

**Visteon Engineering Services Limited**  
**Annual Report and Financial Statements**  
**Year ended 31 December 2018**

**Registered number: 06213888**



# **Visteon Engineering Services Limited**

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# **Visteon Engineering Services Limited**

## **Corporate information**

### **Directors**

**I. Scott**

**R. I. Swanston**

**J. L. Pretzel**

**A. J. Wood**

**K. A. Holland**

### **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**

# Visteon Engineering Services Limited

## Strategic report for the year ended 31 December 2018

### 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 £2,911,000 (2017: £4,772,000). Foreign exchange gains of £289,000 (2017: gains of £463,000) have had an impact on the results.

### Key performance indicators "KPIs"

A dividend of £2,000,000 was paid on 23 August 2018 (2017: £nil). The defined benefit pension performance was a gain of £2,963,000 (2017: loss £234,000), the result of an increase in the discount rate of 0.26% (2017: decrease 0.19%), and plan experience from the 31 March 2018 triennial work. Compared to 2017, turnover for 2018 is £5,454,000 lower (a decrease of 17.1%). This decrease in turnover has been primarily driven by reorganisation activity.

The profit before tax is £3,492,000 (2017: £5,519,000), and benefited from accounting for an "above the line research and development" expenditure credit of £373,000 (2017: £450,000).

The company's workforce at the year-end totalled 187 employees (2017: 193). This reduction in staff numbers includes some minor restructuring action (note 13).

### 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 during the year or at the year-end.

##### *(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.

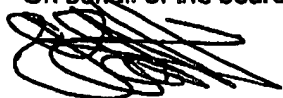
##### *(c) Interest rate risk*

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



I. Scott  
Director

27 September 2019

# **Visteon Engineering Services Limited**

## **Directors' report for the year ended 31 December 2018**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2018.

### **Directors**

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

I. Scott  
R. I. Swanston  
J. L. Pretzel  
A. J. Wood  
K. A. Holland

### **Future Developments**

In 2019 the company will continue to provide engineering consultancy services for other companies within the Visteon group and to third party customers. The exposure to foreign exchange has reduced with the transfer of the administration billings activity to Visteon Finance Ltd from 1 March 2018.

### **Results and Dividends**

The profit after tax for the year was £2,911,000 (2017: £4,772,000). A dividend of £2,000,000 was paid on 23 August 2018 (2017: £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 profitable cost-plus business. The company is forecast to be profitable in 2019. 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.

# **Visteon Engineering Services Limited**

## **Directors' report for the year ended 31 December 2018 (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 2018 the company made charitable donations of £1,000 (2017: £nil).

### **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.

# **Visteon Engineering Services Limited**

## **Directors' report for the year ended 31 December 2018 (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.

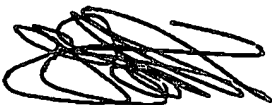
### **Directors' liabilities**

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



I. Scott  
Director  
27 September 2019

# **Visteon Engineering Services Limited**

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

### **Opinion**

We have audited the financial statements of Visteon Engineering Services Limited for the year ended 31 December 2018, 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 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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.

### **Basis for opinion**

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.



# **Visteon Engineering Services Limited**

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

### **Other information (continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

# Visteon Engineering Services Limited

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP*

Rachel Wilden (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Cambridge  
30 September 2019

# Visteon Engineering Services Limited

## Profit and loss account for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	2	26,506	31,960
Operating costs:			
Exceptional severance expense	13	(145)	(1,518)
Research and development, engineering costs	3	(15,760)	(17,776)
Administration		(6,818)	(6,766)
Total operating costs		(22,723)	(26,060)
Operating profit	3	3,783	5,900
Interest receivable	5	9	20
Interest payable	5	(4)	(5)
Other finance expense	17	(296)	(396)
Profit on ordinary activities before taxation		3,492	5,519
Tax on profit on ordinary activities	6	(581)	(747)
Profit for the financial year		2,911	4,772

All of the above results relate to continuing operations.

