

Registered No. 06084854

## Valeo Air Management UK Limited

### Report and Financial Statements

31 December 2015



## Valeo Air Management UK Limited



### **Director**

Mr W Fabre

Mr R E C Bouveret

Mr M A F Forissier

### **Auditors**

Ernst & Young LLP  
No 1 Colmore Square  
Birmingham B4 6HQ

### **Bankers**

HSBC  
27-32 Poultry  
London  
EC2P 2BX

National Westminster Bank Plc  
18 Station Road  
Upminster  
Essex  
RM14 2UD

### **Solicitors**

Birkett Long  
Number One, Legg Street  
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Essex CM1 1JS

### **Registered Office**

Unit 53 Heming Road  
Washford  
Redditch  
Worcestershire B98 0DZ

## Director's report

Registered No. 06084854

The directors present their report and the financial statements for the period ended 31 December 2015. The accounts are prepared under the small companies' exemption and therefore no strategic report has been included.

During the year the company transitioned from previously extant UK GAAP to FRS 101 -*Reduced Disclosure Framework* and has taken advantage of the disclosure exemptions allowed under this standard. The company's parent undertaking, Valeo UK Limited, was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions. There are no recognition or measurement differences arising on the adoption of FRS 101 as described in note 18 to these financial statements.

### Results and dividends

The loss for the period after taxation amounted to £7,381,000 (2014 - £6,434,000). The directors do not recommend a final dividend (2014 - £nil).

### Principal activities and review of the business

The principal activity of the company continued to be that of development of the Valeo Electric Supercharger, previously known as Variable Torque Enhancement System (VTES) CO<sub>2</sub> reducing technology. The company is also focussed on implementing the technology for use in OEM production.

Turnover in the period was £1,273,000 compared with £2,194,000 last year, and reflected the continued sale of prototype parts.

It is not possible for the company to split out the associated cost of sale amounts, given the inseparable nature of the costs incurred in relation to prototypes and research and development of the products. Therefore all amounts are continued to be included within administration expenses.

As described in the company's accounting policy's costs can be capitalised in the development phase as an intangible asset. At 31 December 2015, the company's development costs in relation to a project with an OEM were £9.4m. Subsequent to the year end, this intangible asset was transferred to another group company together with the deferred revenue received from the OEM. No gain or loss was made on this transfer.

### Key performance indicators

Given the nature of the business, the company's directors are of the opinion that the KPI's are reflected within the financial statements and a more defined analysis is not necessary for an understanding of the development, performance or position of the business.

### Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the worldwide group and are not managed separately.

### Financial risk management

The company's operations expose it to a number of financial risks that include, liquidity risk, interest rate risk and foreign exchange risk. The group has in place a risk management policy that includes the principle of minimising finance costs from short-term borrowings via the monitoring of cash balances and working capital requirements.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the group's finance department as required.

## Director's report (continued)

### Competitors

In order to strengthen our market positions and sustain a competitive advantage, the company is focused on significant investment in R&D. As a consequence, we protect patents, trademarks, trade secrets, copyright information and intellectual property licenses.

### Liquidity risk

The company actively manages its working capital requirements to ensure it has sufficient funds for its operations. The company is funded by the worldwide group and by bank lenders.

### Interest rate cash flow risk

The company has interest bearing liabilities in the form of inter group loans. The company is not currently hedged against any movements in interest rates which may impact these balances.

### Foreign exchange risk

The company is not hedged against any foreign exchange rate movements. The Directors' do not consider the foreign exchange risk to be significant.

### Going concern

The directors have a reasonable expectation that the company has more than adequate resources 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. The directors have obtained a letter of support from the Valeo International Holding BV stating that Valeo International Holding BV will continue to support Valeo Air Management UK Limited in the payment of its debts as they fall due for the foreseeable future, and at least until 31 March 2020.

### Directors

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

Mr W Fabre  
Mr R E C Bouveret  
Mr M A F Forissier

### Disclosure of information to the auditors

So far as the directors at the date of approving this report are 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 the directors have taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the Board



William Fabre  
Director

Date: 29.09.2016

## Statement of directors' responsibilities

The directors are responsible for preparing the Directors report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 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 Valeo Air Management UK Limited**

We have audited the financial statements of Valeo Air Management UK Limited for the period ended 31 December 2015 which comprise of the Profit and Loss Account, the Balance Sheet the statement of other comprehensive income, the statement of changes in equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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.

