

Stoneridge Electronics Limited

Report and Financial Statements

31 December 2016



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Company information

Directors

J B De Gaynor
P Kruk
A Robertson

Auditors

Ernst & Young LLP
G1, 5 George Square
Glasgow
G2 1DY

Registered Office

5th Floor
1 Exchange Crescent
Conference Square
Edinburgh
EH3 8UL

Registered No: SC139213

Strategic report

The directors present their Strategic Report for the year ended 31 December 2016.

Principal activities and review of the business

The principal activities of the company comprise the manufacture and distribution of recording instruments for a range of applications.

The company continues to invest in the research and development of new products as well as engineering maintenance support on existing business with particular focus on product cost reduction projects.

The company operates distribution centres in France and Spain. The results of these branches are incorporated in its financial statements.

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

	2016	2015
	£000	£000
Turnover	15,980	14,788
Operating profit/(loss)	291	(337)
Profit after tax	92	(523)
Shareholder's funds	5,663	5,135
Average number of employees	96	98

Overall turnover increased in 2016 by 8.06% compared to the prior year. This is a result of increasing sales in export sales, in particular in Turkey along with a favourable exchange rate. This has had a direct impact on the turnover in the year.

The profit after tax increased to £92,000 (2015: Loss for the year of £523,000) as a direct result of the increased turnover in the year and the benefit of the internal restructuring exercise completed late 2015 which has resulted in improved profitability during 2016.

Future developments

The company plans to continue its growth within core EU markets by increasing digital tachograph market share and adding in new products for their service network. In addition, the Turkish retrofit opportunity will continue into 2017 and possibly beyond.

Principal risks and uncertainties

The main risks arising from the company's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The company has clear policies for managing each of these risks, as summarised below.

The directors have considered the impact of Brexit and although no material risks have so far been identified, they are monitoring this on an ongoing basis.

Strategic report (continued)

Financial risk management policy

The company's principal financial instruments comprise cash and cash equivalents. Other financial assets and liabilities, such as trade creditors and trade debtors arise directly from the company's operating activities.

The main risks associated with the company's financial assets are set out below:

Interest rate risk

The company have limited interest rate risk due to their long term intercompany loan bearing a fixed interest rate.

Credit risk

The company uses third party credit information providers to assist in the risk assessment process for granting credit to its customers.

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets. Investment is carefully controlled, with authorisation limits operating at different levels up to group Board level.

Foreign currency risk

The company makes sales and purchases in foreign currencies of which the majority of transactions are conducted in Euros. As a result cash flows can be affected by movements in the Euro exchange rate. No hedging activity is undertaken locally to mitigate this risk.

This report was approved by the board and signed on its behalf.



A Robertson

Director

Date: 22.9.17

Registered No: SC139213

Directors' report

The directors' present their report and the audited financial statements for the year ended 31 December 2016.

Directors

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

P Kruk

G E Strickler (resigned 14 August 2017)

A Robertson

J B De Gaynor

Results and dividends

The audited financial statements for the year ended 31 December 2016 are set out on pages 9 to 24. The profit for the year, after taxation, was £92,000 (2015: Loss for the year of £523,000). The directors do not recommend the payment of a dividend (2015: £nil).

Future developments

The directors have highlighted in the strategic report on page 2 the future developments for the company.

Going concern

The company is expected to continue to generate positive cash flows and net income on its own account for the foreseeable future.

The company participates in the parent company's treasury and banking arrangements and so shares banking arrangements with its parent and fellow subsidiaries. There is currently no requirement for any individual line of credit outside of the group, and the directors are confident that this situation will continue for the foreseeable future.

The directors have made sufficient enquiries and conclude that there is no exposure to any contingent liabilities.

In conclusion, the directors consider that the company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements.

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 provision remains in force as at the date of approving the directors' report.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Registered No: SC139213

Directors' report (continued)

Disclosure of information to the auditors

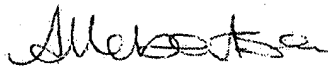
The directors who were members of the board at the time of approving the directors' report are listed above. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with section 485 of the Companies Act 2006, Ernst & Young LLP is deemed to be re-appointed as the auditor of the Company.

On behalf of the board:



A Robertson

Director

Date: 22.9.17

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

Registered No: SC139213

Independent auditor's report to the members of Stoneridge Electronics Limited

We have audited the financial statements of Stoneridge Electronics Limited for the year ended 31 December 2016 which comprise the Statement of comprehensive income, the Statement of financial position, Statement of changes in equity and the related notes 1 to 25. 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 Standards 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 auditor

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. 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 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 Strategic Report and Directors' Reports 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 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standards 102, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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Independent auditor's report to the members of Stoneridge Electronics Limited (continued)

Opinion on other matter 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.
- ▶ the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.

