineering Services Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

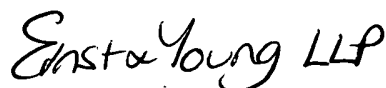
- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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 identified no material misstatements in the Strategic Report or 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.



Rachel Wilden (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge

8 September 2017

Visteon Engineering Services Limited

Profit and loss account for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Turnover	2	40,530	48,082
Operating costs:			
Exceptional severance expense	12	(1,467)	(422)
Other		(32,221)	(42,171)
Total operating costs		(33,688)	(42,593)
Operating profit	3	6,842	5,489
Interest receivable	4	30	42
Interest payable	4	(5)	(16)
Other finance expense	16	(340)	(543)
Profit on ordinary activities before taxation		6,527	4,972
Tax on profit on ordinary activities	5	(1,364)	(1,213)
Retained profit for the financial year		5,163	3,759

All of the above results relate to continuing operations.

Statement of comprehensive income for the year ended 31 December 2016

	2016 £'000	2015 £'000
Profit for the financial year	5,163	3,759
Actuarial (loss)/gain on pension scheme (note 16)	(9,367)	2,142
Less: deferred tax credit/(charge) on actuarial (loss)/gain	1,592	(386)
Other comprehensive income/(loss)	(7,775)	1,756
Total comprehensive income/(loss)	(2,612)	5,515

Visteon Engineering Services Limited

Statement of changes in equity for the year ended 31 December 2016

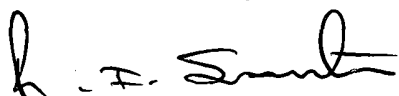
	Called up share capital £'000	Profit and loss account £'000	Shareholders' equity £'000
At 1 January 2015	50	897	947
Profit for the year	-	3,759	3,759
Other comprehensive income	-	1,756	1,756
Total comprehensive income	-	5,515	5,515
31 December 2015	50	6,412	6,462
Profit for the year	-	5,163	5,163
Other comprehensive loss	-	(7,775)	(7,775)
Total comprehensive loss	-	(2,612)	(2,612)
Less dividend payment (note 6)	-	(5,000)	(5,000)
31 December 2016	50	(1,200)	(1,150)

Visteon Engineering Services Limited

Balance sheet as at 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	7	313	246
Tangible assets	8	2,327	3,205
		2,640	3,451
Current assets			
Debtors	9	17,650	31,197
Cash at bank and in hand		5,197	1,106
		22,847	32,303
Creditors - amounts falling due within one year	10	(9,521)	(18,424)
Net current assets		13,326	13,879
Total assets less current liabilities		15,966	17,330
Creditors - amounts falling due after more than one year	11	(286)	(233)
Provisions for liabilities	12	(285)	(27)
Net assets excluding pension liability		15,395	17,070
Pension liability	16	(16,545)	(10,608)
Net (liabilities)/assets including pension liability		(1,150)	6,462
Capital and reserves			
Called up share capital	13	50	50
Profit and loss account		(1,200)	6,412
Total shareholders' (deficit)/funds		(1,150)	6,462

The financial statements were approved by the board of directors on 6 September 2017 and were signed on their behalf by:



R. I. Swanston
Director

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2016

1. Accounting policies

Statement of compliance

Visteon Engineering Services Limited is a limited liability company incorporated in England. The registered office is 1, Springfield Lyons Approach, Chelmsford Business Park, Chelmsford, Essex, CM2 5LB.

The financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 December 2016.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

The company has taken advantage of the following disclosure exemptions under FRS 102:

- the requirement of section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- from preparing a statement of cash flows as required by FRS 102 section 7 Statement of Cash Flows and section 3 Financial Statement Presentation paragraph 3.17(d);
- from disclosing transactions entered into between the company and other wholly owned companies within the Visteon Corporation Inc. group as required by FRS 102 paragraphs 33.8 to 33.14;
- from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7;
- From the financial instruments disclosures as required by FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, including:
 - Categories of financial instruments,
 - Items of income, expenses, gains or losses relating to financial instruments.
- The requirement of section 26 Share-based Payments paragraphs 26.18(b), 26.19 to 26.21 and 26.23

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates

The following judgements have had the most significant effect on amounts recognised in the financial statements:

Foreign currency transactions

Profit and loss account transactions in foreign currency are translated into sterling at rates ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the balance sheet date rate of exchange. All translation differences arising, together with realised foreign exchange differences, are taken to the profit and loss account.