### **Respective responsibilities of director and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Independent auditors' report (continued)

to the members of Valeo Air Management UK Limited

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

We have nothing to report in respect of the following matters where 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in not preparing the strategic report.



Andrew Merrick (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP (Statutory Auditor)

Birmingham

Date: 29.9.16

## Profit and loss account

for the year ended 31 December 2015

	Notes	2015 £000	2014 £000
<b>Turnover</b>	3	1,273	2,194
Administrative expenses	4	(8,440)	(8,653)
<b>Operating loss</b>	4	(7,167)	(6,459)
Interest payable and similar charges	7	(721)	(334)
<b>Loss on ordinary activities before taxation</b>		(7,888)	(6,793)
Tax on loss on ordinary activities	8	507	359
<b>Loss for the financial year</b>		<u>(7,381)</u>	<u>(6,434)</u>

All amounts relate to continuing activities.

## Statement of other comprehensive income

for the year ended 31 December 2015

There are no items of other comprehensive income such that the loss attributable to the shareholders of the company of £7,381,000 in the year ended 31 December 2015 equals the total comprehensive income for the year (2014 – loss of £6,434,000).

## Statement of changes in equity

for the year ended 31 December 2015

	Share capital £000	Share premium account £000	Profit and loss account £000	Shareholders funds / (deficit) £000
Balance at 31 December 2014	128	16,308	(16,869)	(433)
Loss for the year ended 31 December 2014	-	-	(6,434)	(6,434)
Balance at 1 January 2015	128	16,308	(23,303)	(6,867)
Loss for the year ended 31 December 2015	-	-	(7,381)	(7,381)
Balance at 31 December 2015	<u>128</u>	<u>16,308</u>	<u>(30,684)</u>	<u>(14,248)</u>



## Balance sheet

at 31 December 2015.

	Notes	2015 £000	2014 £000
<b>Fixed assets</b>			
Intangible assets	9	9,396	3,726
Tangible assets	10	1,508	1,667
		<u>10,904</u>	<u>5,393</u>
<b>Current assets</b>			
Inventories		-	92
Debtors	11	5,131	7,533
Cash at bank and in hand		-	143
		<u>5,131</u>	<u>7,768</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(11,287)</u>	<u>(5,735)</u>
<b>Net current (liabilities) / assets</b>		<u>(6,156)</u>	<u>2,033</u>
<b>Total assets less current liabilities</b>		<u>4,748</u>	<u>7,426</u>
<b>Creditors: amounts falling due after one year</b>	13	<u>(18,996)</u>	<u>(14,293)</u>
<b>Net liabilities</b>		<u>(14,248)</u>	<u>(6,867)</u>
<b>Capital and reserves</b>			
Called up share capital	15	128	128
Share premium account		16,308	16,308
Profit and loss reserve		<u>(30,684)</u>	<u>(23,303)</u>
<b>Shareholders' deficit</b>		<u>(14,248)</u>	<u>(6,867)</u>

The financial statements were approved by the directors and authorised for issue on 29 September 2016 and are signed on their behalf by:



William Fabre  
Director

## Notes to the financial statements

at 31 December 2015.

### 1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Valeo Air Management UK Limited (the "Company") for the year ended 31 December 2015 were authorised for issue by the board of directors on 29 September 2016 and the balance sheet was signed on the board's behalf by W Fabre. Valeo Air Management UK Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Company is a wholly owned subsidiary of Valeo SA. Copies of the group financial statements of Valeo SA may be obtained from 43 Rue Bayen, 75017 Paris, France.

The principal accounting policies adopted by the Company are set out in note 2.

