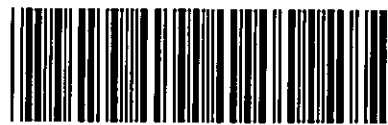


Visteon Engineering Services Limited
Annual Report and Financial Statements
Year ended 31 December 2010

Registered number: 6213888

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Visteon Engineering Services Limited

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Registered Office

Visteon European Corporate Office
Springfield Lyons Approach
Chelmsford Business Park
Chelmsford
Essex
CM2 5LB

Visteon Engineering Services Limited

Directors' report for the year ended 31 December 2010

The directors present their report and the audited financial statements of the company for the year ended 31 December 2010

Review of activities and future developments

The company's principal activity during the year was the engineering design and development of parts and components for the automotive industry

Visteon Corporation Inc, the company's ultimate parent company made a successful exit from Chapter 11 bankruptcy protection on 1 October 2010. Following the exit, £2,868,000 of the pre-petition debt receivable from Visteon Corporation Inc, fully provided in the 2009 financial statements, was settled and the provision has been released. In addition, agreement (and settlement) was reached on how pension contributions are to be recharged to Visteon Corporation Inc. As part of this settlement, the company has recharged certain historical exceptional costs, net of an exceptional gain related to the liquidation of Visteon UK Limited, to its ultimate parent company. Accordingly, additional revenue of £1,543,000 has been recognised in the current year.

Prior year adjustment

The pension scheme deficit in 2009 was overstated by £3,972,000, net of tax, because assets of £5,517,000 were omitted from the actuarial valuation. Refer to note 1.

Results for the year

The profit and loss account on page 8 shows a profit for the year of £8,002,000 (2009 loss £7,487,000).

Dividends

No dividends were paid in 2010, and no dividend is proposed in respect of the 2010 financial year (2009 £nil).

Tangible fixed assets

The movements in tangible fixed assets during the year are set out in note 6 to the financial statements on page 14.

Research and development

The company is committed to a continuing programme of expenditure on research and development in automotive engineering, based in the South East of England. Expenditure is written off as incurred and charged to the profit and loss account.

Directors

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

S Meszaros
R I Swanston
D H Davies
C Embley

Appointed 11 August 2010

Visteon Engineering Services Limited

Directors' report for the year ended 31 December 2010 (continued)

Participation of employees

The directors value an inclusive work environment where open communication and the contributions of all employees are valued. Diversity represents the differences that make everyone unique. Inclusion leverages those differences to promote our ability to deliver on Visteon's common objectives. There is a direct relationship between the business results of an organization and its culture.

Throughout the year, the company maintained a communication policy to ensure employees were informed of the company's objectives and performance. Regular consultative meetings are held with employees and employee representatives on a wide variety of subjects from general information on the company position to individual topics.

Welfare and disabled employees

Visteon is an equal opportunities employer and is unreservedly opposed to any form of direct or indirect discrimination being practised against its employees or prospective employees because of their age, sex, parental status, colour, race, religion, nationality, creed, ethnic/national origin or disability status.

Environmental matters

The company is committed to practices that generate safe workplace actions, conditions and procedures. Visteon also protects and conserves the natural environment and complies with all accepted environmental standards.

Political and charitable donations

During the year ended 31 December 2010 the company made a charitable contribution of £1,000 (2009 £1,000).

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. Approximately one third of the company's revenue is denominated in euros which gives rise to a foreign exchange exposure.

Following the agreement reached with Visteon Corporation Inc, on the recharge of pension contributions, the company has a mechanism to fund its pension deficit and to eliminate its borrowing requirements.

Key performance indicators "KPIs"

Compared to 2009, turnover for 2010 is £9,234,000 higher (an increase of 20.0%) which the directors attribute to an improvement in the global economy combined with the resolution of the company's business model.

The profit before tax is £8,998,000 (2009 loss £7,610,000).

The company's workforce at 31 December 2010 totalled 332 employees (2009 335).

Directors' report for the year ended 31 December 2010 (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 which 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.

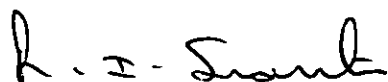
Provision of information to auditors

As far as the directors are aware, there is no relevant audit information of which the company's auditors are 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 auditors are aware of that information.