Ernst & Young LLP

Nicola McIntyre (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

26 September 2017.

Statement of comprehensive income

For the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Turnover	3	15,980	14,788
Cost of sales		(9,481)	(8,612)
Gross profit		6,499	6,176
Other operating expenses	4	(6,208)	(6,513)
Operating profit/(loss)	5	291	(337)
Interest payable and similar charges	6	(21)	(21)
Profit/(Loss) on ordinary activities before taxation		270	(358)
Tax on ordinary activities	9	(178)	(165)
Profit/(Loss) for the financial year		92	(523)

Statement of other comprehensive income

For the year ended 31 December 2016

	2016 £000	2015 £000
Profit/(Loss) for the financial year	92	(523)
Profit/(Loss) on foreign currency translation	436	(62)
Total recognised gain/(losses) relating to the year	528	(585)

All amounts relate to continuing operations

Registered No: SC139213

Statement of financial position

At 31 December 2016

	Notes	2016 £000	2015 £000
Intangible assets			
Intellectual property	10	1,972	2,628
Tangible fixed assets			
Tangible assets	11	67	105
Current assets			
Stocks	12	1,307	1,670
Debtors	13	2,688	2,678
Cash at bank and in hand		3,178	1,449
		7,173	5,797
Creditors: amounts falling due within one year	14	(2,358)	(2,365)
Net current assets		4,815	3,432
Total assets less current liabilities		6,854	6,165
Creditors: amounts falling due after one year	15	(1,191)	(1,030)
Net assets		5,663	5,135
Capital and reserves			
Called up share capital	18	250	250
Share premium account	19	85	85
Capital redemption reserve	19	563	563
Other reserves – capital contribution	19	2,750	2,750
Profit and loss account	19	2,015	1,487
Total shareholder's funds – equity		5,663	5,135

The financial statements were approved by the Board of directors on

Signed on behalf of the Board of Directors by:



A Robertson
Director

22.9.17

Statement of changes in equity

At 31 December 2016

	<i>Share capital</i>	<i>Share premium account</i>	<i>Capital redemption</i>	<i>Capital contribution</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2015	250	85	563	2,750	2,072	5,720
Loss for the year	-	-	-	-	(523)	(523)
Foreign currency translation	-	-	-	-	(62)	(62)
At 1 January 2016	250	85	563	2,750	1,487	5,135
Profit for the year	-	-	-	-	92	92
Foreign currency translation	-	-	-	-	436	436
At 31 December 2016	250	85	563	2,750	2,015	5,663

Notes to the financial statements

At 31 December 2016

1. Accounting policies

Basis of accounting

Stoneridge Electronics Limited is a limited liability company incorporated in Scotland.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of the financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The financial statements have been presented in Sterling which is the functional currency of the company and rounded to the nearest £'000.

The following principal accounting policies have been applied:

Going concern

No material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the Directors.

The company's business activities, together with the factors likely to affect its future development and position, are set out in the principal activities and review of the business section of the Strategic Report on page 2.

The company has considerable financial resources together with a large number of customers spread across different geographic areas. As a consequence, the Directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

On the basis of their assessment of the company's financial position and of the enquiries made of the senior management of Stoneridge Inc, the company's 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received, excluding VAT and other sales taxes or duty. Revenue is recognised for product sales/service when the following criteria have been met:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- The company has transferred the significant risks and rewards of ownership to the buyer;
- The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the company will receive the consideration due under the transaction;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Notes to the financial statements

At 31 December 2016

1. Accounting policies (continued)

Rendering of services

Revenue from the sale of software licences, which entitle the purchaser to a right to use and obtain support for a period of 12 months, is recognised monthly over the 12 month period. The deferred income is included as a liability on with the statement of financial position.

Tangible fixed assets

Tangible fixed assets are shown at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets at rates calculated to write-off the cost of fixed assets on a straight line basis over their estimated useful lives as follows:

Freehold buildings	10 to 25 years
Plant and machinery	4 to 10 years
Fixtures and fittings	2 to 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.

