

Visteon Engineering Services Limited
Annual Report and Financial Statements
Year ended 31 December 2019

Registered number: 06213888



Contents

2	Corporate information
3	Strategic report
5	Directors' report
8	Independent auditor's report
11	Profit and loss account
11	Statement of comprehensive income
12	Statement of changes in equity
13	Balance sheet
14	Notes to the financial statements

Visteon Engineering Services Limited

Corporate information

Directors

I. Scott
J. L. Pretzel
K. A. Holland
G.R. Waller
G. Tayler

Registered Office

1 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

Strategic report for the year ended 31 December 2019

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 11 shows a profit after tax for the year of £3,580,000 (2018: £2,911,000). Foreign exchange losses of £248,000 (2018: gains of £289,000) have had an impact on the results.

Key performance indicators "KPIs"

A dividend of £3,000,000 was paid on 22 November 2019 (2018: £2,000,000). The defined benefit pension performance was a loss of £10,321,000 (2018: gain £2,963,000), the result of a decrease in the discount rate by 0.81% (2018: increase 0.26%). Compared to 2018, turnover for 2019 is £1,782,000 higher (an increase of 6.7%).

The profit before tax is £4,804,000 (2018: £3,492,000), and benefited from accounting for an "above the line research and development" expenditure credit of £162,000 (2018: £373,000).

The company's workforce at the year-end totalled 169 employees (2018: 187). This reduction in staff numbers includes some restructuring action.

COVID-19

COVID-19 has not had a major impact on the business, but it is still on-going. Laboratory staff, numbering twenty returned to the office at the beginning of June, a further twenty staff who are more productive in the office returned in mid-June, but the majority of staff have been successfully home working. No member of staff was furloughed.

To protect the business, and given the uncertain longevity of the virus, cost cutting actions have been taken. All staff have taken a 20% pay-cut for a four month period which ended in August 2020. Canteen services have been suspended, areas of the buildings have been shut down reducing utility costs, and cash flow measures have been negotiated on significant spends, such as office rent, pension shortfall payments and VAT.

All third party debt remains within the 30 day collection period.

Short term uncertainty surrounds the defined benefit pension long term liability, however the valuation of the assets supporting the pension fund has been successfully maintained.

Approximately £2m of costs have been cut or deferred in the current year, 2020, and since the company operates on a cost plus basis the profit for 2020 will be reduced accordingly.

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.

Strategic report for the year ended 31 December 2019 (continued)

Principal risks and uncertainties (continued)

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
8 October 2020

Visteon Engineering Services Limited

Directors' report for the year ended 31 December 2019

The directors present their report and the audited financial statements of the company for the year ended 31 December 2019.

Directors

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

I. Scott	
R. I. Swanston	(Resigned 12 December 2019)
J. L. Pretzel	
A. J. Wood	
K. A. Holland	
G.R. Waller	(Appointed 12 December 2019)

Since the year-end, A. J Wood resigned on 19 August 2020 and G Tayler was appointed on 24 September 2020.

Future developments

In 2020 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 £3,580,000 (2018: £2,911,000). A dividend of £3,000,000 was paid on 22 November 2019 (2018: £2,000,000).

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.

COVID-19 and 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'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 at least 12 months from the date of signing these financial statements.

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 foreseeable future. As set out in note 20, the smallest and largest group in which the results of the company are consolidated is that headed by Visteon Corporation Inc. The directors have a reasonable expectation that Visteon Corporation Inc. has adequate resources and liquidity to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

Directors' report for the year ended 31 December 2019 (continued)

Post balance sheet event

As detailed in the strategic report COVID-19 has not had a major impact on the business, but it is still on-going. Laboratory staff, numbering twenty returned to the office at the beginning of June, a further twenty staff who are more productive in the office returned in mid-June, but the majority of staff have been successfully home working. No member of staff was furloughed.

Costs have been cut or deferred wherever possible, customer payments are still being received on a timely basis, and the pension fund assets, thanks to hedging, have not suffered the deterioration experienced on the world's stock exchanges.

Approximately £2m of costs have been cut or deferred in the current year 2020, and since the company operates on a cost plus basis the profit for 2020 will be reduced accordingly.