Auditors

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

On behalf of the board



R I Swanston
Director
29 March 2011

Visteon Engineering Services Limited

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

We have audited the financial statements of Visteon Engineering Services Limited for the year ended 31 December 2010, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. 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).

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 directors and auditors

As explained more fully in the statement of directors' responsibilities, 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 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

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on 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 2010 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year ended 31 December 2010 for which the financial statements are prepared is consistent with the financial statements.

Visteon Engineering Services Limited

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

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



Marc Reinecke (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
29 March 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC3054127)

Visteon Engineering Services Limited

Profit and loss account for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Turnover	2	55,483	46,249
Cost of sales		(48,059)	(43,195)
Gross profit		7,424	3,054
Exceptional restructuring expenses	3	-	(3,179)
Exceptional write off on acquisition of pension deficit	3	-	(6,072)
Exceptional gain on loan note assignment	3	-	4,223
Termination payment by participating employer in pension scheme	3	-	(480)
Write back/(write off) of pre-petition debt of parent company	3	2,868	(2,910)
Operating profit/(loss)	3	10,292	(5,364)
Loss on disposal of fixed assets		(679)	(1,686)
Interest receivable and similar income		2	3
Interest payable and similar charges	4	(142)	(136)
Other finance expense	17	(475)	(427)
Profit/(loss) on ordinary activities before taxation		8,998	(7,610)
Tax (charge)/credit on profit/(loss) on ordinary activities	5	(996)	123
Retained profit/(loss) for the financial year	12	8,002	(7,487)

All of the above results relate to continuing operations

As the financial statements are prepared under the historical cost convention, there is no difference between the profit/(loss) stated above and their historical cost equivalents

Statement of total recognised gains and losses for the year ended 31 December 2010

	2010 £'000	Restated 2009 £'000
Profit/(loss) for the financial year	8,002	(7,487)
Actuarial losses on pension scheme (note 17)	(3,299)	(6,716)
Less deferred tax credit on actuarial losses	924	1,880
Total recognised gains and losses	5,627	(12,323)

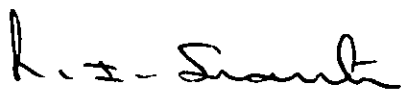
Visteon Engineering Services Limited

Balance sheet as at 31 December 2010

(Company number 6213888)

	Note	2010 £'000	Restated 2009 £'000
Fixed assets			
Tangible assets	6	2,960	4,019
Current assets			
Debtors	7	13,400	5,955
Cash at bank and in hand		2,371	2,438
		15,771	8,393
Creditors - amounts falling due within one year	8	(13,687)	(15,313)
Net current assets/(liabilities)		2,084	(6,920)
Total assets less current liabilities		5,044	(2,901)
Creditors - amounts falling due after more than one year	9	(1,493)	(664)
Provisions for liabilities and charges	10	(961)	-
Net assets/(liabilities) excluding pension liability		2,590	(3,565)
Pension liability	17	(11,665)	(11,137)
Net deficit including pension liability		(9,075)	(14,702)
Capital and reserves			
Called up share capital	11	50	50
Profit and loss account	12	(9,125)	(14,752)
Total shareholders' deficit	13	(9,075)	(14,702)

The financial statements on pages 8 to 21 were approved by the board of directors and authorised for issue on 29 March 2011 and were signed on its behalf by



R I Swanston
Director

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2010

1. Accounting policies

Basis of accounting

The financial statements have been prepared on the going concern basis and under the historical cost convention in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The accounting policies have been applied consistently in the current and prior year

Going concern

The financial statements have been prepared on a going concern basis The directors have reached this conclusion following assessment of cash flow forecasts of the company for a period of at least 12 months from the date the financial statements were approved, and considering the recoverability of amounts due from group companies

Prior year adjustment

The pension scheme deficit in 2009 was overstated because assets of £5,517,000 were omitted from the fair value of plan assets The pension deficit and related deferred tax assets have been restated accordingly, resulting in a reduction in the gross pension deficit of £5,517,000, reduction in the related deferred tax asset of £1,545,000 and an overall increase in net assets of £3,972,000 The opening fair value of plan assets as at 1 January 2009 were understated by £518,000 or £373,000 after deferred tax There was no impact on the loss for the year ended 31 December 2009 The total recognised loss for the year ended 31 December 2009 has been reduced by £3,599,000, representing a reduction in the actuarial loss and related movement in deferred tax asset for that year