### 2. Accounting policies

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has adopted FRS 101 for the period beginning on or after 1 January 2015 with comparatives required for 1 January 2014 onwards. The company has transitioned from previously extant UK GAAP to FRS 101 for all the periods presented. Transition reconciliations where appropriate showing all material adjustments are disclosed in note 21. The company has taken advantage of the following disclosure exemptions available under FRS 101:

- (a) the requirements of IAS 7 Statement of Cash Flows;
- (b) the requirements of IFRS 2 Share Based Payments;
- (c) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- (d) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by such a member
- (e) The requirements of IAS 8 disclosures in respect of new standards and interpretations that have been issued but are not yet effective; and
- (f) Roll-forward reconciliations in respect of share capital (IAS 1), property, plant and equipment (IAS 16) and intangible assets (IAS 38).

#### **Going concern**

The directors have a reasonable expectation that the company has more than adequate resources 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. The directors have obtained a letter of support from the Valeo International Holding BV stating that Valeo International Holding BV will continue to support Valeo Air Management UK Limited in the payment of its debts as they fall due for the foreseeable future, and at least until 31 March 2020.

#### **Judgements and key sources of estimation uncertainty**

The preparation of 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 revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

## Notes to the financial statements (continued)

at 31 December 2015.

### Significant accounting policies

#### *Taxation*

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

#### *Development costs*

Development costs are capitalised in accordance with the accounting policy given below. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2015, the carrying amount of capitalised development costs was £9,396,000 (2014: £3,726,000).

#### *Foreign currency translation*

The company's financial statements are presented in GBP, which is also the company's functional currency.

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

#### *Intangible assets, Research and development and capitalised development costs*

Research costs are expensed as incurred.

Development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Development expenditure on an individual project is recognised as an intangible asset when the company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use, its intention to complete and its ability to use the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised in line with the expected future sales volumes from the related project lifetime. During the period of development, the asset is tested for impairment annually.

Where expensed, expenditure on research and development is included within administration expenses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Software is included as an intangible asset and is stated at historic purchase cost less accumulated depreciation and impairments. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Software is amortised over 3 years.

## Notes to the financial statements (continued)

at 31 December 2015.

### Significant accounting policies (continued)

#### *Tangible fixed assets*

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation and impairments. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight line basis. The expected useful lives of the assets to the business are reassessed periodically in the light of experience.

Straight line annual rates of depreciation most widely used are:

Plant and machinery	–	8 years
Computer equipment	–	3 to 5 years
Leasehold property	–	Life of lease, 5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Impairment of non-financial assets*

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss.

#### *Financial Instruments - Financial assets*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss or as loans and receivables. The company determines the classification of its financial assets at initial recognition.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Losses arising from impairment are recognised in the income statement in other operating expenses.

#### *Trade debtors*

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for impairment is made through profit or loss when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

#### *Stock*

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. In general, cost is determined on a weighted average cost basis. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Where necessary, provision is made for obsolete, slow moving, and defective stocks.

## Notes to the financial statements (continued)

at 31 December 2015.

### Significant accounting policies (continued)

#### *Income tax*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is recognised in the profit and loss statement.

#### *Government grants*

Government grants are shown in the balance sheet as deferred income and are amortised on a straight line basis over the period in which the grants are repayable.

#### *Pension*

The company participates in an additional defined contribution pension scheme which is available to senior employees. The assets of the schemes are held separately from the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund during the year.

#### *Operating Lease*

Rentals under operating leases are charged to the profit and loss account as incurred over the lease term.

#### *Related party transactions*

As a wholly owned subsidiary, the company has also taken the exemption offered by FRS 8 Related party disclosures, not to disclose transactions with wholly owned subsidiaries in the same group.

#### *Revenue Recognition*

Revenue from sale of goods is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods. The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

#### *Cost of sales*

During the development phase of any product, revenue is derived from prototype parts. The specific cost of sale of these parts cannot be accurately separates from the overall cost of development activities. As a result, no cost of sale is associated with this revenue; any such costs remain within administrative costs.

### 3. Turnover

In 2015 100% (2014 –100%) of the company's turnover was to markets outside the United Kingdom.

## Notes to the financial statements (continued)

at 31 December 2015.