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2016

1. Accounting policies (continued)

Turnover

Turnover is comprised of invoice based sales excluding value added tax and is recognised on delivery of the services.

Operating leases

Rental charges under operating leases are recognised in the profit and loss account on a straight line basis over the lives of the leases. Lease incentives received are spread over the lease term.

Research and development, engineering costs

The company is paid a fee by Visteon Corporation Inc., (USA) for the supply of engineering services. The related costs are included within research and development, engineering costs. The fee and rebilled costs are categorised as revenue.

Intangible fixed assets

Computer software is amortised over three years, being the directors' estimate of its useful life.

Tangible fixed assets and depreciation

Tangible assets are stated at cost less depreciation and, if appropriate, provision for impairment.

Depreciation is provided on categories of assets at rates appropriate to write down the cost of the assets to their residual values over their expected useful lives.

Short leasehold land and buildings and plant and machinery are depreciated on a straight line basis. Expected useful lives are as follows:

Leasehold improvements	the life of the lease
Plant and machinery	3 to 10 years

Share-based payments

The fair value of Restricted Stock Units (RSU) based on the Black Scholes model, Performance Stock Units (PSU) based on the Monte Carlo model and Stock Appreciation Rights (SAR) granted to employees is recognised as an employee expense with a corresponding liability. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled. The fair value is re-measured at each reporting period and any increase or decrease in the liability is recognised in the profit and loss account.

The amount recognised as an expense is adjusted to reflect the actual number of stock units that vest. On exercise the liability is reduced by the amount of cash distributed in respect of the stock units. Any surplus/(deficit) in the cash settlement against the liability is recognised in the profit and loss account.

Notes to the financial statements

for the year ended 31 December 2016

1. Accounting policies (continued)

Taxation including deferred taxation

The tax expense represents the sum of the current tax and deferred tax.

Current tax

Current tax is based on taxable profit/(loss) for the period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is provided on timing differences arising from the different treatment for financial statements and tax purposes of events and transactions recognised in the financial statements of the current and previous years. Deferred tax is calculated on a non-discounted basis at the rates at which it is estimated that tax will arise, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded more likely than not that there will be suitable taxable profits against which the deferred tax asset can be recovered in future years.

Pensions

Pension arrangements made by the company for its employees include both defined benefit and defined contribution elements. For defined contributions the amount recognised in the profit and loss account is equal to the contributions payable during the year.

For defined benefit arrangements, pension plan assets are measured using market value. Pension plan liabilities are measured using a discount rate based on high quality corporate bonds. Administrative and early termination costs have been included in operating costs. The net interest on the net defined benefit liability is included in other finance expense. Actuarial gains and losses are recognised in the statement of comprehensive income. The pension plan deficit is recognised in full and presented on the face of the balance sheet.

2. Turnover

	2016 £'000	2015 £'000
The analysis of turnover by geographical market is as follows:		
United Kingdom	2,264	3,138
North America	31,292	34,394
Continental Europe	3,818	4,513
Rest of the World	3,156	6,037
Total turnover	40,530	48,082

All turnover is generated within the UK. The company is paid a fee by Visteon Corporation Inc., for all engineering costs incurred, and is paid a fee by the Visteon global operations for all the administration costs incurred. There is also turnover generated directly with third parties.

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2016

3. Operating profit

	2016 £'000	2015 £'000
Operating profit is stated after charging/(crediting):		
Research and development, engineering costs	24,925	29,935
Cash settled stock units (note 19)	287	2,298
Amortisation of computer software (note 7)	230	195
Depreciation of tangible fixed assets (note 8)	962	526
Operating lease rentals:		
-land and buildings	1,270	1,295
-other rentals	16	17
Foreign exchange (gains)/losses	(1,664)	721
Exceptional severance expense	1,467	422
Above the line research and development credit	(600)	(685)

Auditor's remuneration for audit of the financial statements of £22,000 (2015: £21,000) has been charged to operating results. Remuneration for provision of non-audit services relating to taxation services, was £7,000 (2015: £12,000).