The principal accounting policies are set out below

Foreign currency transactions

Profit and loss account transactions in foreign currency are translated into sterling at rates ruling on the date of the transaction or at contracted forward rates of exchange where applicable

Monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the balance sheet date or at contracted forward rates of exchange where applicable 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 or date at which the rent reverts to a market rent, whichever is the earlier

Development, engineering and research costs

The company is paid a fee by Visteon Corporation Inc , (USA) for the supply of engineering services The related costs are included within development, engineering and research costs The fee and rebilled costs are categorised as revenue

Related party disclosures

Transactions with Visteon Corporation and its subsidiary undertakings are not detailed in these financial statements, where the counter party is a 100% subsidiary of Visteon Corporation Inc , in accordance with the exemption allowed in FRS 8

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2010

1. Accounting policies (*continued*)

Share-based payments

The fair value of restricted stock units (RSUs) granted to employees is recognised as an employee expense with a corresponding liability. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the RSUs. The fair value is re-measured at each reporting period and any increase or decrease in the liability is recognised in the profit and loss account. The fair value of the RSUs granted is measured based on the Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted. The amount recognised as an expense is adjusted to reflect the actual number of RSUs that vest. On exercise the liability is reduced by the amount of cash distributed in respect of the RSUs. Any surplus/(deficit) in the cash settlement against the liability is recognised in the profit and loss account.

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:

Land and buildings short leasehold	the life of the lease
Plant and machinery	2 to 10 years

Special tools are amortised on a straight line basis over the estimated lives of the models, which vary between 2 and 10 years, and adjusted to units of production.

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 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. On this basis the pension deficit includes the accompanying deferred tax asset.

Cash flow statement

The exemption allowed under FRS 1 (revised) not to prepare a cash flow statement has been utilised in these financial statements. The exemption is allowed where a company is more than 90 per cent owned by another company whose financial statements are publicly available.

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 to the plan during the year.

For defined benefit arrangements, pension plan assets are measured using market value. Pension plan liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the company's defined benefit pension plan expected to arise from employee service up to the end of the year is charged to operating profit. The expected return on the plan's assets and the increase during the year in the present value of the plan's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension plan surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet, net of the related deferred tax where applicable.

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2010

2. Turnover

	2010 £'000	2009 £'000
The analysis of turnover by geographical market is as follows		
United Kingdom	5,286	7,977
North America	31,760	31,882
Continental Europe	16,728	5,884
Rest of the World	1,709	506
Total turnover	55,483	46,249

All turnover is generated within the UK. The company is paid a fee by Visteon Corporation Inc, for all engineering costs incurred, and is paid a fee by the Visteon European operations for all the administrative costs incurred. There is also turnover generated directly with third parties.

3. Operating profit/(loss)

	2010 £'000	2009 £'000
Operating profit/(loss) is stated after charging/(crediting) the following items		
Engineering research and development expenditure	33,003	28,117
Exceptional items		
Restructuring expenses	-	3,179
Write off on acquisition of pension deficit	-	6,072
Gain on loan note assignment	-	(4,223)
Termination payment by participating employer in pension scheme	-	480
Write (back)/off of pre-petition debt of parent company	(2,868)	2,910
Other		
Cash settled RSU (note 21)	2,106	-
Depreciation expense	735	935
Operating lease rentals		
-land and buildings	1,026	1,381
-other rentals	20	20
Foreign exchange losses	226	140

The exceptional items in the prior year refer to severance pay, the write off associated with the acquisition of a pension liability and, the provision for a bad debt owed by the ultimate parent company which was in Chapter 11 bankruptcy protection, offset by the assignment of loan notes from the parent company, used to settle the intercompany liability with Visteon UK Limited in Administration.

The exceptional gain in the current year refers to the release of the provision against amounts due from the ultimate parent company following its emergence from Chapter 11 and settlement of the receivable.

Auditor's remuneration of £25,000 (2009 £25,000) has been charged to operating results. Remuneration for provision of non-audit services was £nil (2009 £nil).