## Statement of comprehensive income for the year ended 31 December 2018

	2018 £'000	2017 £'000
Profit for the financial year	2,911	4,772
Actuarial gain/(loss) on pension scheme (note 17)	2,963	(234)
Less: deferred tax (charge)/credit on actuarial gain/(loss)	(563)	44
Other comprehensive gain/(loss)	2,400	(190)
Total comprehensive income	5,311	4,582

# Visteon Engineering Services Limited

## Statement of changes in equity for the year ended 31 December 2018

	Called up share capital £'000	Profit and loss account £'000	Shareholders' equity £'000
At 1 January 2017	50	(1,200)	(1,150)
Profit for the year	-	4,772	4,772
Other comprehensive loss	-	(190)	(190)
Total comprehensive income	-	4,582	4,582
31 December 2017	50	3,382	3,432
Profit for the year	-	2,911	2,911
Other comprehensive income	-	2,400	2,400
Total comprehensive income	-	5,311	5,311
Dividend payment (note 7)	-	(2,000)	(2,000)
Share based payment (note 18)	-	658	658
31 December 2018	50	7,351	7,401

# Visteon Engineering Services Limited

## Balance sheet as at 31 December 2018

	Note	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Intangible assets	8	1,704	154
Tangible assets	9	1,413	1,943
		<b>3,117</b>	<b>2,097</b>
<b>Current assets</b>			
Debtors	10	5,666	23,520
Cash at bank and in hand		9,321	3,346
		<b>14,987</b>	<b>26,866</b>
<b>Creditors - amounts falling due within one year</b>	11	<b>(2,934)</b>	<b>(11,147)</b>
<b>Net current assets</b>		<b>12,053</b>	<b>15,719</b>
<b>Total assets less current liabilities</b>		<b>15,170</b>	<b>17,816</b>
<b>Creditors - amounts falling due after more than one year</b>	12	<b>(84)</b>	<b>(932)</b>
<b>Provisions for liabilities</b>	13	<b>-</b>	<b>(89)</b>
<b>Net assets excluding pension liability</b>		<b>15,086</b>	<b>16,795</b>
<b>Pension liability</b>	17	<b>(7,685)</b>	<b>(13,363)</b>
<b>Net assets</b>		<b>7,401</b>	<b>3,432</b>
<b>Capital and reserves</b>			
Called up share capital	14	50	50
Profit and loss account		7,351	3,382
<b>Total shareholders' funds</b>		<b>7,401</b>	<b>3,432</b>

The financial statements were approved by the board of directors on 27 September 2019 and were signed on their behalf by:



I. Scott  
Director

# Visteon Engineering Services Limited

## Notes to the financial statements

for the year ended 31 December 2018

### 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 2018.

#### 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 thousand pounds.

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

- 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 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), and 11.48(c) and paragraphs 12.26, 12.27, 12.29(a), 12.29(b), and 12.29A, 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

#### Significant judgements and estimates

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 the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

#### 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 2018

### 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.

#### 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

##### Equity settled transactions

The cost of equity settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined by an external valuer using an appropriate pricing model.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

##### Cash settled transactions

The cost of cash settled transactions is measured initially at fair value at the grant date using a Black-Scholes model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in profit or loss for the period.

#### 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.

# Visteon Engineering Services Limited

## Notes to the financial statements

for the year ended 31 December 2018

### 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 for the year. 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

	2018 £'000	2017 £'000
The analysis of turnover by geographical market is as follows:		
United Kingdom	13,739	1,966
North America	11,159	23,012
Continental Europe	728	4,130
Rest of the World	880	2,852
Total turnover	26,506	31,960

All turnover is generated within the UK. The company is paid a fee by Visteon Corporation Inc., for all engineering costs incurred, and was paid a fee by the Visteon global operations for all the administration costs incurred. The company is now paid a fee by Visteon Finance Ltd who took over the administration activity from 1 March 2018. There is also turnover generated directly with third parties.



# Visteon Engineering Services Limited

## Notes to the financial statements

for the year ended 31 December 2018

### 3. Operating profit

	2018 £'000	2017 £'000
Operating profit is stated after charging/(crediting):		
Research and development, engineering costs	15,760	17,776
Cash settled share based payments (note 18)	167	626
Amortisation of computer software (note 8)	307	186
Depreciation of tangible fixed assets (note 9) -owned	615	637
-leased	-	12
Operating lease rentals:		
-land and buildings	1,190	1,234
-other rentals	6	9
Foreign exchange gains	(289)	(463)
Exceptional severance expense	145	1,518
Above the line research and development credit	(373)	(450)

Auditor's remuneration for audit of the financial statements of £22,000 (2017: £22,000) has been charged to operating results. Remuneration for provision of non-audit services relating to taxation compliance services was £23,000 (2017: £7,000).