4. Interest payable and receivable

	2016 £'000	2015 £'000
Interest payable		
Group undertakings	-	(13)
Finance charges payable under finance leases	(5)	(3)
Total interest payable	(5)	(16)
Interest receivable		
Group undertakings	28	37
Bank interest receivable	2	5
Total interest receivable	30	42

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2016

5. Tax on profit on ordinary activities

	2016 £'000	2015 £'000
Current tax:		
UK corporation tax on profit of the year	765	198
Less foreign withholding tax	-	(27)
Adjustment in respect of prior year	32	(3)
Total current tax	797	168
Deferred tax:		
Current year charge	567	1,045
Total tax:		
Current year charge	1,364	1,213
Reconciliation of tax charge:		
Profit on ordinary activities before taxation	6,527	4,972
Notional income tax at UK statutory rate of 20% (2015: 20.25%)	1,305	1,007
Expenses not deductible for tax purposes	7	5
Tax under/(over) provided in prior year	32	(3)
Change in tax rate	-	245
Origination and reversal of timing differences	20	(41)
Total tax expense	1,364	1,213
Tax charged to other comprehensive income		
	2016 £'000	2015 £'000
Deferred tax (credit)/charge on actuarial loss/gain on defined benefit pension scheme	(1,592)	386

Deferred tax assets in respect of the pension deficit are considered fully recoverable given the cost-plus nature of the business model and resultant forecasted taxable profits. Refer to note 20 for details of deferred tax assets.

The standard rate of corporation tax in the UK was reduced from 21% to 20% with effect from 1 April 2015. Accordingly, the effective UK tax rate applicable to the company for this accounting period was 20% (2015: 20.25%). The deferred tax balances have been calculated at 17% (2015: 18%) as this was the rate currently enacted in law at the balance sheet date for the period over which the deferred tax balances are expected to reverse.

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2016

6. Dividend

A dividend in respect of 2015 of £5,000,000 was paid on 8 December 2016 (2015: £nil). No dividend is proposed in respect of 2016.

7. Intangible assets

	Computer Software £'000
Cost	
At 1 January 2016	1,532
Additions	297
Disposals	(5)
31 December 2016	1,824
Amortisation	
At 1 January 2016	1,286
Charge for the year	230
Disposals	(5)
31 December 2016	1,511
Net book value at 31 December 2016	313
Net book value at 31 December 2015	246

Computer software is amortised over three years, in line with the directors' estimate of its useful life.

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2016

8. Tangible assets

	Leasehold improvements £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2016	2,867	3,309	6,176
Additions	4	96	100
Disposals	-	(211)	(211)
31 December 2016	2,871	3,194	6,065
Depreciation			
At 1 January 2016	1,020	1,951	2,971
Charge for the year	302	660	962
Disposals	-	(195)	(195)
31 December 2016	1,322	2,416	3,738
Net book value at 31 December 2016	1,549	778	2,327
Net book value at 31 December 2015	1,847	1,358	3,205

Plant and machinery includes capitalised leased assets with a net book value of £66,000 (2015: £78,000).

9. Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Trade debtors	539	3,548
Amounts owed by other group undertakings	11,362	22,752
Other debtors	597	878
Prepayments and accrued income	1,964	1,920
Current deferred tax asset (note 20)	25	-
Amounts falling due after more than one year:		
Accrued income	281	190
Deferred tax asset (note 20)	2,882	1,909
	17,650	31,197

All amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2016

10. Creditors - amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	542	982
Amounts owed to group undertakings:		
- Parent	1,243	1,247
- Other	3,069	8,542
Finance leases	26	26
Corporation tax	164	-
Other taxes and social security payable	444	446
Other creditors	2,590	5,533
Accruals	1,443	1,648
	9,521	18,424

All amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

11. Creditors - amounts falling due after more than one year

	2016 £'000	2015 £'000
Stock units including payroll tax (note 19)	268	190
Finance leases	18	43
	286	233

12. Provision for liabilities

	2015 £'000	Charge/(credit) to the profit and loss £'000	Utilisation £'000	2016 £'000
Deferred tax	27	(27)	-	-
Severance provision	-	1,467	(1,182)	285
	27	1,440	(1,182)	285

A group reorganisation to align operations with the physical location of their customer base has led to this current severance provision. The severance provision is expected to be utilised with the next financial year. This restructuring action is on-going, see note 21.