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2010

4. Interest and similar items

	2010 £'000	2009 £'000
Interest expense		
Group undertakings	142	134
Bank loans, overdrafts and other loans repayable within five years	-	2
Total interest expense	142	136

5. Tax on profit/(loss) on ordinary activities

	2010 £'000	2009 £'000
Current tax		
UK corporation tax on profit/(loss) of the year	-	-
Reconciliation of current tax charge -		
Profit/(loss) on ordinary activities before tax	8,998	(7,610)
Notional income tax at UK statutory rate of 28% (2009 28%)	2,519	(2,131)
Losses utilised	(816)	-
Exceptional item disallowed	(803)	815
Pension contributions in (excess)/deficit of pension charge	(834)	205
Expenses not chargeable to tax	535	312
Depreciation in excess of capital allowances	91	671
Research and development credit	(692)	(832)
Losses carried forward	-	(960)
Current tax charge for the year	-	-
Deferred tax		
Current year charge/(credit)	996	(123)
Total Corporation tax:		
Current year charge/(credit)	996	(123)

Income tax charged to equity during the year is as follows

	2010 £'000	Restated 2009 £'000
Deferred tax credit on items recognised directly in equity		
Actuarial losses on defined benefit pension schemes	(924)	(1,880)

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. The historical tax losses are attributable to exceptional items not considered likely to recur. The company has trading losses of £512,000 (£144,000 at 28%) (2009 £3,430,000 (£960,000 at 28%)). Refer to note 22 for details of deferred tax assets recognised.

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2010

6. Tangible fixed assets

	Short leasehold land and buildings £'000	Plant and machinery £'000	Special tools £'000	Total £'000
Cost				
At 1 January 2010	1,799	3,042	31	4,872
Transfers	(413)	413	-	-
Additions	19	336	-	355
Disposals	(305)	(752)	-	(1,057)
31 December 2010	1,100	3,039	31	4,170
Depreciation				
At 1 January 2010	74	770	9	853
Charge for the year	233	493	9	735
Disposals	(114)	(264)	-	(378)
31 December 2010	193	999	18	1,210
Net book value at 31 December 2010	907	2,040	13	2,960
Net book value at 31 December 2009	1,725	2,272	22	4,019

7. Debtors

	2010 £'000	2009 £'000
Amounts falling due within one year		
Trade debtors	1,344	975
Amounts owed by group undertakings	11,383	4,499
Other debtors	108	164
Prepayments	426	317
Deferred tax asset (note 22)	139	-
	13,400	5,955

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. All amounts are due within one year, except for the deferred tax asset, which is partly expected to be recovered after more than one year.

Notes to the financial statements

for the year ended 31 December 2010

8. Creditors - amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	1,966	723
Amounts owed to group undertakings	6,183	11,082
Other tax and social security payable	810	657
Other creditors	2,372	619
RSU accrual including payroll tax (note 21)	313	-
Accruals and deferred income	2,043	2,232
	13,687	15,313

There is a loan of £4 1m (2009 £6 9m) from a group company which is subject to interest at LIBOR plus 1 5% and is repayable on demand. All other amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and, are repayable on demand.

9. Creditors - amounts falling due after more than one year

	2010 £'000	2009 £'000
RSU accrual including payroll tax (note 21)	940	-
Other accruals and deferred income	553	664
	1,493	664

10. Provisions for liabilities and charges

	2010 £'000	2009 £'000
Provision for exit from Binley premises	196	-
Provision for pay dispute	765	-
	961	-

Provision for pay disputes were recognised within accruals in the prior year and have been reclassified given the significance of the balance in the current year.

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2010

11. Called up share capital

	2010 £'000	2009 £'000
Authorised 50,000 (2009 50,000) ordinary shares of £1 each	50	50
Allotted and fully paid 50,000 (2009 50,000) ordinary shares of £1 each	50	50

12. Profit and loss account

	Restated Profit and loss reserve £'000
At 1 January as previously reported	(18,724)
Prior year adjustment (note1)	3,972
At 1 January 2010 restated	(14,752)
Retained profit for the financial year	8,002
Actuarial losses on pension plans (note 17)	(3,299)
Movement in deferred tax relating to actuarial losses	924
Balance at 31 December 2010	(9,125)

