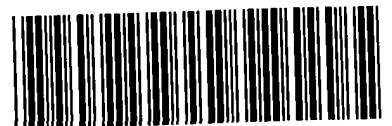


Visteon Engineering Services Limited
Annual Report and Financial Statements
Year ended 31 December 2017

Registered number: 06213888

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Visteon Engineering Services Limited

Corporate information

Directors

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

Strategic report for the year ended 31 December 2017

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 £4,772,000 (2016: £5,163,000). Foreign exchange gains of £463,000 (2016: gains of £1,664,000) have had a significant impact on the results.

Key performance indicators "KPIs"

No dividend payment has been made for 2017, (2016: £5,000,000). The defined benefit pension performance was a loss of £234,000 (2016: loss £9,367,000) the result of a smaller reduction in the discount rate of 0.19% (2016: 1.22%). Compared to 2016, turnover for 2017 is £8,570,000 lower (a decrease of 21.1%). This decrease in turnover has been primarily driven by restructuring activities.

The profit before tax is £5,519,000 (2016: £6,527,000). The profit before tax benefited from accounting for above the line research and development expenditure credit of £450,000 (2016: £600,000).

The company's workforce at the year-end totalled 193 employees (2016: 221). This reduction in staff numbers is the result of restructuring actions (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.

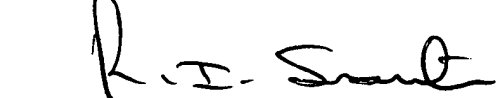
(c) Interest rate risk

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



R. I. Swanston

Director

26 July 2018

Visteon Engineering Services Limited

Directors' report for the year ended 31 December 2017

The directors present their report and the audited financial statements of the company for the year ended 31 December 2017.

Directors

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

R. I. Swanston	
J. L. Pretzel	
A. J. Wood	
I. Scott	Appointed 18 December 2017
K. A. Holland	Appointed 18 December 2017

Future Developments

In 2018 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 is expected to reduce with the transfer of the administration billings activity to Visteon Finance Ltd from 1 March 2018.

Dividends

No dividends were paid in 2017 and no dividend is proposed in respect of the 2017 financial year. (2016: £5,000,000).

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 2018. 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 2017 (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 2017 the company made no charitable donations (2016: £1,000).

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 2017
(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 in a cursive style.

R. I. Swanston
Director
26 July 2018

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 2017, 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 2017 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.

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.

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

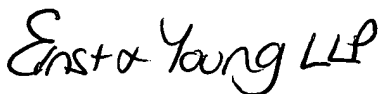
Auditor's responsibilities for the audit of the financial statements

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.



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

27 July 2018

Visteon Engineering Services Limited

Profit and loss account for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Turnover	2	31,960	40,530
Operating costs:			
Exceptional severance expense	13	(1,518)	(1,467)
Research and development, engineering costs	3	(17,776)	(24,925)
Administration		(6,766)	(7,296)
Total operating costs		(26,060)	(33,688)
Operating profit	3	5,900	6,842
Interest receivable	5	20	30
Interest payable	5	(5)	(5)
Other finance expense	17	(396)	(340)
Profit on ordinary activities before taxation		5,519	6,527
Tax on profit on ordinary activities	6	(747)	(1,364)
Retained profit for the financial year		4,772	5,163

All of the above results relate to continuing operations.

Statement of comprehensive income for the year ended 31 December 2017

	2017 £'000	2016 £'000
Profit for the financial year	4,772	5,163
Actuarial loss on pension scheme (note 17)	(234)	(9,367)
Less: deferred tax credit on actuarial loss	44	1,592
Other comprehensive loss	(190)	(7,775)
Total comprehensive income/(loss)	4,582	(2,612)

Visteon Engineering Services Limited

Statement of changes in equity for the year ended 31 December 2017

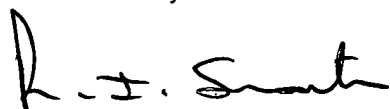
	Called up share capital £'000	Profit and loss account £'000	Shareholders' equity £'000
At 1 January 2016	50	6,412	6,462
Profit for the year	-	5,163	5,163
Other comprehensive loss	-	(7,775)	(7,775)
Total comprehensive loss	-	(2,612)	(2,162)
Less dividend payment (note 7)	-	(5,000)	(5,000)
31 December 2016	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