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2016

13. Called up share capital

	2016 £'000	2015 £'000
Authorised 50,000 (2015: 50,000) ordinary shares of £1 each	50	50
Allotted and fully paid 50,000 (2015: 50,000) ordinary shares of £1 each	50	50

14. Operating lease commitments

	2016 £'000	2015 £'000
Future minimum rentals payable under non-cancellable operating leases are as follows:		
Not later than one year	3	13
Later than one year and not later than five years	798	797
Later than five years	213	213
	1,014	1,023

Following the sale of the Halla Group, Hanon Systems UK Limited (formerly Halla Visteon UK Limited), has remained in the company offices, and has leased office space on the basis of six months' notice by either party. The future minimum rental receivable is £118,000 (2015: £118,000)

15. Related party transactions

During the year the company entered into transactions, in the ordinary course of business, with other related parties over which the Visteon Group has control. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

	Sales to related parties £'000	Purchases from related parties £'000	Amounts owed from related parties £'000	Amounts owed to related parties £'000
2016 – Yanfeng Investments	124	-	94	-
– Yanfeng Electronics	-	1	-	-
2015 – Hanon Systems UK	206	-	-	-
– Yanfeng Investments	107	-	27	-
– Yanfeng Electronics	256	45	21	-

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for the year ended 31 December 2016

16. Pension costs

The company operates two pension arrangements, the Visteon Engineering Services Pension Plan (VES PP), a closed defined benefit scheme and the company's stakeholder pension arrangement. The contributions payable for the stakeholder pension arrangement of £1,445,000 (2015: £1,436,000) have been fully expensed against profits in the current year.

The company pension plan (VES PP) was established 1 November 2007, with a corporate trustee. The defined benefit plan is closed to new entrants and future service accruals. The assets of the VES PP are held independently of the company's assets. There is no investment in the company, its ultimate holding company or any subsidiary undertaking. A formal actuarial valuation of the plan is carried out every three years, most recently at 31 March 2015. At that date the assets of VES PP were £91,878,000 which represented 85% of the benefits that had accrued to members. The VES PP is reappraised annually by independent actuaries in accordance with FRS 102.

VES PP exposes the group to a number of risks:

- Investment risk – VES PP holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide the real returns over the long-term, the short-term volatility can cause additional funding to be required if an increase in the deficit emerges.
- Interest rate risk – VES PP's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As VES PP holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk – A significant proportion of the benefits under VES PP are linked to inflation. Although VES PP's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to movements in the deficit.
- Mortality risk – In the event that members live longer than assumed, a deficit will emerge in the Plan.

There were no amendments, curtailments or settlements during the year to VES PP.

Funded status, end of year

	2016 £'000	2015 £'000
Fair value of plan assets	118,205	88,222
Benefit obligations	(134,750)	(98,830)
Funded status	(16,545)	(10,608)

Assumptions used at the balance sheet date:

	2016	2015
Discount rate	2.75%	3.97%
Inflation assumption	3.45%	3.35%
Expected rate of return on plan assets	2.75%	3.97%
Rate of increase in salaries	3.25%	3.25%
Pension increase assumption	3.15%	3.05%
Life expectancy at age 65 for a male currently aged 65	23.0 years	22.9 years
Life expectancy at age 65 for a male currently aged 45	24.6 years	24.5 years
Life expectancy at age 65 for a female currently aged 65	24.4 years	24.3 years
Life expectancy at age 65 for a female currently aged 45	26.3 years	26.2 years

Visteon Engineering Services Limited

Notes to the financial statements

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16. Pension costs (continued)

Present value of defined benefit obligations:

	2016 £'000	2015 £'000
Benefit obligation at 1 January	98,830	102,082
Interest cost	3,896	3,938
Actuarial loss/(gain)	33,103	(4,978)
Gross benefits paid	(1,398)	(2,212)
Termination benefits	319	-
Benefit obligation at 31 December	134,750	98,830

Fair value of plan assets:

	2016 £'000	2015 £'000
Fair value at 1 January	88,222	86,451
Expected return	3,556	3,396
Actuarial gain/(loss)	23,736	(2,836)
Employer's contributions	4,477	3,798
Gross benefits paid	(1,398)	(2,212)
Administrative costs paid	(388)	(375)
Fair value of plan assets at 31 December	118,205	88,222

The company estimates that pension contributions to the scheme in 2017 will total £3,819,000.

Plan asset allocation:

	2016 £'000	Allocation %	2015 £'000	Allocation %
Equities	35,713	30.2	38,580	43.7
Debt securities	56,663	47.9	40,230	45.6
Alternative funds	19,936	16.9	9,836	11.2
Property funds	2,140	1.8	-	-
Cash	4,798	4.1	1,586	1.8
Hedging derivatives	(1,045)	(0.9)	(2,010)	(2.3)
Total market value of assets	118,205	100.0	88,222	100.0

The pension plan has not invested in any of the company's own financial instruments nor in properties or other assets used by the company.

