

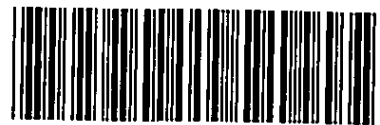
Knorr-Bremse Rail Systems (UK) Limited

**Directors' report and financial
statements**

Registered number 03974921

31 December 2011

WEDNESDAY



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COMPANIES HOUSE

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Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2011

Principal activities

The Company's principal activities during the year were that of the design and manufacture of braking systems and related products for rail vehicles together with the design, manufacture and installation of platform screen door systems on rail station platforms. In addition, the Company provides a full service and maintenance support for both braking and platform screen door systems. The Company also supports and services the full range of Knorr-Bremse Rail group door and air conditioning products in the geographical market of the UK and Ireland.

Business review

Total company sales in 2011 returned to the anticipated level of £73.8m, following the record sales last year which arose primarily due to one exceptionally large Platform Screen Door Contracts in Saudi Arabia (2010 £100.4 million). Turnover remained strong in each of the Company's main business sectors and continued to benefit from sales of Platform Screen Doors into the Middle East. The Company remains a leading supplier of rail brake systems within its market.

The order book remains at a consistently high level, with orders on hand at 31 December 2011 sufficient to cover approximately 68.4% of the planned sales for 2012 (2010 59.3%).

Our world leading EP2002 product continues its successful contribution to company performance, maintaining good order intake and sales during the year, especially from the China region. Although demand from China in 2012 is expected to slow down, the outlook for 2013 and beyond remains positive.

Spend on research and development in 2011 was 1.0% of sales (2010 1.0%). The majority of the research and development spend was in three product areas: the continued development of freight wheel slide protection, start-up concepts and design of Integrated Brake Control system and continued funding into the EP2002 distributed braking control system.

Principal risks & mitigations - The directors have identified the following areas of principal risk in the business and believe that adequate measures have been identified and implemented to mitigate the risk. Specifically:

Risk	Information Technology – obsolescence and security
Mitigation	We continue to invest in updated technology and undergo regular KB Group audits of our security procedures and systems. The latest audit showed high adherence to security procedures.
Risk	Economy – general economic downturn
Mitigation	Despite the difficult current economic climate, our current order book remains strong. This, together with the government support pledged for several key major upgrades to the rail network, underpins our belief in a secure future business.
Risk	Foreign exchange – adverse movement in rates
Mitigation	All significant contract-related foreign currency cash flows are hedged as soon as contracts are signed. Cash flows in foreign currencies relating to other transactions are reviewed quarterly and long- and short-term hedging contracts are put in place when appropriate.
Risk	Supply chain - continuity of supply from key suppliers
Mitigation	The Company has recognised the risk associated with reliance on sole-source supply since 2009 and has since been engaged in a continuous policy of increasing its dual source capability, as far as possible.
Risk	Disaster – significant disruption to business from a range of adverse incidents
Mitigation	The Company has a formal Disaster Recovery Plan across all areas of the business. The plan is reviewed and updated on a regular basis.

Directors' report *(continued)*

Business review *(continued)*

Risk	Competition eroding the Company's strong market position within the rail industry
Mitigation	The Company strives to maintain its competitive advantage by continual investment into R&D, training, business systems and improvements in production methods to support the market needs

The £4.8 million net profit before tax for the reporting year *(2010 £10.8 million)* is net of £1.4 million depreciation and amortisation *(2010 £1.4 million)*

Overall, the directors are pleased with the results for the year and remain confident in the long term future of the business

Proposed dividend

During the year the company paid a dividend of £6.0 million *(2010 £3.5 million)*

Political and charitable donations

During the year, the company made charitable donations of £300 *(2010 £8,618)*. The company made no political donations during either year

Directors

The directors who held office during the year and subsequently up to the date of this report were as follows

