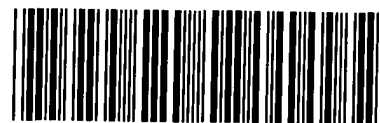


WABCO Automotive U.K. Limited

Reports and Financial Statements

31 December 2018

SATURDAY



A8GW4R6Y

A07

26/10/2019

#46

COMPANIES HOUSE

Directors

D I Colquhoun

D T Rickell (Resigned 28 June 2019)

Secretary

D I Colquhoun

Auditors

Ernst & Young LLP

1 Bridgewater Place

Leeds LS11 5QR

Bankers

ING Bank N.V.

London Branch

60 London Wall

London EC2M 5TQ

Solicitors

Rollits LLP

Citadel House

58 High Street

Hull HU1 1QE

Registered Office

Unit A1

Grange Valley Road

Batley WF17 6GH

Registered No. 00709827

Strategic report

The directors present their strategic report for the year ended 31 December 2018.

Review of the business

The company's activities during the year were the supply of power braking systems and associated engineering products to the automotive industry.

The key financial and other performance indicators during the year were as follows:

	2018 £000	2017 £000	Change %
Turnover	51,133	45,563	12.2%
Total operating profit	1,305	1,201	8.7%
Profit after tax	3,217	1,093	194.3%
Shareholder deficit	(562)	(7,692)	92.7%
Current assets as % of current liabilities	84%	46%	82.6%
Average number of employees	47	46	2.2%

Principal Risks and Uncertainties

Strategic, financial, commercial, operational, social, environmental and ethical risks are all considered as part of the company's controls, which are designed to manage rather than eliminate the risk of failure to achieve business objectives. Therefore they can only provide reasonable, not absolute, assurance against material misstatement or loss.

The company will continue to meet any day to day operating working capital requirements in excess of its own generated funds by cash drawn from the parent undertaking. The company participates in the Wabco Group's centralised treasury arrangements and so shares in the collective funds of the parent undertaking. The company has received a letter of support from the parent undertaking which confirms the provisions of financial support, if required, for a period until 1 October 2020.

The directors have no reason to believe that a material uncertainty exists that may cast doubt on the ability of the Wabco Group to continue as a going concern or its ability to continue with the current banking arrangements.

Although at present there are no immediate risks considered likely to have a significant impact on the short or long-term value of the company, the principal risks identified are as follows:

Competitive Risks

There are a number of competitive suppliers for a relatively small number of large global vehicle manufacturers.

The development of new technology for vehicle engines creates an opportunity as well as a risk for the company.

Registered No. 00709827

Strategic report (continued)

Legislative Risks

The company's business activities, together with the factors likely to affect its future position, are set above.

Financial Instrument Risks

The company's business activities, together with the factors likely to affect its future position, are set above.

Exposure to price, credit, liquidity and cash flow risk

The company's business activities, together with the factors likely to affect its future position, are set above.

Brexit

To date Brexit has had no noticeable impact on the operations or performance of the company. The company will continue to monitor developments that may have an impact on its performance and work with the ultimate parent company to mitigate these.

Future Developments

The company is continually monitoring and acting upon latest and future trends in the technology of its markets.

On behalf of the Board



D I Colquhoun
Director

24 October 2019

Registered No. 00709827

Directors' report

The directors present their report for the year ended 31 December 2018.

Results & Dividends

The financial results for 2018 show a significant growth in sales and operating profit, generated organically through increased customer demands versus prior year.

The directors do not recommend a final dividend (2017: £nil)

Going concern

The company's business activities, together with the factors likely to affect its future position, are set above.

The company will continue to meet any day to day operating working capital requirements in excess of its own generated funds by cash drawn from the parent undertaking. The company participates in the Wabco Group's centralised treasury arrangements and so shares in the collective funds of the parent undertaking. The company has received a letter of support from the parent undertaking which confirms the provisions of financial support, if required, for a period until 1 November 2020.

The directors have no reason to believe that a material uncertainty exists that may cast doubt on the ability of the Wabco Group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Group's financial position, the directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The directors who served the company during the year were as follows:

D I Colquhoun

D T Rickell (Resigned 28 June 2019)

Directors' qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provisions remain in force as at the date of approving the directors' report.

Research and development

The company has maintained its commitment in the area of research and development, having spent £929,000 in the year (2017 – £1,033,000). Continuity of investment in this area is essential if the company is to retain its competitive position within the market in which it operates.