Visteon Engineering Services Limited

Balance sheet as at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	8	154	313
Tangible assets	9	1,943	2,327
		2,097	2,640
Current assets			
Debtors	10	23,520	17,650
Cash at bank and in hand		3,346	5,197
		26,866	22,847
Creditors - amounts falling due within one year	11	(11,147)	(9,521)
Net current assets		15,719	13,326
Total assets less current liabilities		17,816	15,966
Creditors - amounts falling due after more than one year	12	(932)	(286)
Provisions for liabilities	13	(89)	(285)
Net assets excluding pension liability		16,795	15,395
Pension liability	17	(13,363)	(16,545)
Net assets/(liabilities) including pension liability		3,432	(1,150)
Capital and reserves			
Called up share capital	14	50	50
Profit and loss account		3,382	(1,200)
Total shareholders' funds/(deficit)		3,432	(1,150)

The financial statements were approved by the board of directors on 26 July 2018 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 2017

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 2017.

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

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.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Administration billings

Visteon Engineering Services Limited performs administration billings for the group to allocate administrative costs (relating to manufacturing, sales and engineering) of cost centre entities (charged to the company) to manufacturing (profit centre) entities. These administrative charges and associated billings are netted off in the company's financial statements as the performing of this function on behalf of the Visteon Corporation group is not deemed to constitute the providing of a good or service.

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2017

1. Accounting policies (continued)

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.

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 – cash settled

The fair value of Restricted Stock Units (RSU) and Restricted Stock Cash (RSC) based on the Black Scholes model, Performance Stock Units (PSU) and Performance Stock Cash (PSC) 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.

In respect of RSC, PSC and SAR, 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.

In respect of RSU and PSU the instruments entitle the holders to a equity or cash settlement (at the discretion of Visteon Corporation Inc.).

Notes to the financial statements

for the year ended 31 December 2017

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

	2017 £'000	2016 £'000
The analysis of turnover by geographical market is as follows:		
United Kingdom	1,966	2,264
North America	23,012	31,292
Continental Europe	4,130	3,818
Rest of the World	2,852	3,156
Total turnover	31,960	40,530

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 2017

3. Operating profit

	2017 £'000	2016 £'000
Operating profit is stated after charging/(crediting):		
Research and development, engineering costs	17,776	24,925
Cash settled share based payments (note 18)	626	287
Amortisation of computer software (note 8)	186	230
Depreciation of tangible fixed assets (note 9) -owned	637	950
-leased	12	12
Operating lease rentals:		
-land and buildings	1,234	1,270
-other rentals	9	16
Foreign exchange gains	(463)	(1,664)
Exceptional severance expense	1,518	1,467
Above the line research and development credit	(450)	(600)

Auditor's remuneration for audit of the financial statements of £22,000 (2016: £22,000) has been charged to operating results. Remuneration for provision of non-audit services relating to taxation compliance services was £7,000 (2016: £7,000).

4. Staff costs

(a) Staff costs

	2017 £'000	2016 £'000
Employment costs:		
Wages and salaries	14,122	14,954
Social security costs	1,639	2,090
Pension costs	2,527	2,492
Severance expense	1,518	1,467
Total employment costs	19,806	21,003

Average numbers of staff employed

	2017 No.	2016 No.
Administration	64	71
Engineering	139	166
Average number of employees	203	237

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2017

4. Staff costs (continued)

(b) Directors' remuneration

	2017 £'000	2016 £'000
Directors' remuneration	475	624
Contributions to the defined contribution pension scheme	13	13
Amounts received under stock unit schemes	89	251
	2017 No.	2016 No.
Number of directors who exercised stock unit bonuses	2	2
Number of directors accruing benefits under:		
Defined contribution scheme	4	2
Defined benefit scheme	4	2
	2017 £'000	2016 £'000
In respect of the highest paid director:		
Aggregate remuneration	313	251
Accrued pension at the end of the year	70	69

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

	2017 £'000	2016 £'000
Interest payable		
Group undertakings	-	-
Finance charges payable under finance leases	(5)	(5)
Total interest payable	(5)	(5)
Interest receivable		
Group undertakings	20	28
Bank interest receivable	-	2
Total interest receivable	20	30

