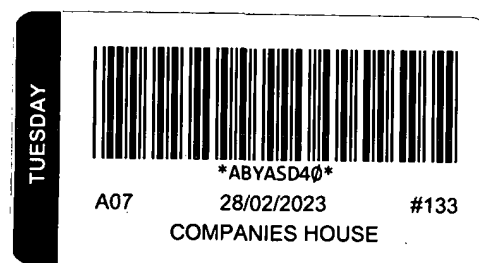


Visteon Engineering Services Limited
Annual Report and Financial Statements
Year ended 31 December 2021

Registered number: 06213888



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Corporate information

Directors

I. Scott
G.R. Waller
G. Tayler
V. Binaghi

Registered Office

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

Company Secretary & 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

Visteon Engineering Services Limited – Annual Report 2021

Strategic report for the year ended 31 December 2021

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 12 shows a profit after tax for the year of £3,888,000 (2020: £2,026,000). Foreign exchange losses of £176,000 (2020: gain of £266,000) have had an impact on the results.

Key performance indicators "KPIs"

No dividends have been paid in 2021 and 2020.

The defined benefit pension performance was a gain of £15,865,000 (2020: loss of £1,856,000), the result of an increase in the discount rate of 0.50% (2020: decrease 0.59%) and asset performance ahead of expectations over the year.

Compared to 2020, turnover for 2021 is £12,868,000 lower (a decrease of 40.5%). The lower turnover is principally due to lower costs, as result of the restructuring and consequent reduction of headcount in 2020 and 2021.

The profit before tax is £5,051,000 (2020: £1,931,000), and benefited from accounting for an "above the line research and development" expenditure credit of £165,000 (2020: £166,000).

In 2021 and 2020 the company's average number of employees was 102 and 156 employees, respectively. This reduction in staff numbers includes some restructuring action.

COVID-19

COVID-19 has not had a major impact on the business. To protect on site operations NHS test kits were provided to all those employees that were unable to work from home. By June 2021 all staff had returned to the office in a hybrid work pattern requiring a minimum of three days per week working in the office.

Throughout the year, the auto industry suffered a shortage of semiconductors due to the post-pandemic global constraint on semiconductor supply. Visteon and its customers experienced multiple shortages and took actions to mitigate the impact on the business. As part of this mitigation, many staff were engaged in redesign actions and validation of alternative components.

Visteon Engineering Services Limited – Annual Report 2021

Strategic report for the year ended 31 December 2021 (continued)

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
24 February 2023

Visteon Engineering Services Limited – Annual Report 2021

Directors' report for the year ended 31 December 2021

The directors present their report and the audited financial statements of the company for the year ended 31 December 2021.

Directors

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

I. Scott	
J. L. Pretzel	(resigned on 10 June 2022)
K. A. Holland	(resigned on 9 March 2021)
G. R. Waller	
G. Tayler	
V. Binaghi	(appointed on 12 September 2022)

Future developments

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

Results and dividends

The profit after tax for the year was £3,888,000 (2020: £2,026,000). No dividend has been paid in 2021 and 2020.

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's business activity, together with the factors likely to affect its future development and position are set out on pages 3 and 4 in the strategic report.

The company has prepared a cash flow forecast for the 12 month period to 29 February 2024 (the "review period"). The company's forecasts and projections, taking account of reasonably possible changes in trading performance and the company's current cash position, show that the company should be able to operate within the level of its current resources for the review period.

In addition, the company's parent undertaking, Visteon Corporation Inc. has confirmed that it will provide such financial support and other support as necessary to enable the company to meet its liabilities for the review period to 29 February 2024. As set out in note 19, the smallest and largest group in which the results of the company are consolidated is that headed by Visteon Corporation Inc. The directors have made enquiries and have a reasonable expectation that Visteon Corporation Inc. has adequate resources and liquidity to continue in operational existence for the review period. Accordingly, the directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

Visteon Engineering Services Limited – Annual Report 2021

Directors' report for the year ended 31 December 2021 (continued)

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.

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 years ended 31 December 2021 and 31 December 2020 the company made no charitable donations.

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.

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

The directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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.

**Directors' report for the year ended 31 December 2021
(continued)**

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

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

- select suitable accounting policies in accordance with Section 10 of FRS 102 and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and Directors' Report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

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.

Subsequent events

The Russian/Ukraine conflict has caused much disruption across global markets. Given the cost-plus activities of the company there has not been any significant impact to the company.
The directors will continue to monitor the impact caused by this conflict.

On behalf of the board



I. Scott
Director
24 February 2023

Visteon Engineering Services Limited – Annual Report 2021

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 2021 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 company's affairs as at 31 December 2021 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

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. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 29 February 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Visteon Engineering Services Limited – Annual Report 2021

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

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 contained within the annual report.