Mr P R Johnson (Resigned 31 December 2011)
Dr A E Koehler
Dr F Gropengiesser (Resigned 13 June 2012)
Mr P Goodhand
Dr R Voss (Appointed 31 December 2011 Resigned 26 June 2012)
Mr R Haerdi (Appointed 13 June 2012)

Employee policies

The Company operates within published policies for Health and Safety, Human Resources, Quality, Environmental Safety and Product Safety

The Company provides a defined benefit pension scheme for all employees who joined before 31 December 2004 and were over 18 years of age through participation in the Knorr-Bremse (UK) Pension Scheme. The defined benefits scheme has been closed to new entrants from 1 January 2004. The company has contributed to a designated defined contribution scheme for new employees since January 2004.

Achievement of qualifications, outstanding performance and service are recognised annually in an awards ceremony

Directors' report *(continued)*

Environmental, quality and safety policies

In 2010 the Company was successful in upgrading the Quality Management System to EN ISO 9001-2008 and IRIS revision 2 requirements and the Environmental Management System to EN ISO 14001-2009. The requirements of the Railway Industry Supplier Approval Scheme were satisfied during external audit by the accredited certification body, Correll Rail. An IRIS audit was completed in 2011, and achieved an excellent score.

Disabled employees

It is our policy to encourage the employment and development of suitable disabled persons. No unnecessary limitations are placed on the type of work that they perform and in appropriate cases consideration is given to modifications to equipment or premises and to adjustments in working practices.

Fair and full consideration will be given to disabled applicants for employment and existing employees who become disabled will have the opportunity to retrain and continue in employment where suitable positions exist.

Directors' indemnity provisions

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year.

Employee involvement

Employee consultation, communication and involvement are recognised as being of great value and these practices will be maintained and developed. Appropriate consultation enables employees' views to be taken into account in matters which may affect their interests. Regular meetings are held between management and employees to facilitate an exchange of information and ideas. An in-house newsletter is available on the intranet to all employees monthly containing business performance information and a magazine, *KBRs Bulletin*, is published quarterly which combines people stories together with business, projects and industry information. Employees also receive the Knorr-Bremse Rail Group Employees magazine *Aktuel* every quarter which gives up-to-date details of the global activities and recent developments of the Knorr-Bremse Rail Group and its employees. Employee Surveys are conducted every 2 years providing all employees with an opportunity to give their honest feedback across a host of company issues, the latest being in 2011.

The Company has its own intranet which gives all employees access to a wide variety of company information. The Knorr-Bremse Rail Systems Employee Information System (EIS) screens are located in several areas of the company, displaying information in real time about the Company and the rail business.

The continued support of management and our employees is fundamental to our continuing success. The directors would like to record their thanks and appreciation to all of our employees who have actively supported and participated in the initiatives and progress in 2011.

Directors' report *(continued)*

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

On behalf of the board



Paul Goodhand
Managing Director

Westinghouse Way
Hampton Park East
Melksham
Wiltshire
SN12 6TL

26 June 2012

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

Independent Auditor's Report to the Members of Knorr-Bremse Rail Systems (UK) Limited

We have audited the financial statements of Knorr-Bremse Rail Systems (UK) Limited for the year ended 31 December 2011 set out on pages 8 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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

A description of the scope of an audit of financial statements is provided on the APB's web-site 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 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, 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 Auditor's Report to the Members of Knorr-Bremse Rail Systems (UK) 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



NP Hall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

 2012

Profit and loss account
for the year ended 31 December 2011

	<i>Note</i>	2011 £000	2010 £000
Turnover	2	73,769	100,351
Change in stocks of finished goods and work in progress		(8,045)	(3,719)
Raw materials and consumables		(26,746)	(50,135)
Staff costs	5	(16,368)	(15,559)
Depreciation and other amounts written off tangible and intangible fixed assets		(1,412)	(1,417)
Other operating charges		(16,386)	(18,763)
Operating profit		4,812	10,758
Interest receivable and similar income	6	57	88
Interest payable and similar charges	7	(89)	-
Profit on ordinary activities before tax	3	4,780	10,846
Tax on profit on ordinary activities	8	(1,780)	(2,235)
Profit for the financial year	18	3,000	8,611