### 4. Operating loss

	2015	2014
	£000	£000
This is stated after charging:		
Depreciation of tangible assets	424	358
Auditors' remuneration	25	32
Operating lease expenses	95	94
And after crediting:		
R&D tax credit	(565)	(465)

Government grants relate to amounts which are due from government agencies in respect of R&D activities.

R&D tax credit. With effect from 1 April 2014, the UK government has revised the manner in which a company is entitled to R&D support, such that the support is now recognised through profit before tax, rather than included within the tax line.

During the year the whole of the company's activities were in respect of research and development

### 5. Staff Costs

	2015	2014
	£000	£000
Wages and salaries	1,600	1,594
Social security costs	214	199
Other pension costs (note 16)	92	75
	<u>1,906</u>	<u>1,868</u>

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

	No.	No.
R&D	27	30
Other	6	7
	<u>33</u>	<u>37</u>

### 6. Directors' remuneration

	2015	2014
	£000	£000
Directors' remuneration	<u>194</u>	<u>228</u>

During the year no director exercised options over shares in Valeo S.A (2014 – none). No directors made contributions to the defined contribution scheme in the period.

### 7. Interest payable and similar charges

	2015	2014
	£000	£000
Other interest payable – group balances	<u>(721)</u>	<u>(334)</u>
	<u>(721)</u>	<u>(334)</u>

## Notes to the financial statements (continued)

at 31 December 2015.

### 8. Tax

(a) Tax on loss on ordinary activities

The tax credit is made up as follows:

	2015 £000	2014 £000
<b>Current tax:</b>		
UK corporation tax on profits for the year	(204)	(297)
Adjustments in respect of previous years	(303)	(62)
Total current tax (note 7(b))	<u>(507)</u>	<u>(359)</u>
Deferred tax:	-	-
Total tax	<u>(507)</u>	<u>(359)</u>

Adjustments in respect of prior year relate to the additional group relief amounts surrendered to other group companies for the period ending 31 December 2015. The current tax credit relates to amounts due from group relief.

(b) Factors affecting current tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%). The differences are explained below:

	2015 £000	2014 £000
Loss on ordinary activities before tax	<u>(7,888)</u>	<u>(6,793)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 – 21.49%)	(1,597)	(1,460)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	5	3
Adjustments in respect of previous years	(303)	(62)
Unutilised tax losses carried forward	1,388	1,160
Total tax for the year (note 8(a))	<u>(507)</u>	<u>(359)</u>

(c) Deferred tax

The company has the following gross deferred tax position:

	2015 £000
Fixed assets	(13)
Short term timing differences	(27)
Trading losses	<u>(2,551)</u>
Total un-provided deferred tax asset	<u>(2,591)</u>

## Notes to the financial statements (continued)

at 31 December 2015.

### 8. Tax (continued)

#### (d) Factors that may affect future tax charges

In view of the company's uncertainty over the generation of future profits, the total potential deferred tax asset has not been recognised at the year end in accordance with its accounting policy. The March 2013 Budget Statement announced changes to the UK corporation tax rate that was substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These reduced the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. As the charges have been substantively enacted at the balance sheet date their effects are included in these financial statements. Accordingly, the un-provided deferred tax balance has been calculated using a rate of 20%.

Subsequent to the year end the main rate of corporation tax for UK companies announced in the Summer Finance Bill 2015 were substantively enacted for financial reporting purposes on 26 October 2015. The main changes in corporation tax rates, that will have accounting implications for deferred tax, are as follows:

The main rate of corporation tax reduced from 20% to 19% from 1 April 2017.

The main rate of corporation tax will further reduce to 18% from 1 April 2020.

### 9. Intangible fixed assets

	<i>Development Costs</i>	<i>Total</i>
Cost		
At 1 January 2015	3,726	3,726
Additions	5,670	5,670
At 31 December 2015	<u>9,396</u>	<u>9,396</u>
Accumulated Depreciation		
At 1 January 2015	-	-
Charge for the year	-	-
At 31 December 2015	<u>-</u>	<u>-</u>
Net book value		
At 31 December 2015	<u>9,396</u>	<u>9,396</u>
At 1 January 2015	<u>3,726</u>	<u>3,726</u>

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales volumes from the related project.