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.

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 course of 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 themselves. 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the 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 pages 6 and 7, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 102, Companies Act 2006, direct and indirect tax compliance regulations. In addition, the company has to comply with health and safety regulations, employment laws, data protection and anti-bribery and corruption laws.
- We understood how the company is complying with those frameworks by making enquiries of management to understand how company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through our review of Board minutes, review of correspondence with relevant authorities, as well as consideration of the results of our audit procedures across the company to either corroborate our findings or provide contrary evidence which was followed up.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by understanding which areas of the business present potential fraud risk areas (through assessing the presence of opportunities, incentives or potential rationalisation to commit such acts of fraud), understanding where these risks could present themselves and subsequently identifying the process level controls in place to prevent, or detect and correct them. Combining this with our review of entity level controls, which have evidenced management's behaviour and the culture embedded within the company, we have gained a detailed understanding of the overall susceptibility to fraud.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved direct enquiries with those charged with governance, as well as specific analysis and testing of legal expenses incurred in the period to ascertain the nature of such costs and confirm their non-relation to non-compliance with applicable laws and regulations. In addition, we performed detailed testing around manual journals for identified fraud risks, corroborating balances where necessary to underlying supporting documentation. The results of these procedures did not identify any such instances of irregularities, including fraud.

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.

Visteon Engineering Services Limited – Annual Report 2021

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

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.

Handwritten signature of Rachel Wilden in black ink, reading "Ernst & Young LLP".

Rachel Wilden (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge, UK
24 February 2023

Visteon Engineering Services Limited – Annual Report 2021

Profit and loss account for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	2	18,928	31,796
Operating costs:			
Exceptional Items	3	956	(8,278)
Research and development, engineering costs	3	(11,791)	(13,866)
Administration		(2,842)	(7,459)
Total operating costs		(13,677)	(29,603)
Operating profit		5,251	2,193
Interest receivable	3 5	-	1
Interest payable	5	(1)	-
Other finance expense	16	(199)	(263)
Profit on ordinary activities before taxation		5,051	1,931
Tax on profit on ordinary activities	6	(1,163)	95
Profit for the financial year		3,888	2,026

All of the above results relate to continuing operations.

Statement of comprehensive income for the year ended 31 December 2021

	2021 £'000	2020 £'000
Profit for the financial year	3,888	2,026
Actuarial gain/(loss) on pension scheme (note 16)	15,865	(1,856)
Less: deferred tax (debit)/credit on actuarial gain	(3,014)	352
Other comprehensive profit/(loss)	12,851	(1,504)
Total comprehensive income	16,739	522

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Statement of changes in equity for the year ended 31 December 2021

	Called up share capital £'000	Profit and loss account £'000	Shareholders' equity £'000
At 1 January 2020	50	(674)	(624)
Profit for the year	-	2,026	2,026
Other comprehensive loss	-	(1,504)	(1,504)
Total comprehensive profit	-	522	522
Share based payment (note 17)	-	(305)	(305)
31 December 2020	50	(457)	(407)
Profit for the year	-	3,888	3,888
Other comprehensive profit	-	12,851	12,851
Total comprehensive profit	-	16,739	16,739
Share based payment (note 17)	-	64	64
31 December 2021	50	16,346	16,396

Visteon Engineering Services Limited – Annual Report 2021

Balance sheet as at 31 December 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	8	211	912
Tangible assets	9	670	1,167
		881	2,079
Current assets			
Debtors – amounts falling due within one year	10	6,966	9,587
Debtors – amounts falling due after one year	10	1,152	6,050
Cash at bank and in hand		8,554	10,069
		16,672	25,706
Creditors - amounts falling due within one year	11	(1,869)	(5,097)
Net current assets		14,803	20,609
Total assets less current liabilities		15,684	22,688
Provision for liabilities	12	(2,908)	(7,165)
Net assets excluding pension asset/ (liability)		12,776	15,523
Pension asset/(liability)	16	3,620	(15,930)
Net assets/(liabilities)		16,396	(407)
Capital and reserves			
Called up share capital	13	50	50
Profit and loss account		16,346	(457)
Total shareholders' funds/(deficit)		16,396	(407)

The financial statements were approved by the board of directors on 24 February 2023 and were signed on their behalf by:



I. Scott
Director

Visteon Engineering Services Limited – Annual Report 2021

Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies

Statement of compliance

Visteon Engineering Services Limited is a limited liability company incorporated in England. The registered office is 31, 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 2021.