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 year ended 31 December 2019 the company made charitable donations of £1,000 (2018: £1,000).

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.

Directors' report for the year ended 31 December 2019 (continued)

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.

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.

Auditor

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

On behalf of the board



I. Scott
Director
8 October 2020

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 2019, 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 2019 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.

Emphasis of matter – effects of COVID-19

We draw attention to Note 1 and 19 of the financial statements, which describes the impact on the company of COVID-19 on its operations and assessment of going concern. Our opinion is not modified in respect of this matter.

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.

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.

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.

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 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.

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

Use of our report

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

Ernst & Young LLP

Rachel Wilden (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge
13 October 2020

Profit and loss account for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	2	28,288	26,506
Operating costs:			
Exceptional severance expense	3	(692)	(145)
Research and development, engineering costs	3	(16,010)	(15,760)
Administration		(6,620)	(6,818)
Total operating costs		(23,322)	(22,723)
Operating profit	3	4,966	3,783
Interest receivable	5	1	9
Interest payable	5	-	(4)
Other finance expense	16	(163)	(296)
Profit on ordinary activities before taxation		4,804	3,492
Tax on profit on ordinary activities	6	(1,224)	(581)
Profit for the financial year		3,580	2,911

All of the above results relate to continuing operations.

Statement of comprehensive income for the year ended 31 December 2019

	2019 £'000	2018 £'000
Profit for the financial year	3,580	2,911
Actuarial (loss)/gain on pension scheme (note 16)	(10,321)	2,963
Less: deferred tax credit/(charge) on actuarial (loss)/gain	1,755	(563)
Other comprehensive (loss)/gain	(8,566)	2,400
Total comprehensive (expense)/ income	(4,986)	5,311

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital £'000	Profit and loss account £'000	Shareholders' equity £'000
At 1 January 2018	50	3,382	3,432
Profit for the year	-	2,911	2,911
Other comprehensive income	-	2,400	2,400
Total comprehensive income	-	5,311	5,311
Dividend payment (note 7)	-	(2,000)	(2,000)
Share based payment (note 17)	-	658	658
31 December 2018	50	7,351	7,401
Profit for the year	-	3,580	3,580
Other comprehensive (expense)	-	(8,566)	(8,566)
Total comprehensive (expense)	-	(4,986)	(4,986)
Dividend payment (note 7)	-	(3,000)	(3,000)
Share based payment (note 17)	-	(39)	(39)
31 December 2019	50	(674)	(624)

Visteon Engineering Services Limited

Balance sheet as at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	8	1,508	1,704
Tangible assets	9	1,663	1,413
		3,171	3,117
Current assets			
Debtors	10	9,641	5,666
Cash at bank and in hand		4,404	9,321
		14,045	14,987
Creditors - amounts falling due within one year	11	(3,397)	(2,934)
Net current assets		10,648	12,053
Total assets less current liabilities		13,819	15,170
Creditors - amounts falling due after more than one year	12	-	(84)
Net assets excluding pension liability		13,819	15,086
Pension liability	16	(14,443)	(7,685)
Net (deficit)/assets		(624)	7,401
Capital and reserves			
Called up share capital	13	50	50
Profit and loss account		(674)	7,351
Total shareholders' (deficit)/funds		(624)	7,401

The financial statements were approved by the board of directors on 8 October 2020 and were signed on their behalf by:



I. Scott
Director

Notes to the financial statements

for the year ended 31 December 2019

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 2019.

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

COVID 19 and going concern

The company's business activity, together with the factors likely to affect its future development and position are set out on page 3 and 4 in the strategic report and note 19.

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 at least 12 months from the date of signing these financial statements.

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 foreseeable future. As set out in note 20, the smallest and largest group in which the results of the company are consolidated is that headed by Visteon Corporation Inc. The directors have a reasonable expectation that Visteon Corporation Inc. has adequate resources and liquidity to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to adopt the going concern basis in preparing these financial statements.

Notes to the financial statements

for the year ended 31 December 2019

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.

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.

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.

Notes to the financial statements

for the year ended 31 December 2019

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.