Stocks

Stocks are stated at the lower of cost and net realisable value. Costs have been determined using standard costs approximating to actual costs on a first-in, first-out basis. In the case of work in progress and finished goods, standard cost comprises direct materials, direct labour and an approximate proportion of manufacturing fixed and variable overheads.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes to the financial statements

At 31 December 2016

1. Accounting policies (continued)

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all temporary differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Pension costs

The company contributes to a defined contribution scheme and the amount charged to the Statement of Comprehensive Income relates to the contributions and related fees payable in the year.

Foreign currency

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the Statement of Comprehensive Income.

Income statements of overseas branches are translated at the average rate, with assets and liabilities denominated in foreign currencies at the year-end being translated at the exchange rate prevailing at the year end. Exchange differences arising on the translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the group's investment in such operations, are dealt with through the statement of other comprehensive income. All other exchange differences are included in the Statement of Comprehensive Income.

Research and development

Research and development expenditure is included in the Statement of Comprehensive Income as incurred.

Notes to the financial statements

At 31 December 2016

1. Accounting policies (continued)

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets are stated at cost less accumulated amortisation. Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 10 years. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Leases and hire purchase agreements

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Cash flow statement

As permitted by FRS 102 section 1.12, no cash flow statement has been prepared as the company is a wholly owned subsidiary of Stoneridge Inc, whose group accounts include a consolidated cash flow statement, and are publicly available.

Related party transactions

The company has taken advantage of the FRS 102 section 1.12 exemption from having to provide details of transactions with fellow group undertakings.

2. Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements and estimates have had the most significant effects on amounts recognised in the financial statements.

Provisions

Provisions are recognised where the company has an obligation, as a result of a past event, that can be measured reliably and where an outflow of economic benefit is considered probable. Management judgement is used to determine the amount of such provisions taking into account the commercial drivers which gave rise to them. Typically the company's statement of financial position includes provisions for stock obsolescence, warranties and bad debts.

Depreciation

The estimates and assumptions made to determine asset lives require judgements to be made as regards useful lives and residual values. The useful lives and residual values of the financial assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets.

Amortisation of intangible assets

The company establish a reliable estimate of the useful life of intangible assets. This estimate is based on a variety of factors including the ongoing use of the relevant intellectual property rights and any legal, regulatory or contractual provisions that can limit useful life. The useful life of intangible assets are reviewed annually.

Taxation

Management estimation 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. Further details are included in note 9.

Notes to the financial statements

At 31 December 2016

3. Turnover

Turnover arises from the company's principal activity of the manufacture and distribution of recording instruments for a range of applications.

<i>Sales by region</i>	<i>2016</i> <i>£000</i>	<i>2015</i> <i>£000</i>
UK	3,691	4,013
Europe (other than the UK)	11,055	9,337
Rest of world	1,234	1,438
	<u>15,980</u>	<u>14,788</u>
	<u><u>15,980</u></u>	<u><u>14,788</u></u>
 <i>Sales by nature</i>	 <i>2016</i> <i>£000</i>	 <i>2015</i> <i>£000</i>
Sale of goods	14,684	12,604
Rendering of services	1,296	2,184
	<u>15,980</u>	<u>14,788</u>
	<u><u>15,980</u></u>	<u><u>14,788</u></u>

4. Other operating expenses

	<i>2016</i> <i>£000</i>	<i>2015</i> <i>£000</i>
Selling and distribution costs	3,529	3,572
Administrative expenses	822	1,255
Research and development	1,201	1,030
Amortisation of intangible asset	656	656
	<u>6,208</u>	<u>6,513</u>
	<u><u>6,208</u></u>	<u><u>6,513</u></u>

5. Operating profit/(loss)

This is stated after charging and (crediting):

	<i>2016</i> <i>£000</i>	<i>2015</i> <i>£000</i>
Depreciation on tangible fixed assets	93	114
Amortisation on intangible assets	656	656
Auditor's remuneration	40	40
Exchange (Loss)/Gain on foreign currency transactions	(61)	23
Movement in warranty provision	51	2
Operating lease payments – Plant and machinery	13	18
- Other including Buildings	424	412
	<u>1,216</u>	<u>1,265</u>
	<u><u>1,216</u></u>	<u><u>1,265</u></u>

Notes to the financial statements

At 31 December 2016

6. Interest payable and similar charges

	2016 £000	2015 £000
Interest payable on loans from group companies	21	21

7. Staff costs

Employee costs during the year amounted to:

	2016 £000	2015 £000
Wages and salaries	3,107	3,548
Social security costs	445	516
Other pension costs	174	144
	<u>3,726</u>	<u>4,208</u>

The average monthly number of persons employed by the company during the year was as follows:

	2016 Number	2015 Number
Manufacturing	18	19
Administration and management	78	79
	<u>96</u>	<u>98</u>

All pension costs are in respect of defined contribution schemes.