13. Reconciliation of movement in total shareholders' deficit

	Restated £'000
At 1 January as previously reported	(18,674)
Prior year adjustment (note1)	3,972
Total shareholders' deficit at 1 January 2010 restated	(14,702)
Retained profit for the financial year	8,002
Actuarial losses on pension plans (note 17)	(3,299)
Movement in deferred tax relating to actuarial losses	924
Total shareholders' deficit as at 31 December 2010	(9,075)

14. Capital commitments

The company has no capital commitments contracted for but not provided for at the year end (2009 £nil)

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2010

15. Operating lease commitments

	2010 £'000	2009 £'000
Annual commitments under non-cancellable operating leases are as follows		
Land and buildings		
Less than one year	414	85
Between one and two years	-	275
In excess of five years	728	728
Plant and machinery		
Between one and two years	20	-
Between two and five years	-	20

16. Related party transactions

The company has taken advantage of the exemption under FRS 8 "Related Party Disclosures" not to disclose related party transactions with Visteon Corporation or any of its wholly owned group undertakings

17. Pension costs

The company operates two distinct pension plans, a closed defined benefit scheme offering enhanced benefits being the Visteon Engineering Services Pension Plan (VES PP) and a defined contribution scheme being a Stakeholder Pension Arrangement administered by Legal & General for future service accrual. Defined contributions are expensed as they become payable.

Total pension plan cost expensed to operating profit was £nil (2009 £7,388,000). There were defined contributions of £1,488,000 (2009 £1,483,000), and finance expenses of £475,000 (2009 £427,000). Amounts outstanding at 31 December 2010 on defined contribution schemes totalled £202,000 (2009 £173,000).

The VES PP was established 1 November 2007. Over the following three years in phased stages all employees were transferred into the pension plan. The defined benefit plan is closed to new entrants and future service accruals. Under the projected unit method the current service cost as a percentage of pensionable payroll will increase as the members of the plan approach retirement. The assets of the funds are invested and are held separately from those of the company. The funds hold no investment in the company, its ultimate holding company or any subsidiary undertaking.

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2010

17. Pension costs (continued)

Funded status, end of year				
	2010	Restated	Restated	
	£'000	2009	2008	2007
		£'000	£'000	£'000
Fair value of plan assets	61,082	52,558	35,463	24,200
Benefit obligations	(76,867)	(68,025)	(43,481)	(34,400)
Funded status	(15,785)	(15,467)	(8,018)	(10,200)
Related deferred tax asset	4,120	4,330	2,285	3,060
Net pension deficit recognised	(11,665)	(11,137)	(5,733)	(7,140)

Deferred tax assets relating to the pension deficit are recognised at an effective rate of 26%, reflecting the tax rate expected to apply as the timing differences reverse

Assumptions used at the balance sheet date

	31 Dec 2010	31 Dec 2009
Discount rate	5.80%	5.90%
Inflation assumption	3.75%	3.50%
Expected rate of return on plan assets	6.80%	6.70%
Rate of increase in salaries	4.00%	3.75%
Pension increase assumption	3.55%	3.35%
Life expectancy at age 65 for a male currently aged 65	22.7 years	22.7 years
Life expectancy at age 65 for a male currently aged 45	24.5 years	24.5 years
Life expectancy at age 65 for a female currently aged 65	24.2 years	24.3 years
Life expectancy at age 65 for a female currently aged 45	25.9 years	26.0 years

Present value of defined benefit obligations.

	2010	2009
	£'000	£'000
Benefit obligation at 1 January	68,025	43,481
Current service cost	-	109
Interest cost	3,991	2,947
Plan participants' contributions	-	17
Actuarial loss	5,623	8,577
Gross benefits paid	(772)	(1,538)
Past service cost	-	1,207
Acquisition from VUK PP	-	13,552
Transfers out	-	(327)
Benefit obligation at 31 December	76,867	68,025

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2010

17. Pension costs (continued)

Fair value of plan assets:

	2010 £'000	Restated 2009 £'000
Fair value at 1 January	52,558	35,463
Expected return	3,516	2,520
Actuarial gain	2,324	1,861
Employers contributions	3,456	7,082
Plan participants contributions	-	17
Gross benefits paid	(772)	(1,538)
Acquisition from VUK PP	-	7,480
Transfers out	-	(327)
Fair value of plan assets at 31 December	61,082	52,558