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

Going concern

The company's business activity, together with the factors likely to affect its future development and position are set out on pages 3 and 4 in the strategic report.

The company has prepared a cash flow forecast for the 12 month period to 29 February 2024 (the "review period"). The company's forecasts and projections, taking account of reasonably possible changes in trading performance and the company's current cash position, show that the company should be able to operate within the level of its current resources for the review period.

In addition, the company's parent undertaking, Visteon Corporation Inc. has confirmed that it will provide such financial support and other support as necessary to enable the company to meet its liabilities for the review period to 29 February 2024. As set out in note 19, the smallest and largest group in which the results of the company are consolidated is that headed by Visteon Corporation Inc. The directors have made enquiries and have a reasonable expectation that Visteon Corporation Inc. has adequate resources and liquidity to continue in operational existence for the review period. Accordingly, the directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

Visteon Engineering Services Limited – Annual Report 2021

Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies (continued)

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.

Significant estimates are the restructuring provision at £118,000 (2020: £4,246,000), based on actual payments during 2021 combined with the updated accrual for remaining costs, the lease provision on the VECO building at £1,880,000 (2020: £2,769,000), based on the residual lease payments to the expiry date, and the dilapidations provision at £150,000 (2020: £150,000), based on an assessment of the costs to bring the three properties back into a suitable condition to hand back to the landlord at the end of the lease.

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.

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.

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Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies (continued)

Share based payments (continued)

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.

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.

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.

Visteon Engineering Services Limited – Annual Report 2021

Notes to the financial statements

for the year ended 31 December 2021

2. Turnover

	2021 £'000	2020 £'000
The analysis of turnover by geographical market is as follows:		
United Kingdom	9,130	15,053
North America	7,386	13,883
Continental Europe	2,214	1,998
Rest of the World	198	862
Total turnover	18,928	31,796

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

3. Operating profit

	2021 £'000	2020 £'000
Operating profit is stated after charging/(crediting):		
Research and development, engineering costs	11,791	13,866
Cash settled share based payments (note 17)	78	18
Amortisation of computer software (note 8)	682	857
Depreciation of tangible fixed assets (note 9)	457	491
Operating lease rentals:		
- Land and buildings	797	1,186
- Other rentals	7	7
Foreign exchange (gains)/losses	176	(266)
Above the line research and development credit	(165)	(166)
Exceptional Items:		
-Severance expense	(468)	5,509
-Onerous lease	(488)	2,769
Total exceptional items	(956)	8,278

Auditor's remuneration for audit of the financial statements of £36,000 (2020: £33,000) has been charged to operating results. Remuneration for provision of non-audit services relating to taxation compliance services was £9,000 (2020: £9,000).

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Notes to the financial statements

for the year ended 31 December 2021

4. Staff costs

(a) Staff costs

	2021 £'000	2020 £'000
Employment costs:		
Wages and salaries	8,012	10,158
Social security costs	826	1,172
Pension costs	1,285	3,552
Severance expense	(468)	5,509
Total employment costs	9,655	20,391

Average numbers of staff employed

	2021 No.	2020 No.
Administration	24	53
Engineering	78	103
Average number of employees	102	156

Included in staff costs is £78,000 (2020: £18,000), relating to cash settled share based payments, and a debit of £64,000 (2020: credit of £305,000) relating to equity settled share based payments.

(b) Directors' remuneration

	2021 £'000	2020 £'000
Directors' remuneration	813	494
which includes:		
Compensation for loss of office	30	-
Contributions to defined contribution pension schemes	65	50

	2021 No.	2020 No.
Number of directors who exercised share options	5	6
Number of directors accruing benefits under:		
Defined contribution scheme	4	4
Defined benefit scheme	4	4

	2021 £'000	2020 £'000
In respect of the highest paid director:		
Aggregate remuneration	266	184
which includes:		
Contributions to defined contribution pension schemes	21	19
Accrued pension at the end of the year	51	51

The highest paid director exercised share options during the year and prior year.

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Notes to the financial statements

for the year ended 31 December 2021

5. Interest payable and receivable

	2021 £'000	2020 £'000
Interest payable		
Other	(1)	-
Total interest payable	(1)	-
Interest receivable		
Group undertakings	-	1
Bank interest receivable	-	-
Total interest receivable	-	1