### 4. Staff costs

#### (a) Staff costs

	2018 £'000	2017 £'000
Employment costs:		
Wages and salaries	11,968	14,122
Social security costs	1,506	1,639
Pension costs	2,593	2,527
Severance expense	145	1,518
Total employment costs	16,212	19,806

#### Average numbers of staff employed

	2018 No.	2017 No.
Administration	60	64
Engineering	131	139
Average number of employees	191	203

Included in staff costs is £(144,000), (2017: £626,000) relating to cash settled share based payments and £311,000 (2017: £nil) relating to equity settled share based payments.

## Notes to the financial statements

for the year ended 31 December 2018

### 4. Staff costs (continued)

#### (b) Directors' remuneration

	2018 £'000	2017 £'000
Directors' remuneration	749	488
which includes:-		
Contributions to the defined contribution pension scheme	32	13
Amounts received under stock unit schemes	134	89
	2018 No.	2017 No.
Number of directors who exercised stock unit bonuses	5	2
Number of directors accruing benefits under:		
Defined contribution scheme	4	4
Defined benefit scheme	4	4
	2018 £'000	2017 £'000
In respect of the highest paid director:		
Aggregate remuneration	333	313
Accrued pension at the end of the year	70	70

The highest paid director exercised share units during the year and prior year. No contributions were made to the defined contribution pension scheme for the highest paid director in the current or prior year.

### 5. Interest payable and receivable

	2018 £'000	2017 £'000
<b>Interest payable</b>		
Finance charges payable under finance leases	(2)	(5)
Other	(2)	-
Total interest payable	(4)	(5)
<b>Interest receivable</b>		
Group undertakings	9	20
Bank interest receivable	-	-
Total interest receivable	9	20

# Visteon Engineering Services Limited

## Notes to the financial statements

for the year ended 31 December 2018

### 6. Tax on profit on ordinary activities

	2018 £'000	2017 £'000
<b>Current tax:</b>		
UK corporation tax on profit of the year	66	494
Adjustment in respect of prior year	(3)	(8)
<b>Total current tax</b>	<b>63</b>	<b>486</b>
<b>Deferred tax:</b>		
Current year charge	518	261
<b>Total tax:</b>		
Current year charge	581	747
<b>Reconciliation of tax charge:</b>		
Profit on ordinary activities before taxation	3,492	5,519
Notional income tax at UK statutory rate of 19% (2017: 19.25%)	663	1,062
Expenses not deductible for tax purposes	13	11
Tax over provided in prior year	(3)	(8)
Origination and reversal of timing differences	(41)	(34)
Change in tax laws and rates	-	(284)
Deferred tax on share based payments	(51)	-
<b>Total tax expense</b>	<b>581</b>	<b>747</b>
<b>Tax charged to other comprehensive income</b>		
	2018 £'000	2017 £'000
Deferred tax charge/(credit) on actuarial gain/(loss) on defined benefit pension scheme	563	(44)

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 19 for details of deferred tax assets.

The standard rate of corporation tax in the UK stands at 19%. Accordingly, the effective UK tax rate applicable to the company for this accounting period is 19% (2017: 19.25%). The rate currently enacted in law at the balance sheet date and effective from 1 April 2020 is 17%. Management expects the deferred tax balances to reverse before this rate comes into effect and as such, the deferred tax balances have been calculated at 19% (2017: 19%).

# Visteon Engineering Services Limited

## Notes to the financial statements

for the year ended 31 December 2018

### 7. Dividend

A dividend of £2,000,000 was paid on 28 August 2018. No further dividend is proposed in respect of the 2018 financial year (2017: £nil).

### 8. Intangible assets

	<b>Computer Software £'000</b>
<b>Cost</b>	
At 1 January 2018	<b>1,633</b>
Additions	<b>1,857</b>
Disposals	<b>(807)</b>
31 December 2018	<b>2,683</b>
<b>Amortisation</b>	
At 1 January 2018	<b>1,479</b>
Charge for the year	<b>307</b>
Disposals	<b>(807)</b>
31 December 2018	<b>979</b>
Net book value at 31 December 2018	<b>1,704</b>
Net book value at 31 December 2017	<b>154</b>

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 2018

### 9. Tangible assets

	Leasehold improvements £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>			
At 1 January 2018	3,003	2,924	5,927
Additions	-	85	85
Disposals	-	(224)	(224)
31 December 2018	3,003	2,785	5,788
<b>Depreciation</b>			
At 1 January 2018	1,629	2,355	3,984
Charge for the year	315	300	615
Disposals	-	(224)	(224)
31 December 2018	1,944	2,431	4,375
Net book value at 31 December 2018	1,059	354	1,413
Net book value at 31 December 2017	1,374	569	1,943

Plant and machinery includes capitalised leased assets with a net book value of £nil (2017: £55,000).