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

Notes to the financial statements

for the year ended 31 December 2019

2. Turnover

	2019 £'000	2018 £'000
The analysis of turnover by geographical market is as follows:		
United Kingdom	17,475	13,739
North America	7,362	11,159
Continental Europe	1,819	728
Rest of the World	1,632	880
Total turnover	28,288	26,506

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

3. Operating profit

	2019 £'000	2018 £'000
Operating profit is stated after charging/(crediting):		
Research and development, engineering costs	16,010	15,760
Cash settled share based payments (note 17)	20	167
Amortisation of computer software (note 8)	736	307
Depreciation of tangible fixed assets (note 9)	463	615
Operating lease rentals:		
-land and buildings	1,142	1,190
-other rentals	7	6
Foreign exchange losses/(gains)	248	(289)
Exceptional severance expense	692	145
Above the line research and development credit	(162)	(373)

Auditor's remuneration for audit of the financial statements of £28,000 (2018: £22,000) has been charged to operating results. Remuneration for provision of non-audit services relating to taxation compliance services was £7,000 (2018: £23,000).

Notes to the financial statements

for the year ended 31 December 2019

4. Staff costs

(a) Staff costs

	2019 £'000	2018 £'000
Employment costs:		
Wages and salaries	12,459	11,968
Social security costs	1,327	1,506
Pension costs	1,899	2,593
Severance expense	692	145
Total employment costs	16,377	16,212

Average numbers of staff employed

	2019 No.	2018 No.
Administration	58	60
Engineering	120	131
Average number of employees	178	191

Included in staff costs is £20,000, (2018: £(144,000)) relating to cash settled share based payments, and a credit of £39,000 (2018: charge £658,000) relating to equity settled share based payments.

(b) Directors' remuneration

	2019 £'000	2018 £'000
Directors' remuneration	648	749
which includes:-		
Contributions to the defined contribution pension scheme	33	32
Amounts received under stock unit schemes	50	134

	2019 No.	2018 No.
Number of directors who exercised stock unit bonuses	4	5
Number of directors accruing benefits under:		
Defined contribution scheme	4	4
Defined benefit scheme	4	4

	2019 £'000	2018 £'000
In respect of the highest paid director:		
Aggregate remuneration	241	333
Accrued pension at the end of the year	72	70

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

Notes to the financial statements

for the year ended 31 December 2019

5. Interest payable and receivable

	2019 £'000	2018 £'000
Interest payable		
Finance charges payable under finance leases	-	(2)
Other	-	(2)
Total interest payable	-	(4)
Interest receivable		
Group undertakings	1	9
Bank interest receivable	-	-
Total interest receivable	1	9

6. Tax on profit on ordinary activities

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax on profit of the year	98	66
Adjustment in respect of prior year	8	(3)
Total current tax	106	63
Deferred tax:		
Current year charge	1,118	518
Total tax:		
Current year charge	1,224	581
Reconciliation of tax charge:		
Profit on ordinary activities before taxation	4,804	3,492
Notional income tax at UK statutory rate of 19% (2018: 19%)	913	663
Expenses not deductible for tax purposes	14	13
Tax under/(over) provided in prior year	8	(3)
Origination and reversal of timing differences	156	(41)
Change in tax laws and rates	82	-
Deferred tax on share based payments	51	(51)
Total tax expense	1,224	581

Notes to the financial statements

for the year ended 31 December 2019

6. Tax on profit on ordinary activities (continued)

Tax charged to other comprehensive income

	2019 £'000	2018 £'000
Deferred tax (credit)/charge on actuarial (loss)/gain on defined benefit pension scheme	(1,755)	563

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.

The standard rate of UK corporation tax on ordinary activities was 19% (2018: 19%). This follows a reduction from 20% to 19% on 1 April 2017 following the substantive enactment of Finance (No.2) Act 2015 on 18 November 2015. The spring budget on 16 March 2016 announced a further reduction in the corporation tax rate to 17% for the financial year beginning 1 April 2020. This change was substantially enacted in Finance Act 2016 on 15 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date. In the March 2020 budget the government announced that from 1 April 2020 the corporation tax rate would remain at 19% and hence will impact the amount of future tax payments to be made by the company.

7. Dividend

A dividend of £3,000,000 was paid on 22 November 2019. No further dividend is proposed in respect of the 2019 financial year (2018: £2,000,000).