Disabled employees

The company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person.

With regard to existing employees and those who have become disabled during the year, the company has continued to examine ways of providing continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Registered No. 00709827

Directors' report (continued)

Employee involvement

It is company policy that information for employees be communicated through the management structure to all employees on a regular basis.

Employees participate directly in the success of the business through the company's incentive scheme.

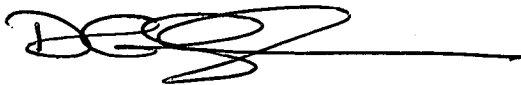
Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



D I Colquhoun
Director

24 October 2019

Registered No. 00709827

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 102 (The Financial Reporting Standard applicable in the UK). 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 these 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 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 adequate 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 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.

Independent auditors' report

To the members of WABCO Automotive U.K. Limited

Opinion

We have audited the financial statements of Wabco Automotive UK Limited for the year ended 31 December 2018 which comprise the Profit and Loss Account, Statement of financial position, Statement of comprehensive income, and Statement of changes in equity and the related notes 1 to 15, 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 Financial Reporting Standard 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 2018 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

Independent auditors' report (continued)

To the members of WABCO Automotive U.K. Limited

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 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 page 6, 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 auditors' report (continued)

To the members of WABCO Automotive U.K. Limited

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 UK

Tim Helm (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
24 October 2019

Registered No. 00709827

Profit and loss account

for the year ended 31 December 2018

		2018	2017
	Notes	£000	£000
Turnover	2	51,133	45,563
Cost of sales		(42,961)	(39,710)
Gross Profit		8,172	5,853
Net operating expenses		(4,364)	(4,652)
Exceptional Item – GMP Equalisation	11	(2,503)	-
Operating Profit	3	1,305	1,201
Net finance income – pension	12	5	6
Group interest payable and similar charges		(244)	(227)
Profit on ordinary activities before taxation		1,066	980
Tax credit	6	2,151	113
Profit for the financial year		3,217	1,093

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2018

	2018	2017
	£000	£000
Profit for the year	3,217	1,093
Remeasurement gain recognised on pension scheme (note 11)	4,582	586
Movement on deferred tax relating to pension scheme surplus	(779)	(113)
Total comprehensive income for the year	7,020	1,566

Registered No. 00709827

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

	<i>Capital contribution</i> £000	<i>Share capital</i> £000	<i>Profit and loss account</i> £000	<i>Total share- holders' funds</i> £000
At 1 January 2017	3,350	3,000	(15,682)	(9,332)
Profit for the year	–	–	1,093	1,093
Share-based payments (note 12)	122	–	–	122
Other comprehensive income	–	–	425	425
At 1 January 2018	3,472	3,000	(14,164)	(7,692)
Profit for the year	–	–	3,217	3,217
Share-based payments (note 12)	110	–	–	110
Other comprehensive income	–	–	3,803	3,803
At 31 December 2018	<u>3,582</u>	<u>3,000</u>	<u>(7,144)</u>	<u>(562)</u>

Registered No. 00709827

Statement of financial position

as at 31 December 2018

	Notes	2018 £000	2017 £000
Current assets			
Stocks	7	-	4
Debtors – due within one year	8	14,286	6,949
Cash at bank and in hand		-	2
		14,286	6,955
Creditors: amounts falling due within one year	9	(16,916)	(15,143)
Net current liabilities		(2,630)	(8,188)
Total assets less current liabilities		(2,630)	(8,188)
Net liabilities excluding pension asset		(2,630)	(8,188)
Defined benefit pension scheme	11	2,068	496
Net liabilities including pension asset		(562)	(7,692)
Capital and reserves			
Called up share capital	10	3,000	3,000
Capital contribution reserve		3,582	3,472
Profit and loss account		(7,144)	(14,164)
Shareholders' funds		(562)	(7,692)

The financial statements were approved by the Board of Directors on 24 October 2019 and were signed on its behalf by



D I Colquhoun
Director

Registered No. 00709827

Notes to the financial statements

as at 31 December 2018

1. Accounting policies

1.1 General Information

Wabco Automotive U.K. Limited is a limited liability company incorporated and domiciled in England. The Registered Office is Unit A1, Grange Valley, Grange Valley Road, Batley, WF17 6GH.

1.2 Basis of preparation

The financial statements are prepared in accordance with FRS 102 Reduced Disclosure Framework and in accordance with the historic cost convention, the Companies Act 2006 and applicable accounting standards.