Plan asset allocation

	Value at 31 Dec 2010 £'000	Actual Allocation %	Restated Value at 31 Dec 2009 £'000	Actual Allocation %
Equities	21,354	35.0	12,437	23.7
Debt securities	31,806	52.1	26,875	51.1
Other	7,922	12.9	13,246	25.2
Total market value of assets	61,082	100.0	52,558	100.0

Analysis of the amount charged to profit and loss:

	2010 £'000	2009 £,000
Employer's current service cost	-	109
Employer's past service cost	-	1,207
Write off on acquisition of pension deficit	-	6,072
Charged to operating expenses	-	7,388
Interest on pension plan liabilities	3,991	2,947
Expected return on pension plan assets	(3,516)	(2,520)
Charged to finance expense	475	427
Total pension costs	475	7,815

The total amounts included in the statement of total recognised gains and losses are shown on page 8. The reduction in scheme liabilities arising from the UK government's announcement of a change in the statutory measure of inflation, which applied to certain scheme members, has been recognised in the statement of total recognised gains and losses based on the terms of the pension schemes.

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2010

17. Pension costs (continued)

Actuarial adjustments, amounts charged directly to reserves		
	2010	Restated
	£'000	2009
		£'000
Actuarial gains on fair value of plan assets	2,324	1,861
Actuarial losses on defined benefit obligations	(5,623)	(8,577)
Actuarial losses	(3,299)	(6,716)
Related deferred tax credit	924	1,880
Actuarial losses per the statement of total recognised gains and losses	(2,375)	(4,836)

18. Employment data

	2010	2009
	£'000	£'000
Employment costs		
Wages and salaries	21,966	17,525
Social security costs	1,713	1,806
Pension costs	2,332	9,298
Other costs	-	1,972
Total employment costs	26,011	30,601

Average numbers of staff employed

	2010	2009
	No.	No
Administration	109	123
Engineering	223	232
Average number of employees	332	355

19. Directors' emoluments

Aggregate emoluments of the four directors (2009 four) employed by Visteon Engineering Services Limited amounted to £358,000 (2009 £288,000). Employer contributions under a defined contribution scheme for the directors totalled £26,000 (2009 £31,000). The emoluments of the highest paid director were £161,000 (2009 £125,000). This director has a final salary scheme pension entitlement of £44,000 per annum.

The directors received £99,000 in cash settlement under the RSU scheme during the year (note 21), and hold 12,500 units as at 31 December 2010, which vests in future periods.

Visteon Engineering Services Limited

Notes to the financial statements

for the year ended 31 December 2010

20. Ultimate parent undertaking

Visteon International Holdings Inc, has a 100 per cent 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.

21. Restricted stock units

The company granted certain employees Restricted Stock Units (RSUs) on 1 October 2010. 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 RSUs are exercisable at nil cost to the employee.

	2010 No	2009 No
Instruments granted	129,000	-
Instruments exercised	(21,496)	-
Outstanding at year end	107,504	-

The outstanding RSUs are exercisable as follows: one sixth on the first anniversary of the grant date, one third on the second anniversary of the grant date and, one third on the third anniversary of the grant date. During the year, 21,496 RSUs were exercised and settled by the company at \$62.20 per RSU resulting in a payroll charge of £853,000.

Fair value of the RSUs has been determined at the year end using a Black-Scholes model using the following inputs: the weighted average contractual life of 1 to 3 years, expected volatility (using historical volatility) of 50%, a risk free interest rate of 2.5%, nil dividend yield, nil exercise price, and a market price for the underlying shares of \$74.25. The fair value of this liability in respect of outstanding RSUs at 31 December 2010 is £1,253,341 inclusive of payroll taxes.

22. Deferred tax

The elements of deferred taxation are as follows:

	2010 £'000	Restated 2009 £'000
Unclaimed capital allowances	387	255
Short-term timing differences	351	221
Pension scheme deficit	4,120	4,330
Tax losses	144	960
Total potential asset	5,002	5,766
Deferred tax unrecognised	743	1,436
Deferred tax recognised		
- accelerated capital allowances	139	-
- pension scheme deficit	4,120	4,330
	5,002	5,766

Deferred tax assets in respect of accelerated capital allowances have been recognised based on the directors' best estimates of future taxable income.