As described in the company's accounting policy's costs can be capitalised in the development phase as an intangible asset. At 31 December 2015, the company's development costs in relation to a project with an OEM were £9.4m. Subsequent to the year end, this intangible asset was transferred to another group company together with the deferred revenue received from the OEM. No gain or loss was made on this transfer.

The company has considered the need for an impairment of the intangible asset under IAS36. The directors have taken into account the future transfer of the intangible asset at the relevant net book value to other wholly owned group companies to reach the conclusion that no impairment is required at 31 December 2015.



## Notes to the financial statements (continued)

at 31 December 2015.

### 10. Tangible fixed assets

	<i>Plant and machinery</i>	<i>Office Equipment</i>	<i>Leasehold Improvements</i>	<i>Total</i>
Cost				
At 1 January 2015	1,341	462	653	2,456
Additions	260	6	-	266
At 31 December 2015	1,601	467	653	2,721
Accumulated Depreciation				
At 1 January 2015	323	200	266	789
Charge for the year	139	119	166	424
At 31 December 2015	462	319	432	1,213
Net book value				
At 31 December 2015	1,138	149	221	1,508
At 1 January 2015	1,018	262	387	1,667

In considering that the tangible assets are not impaired, the directors have considered the longer term prospects in respect of the technology being developed by the company.

### 11. Debtors

	<i>2015 £000</i>	<i>2014 £000</i>
Trade debtors	378	2,284
Amounts owed by group undertakings	3	1,683
VAT	26	69
Group relief receivable from group undertakings	3,485	3,308
Prepayments	1,214	170
Other debtors	25	19
	<u>5,131</u>	<u>7,533</u>

Amounts owed by group undertakings are repayable on demand. The company provided against debtors totalling £150,000 (2014: £nil).

### 12. Creditors: amounts falling due within one year

	<i>2015 £000</i>	<i>2014 £000</i>
Trade creditors	204	239
Amounts owed to group undertakings	106	2,568
Taxation and social security	1,209	98
Accruals & deferred income	3,139	2,830
Overdraft	6,629	-
	<u>11,287</u>	<u>5,735</u>

Trade creditors are normally settled within 30-90 days. Amounts owed to group undertakings are repayable on demand.

## Notes to the financial statements (continued)

at 31 December 2015.

### 13. Creditors: amounts falling due after one year

	2015 £000	2014 £000
Amounts owed to group undertakings	18,996	13,429
Accruals & other creditors	-	864
	<u>18,996</u>	<u>14,293</u>

Amounts owed to group undertakings was renewed on 31 December 2015 and is repayable after 1 year, the balance bears interest at a rate of 4.16%.

### 14. Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. Contributions relating to the financial period were £92,392. (2014: £74,591).

### 15. Share Capital

<i>Allotted, called up and fully paid</i>	No.	2015 £000	No.	2014 £000
Ordinary shares of 1p each	12,789,693	<u>128</u>	12,789,693	<u>128</u>

The company has an authorised share capital of 20,000,000 shares of £0.01 each.

### 16. Operating leases

At 31 December 2015 the company had total future commitments under non-cancellable operating leases as set out below:

	2015 £000	2014 £000
Operating leases which expire:		
Within one year	10	-
In two to five years	427	524
	<u>537</u>	<u>524</u>

### 17. Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries. There are no other related party transactions

## Notes to the financial statements (continued)

at 31 December 2015.

### 18. Ultimate parent undertaking and controlling party

The directors regard Valeo (U.K.) Limited, a company registered in England and Wales as the immediate parent undertaking, as it holds 100% of the company's issued share capital.

The director regards Valeo SA, a company incorporated in France, as the ultimate parent undertaking and controlling party and parent of the smallest and largest groups to consolidate these financial statements. Copies of the group financial statements of Valeo SA may be obtained from 43 Rue Bayen, 75017 Paris, France.

### 19. Transition to FRS101

For all the periods up until 31 December 2014 the company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements for the year ended 31 December 2015 are the first the company has prepared in accordance with FRS 101. Accordingly, the company has prepared the financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the company has started with an opening balance sheet dated 1 January 2014, the company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first time adoption of FRS 101.