Analysis of the amount charged to operating expenses:

	2016 £'000	2015 £'000
Administration costs	388	375
Early termination costs	319	-
Charged to operating expenses	707	375

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Notes to the financial statements

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16. Pension costs (continued)

Analysis of the amount charged to finance expenses:

	2016 £'000	2015 £'000
Net interest on pension plan assets and liabilities	340	543
Charged to finance expenses	340	543

Other comprehensive income

	2016 £'000	2015 £'000
Actuarial (loss)/gain arising during the period	(33,103)	4,978
Return on plan assets greater/(less) than the discount rate	23,736	(2,836)
Actuarial (loss)/gain	(9,367)	2,142
Related deferred tax credit/(charge)	1,592	(386)
Actuarial (loss)/gain per the statement of comprehensive income	(7,775)	1,756

The total amounts included in the statement of comprehensive income are shown on page 10.

17. Employment data

	2016 £'000	2015 £'000
Employment costs:		
Wages and salaries	14,954	19,568
Social security costs	2,090	1,953
Pension costs	2,492	2,354
Severance expense	1,467	422
Total employment costs	21,003	24,297

Average numbers of staff employed

	2016 No.	2015 No.
Administration	71	74
Engineering	166	188
Average number of employees	237	262

Notes to the financial statements

for the year ended 31 December 2016

18. Directors' remuneration

	2016 £'000	2015 £'000
Directors' remuneration	624	1,152
Contributions to the defined contribution pension scheme	13	13
Amounts received under stock unit schemes	251	403
	2016 No.	2015 No.
Number of directors who exercised stock unit bonuses	2	3
Number of directors accruing benefits under:		
Defined contribution scheme	2	1
Defined benefit scheme	2	4
	2016 £'000	2015 £'000
In respect of the highest paid director:		
Aggregate remuneration	251	380
Accrued pension at the end of the year	69	53
The highest paid director exercised share units during the year and made no contributions (2015: £nil) to the defined contribution pension scheme.		

19. Cash settled stock units

	2016 £'000	2015 £'000
RSU	102	81
PSU	170	2,217
SAR	15	-
	287	2,298

Restricted Stock Units (RSU)

The company grants certain employees RSU. The instruments entitle the holders to a cash settlement equivalent to the share price of Visteon Corporation at their exercise date. The only vesting condition is continued employment. The RSU are exercisable at nil cost to the employee.

Performance Stock Units (PSU)

The company grants certain employees PSU. The grant is measured by Visteon's stock performance against its peer group stock performance. The grant entitles the holders to a cash settlement derived from the outperformance of the share price of Visteon Corporation up to the vesting date. The only vesting condition is continued employment. The PSU are exercisable at nil cost to the employee.

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19. Cash settled stock units (continued)

Stock Appreciation Rights (SAR)

The company grants certain employees SAR. The instruments entitle the holders to a cash settlement equivalent to the share price of Visteon Corporation at their exercise date. The only vesting condition is continued employment. The SAR are exercisable at the grant date share price cost to the employee at any time after the vesting date and up to 10 years from the grant date.

20. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2016 £'000	2015 £'000
Current deferred tax asset	25	-
Long term deferred tax asset	2,882	1,909
Provision for liabilities	-	(27)
Total	2,907	1,882
Accelerated capital allowances	3	(85)
Short-term timing differences	24	24
Other timing differences	67	34
Pension scheme deficit	2,813	1,909
	2,907	1,882

Deferred tax assets have been recognised based on the directors' best estimates of future taxable income. The directors expect the deferred tax asset to be recovered after more than one year.

Movement in period:	£'000
At 1 January 2016	1,882
Charge to income	(567)
Amount credited to other comprehensive income	1,592
At 31 December 2016	2,907

21. Post balance sheet event

Since the year-end, the company has carried out further restructuring actions, with a target of reducing total agency and employee numbers by fifty heads overall.

22. Ultimate parent undertaking

Visteon International Holdings Inc., has a 100% interest in the equity capital of the company. The ultimate parent undertaking and controlling party is Visteon Corporation Inc., a company incorporated in the USA. Copies of the ultimate parent undertaking's financial statements may be obtained from One Village Center Drive, Van Buren Township, Michigan, 48111, USA.