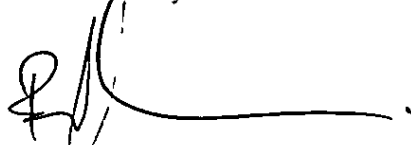
There were no recognised gains or losses other than the profit for the above years

All of the company's turnover and operating profits for the year were derived from continuing operations

Balance sheet
at 31 December 2011

	<i>Note</i>	2011 £000	2010 £000
Fixed assets			
Intangible assets	9	1,541	2,007
Tangible assets	10	6,952	6,371
Investments	11	-	61
		<u>8,493</u>	<u>8,439</u>
Current assets			
Stocks	12	6,874	7,110
Debtors	13	44,337	46,668
Cash at bank and in hand		209	768
		<u>51,420</u>	<u>54,546</u>
Creditors amounts falling due within one year	14	(22,159)	(24,051)
Net current assets		<u>29,261</u>	<u>30,495</u>
Total assets less current liabilities		<u>37,754</u>	<u>38,934</u>
Creditors , amounts falling due after more than one year	15	(2,069)	(1,655)
Provisions	16	(5,911)	(4,496)
Net assets		<u>29,774</u>	<u>32,783</u>
Capital and reserves			
Called up share capital	17	-	-
Share premium account	18	22,000	22,000
Profit and loss account	18	7,774	10,783
Equity shareholders' funds	19	<u>29,774</u>	<u>32,783</u>

These financial statements were approved by the board of directors on 26 June 2012 and were signed on its behalf by



Paul Goodhand
Managing Director

Registered number 03974921

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

The directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the company has 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 company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Knorr-Bremse AG, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities that form part of the group (or investees of the group qualifying as related parties)

Related parties

As the Company is a wholly owned subsidiary of Knorr-Bremse AG, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Land and buildings	-	5 to 20 years
Plant and machinery	-	3 to 13 years
Fixtures, fittings, tools and equipment	-	3 to 13 years
Computer equipment	-	5 to 8 years

Intangible fixed assets and amortisation

Patents purchased by the company are amortised to nil by equal annual instalments over their average useful economic life of 15 years

Fixed asset investments

Fixed asset investments are stated at cost, less provision for any impairment in value

Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Post-retirement benefits

The company operates contributory pension schemes providing benefits based upon final pensionable pay. The assets of the schemes are held separately from those of the company, being invested in Trustee administered funds.

The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

In addition the company operates a Defined Contribution Group Stakeholder Scheme. The contributions payable to this Scheme are charged to the profit and loss account.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. The cost of raw materials, consumables and goods purchased for resale is determined on a moving average price basis. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Long term work in progress

Revenue is taken on fixed price contracts while the contract is in progress, having regard to the proportion of the total contract which has been completed at the balance sheet date, estimated by reference to the costs incurred to date versus the total estimated costs to completion. Provision is made for all foreseeable losses.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Provisions

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The accounting policy on each type of provision is disclosed in note 16.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the manufacture, installation and maintenance of braking systems and platform screen doors on behalf of customers.

Notes (continued)

2 Analysis of turnover and retained profit

Segmental analyses are made in the accounts of the ultimate parent company, Knorr-Bremse AG, in which the results of the company are consolidated

3 Profit on ordinary activities before taxation

	2011 £000	2010 £000
<i>Profit on ordinary activities before taxation is stated after charging.</i>		
Amounts receivable by the auditors and their associates in respect of		
Audit of these financial statements	27	28
Depreciation of owned tangible fixed assets	946	911
Amortisation of intangible fixed assets	466	467
Rent of land and buildings – operating leases	687	673
Hire of plant and machinery – operating leases	195	194
Research and development expenditure	723	943
Exchange losses	940	746

4 Remuneration of directors

	2011 £000	2010 £000
Directors' emoluments	266	281
Pension contributions	29	27
	295	308

The remuneration above relates to two directors (2010 two). Retirement benefits are accruing to one director under a defined contribution scheme (2010 one defined benefit and one defined contribution).