### 10. Debtors

	2018 £'000	2017 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	1,756	589
Amounts owed by group undertakings:		
- Parent	-	5,050
- Other	1,088	13,577
Other debtors	694	92
Prepayments and accrued income	432	615
Current deferred tax asset (note 19)	33	21
<b>Amounts falling due after more than one year:</b>		
Accrued income	88	907
Deferred tax asset (note 19)	1,575	2,669
	5,666	23,520

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 2018

### 11. Creditors - amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	717	241
Amounts owed to group undertakings:		
- Parent	747	-
- Other	-	7,221
Finance leases	-	17
Corporation tax	-	48
Other taxes and social security payable	406	376
Other creditors	581	1,916
Accruals	483	1,328
	<b>2,934</b>	<b>11,147</b>

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

### 12. Creditors - amounts falling due after more than one year

	2018 £'000	2017 £'000
Share options including payroll tax	84	932

### 13. Provision for liabilities

	2017 £'000	Charge/(credit) to the profit and loss £'000	Utilisation £'000	2018 £'000
Severance provision	89	145	(234)	-

Four staff took early retirement during the year.

# Visteon Engineering Services Limited

## Notes to the financial statements

for the year ended 31 December 2018

### 14. Called up share capital

	2018 £'000	2017 £'000
Authorised 50,000 (2017: 50,000) ordinary shares of £1 each	50	50
Allotted and fully paid 50,000 (2017: 50,000) ordinary shares of £1 each	50	50

### 15. Operating lease commitments

	2018 £'000	2017 £'000
Future minimum rentals payable under non-cancellable operating leases are as follows:		
Not later than one year	1,006	1,013
Later than one year and not later than five years	3,861	1,380
Later than five years	470	319
	5,337	2,712

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 £107,000 (2017: £118,000)

### 16. 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, but which are not wholly owned. 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 by related parties £'000	Amounts owed to related parties £'000
2018				
Yanfeng Visteon Investment Co.	147	-	83	-
Yanfeng Visteon Elec. Tech. (Shanghai)	123	184	73	184
2017				
Yanfeng Visteon Investment Co.	159	-	105	-
Yanfeng Visteon Elec. Tech. (Shanghai)	70	461	-	179

# Visteon Engineering Services Limited

## Notes to the financial statements

for the year ended 31 December 2018

### 17. 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 defined contribution scheme.

The contributions payable for the stakeholder pension arrangement of £1,287,000 (2017: £1,356,000) 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. A formal actuarial valuation of the plan is carried out every three years, most recently at 31 March 2018. At that date the assets of VES PP were £123,172,000 which represented 86% of the benefits that had accrued to members. The VES PP is reappraised annually by independent actuaries in accordance with FRS 102.

The defined benefit scheme, VES PP, exposes the company to actuarial risks, such as longevity risk, currency risk, inflation risk, interest rate risk, and market (investment) risk.

#### Funded status, end of year

	2018 £'000	2017 £'000
Fair value of plan assets	121,873	127,169
Benefit obligations	(129,558)	(140,532)
Funded status	(7,685)	(13,363)

#### Assumptions used at the balance sheet date:

	2018	2017
Discount rate	2.82%	2.56%
Inflation assumption	3.40%	3.40%
Expected rate of return on plan assets	2.82%	2.56%
Rate of increase in salaries	3.25%	3.25%
Pension increase assumption	3.10%	3.10%
Life expectancy at age 65 for a male currently aged 65	22.7 years	23.1 years
Life expectancy at age 65 for a male currently aged 45	24.0 years	24.7 years
Life expectancy at age 65 for a female currently aged 65	24.0 years	24.5 years
Life expectancy at age 65 for a female currently aged 45	25.5 years	26.4 years