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2017

6. Tax on profit on ordinary activities

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax on profit of the year	494	765
Adjustment in respect of prior year	(8)	32
Total current tax	486	797
Deferred tax:		
Current year charge	261	567
Total tax:		
Current year charge	747	1,364
Reconciliation of tax charge:		
Profit on ordinary activities before taxation	5,519	6,527
Notional income tax at UK statutory rate of 19.25% (2016: 20%)	1,062	1,305
Expenses not deductible for tax purposes	11	7
Tax (over)/under provided in prior year	(8)	32
Origination and reversal of timing differences	(34)	(151)
Change in tax laws and rates	(284)	171
Total tax expense	747	1,364
Tax charged to other comprehensive income		
	2017 £'000	2016 £'000
Deferred tax credit on actuarial loss on defined benefit pension scheme	(44)	(1,592)

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 was reduced from 20% to 19% with effect from 1 April 2017. Accordingly, the effective UK tax rate applicable to the company for this accounting period is 19.25% (2016: 20%). 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% (2016: 17%). This change in rate causes the significant movement in the charge to profit and loss in the current year.

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2017

7. Dividend

No dividends were paid in 2017 and no dividend is proposed in respect of the 2017 financial year. (2016: £5,000,000).

8. Intangible assets

	Computer Software £'000
Cost	
At 1 January 2017	1,824
Additions	32
Disposals	(223)
31 December 2017	1,633
Amortisation	
At 1 January 2017	1,511
Charge for the year	186
Disposals	(218)
31 December 2017	1,479
Net book value at 31 December 2017	154
Net book value at 31 December 2016	313

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

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Notes to the financial statements

for the year ended 31 December 2017

9. Tangible assets

	Leasehold improvements £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2017	2,871	3,194	6,065
Additions	132	142	274
Disposals	-	(412)	(412)
31 December 2017	3,003	2,924	5,927
Depreciation			
At 1 January 2017	1,322	2,416	3,738
Charge for the year	307	342	649
Disposals	-	(403)	(403)
31 December 2017	1,629	2,355	3,984
Net book value at 31 December 2017	1,374	569	1,943
Net book value at 31 December 2016	1,549	778	2,327

Plant and machinery includes capitalised leased assets with a net book value of £55,000 (2016: £66,000).

10. Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade debtors	589	539
Amounts owed by group undertakings:		
- Parent	5,050	-
- Other	13,577	11,362
Other debtors	92	597
Prepayments and accrued income	615	1,964
Current deferred tax asset (note 19)	21	25
Amounts falling due after more than one year:		
Accrued income	907	281
Deferred tax asset (note 19)	2,669	2,882
	23,520	17,650

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

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11. Creditors - amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	241	542
Amounts owed to group undertakings:		
- Parent	-	1,243
- Other	7,221	3,069
Finance leases	17	26
Corporation tax	48	164
Other taxes and social security payable	376	444
Other creditors	1,916	2,590
Accruals	1,328	1,443
	11,147	9,521

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

	2017 £'000	2016 £'000
Share options including payroll tax (note 18)	932	268
Finance leases	-	18
	932	286

13. Provision for liabilities

	2016 £'000	Charge/(credit) to the profit and loss £'000	Utilisation £'000	2017 £'000
Severance provision	285	1,518	(1,714)	89

A total of 45 agency staff and employees took redundancy during the year. The re-organisation has resulted in some work being transferred overseas. The remaining provision was utilised in January 2018.

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14. Called up share capital

	2017 £'000	2016 £'000
Authorised 50,000 (2016: 50,000) ordinary shares of £1 each	50	50
Allotted and fully paid 50,000 (2016: 50,000) ordinary shares of £1 each	50	50

15. Operating lease commitments

	2017 £'000	2016 £'000
Future minimum rentals payable under non-cancellable operating leases are as follows:		
Not later than one year	1,013	1,013
Later than one year and not later than five years	1,380	2,180
Later than five years	319	532
	2,712	3,725

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 (2016: £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 from related parties £'000	Amounts owed to related parties £'000
2017				
Yanfeng Visteon Investment Co.	159	-	105	-
Yanfeng Visteon Elec. Tech. (Shanghai)	70	461	-	179
2016				
Yanfeng Visteon Investment Co.	124	-	94	-
Yanfeng Visteon Elec. Tech. (Shanghai)	-	1	-	-

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for the year ended 31 December 2017

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 £1,356,000 (2016: £1,445,000) 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 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.