8. Intangible assets

	Computer Software £'000
Cost	
At 1 January 2019	2,683
Additions	540
Disposals	(13)
31 December 2019	3,210
Amortisation	
At 1 January 2019	979
Charge for the year	736
Disposals	(13)
31 December 2019	1,702
Net book value at 31 December 2019	1,508
Net book value at 31 December 2018	1,704

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

Notes to the financial statements

for the year ended 31 December 2019

9. Tangible assets

	Leasehold improvements £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2019	3,003	2,785	5,788
Additions	-	713	713
Disposals	-	(332)	(332)
31 December 2019	3,003	3,166	6,169
Depreciation			
At 1 January 2019	1,944	2,431	4,375
Charge for the year	246	217	463
Disposals	-	(332)	(332)
31 December 2019	2,190	2,316	4,506
Net book value at 31 December 2019	813	850	1,663
Net book value at 31 December 2018	1,059	354	1,413

10. Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade debtors	3,642	1,756
Amounts owed by group undertakings:		
- Parent	-	-
- Other	2,678	1,088
Other debtors	543	694
Prepayments and accrued income	533	432
Current deferred tax asset (note 18)	20	33
Amounts falling due after more than one year:		
Accrued income	-	88
Deferred tax asset (note 18)	2,225	1,575
	9,641	5,666

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

Notes to the financial statements

for the year ended 31 December 2019

11. Creditors - amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	551	717
Amounts owed to group undertakings:		
- Parent	144	747
- Other	25	-
Corporation tax	-	-
Other taxes and social security payable	397	406
Other creditors	1,107	581
Accruals and deferred income	1,173	483
	3,397	2,934

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

	2019 £'000	2018 £'000
Share options including payroll tax	-	84

13. Called up share capital

	2019 £'000	2018 £'000
Authorised		
50,000 (2018: 50,000) ordinary shares of £1 each	50	50
Allotted and fully paid		
50,000 (2018: 50,000) ordinary shares of £1 each	50	50

Notes to the financial statements

for the year ended 31 December 2019

14. Operating lease commitments

	2019 £'000	2018 £'000
Future minimum rentals payable under non-cancellable operating leases are as follows:		
Not later than one year	1,006	1,006
Later than one year and not later than five years	3,325	3,861
Later than five years	-	470
	4,331	5,337

Following the sale of the Halla Group, Hanon Systems UK Limited (formerly Halla Visteon UK Limited), has remained in the company offices, and has leased office space on the basis of six months' notice by either party. The future minimum rental receivable is £107,000 (2018: £107,000)

15. Related party transactions

During the year the company entered into transactions, in the ordinary course of business, with other related parties over which the Visteon Group has control, 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
2019				
Yanfeng Visteon Automotive	42	-	8	-
Yanfeng Visteon Elec. Tech. (Shanghai)	1,293	55	392	-
2018				
Yanfeng Visteon Investment Co.	147	-	83	-
Yanfeng Visteon Elec. Tech. (Shanghai)	123	184	73	184

Notes to the financial statements

for the year ended 31 December 2019

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 £1,276,000 (2018: £1,287,000) have been fully expensed against profits in the current year.

The company pension plan (VES PP) was established 1 November 2007, with a corporate trustee. The defined benefit plan is closed to new entrants and future service accruals. The assets of the VES PP are held independently of the company's assets. A formal actuarial valuation of the plan is carried out every three years, most recently at 31 March 2018. At that date the assets of VES PP were £123,172,000 which represented 86% of the benefits that had accrued to members. The VES PP is reappraised annually by independent actuaries in accordance with FRS 102.