8. Director's remuneration

The remuneration of the Directors was as follows:

	2016 £000	2015 £000
Emoluments	104	109
Company contributions to money purchase pension schemes	6	6
	<u>110</u>	<u>115</u>

The number of Directors who were members of pension schemes was as follows:

	2016 Number	2015 Number
Money purchase schemes	1	1

Notes to the financial statements

At 31 December 2016

9. Tax

a) Tax on loss on ordinary activities:

	2016 £000	2015 £000
<i>Current tax</i>		
UK Corporation tax	-	-
Prior year adjustment	-	-
Foreign tax	178	165
	<u>178</u>	<u>165</u>
<i>Deferred tax:</i>		
Originating and reversal of temporary differences	-	-
	<u>178</u>	<u>165</u>
Tax on loss on ordinary activities	<u>178</u>	<u>165</u>

b) Factors affecting tax charge:

	2016 £000	2015 £000
Profit/(Loss) on ordinary activities before tax	270	(358)
Profit/(Loss) multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	54	(72)
<i>Effect of:</i>		
Non-taxable income and disallowed expenses	2	2
Foreign tax on overseas income	178	166
Foreign tax expensed	(36)	(34)
Utilisation of tax losses	-	-
Deferred tax not recognised	(20)	103
Corporation tax charge for the year	<u>178</u>	<u>165</u>

c) Factors that may affect future tax charges:

In the budget on 8 July 2015, the UK Government proposed, among other things, to further reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. These rate changes are now substantively enacted and will impact the company's tax charge in the years mentioned.

d) Deferred tax:

The Company has an unrecognised deferred tax asset at the balance sheet date of £624k (2015: £677k) comprising of decelerated capital allowances £301 (2015: £302k), unrelieved tax losses carried forward £274k (2015: £330k) and other short term temporary differences £49k (2015: £45k). The Company continues not to recognise this asset on the basis that the asset does not meet the recognition criteria since it is not considered more likely than not that there will be suitable taxable profits in the future against which the underlying temporary differences may reverse.

Notes to the financial statements

At 31 December 2016

10. Intangible assets

	Total £000
Cost:	
At 31 December 2015 and 31 December 2016	<u>6,568</u>
Amortisation:	
At 31 December 2015	3,940
Charge for the year	656
At 31 December 2016	<u>4,596</u>
Net book value:	
At 31 December 2016	<u>1,972</u>
At 31 December 2015	<u>2,628</u>

In December 2009 the company purchased the intellectual property rights for the Optac range of products from its sister company Stoneridge Electronic AB for £6,568,000. The value was derived using an income approach which assessed fair value based on the present value of the future economic benefits. The valuation was prepared by an independent party. The intellectual property rights for the Optac range of products are considered to have a useful economic life of 10 years. In accordance with the company's accounting policy, the asset is amortised over this period on a straight line basis.

Notes to the financial statements

At 31 December 2016

11. Tangible fixed assets

	<i>Freehold buildings</i>	<i>Plant and machinery</i>	<i>Fixtures and fittings</i>	<i>Total</i>
	£000	£000	£000	£000
Cost:				
At 31 December 2015	272	1,355	1,161	2,788
Exchange Difference	1	1	13	15
Additions	-	7	47	54
Disposals	-	-	(43)	(43)
At 31 December 2016	<u>272</u>	<u>1,363</u>	<u>1,178</u>	<u>2,814</u>
Depreciation:				
At 31 December 2015	262	1,318	1,103	2,683
Exchange Difference	-	1	13	14
Charge for the year	7	25	61	93
Disposals	-	-	(43)	(43)
At 31 December 2016	<u>269</u>	<u>1,344</u>	<u>1,134</u>	<u>2,747</u>
Net book value:				
At 31 December 2016	<u>4</u>	<u>19</u>	<u>44</u>	<u>67</u>
At 31 December 2015	<u>10</u>	<u>37</u>	<u>58</u>	<u>105</u>

12. Stocks

	<i>2016 £000</i>	<i>2015 £000</i>
Raw materials and consumables	519	455
Work in progress	92	135
Finished goods and goods for resale	696	1,080
	<u>1,307</u>	<u>1,670</u>

In the opinion of the Directors, the estimated replacement cost of stock is not materially different from its balance sheet value as shown above.