The financial statements are prepared in sterling which is the functional currency of the company. The company's financial statements are rounded to the nearest £'000.

The accounting policies which follow set out those policies which are applicable to the financial statements for the period ended 31 December 2018. The company has taken advantage of the following disclosure exemptions under FRS 102:

- the requirements of Section 4 – Statement of Financial Position paragraph 4.12(a)(iv)
- the requirements of Section 7 – Statement of Cash Flows – and Section 3 – Financial Statement Presentation, paragraph 3.17(d)
- the requirements of Section 11, paragraph 11.39 to 11.48A and Section 12, paragraphs 12.26 to 12.29A
- the requirements of Section 26 – Share Based Payment, paragraphs 26.18(b), 26.19 to 26.21 and 26.23.
- the requirement of Section 33 – Key Management Remuneration, paragraph 33.7

Where applicable, equivalent disclosures are included in the consolidated financial statements of WABCO Holdings Inc, in which the company is consolidated.

Pension and other post-employment benefits

The cost of the defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 11.

Registered No. 00709827

Notes to the financial statements

as at 31 December 2018

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences between taxable profits and total comprehensive income that arise from the inclusion of income or expenses in tax assessments in periods different from those in which they are recognised in the financial statements:

- Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits,

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.3 Going concern

The company financial statements have a net current and net liability position. The directors believe that the company will continue to meet any day to day operating working capital requirements in excess of its own generated funds by cash drawn from the parent undertaking. The company participates in the Wabco Group's centralised treasury arrangements and so shares in the collective funds of the parent undertaking. The company has received a letter of support from the parent undertaking which confirms the provisions of financial support, if required, for a period until 1 November 2020.

The directors have no reason to believe that a material uncertainty exists that may cast doubt on the ability of the Wabco Group to continue as a going concern or its ability to continue with the current banking arrangements.

As such, the directors have prepared the financial statements on the going concern basis.

1.4 Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has passed to the buyer, usually on dispatch of the goods.

Provision of Services

Revenue from the provision of R&D services to the parent undertaking is recognised to the extent that the expenses recognised that are recoverable.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Registered No. 00709827

Notes to the financial statements

as at 31 December 2018

1. Accounting policies (continued)

1.5 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	–	purchase cost on a first-in, first-out basis.
Work in progress and finished goods	–	cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

1.6 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

1.7 Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in net operating expenses.

1.8 Foreign currencies

Transactions in foreign currencies are recorded in the entity's functional currency by applying the spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

1.9 Leasing and hire purchase commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

1.10 Research and development

Research and development expenditure is written off in the year in which it is incurred.

Registered No. 00709827

Notes to the financial statements

as at 31 December 2018

1. Accounting policies (continued)

1.11 Pensions

The company operates a defined benefit pension scheme. Contributions are made to a separately administered fund. Pension scheme assets are measured at fair value and scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at an interest rate equivalent to the current rate of return on a high quality corporate bond.

The service cost of providing pension and other post-retirement benefits to employees for the year is charged to the operating profit or loss in the year.

The net interest element is determined by multiplying the net defined benefit surplus by the discount rate, at the start of the period taking into account any changes in the net defined benefit surplus during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Re-measurements, comprising actuarial gains and losses and the return on the net defined benefit surplus (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension asset in the balance sheet comprises the total the plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

Further information on pensions is disclosed in note 11.

1.12 Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at 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 using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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 conditions as to the number of equity instrument that will ultimately vest or, in the case of an instrument subject to market 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.

Registered No. 00709827

Notes to the financial statements

as at 31 December 2018

1. Accounting policies (continued)

1.12 Share-based payments (continued)

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The financial effect of awards by the parent company Wabco Holdings Inc of options over its equity shares to the employees of this company, as a subsidiary undertakings, is a credit to the capital contribution reserve in equity equivalent to the cost recognised in net operating expenses.

2. Turnover

An analysis of turnover by geographical market is given below:

	2018 £000	2017 £000
United Kingdom	49,259	43,569
Rest of Europe	1,853	1,979
Rest of the world	21	15
	<u>51,133</u>	<u>45,563</u>

An analysis of turnover by area of activity is given below:

	2018 £000	2017 £000
Total sales of goods	50,134	44,429
Rendering of services	999	1,134
	<u>51,133</u>	<u>45,563</u>

Turnover is attributable to continuing activities, the supply of power braking systems and associated engineering products and services to the automotive industry.