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

	2017 £'000	2016 £'000
Fair value of plan assets	127,169	118,205
Benefit obligations	(140,532)	(134,750)
Funded status	(13,363)	(16,545)

Assumptions used at the balance sheet date:

	2017	2016
Discount rate	2.56%	2.75%
Inflation assumption	3.40%	3.45%
Expected rate of return on plan assets	2.56%	2.75%
Rate of increase in salaries	3.25%	3.25%
Pension increase assumption	3.10%	3.15%
Life expectancy at age 65 for a male currently aged 65	23.1 years	23.0 years
Life expectancy at age 65 for a male currently aged 45	24.7 years	24.6 years
Life expectancy at age 65 for a female currently aged 65	24.5 years	24.4 years
Life expectancy at age 65 for a female currently aged 45	26.4 years	26.3 years

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2017

17. Pension costs (continued)

Present value of defined benefit obligations:

	2017 £'000	2016 £'000
Benefit obligation at 1 January	134,750	98,830
Interest cost	3,664	3,896
Actuarial loss	4,663	33,103
Gross benefits paid	(3,002)	(1,398)
Termination benefits	457	319
Benefit obligation at 31 December	140,532	134,750

Fair value of plan assets:

	2017 £'000	2016 £'000
Fair value at 1 January	118,205	88,222
Expected return	3,268	3,556
Actuarial gain	4,429	23,736
Employer's contributions	4,587	4,477
Gross benefits paid	(3,002)	(1,398)
Administrative costs paid	(318)	(388)
Fair value of plan assets at 31 December	127,169	118,205

The company estimates that pension contributions to the scheme in 2018 will total £3,822,000.

Plan asset allocation:

	2017 £'000	Allocation %	2016 £'000	Allocation %
Equities	51,206	40.3	35,713	30.2
Debt securities	46,565	36.6	56,663	47.9
Alternative funds	18,889	14.9	19,936	16.9
Property funds	4,893	3.8	2,140	1.8
Cash	3,720	2.9	4,798	4.1
Hedging derivatives	1,896	1.5	(1,045)	(0.9)
Total market value of assets	127,169	100.0	118,205	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:

	2017 £'000	2016 £'000
Administration costs	318	388
Early termination costs	457	319
Charged to operating expenses	775	707

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Notes to the financial statements

for the year ended 31 December 2017

17. Pension costs (continued)

Analysis of the amount charged to finance expenses:

	2017 £'000	2016 £'000
Net interest on pension plan assets and liabilities	396	340
Charged to finance expenses	396	340

Other comprehensive income

	2017 £'000	2016 £'000
Actuarial loss arising during the period	(4,663)	(33,103)
Return on plan assets greater than the discount rate	4,429	23,736
Actuarial loss	(234)	(9,367)
Related deferred tax credit	44	1,592
Actuarial loss per the statement of comprehensive income	(190)	(7,775)

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 or the cash equivalent (at the discretion of Visteon Corporation Inc.) at their exercise date. The only vesting condition is continued employment. The RSU are exercisable at nil cost to the employee. The group policy for UK employees is to settle the share based payments in cash.

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 or the cash equivalent (at the discretion of Visteon Corporation Inc.), 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. The group policy for UK employees is to settle the share based payments in cash.

Notes to the financial statements

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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.

	2017 £'000	2016 £'000
RSU	179	-
RSC	14	102
PSU	10	-
PSC	335	170
SAR	88	15
	626	287

The carrying amount of the liability relating to the share based payments at 31 December 2017 is £932,000 (2016: £628,000).

19. Deferred tax

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

	2017 £'000	2016 £'000
Current deferred tax asset	21	25
Long term deferred tax asset	2,669	2,882
Provision for liabilities	-	-
Total	2,690	2,907
Accelerated capital allowances	22	3
Short-term timing differences	21	24
Other timing differences	108	67
Pension scheme deficit	2,539	2,813
	2,690	2,907

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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 2017	2,907
Charge to income	(261)
Amount credited to other comprehensive income	44
At 31 December 2017	<u>2,690</u>

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.