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

Funded status, end of year

	2019 £'000	2018 £'000
Fair value of plan assets	141,037	121,873
Benefit obligations	(155,480)	(129,558)
Funded status	(14,443)	(7,685)

Assumptions used at the balance sheet date:

	2019	2018
Discount rate	2.01%	2.82%
Inflation assumption	3.20%	3.40%
Expected rate of return on plan assets	2.01%	2.82%
Rate of increase in salaries	3.00%	3.25%
Pension increase assumption	2.95%	3.10%
Life expectancy at age 65 for a male currently aged 65	22.8 years	22.7 years
Life expectancy at age 65 for a male currently aged 45	22.5 years	24.0 years
Life expectancy at age 65 for a female currently aged 65	24.1 years	24.0 years
Life expectancy at age 65 for a female currently aged 45	23.9 years	25.5 years

Notes to the financial statements

for the year ended 31 December 2019

16. Pension costs (continued)

Present value of defined benefit obligations:

	2019 £'000	2018 £'000
Benefit obligation at 1 January	129,558	140,532
Interest cost	3,622	3,547
Actuarial loss/(gain)	24,468	(11,151)
Gross benefits paid	(2,281)	(3,950)
GMP adjustment and termination benefits	113	580
Benefit obligation at 31 December	155,480	129,558

Fair value of plan assets:

	2019 £'000	2018 £'000
Fair value at 1 January	121,873	127,169
Expected return	3,459	3,251
Actuarial gain/(loss)	14,147	(8,188)
Employer's contributions	4,186	4,021
Gross benefits paid	(2,281)	(3,950)
Administrative costs paid	(347)	(430)
Fair value of plan assets at 31 December	141,037	121,873

The company estimates that pension contributions to the scheme in 2020 will total £3,748,000.

Plan asset allocation:

	2019 £'000	Allocation %	2018 £'000	Allocation %
Equities	60,427	42.8	38,009	31.2
Debt securities	51,334	36.4	44,448	36.5
Alternative funds	17,102	12.1	32,290	26.5
Property funds	5,017	3.6	5,047	4.1
Cash	8,489	6.0	3,515	2.9
Hedging derivatives	(1,332)	(0.9)	(1,436)	(1.2)
Total market value of assets	141,037	100.0	121,873	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:

	2019 £'000	2018 £'000
Administration costs	347	430
GMP adjustment and early termination costs	113	580
Charged to operating expenses	460	1,010

Notes to the financial statements

for the year ended 31 December 2019

16. Pension costs (continued)

Analysis of the amount charged to finance expenses:

	2019 £'000	2018 £'000
Net interest on pension plan assets and liabilities	163	296
Charged to other finance expense	163	296

Other comprehensive income

	2019 £'000	2018 £'000
Actuarial (loss)/gain arising during the period	(24,468)	11,151
Return on plan assets greater/(less) than the discount rate	14,147	(8,188)
Actuarial (loss)/gain	(10,321)	2,963
Related deferred tax credit/(charge)	1,755	(563)
Actuarial (loss)/gain per the statement of comprehensive income	(8,566)	2,400

The total amounts included in the statement of comprehensive income are shown on page 11.

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.

Notes to the financial statements

for the year ended 31 December 2019

17. Share based payments (continued)

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.

The group policy for UK employees is to equity settle the unit share based payments. This has resulted in a debit to reserves of £39,000 (2018: credit £658,000).

The carrying amount of the liability relating to the share based payments at 31 December 2019 is £93,000 (2018: £113,000).

18. Deferred tax

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

	2019 £'000	2018 £'000
Current deferred tax asset	20	33
Long term deferred tax asset	2,225	1,575
Total	2,245	1,608
Accelerated capital allowances	(246)	64
Short-term timing differences	20	33
Other timing differences	16	51
Pension scheme deficit	2,455	1,460
	2,245	1,608

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 2019	1,608
Charged to income	(1,118)
Amount credited to other comprehensive income	1,755
At 31 December 2019	2,245

Notes to the financial statements

for the year ended 31 December 2019

19. Post balance sheet event

As detailed in the strategic report COVID-19 has not had a major impact on the business, but it is still on-going. Laboratory staff, numbering twenty returned to the office at the beginning of June, a further twenty staff who are more productive in the office returned in mid-June, but the majority of staff have been successfully home working. No member of staff was furloughed.

Costs have been cut or deferred wherever possible, customer payments are still being received on a timely basis, and the pension fund assets, thanks to hedging, have not suffered the deterioration experienced on the world's stock exchanges.

Approximately £2m of costs have been cut or deferred in the current year 2020, and since the company operates on a cost plus basis the profit for 2020 will be reduced accordingly.

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.