Registered No. 00709827

Notes to the financial statements

as at 31 December 2018

3. Operating Profit

This is stated after charging the below items. In addition a cost of £2,503,000 which has been recognised through the profit and loss account for the year ending 31 December 2018. This corresponds to 2.7% of the liability as at this date, as a result of a High Court judgement in relation to DB pensions schemes which are now required to equalise benefits to take account of unequal Guaranteed Minimum Pensions (GMPs) between men and women.

	2018 £000	2017 £000
Auditors' remuneration – audit services	39	40
– taxation services	35	24
Research and development expenditure written off	929	1,033
Operating lease rentals – plant and machinery	134	120
– buildings	191	191
– total	325	311
Cost of inventory recognised as an expense	42,032	38,552

4. Directors' remuneration

	2018 £000	2017 £000
Remuneration	209	252
	No.	No.
Members of defined benefit pension schemes	2	2
	2018 No.	2017 No.
Number of directors who received shares in respect of qualifying service	2	2
Number of directors who exercised share options	-	2
The amounts in respect of the highest paid director are as follows:		
	2018 £000	2017 £000
Emoluments	125	153
Accrued pension at the end of the year	28	25
Accrued lump sum at the end of the year	-	-

Registered No. 00709827

Notes to the financial statements

as at 31 December 2018

5. Staff costs

	2018	2017
	£000	£000
Wages and salaries	2,621	2,603
Social security costs	336	344
Other pension costs (note 11) – defined benefit	1,280	1,267
	<u>4,237</u>	<u>4,214</u>

Included within wages and salaries is a total charge in respect of share-based payments of £110,000 (2017 – £122,000) which arises from transactions accounted for as equity-settled share-based payment transactions.

The average monthly number of employees during the year was made up as follows:

	No.	No.
Selling and administration	47	46
Manufacturing	-	-
	<u>47</u>	<u>46</u>

6. Tax

(a) Tax on profit on ordinary activities

The tax (credit) /charge is made up as follows:

	2018	2017
	£000	£000
Current tax:		
UK corporation tax on the profit for the year	-	-
Adjustments in respect of prior years	-	-
Total current tax (note 6(b))	<u>-</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences (note 6(c))	(1,715)	93
Origination and reversal of timing differences re: pension surplus	(436)	(206)
Total deferred tax	<u>(2,151)</u>	<u>(113)</u>
Tax credit on profit on ordinary activities	<u>(2,151)</u>	<u>(113)</u>

Tax on other comprehensive income:

Current tax:

Origination and reversal of timing differences re: pension surplus	<u>779</u>	<u>113</u>
Total tax through the profit and loss and other comprehensive income	<u>(1,372)</u>	<u>-</u>

Registered No. 00709827

Notes to the financial statements**as at 31 December 2018****6. Tax (continued)**

(b) Factors affecting the total tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2017 – 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	1,066	980
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 – 19.25%)	202	189
<i>Effects of:</i>		
Disallowable expenses and non-taxable income	271	(5)
Prior period losses utilised in the current period	(950)	-
Movement in unrecognised deferred tax assets	(95)	
Recognition of previously unrecognised tax losses	(1,832)	93
Unutilised loss carried forward	-	(556)
Rate changes	253	166
Total tax for the year (note 6(a))	<u>(2,151)</u>	<u>(113)</u>

(c) Deferred tax

	<i>Asset</i> £000	<i>Liability</i> £000	<i>Net</i> £000
At 1 January 2017	84	(84)	-
Charged through income statement (note 6(a))	(93)	206	113
Charged through other comprehensive income (note 6(a))	-	(113)	(113)
	<u>-</u>	<u>1,437</u>	<u>1,437</u>
At 1 January 2018	(9)	9	-
Credited through income statement (note 6(a))	(1,715)	(436)	(2,151)
Charged through other comprehensive income (note 6(a))	-	779	779
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2018	<u>(1,724)</u>	<u>352</u>	<u>(1,372)</u>

All deferred tax has been provided at 17%.

The deferred tax liability relates to the pension surplus (note 11).

Registered No. 00709827

Notes to the financial statements**as at 31 December 2018****6. Tax (continued)**

(d) All recognised deferred tax assets as at 31 December 2018 relate to unrelieved trading losses. There is an unrecognised deferred tax asset amounting to £1,055,000 (2017 – £3,630,000) of which £595,000 (2017 – £3,084,000) is in relation to unrelieved trading losses, £137,000 (2017 - £153,000) in relation to share based payments and £323,000 (2017 – £393,000) is in relation to depreciation in excess of capital allowances.