6. Tax on profit on ordinary activities

	2021 £'000	2020 £'000
Current tax:		
UK corporation tax on profit of the year	176	1,004
Adjustment in respect of prior year	(446)	3
Total current tax	(270)	1,007
Deferred tax:		
Current year charge/(credit)	1,433	(1,102)
Total tax:		
Current year charge/(credit)	1,163	(95)
Reconciliation of tax charge:		
Profit on ordinary activities before taxation	5,051	1,931
Notional income tax at UK statutory rate of 19% (2020: 19%)	960	367
Expenses not deductible for tax purposes	-	-
Tax under/(over) provided in prior year	(446)	3
Origination and reversal of timing differences	466	(13)
Change in tax laws and rates	183	(452)
Deferred tax on share based payments	-	-
Total tax charge/(credit)	1,163	(95)

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Notes to the financial statements

for the year ended 31 December 2021

6. Tax on profit on ordinary activities (continued)

Tax debited/(credited) to other comprehensive expense

	2021 £'000	2020 £'000
Deferred tax debit/(credit) on actuarial gain/loss on defined benefit pension scheme	3,014	(352)

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 18 for details of deferred tax assets/liabilities.

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic, which included an increase to the UK's main corporation tax rate to 25%, effective from 1 April 2023. Therefore, deferred taxes on the balance sheet have been measured at 25%, which represents the future corporation tax rate that was enacted at the balance sheet date.

7. Dividend

No dividend has been paid in 2021 and no dividend is proposed in respect of the 2021 financial year (2020: £0).

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for the year ended 31 December 2021

8. Intangible assets

	Computer Software £'000
Cost	
At 1 January 2021	3,471
Additions	-
Disposals	(338)
31 December 2021	3,133
Amortisation	
At 1 January 2021	2,559
Charge for the year	682
Disposals	(319)
31 December 2021	2,922
Net book value at 31 December 2021	211
Net book value at 31 December 2020	912

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

9. Tangible assets

	Leasehold improvements £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2021	3,003	3,118	6,121
Additions	30	61	91
Disposals	(579)	(402)	(981)
31 December 2021	2,454	2,777	5,231
Depreciation			
At 1 January 2021	2,393	2,561	4,954
Charge for the year	158	299	457
Disposals	(451)	(399)	(850)
31 December 2021	2,100	2,461	4,561
Net book value at 31 December 2021	354	316	670
Net book value at 31 December 2020	610	557	1,167

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for the year ended 31 December 2021

10. Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade debtors	1,804	3,056
Amounts owed by group undertakings:		
- Parent	1,170	4,105
- Other	3,442	1,854
Other debtors	10	156
Prepayments and accrued income	528	399
Current deferred tax asset (note 18)	12	17
	6,966	9,587

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

	2021 £'000	2020 £'000
Amounts falling due after more than one year:		
Amounts owed by group undertakings	1,152	2,368
Deferred tax asset (note 18)	-	3,682
	1,152	6,050

11. Creditors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade creditors	101	252
Amounts owed to group undertakings:		
- Parent	-	-
- Other	6	6
Corporation tax	10	837
Other taxes and social security payable	500	987
Other creditors	1,066	1,300
Accruals and deferred income	186	1,715
	1,869	5,097

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

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12. Provision for liabilities

	Onerous lease £'000	Restructuring £'000	Dilapidations £'000	Deferred tax liability* £'000	Total £'000
At 1 January 2021	2,769	4,246	150	-	7,165
Additions	-	-	-	760	760
Utilised/ released	(889)	(4,128)	-	-	(5,017)
31 December 2021	1,880	118	150	760	2,908

*see note 18

The VECO building was vacated by 31 July 2021. The onerous lease provision covers the remaining life of the lease to 23 June 2024. The restructuring provision at December 2020 was an estimate of the cost of reducing staff numbers, which was almost completed by the end of 2021. Dilapidations is the cost to put the offices of the company back in their original state at the end of each lease. A deferred tax liability was calculated on the pension plan revaluation surplus (note 18).

13. Called up share capital

	2021 £'000	2020 £'000
Authorised		
50,000 (2020: 50,000) ordinary shares of £1 each	50	50
Allotted and fully paid		
50,000 (2020: 50,000) ordinary shares of £1 each	50	50

14. Operating lease commitments

	2021 £'000	2020 £'000
Future minimum rentals payable under non-cancellable operating leases are as follows:		
Not later than one year	1,017	1,017
Later than one year and not later than five years	1,477	2,462
Later than five years	-	-
	2,494	3,479

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15. Related party transactions

During the year the company entered into transactions, in the ordinary course of business, with other related parties over which the Visteon Group has control, 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
2021				
Yanfeng Visteon Automotive	-	-	-	-
Yanfeng Visteon Elec. Tech. (Shanghai)	-	30	-	-
Yanfeng Visteon Investment	62	-	-	-
2020				
Yanfeng Visteon Automotive	93	-	-	-
Yanfeng Visteon Elec. Tech. (Shanghai)	537	25	926	-

16. Pension costs

The company operates two pension arrangements, the Visteon Engineering Services Pension Plan (VES PP), a closed defined benefit scheme and the company's stakeholder defined contribution scheme.