Stock recognised in cost of sales during the year as an expense was £8,224,385 (2015: £7,184,077)

Notes to the financial statements

At 31 December 2016

13. Debtors: amounts falling due within one year

	2016 £000	2015 £000
Trade debtors	2,027	1,840
Amounts owed by group undertakings	485	306
Prepayments and accrued income	176	532
	<u>2,688</u>	<u>2,678</u>

14. Creditors: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	427	344
Other taxes and social security costs	271	421
Accruals and deferred income	1,165	1,247
Amounts due to group undertakings	495	353
	<u>2,358</u>	<u>2,365</u>

15. Creditors: amounts falling due after one year

	2016 £000	2015 £000
Inter Company Loan	1,191	1,030

An intercompany loan was taken out on 31 December 2009 for £6,568,000 to purchase intellectual property. Interest is to be charged at a fixed annual rate of 2.143% over the life of the loan and the first capital repayment of £4,082,000 was made on 31 March 2010 and the second in September 2014 of £919,000.

The remaining balance of the loan is not repayable for at least 12 months from 31 December 2016.

Notes to the financial statements

At 31 December 2016

16. Provisions for liabilities

	2016 £000
Provision for warranties	
At 1 January 2016	62
Amounts charged against the provision	(70)
Additions during the year	121
At 31 December 2016	<u>113</u>

A provision is recognised for warranties on products sold. Management judgement is used to determine the amount of the provision taking into account the commercial drivers which give rise to it.

17. Financial instruments

	2016 £000	2015 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>2,688</u>	<u>2,678</u>
	<u>2,688</u>	<u>2,678</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>3,165</u>	<u>2,913</u>
	<u>3,165</u>	<u>2,913</u>

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings and accruals.

18. Called up share capital

Authorised, allotted, called up and fully paid:	2016 £000	2015 £000
Equity shares		
250,000 ordinary shares of £1 each	250	250

19. Reserves

Profit & loss account

The profit and loss account represents the accumulated profits and losses of the company less distributions made to shareholders.

Share Premium Account – Non distributable

The share premium account represents the amount received for each ordinary share issued in excess of the nominal value of the relevant share.

Capital Redemption Reserve – Non distributable

The capital redemption reserve represents the nominal value of share repurchased by the company.

Other Reserves – Non distributable

Other reserves represents a capital contribution received from group companies.

Notes to the financial statements

At 31 December 2016

20. Operating leases

At 31 December 2016 the company had total commitments under non-cancellable operating leases as set out below:

	2016 £000	2015 £000
Operating leases which expire:		
Within one year	382	404
In two to five years	857	942
Later than five years	597	797
	<u>1,836</u>	<u>2,143</u>

21. Pension arrangements

The company operates a defined contribution pension scheme. The scheme is a group of personal pension schemes administered by Aegon in the UK and B2V Cirica and UGRR AGR in France.

The company also operates an occupational pension scheme which provides benefits limited to lump sum death in service benefits, and a permanent health insurance policy under which long term employee disability insurance cover is provided.

These schemes are open to substantially all employees.

The amount charged to the Statement of Comprehensive Income for the costs to the company of these schemes was £180,511 (2015: £150,444). In addition the company paid fees of £5,270 (2015: £4,700) in respect of professional advice on the schemes.

As at 31 December 2016 £6,296 (2015: £31,296) was payable to the pension schemes.

22. Guarantees and other financial commitments

The company has granted a guarantee in favour of Her Majesty's Revenue and Customs to cover the import duty deferment scheme, liability under which is limited to £15,000 (2015: £15,000).

23. Related Party Transactions

During the year the Company transacted with related parties in the normal course of business and on an arm's length basis. All transactions were with wholly owned subsidiaries of Stoneridge Inc.

24. Key management personnel

The directors are considered to be the key management personnel of the company. No other employees are considered to have the authority or responsibility for planning, directing and controlling the activities of the company. Total remuneration in respect of the directors is £110,000 (2015: £115,000).

Notes to the financial statements

At 31 December 2016

25. Ultimate parent company and controlling party

The company is a wholly owned subsidiary of Stoneridge Inc, incorporated in the state of Ohio, USA.

The smallest group of which the company is consolidated into is that headed by Stoneridge AB. The largest group in which the company is consolidated into is that headed by Stoneridge Inc. The consolidated accounts of these groups are available to the public and may be obtained from the following address:

Stoneridge Inc.
39675 MacKenzie Drive, Suite 400
Novi, Michigan 48377
USA