(e) Factors that may affect future tax charges

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. The 2015 Summer Finance Act enacted UK Corporation tax reductions to 19% from 1 April 2017 and to 18% from 1 April 2020. The 2016 Finance Act superseded the 18% rate, instead introducing a UK corporation tax rate of 17% from 1 April 2020.

Accordingly, these rates are applicable in the measurement of the deferred tax assets and liabilities at 31 December 2018. Deferred tax has been provided at 17% being the rate at which temporary differences are expected to reverse.

7. Stocks

	2018 £000	2017 £000
Finished goods	-	4
	<u>-</u>	<u>4</u>

No provisions have been made against the stock balance in the current or prior period.

8. Debtors: amounts due within one year

	2018 £000	2017 £000
Trade debtors	7,154	6,173
Deferred tax asset (note 6c)	1,372	-
Amounts owed by fellow subsidiaries	5,207	272
Prepayments and accrued income	553	504
	<u>14,286</u>	<u>6,949</u>

No provisions have been made against trade debtors in the current or prior period.

Of the recognised deferred tax asset of £1,372,000, £857,000 is expected to reverse within one year, with the remaining amount expected to reverse after more than one year.

Registered No. 00709827

Notes to the financial statements**as at 31 December 2018****9. Creditors: amounts falling due within one year**

	<i>2018</i>	<i>2017</i>
	<i>£000</i>	<i>£000</i>
Trade creditors	99	215
Amounts owed to parent company	10,386	9,243
Amounts due to fellow subsidiaries	3,183	2,810
Other taxes and social security costs	59	64
Accruals and deferred income	3,189	2,811
	<u>16,916</u>	<u>15,143</u>

10. Issued share capital

	<i><u>2018</u></i>	<i><u>2018</u></i>	<i><u>2017</u></i>	<i><u>2017</u></i>
	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	3,000,000	<u>3,000</u>	3,000,000	<u>3,000</u>

11. Pensions

The Company sponsors WABCO Automotive UK Pension Scheme, a funded defined benefit pension scheme in the UK. The Scheme is administered within a trust which is legally separate from the Company. Trustee is appointed by both the Company and the Scheme's membership and acts in the interest of the Scheme and all relevant stakeholders, including the members and the Company. The Trustee is also responsible for the investment of the Scheme's assets.

Active members of the scheme pay contributions at the rate of 4% of salary and the Company pays the balance of the cost as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the scheme whereas the accounting assumptions must be best estimates.

A formal actuarial valuation was carried out as at 5 April 2016. The results of that valuation have been projected to 31 December 2018 with allowance for the payroll and benefit information provided and using the assumptions set out below. The figures in the following disclosure were measured using the Projected Unit Method.

On 26 October 2018, the High Court handed down a judgement in relation to the DB pension schemes of Lloyds Banking Group. A consequence of this judgement is that all affected DB pension schemes are now required to equalise benefits to take account of unequal Guaranteed Minimum Pensions (GMPs) between men and women.

Following this judgement a past service cost of £2,503,000 has been recognised through the profit and loss account for the year ending 31 December 2018. This corresponds to 2.7% of the liability as at this date and has been estimated by the actuary using the principles behind Method C/D as set out in the High Court judgement.

Registered No. 00709827

Notes to the financial statements

as at 31 December 2018

11. Pensions (continued)

The principal actuarial assumptions used were:

	2018 %	2017 %
Main assumptions:		
Rate of increase in salaries	4.15	4.10
Inflation assumption – RPI	3.15	3.10
Inflation assumption – CPI	2.15	2.10
Liability discount rate	2.80	2.40
Revaluation of deferred pensions:		
Non-GMP pension	2.15	2.10
Increases for pensions in payment		
GMP accrued before 6 April 1988	0.00	0.00
GMP accrued after 6 April 1988	1.90	1.90
Pre 6 April 1997 non-GMP pension	0.00	0.00
Post 5 April 1997 pension	3.05	3.05
Life expectancy:		
Expected age at death of current pensioner at age 65:		
– Male	86.8	86.7
– Female	88.9	88.8
Expected age at death of future pensioner when aged 65, currently aged 45:		
– Male	89.0	88.9
– Female	91.2	91.1