The contributions payable for the stakeholder pension arrangement of £914,000 (2020: £1,159,000) 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 2021. At that date the assets of VES PP were £142,868,000 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

	2021 £'000	2020 £'000
Fair value of plan assets	162,191	153,807
Benefit obligations	(158,571)	(169,737)
Funded status [surplus/ (deficit)]	3,620	(15,930)

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Notes to the financial statements

for the year ended 31 December 2021

16. Pension costs (continued)

Assumptions used at the balance sheet date:

	2021	2020
Discount rate	1.92%	1.42%
Inflation assumption	3.35%	2.95%
Expected rate of return on plan assets	1.92%	1.42%
Rate of increase in salaries	2.00%	2.00%
Pension increase assumption	3.15%	2.85%
Life expectancy at age 65 for a male currently aged 65	23.1 years	22.9 years
Life expectancy at age 65 for a male currently aged 45	24.4 years	24.2 years
Life expectancy at age 65 for a female currently aged 65	25.2 years	24.2 years
Life expectancy at age 65 for a female currently aged 45	26.6 years	25.7 years

Present value of defined benefit obligations:

	2021 £'000	2020 £'000
Benefit obligation at 1 January	169,737	155,480
Interest cost	2,372	3,068
Actuarial loss/ (gain)	(8,067)	14,816
Gross benefits paid	(5,431)	(5,695)
Early termination and other	(40)	2,068
Benefit obligation at 31 December	158,571	169,737

Fair value of plan assets:

	2021 £'000	2020 £'000
Fair value at 1 January	153,807	141,037
Expected return	2,173	2,805
Actuarial gain	7,798	12,960
Employer's contributions	4,255	3,025
Gross benefits paid	(5,431)	(5,695)
Administrative costs paid	(411)	(325)
Fair value of plan assets at 31 December	162,191	153,807

The company estimates that pension contributions to the scheme in 2022 will total £2,402,000.

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Notes to the financial statements

for the year ended 31 December 2021

16. Pension costs (continued)

Plan asset allocation:

	2021 £'000	Allocation %	2020 £'000	Allocation %
Debt securities	77,059	47.5	82,006	53.4
Equities & other	39,713	24.5	58,327	37.9
Alternative funds	21,320	13.1	13,998	9.1
Hedging derivatives	17,714	10.9	(4,107)	(2.7)
Cash	6,385	4.0	3,583	2.3
Total market value of assets	162,191	100.0	153,807	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:

	2021 £'000	2020 £'000
Administration costs	411	325
Early termination and other	(40)	2,068
Charged to operating expenses	371	2,393

Analysis of the amount charged to finance expenses:

	2021 £'000	2020 £'000
Net interest on pension plan assets and liabilities	199	263
Charged to other finance expense	199	263

Other comprehensive income

	2021 £'000	2020 £'000
Actuarial gain/(loss) arising during the period	8,067	(14,816)
Return on plan assets greater/(less) than the discount rate	7,798	12,960
Actuarial gain/(loss)	15,865	(1,856)
Related deferred tax (charge)/credit	(3,014)	352
Actuarial gain/(loss) per the statement of comprehensive income	12,851	(1,504)

The total amounts included in the statement of comprehensive income are shown on page 12.

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Notes to the financial statements

for the year ended 31 December 2021

17. 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.

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.

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 senior 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.

SAR options exercised in the year were £78,000 (2020: £18,000).

The group policy for UK employees is to equity settle the unit share based payments. This has resulted in a credit to reserves of £64,000 (2020: debit of £305,000).

The carrying amount of the liability relating to the cash-settled share based payments at 31 December 2021 is £0 (2020: £91,000).

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18. Deferred tax

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

	2021 £'000	2020 £'000
Current deferred tax asset/ (liability)	12	17
Long term deferred tax (liability)/asset	(760)	3,682
Total	(748)	3,699
Decelerated/(accelerated) capital allowances	78	(113)
Short-term timing differences	12	17
Other timing differences	67	768
Pension scheme (surplus)/deficit	(905)	3,027
	(748)	3,699

Movement in period:

	£'000
At 1 January 2021	3,699
Charged to income	(1,433)
Amount charged to other comprehensive income	(3,014)
At 31 December 2021	(748)

19. 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.

20. Subsequent events

The Russian/Ukraine conflict has caused much disruption across global markets. Given the cost-plus activities of the company there has not been any significant impact to the company.

The directors will continue to monitor the impact caused by this conflict.