# Visteon Engineering Services Limited

## Notes to the financial statements

for the year ended 31 December 2018

### 17. Pension costs (continued)

#### Present value of defined benefit obligations:

	2018 £'000	2017 £'000
Benefit obligation at 1 January	140,532	134,750
Interest cost	3,547	3,664
Actuarial (gain)/loss	(11,151)	4,663
Gross benefits paid	(3,950)	(3,002)
GMP adjustment and termination benefits	580	457
<b>Benefit obligation at 31 December</b>	<b>129,558</b>	<b>140,532</b>

#### Fair value of plan assets:

	2018 £'000	2017 £'000
Fair value at 1 January	127,169	118,205
Expected return	3,251	3,268
Actuarial (loss)/gain	(8,188)	4,429
Employer's contributions	4,021	4,587
Gross benefits paid	(3,950)	(3,002)
Administrative costs paid	(430)	(318)
<b>Fair value of plan assets at 31 December</b>	<b>121,873</b>	<b>127,169</b>

The company estimates that pension contributions to the scheme in 2019 will total £3,564,000.

#### Plan asset allocation:

	2018 £'000	Allocation %	2017 £'000	Allocation %
Equities	38,009	31.2	51,206	40.3
Debt securities	44,448	36.5	46,565	36.6
Alternative funds	32,290	26.5	18,889	14.9
Property funds	5,047	4.1	4,893	3.8
Cash	3,515	2.9	3,720	2.9
Hedging derivatives	(1,436)	(1.2)	1,896	1.5
<b>Total market value of assets</b>	<b>121,873</b>	<b>100.0</b>	<b>127,169</b>	<b>100.0</b>

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:

	2018 £'000	2017 £'000
Administration costs	430	318
GMP adjustment and early termination costs	580	457
<b>Charged to operating expenses</b>	<b>1,010</b>	<b>775</b>

# Visteon Engineering Services Limited

## Notes to the financial statements

for the year ended 31 December 2018

### 17. Pension costs (continued)

#### Analysis of the amount charged to finance expenses:

	2018 £'000	2017 £'000
Net interest on pension plan assets and liabilities	296	396
Charged to other finance expense	296	396

#### Other comprehensive income

	2018 £'000	2017 £'000
Actuarial gain/(loss) arising during the period	11,151	(4,663)
Return on plan assets (less)/greater than the discount rate	(8,188)	4,429
Actuarial gain/(loss)	2,963	(234)
Related deferred tax (charge)/credit	(563)	44
Actuarial gain/(loss) per the statement of comprehensive income	2,400	(190)

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

### 18. Share based payments

#### Restricted Stock Units (RSU)

Certain senior employees are granted RSU. The instruments entitle the holders to a stock settlement in shares of Visteon Corporation at their exercise date. The only vesting condition is continued employment. The RSU are exercisable at nil cost to the employee.

#### Restricted Stock Cash (RSC)

The company grants certain senior employees RSC. 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)

Certain senior employees are granted PSU. The grant is measured by Visteon's stock performance against its peer group stock performance. The grant entitles the holders to a stock settlement in shares of Visteon Corporation, derived from the outperformance of the share price of Visteon Corporation Inc., up to the vesting date. The only vesting condition is continued employment. The PSU are exercisable at nil cost to the employee.

# Visteon Engineering Services Limited

## Notes to the financial statements

for the year ended 31 December 2018

### 18. Share based payments (continued)

#### Performance Stock Cash (PSC)

The company grants certain senior employees PSC. 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.

#### 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.

#### Change in policy

In prior years, the group policy for UK employees was to settle the RSU and PSU share based payments in cash. In 2018, this policy changed to equity settle these share based payments. This has resulted in a credit to reserves of £658,000.

The carrying amount of the liability relating to the share based payments at 31 December 2018 is £113,000 (2017: £932,000).

### 19. Deferred tax

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

	2018 £'000	2017 £'000
Current deferred tax asset	33	21
Long term deferred tax asset	1,575	2,669
<b>Total</b>	<b>1,608</b>	<b>2,690</b>
Decelerated capital allowances	64	22
Short-term timing differences	33	21
Other timing differences	51	108
Pension scheme deficit	1,460	2,539
	<b>1,608</b>	<b>2,690</b>

# Visteon Engineering Services Limited

## Notes to the financial statements

for the year ended 31 December 2018

### 19. Deferred tax (continued)

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 2018	2,690
Charged to income	(519)
Amount charged to other comprehensive income	(563)
At 31 December 2018	1,608

### 20. 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.

The smallest and largest group in which the results of the company are consolidated is that prepared by Visteon Corporation Inc.