Registered No. 00709827

Notes to the financial statements

as at 31 December 2018

11. Pensions (continued)**The amounts recognised in the statement of financial position are as follows:**

	2018	2017
	£000	£000
Defined benefit obligation	(92,713)	(98,362)
Fair value of plan assets	94,781	98,857
Net defined benefit asset	2,068	495
Restriction on asset recognised	-	-
Net amount recognised at year end	2,068	495

The amounts recognised in comprehensive income are:

	2018	2017
	£000	£000
Service cost:		
Current service cost (net of employee contributions)	964	868
Administration expenses	316	399
Loss on plan introductions, changes, curtailments, settlements	2,503	-
Net interest credit	(5)	(6)
Charge recognised in profit or loss	3,778	1,261
Remeasurements of the net surplus:		
Return on scheme assets (excl. amount included in net interest expense)	2,386	(3,044)
Actuarial (losses)/gains	(6,968)	2,458
Adjustment for restrictions on the asset recognised	-	-
Credit recorded in other comprehensive income	(4,582)	(586)
Total defined benefit cost	(804)	675

Registered No. 00709827

Notes to the financial statements

as at 31 December 2018

11. Pensions (continued)**Reconciliation of scheme assets and liabilities:**

	<i>Assets</i>	<i>Liabilities</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At start of period	98,857	(98,362)	495
Benefits paid	(4,556)	4,556	-
Administration expenses	(316)	-	(316)
Current service cost	-	(964)	(964)
Contributions from employer	769	-	769
Contributions from employees	89	(89)	-
Interest income/(expense)	2,324	(2,319)	5
Return on assets (excl. amount included in net interest expense)	(2,386)	-	(2,386)
Actuarial gains	-	6,968	6,968
Loss on plan introductions and changes	-	(2,503)	(2,503)
At end of period	<u>94,781</u>	<u>(92,713)</u>	<u>2,068</u>

The return on plan assets was:

	<i>2018</i>	<i>2017</i>
	<i>£000</i>	<i>£000</i>
Interest income	2,324	2,591
Return on assets (excl. amount included in net interest expense)	(2,386)	3,044
Total return on plan assets	<u>(62)</u>	<u>5,635</u>

The major categories of scheme assets are as follows:

	<i>2018</i>	<i>2017</i>
	<i>£000</i>	<i>£000</i>
Return seeking	41,985	38,888
Bonds	7,000	11,518
Buy-in policy	44,744	47,665
Other	1,052	785
Total market value of assets	<u>94,781</u>	<u>98,857</u>

The scheme has no investments in the Company or in property occupied by the Company.

Registered No. 00709827

Notes to the financial statements

as at 31 December 2018

12. Share-based payments

During the year the ultimate parent undertaking, Wabco Holdings Inc operated the WHI Omnibus Stock Incentive Plan for its senior employees, in recognition of their contribution to the continuing success of Wabco Automotive U.K. Limited. Stock options granted under this plan vest rateably over three years on the anniversary date of the awards and are exercisable over a period of ten years.

The expense recognised for share-based payments during the year to 31 December 2018 is £110,000 (2017 – expense of £122,000), which arises entirely from equity-settled share-based payment transactions.

Commencing in 2013, the Company replaced stock options with performance share units (PSUs), the vesting of which would occur, if at all, and at levels depending upon, the achievement of three-year cumulative performance earning per share goals approved by the Board of Directors.

13. Other financial commitments

Future minimum rentals under non-cancellable operating leases are as follows:

	2018 <i>Land and buildings</i> £000	2018 <i>Other</i> £000	2017 <i>Land and buildings</i> £000	2017 <i>Other</i> £000
Within one year	-	6	-	94
In two to five years	279	208	464	119
Over five years	-	3	-	-
	<u>279</u>	<u>217</u>	<u>464</u>	<u>213</u>

14. Related party transactions

The company has taken advantage of the exemption in FRS102 from disclosing transactions with wholly owned related parties that were part of the Wabco Holdings Inc. Group.

15. Ultimate parent undertaking and controlling party

The company is a wholly-owned subsidiary of Wabco Europe Holdings BV, registered in The Netherlands.

The ultimate parent undertaking and controlling party is Wabco Holdings Inc., incorporated in Delaware in the United States of America.

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Wabco Holdings Inc, and copies of Wabco Holdings Inc financial statements can be obtained from 1 Centennial Avenue, Piscataway, New Jersey 08855, USA.