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £236,312 (2011 £224,101), and pension contributions of £28,546 (2011 £27,099) were made to a personal pension scheme on his behalf.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2011	2010
Manufacturing	207	206
Engineering	70	70
Administration	27	26
Sales, marketing and project management	49	49
	353	351

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

	2011 £000	2010 £000
Wages and salaries	13,054	13,037
Social security costs	1,279	1,149
Other pension costs	2,035	1,373
	<u>16,368</u>	<u>15,559</u>

6 Interest receivable and similar income

	2011 £000	2010 £000
Receivable from group undertakings	57	61
Other interest	-	27
	<u>57</u>	<u>88</u>

7 Interest payable and similar charges

	2011 £000	2010 £000
Other interest	89	-
	<u>89</u>	<u>-</u>

8 Taxation

Analysis of charge in year

	2011 £000	2010 £000
<i>UK corporation tax</i>		
Current tax on income for the year	1,211	3,393
Prior year (credit)/charge	20	(823)
	<u>1,231</u>	<u>2,570</u>
<i>Deferred tax</i>		
Origination/reversal of timing differences	144	(335)
Prior year adjustment	405	-
	<u>549</u>	<u>(335)</u>
Total deferred tax (see note 20)	<u>549</u>	<u>(335)</u>
Tax on profit on ordinary activities	<u>1,780</u>	<u>2,235</u>

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2010 lower) than the blended rate of corporation tax of 26.5% (2010 28%). The differences are explained below

	2011 £000	2010 £000
Current tax reconciliation		
Profit on ordinary activities before tax	4,780	10,846
Current tax at 26.5% (2010 28%)	1,267	3,037
Effects of		
Expenses not deductible for tax purposes	50	173
Depreciation charge in excess of/(less than) capital allowances in the year	55	(118)
Short term timing differences	-	10
Prior year charge	-	(823)
Movement in provisions	-	291
R&D credit	(57)	-
Double taxation relief	(104)	-
Total current tax charge (see above)	1,211	2,570

The rate of UK corporation tax that was enacted at the balance sheet date was 25% which is applicable from 1 April 2012. Subsequently, the UK government has announced that the UK corporation tax rate will reduce from 26% to 24% on 1 April 2012. It is expected that the corporation tax rate will reduce to 22% over the following two years. There are no other factors that may significantly affect future tax charges.

9 Intangible fixed assets

	Patents £000
Cost	
At 1 January and 31 December 2011	7,000
Amortisation	
At 1 January 2011	4,993
Charge for year	466
At 31 December 2011	5,459
Net book value	
At 31 December 2011	1,541
At 31 December 2010	2,007

Notes (continued)

10 Tangible fixed assets

	Freehold Land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Computer equipment £000	Total £000
Cost					
At 1 January 2011	3,785	21,387	6,106	3,326	34,604
Additions	39	1,368	75	57	1,539
Disposals	-	(23)	-	-	(23)
At 31 December 2011	3,824	22,732	6,181	3,383	36,120
Depreciation					
At 1 January 2011	1,157	18,382	5,766	2,928	28,233
Charge for the year	193	483	51	219	946
Disposals	-	(11)	-	-	(11)
At 31 December 2011	1,350	18,854	5,817	3,147	29,168
Net book value					
At 31 December 2011	2,474	3,878	364	236	6,952
At 31 December 2010	2,628	3,005	340	398	6,371

11 Fixed asset investments

	Shares in group undertakings £000
Cost at 1 January 2011 and 31 December 2011	252
Provision at 1 January 2011	191
Provided in the year	61
At 31 December 2011	252
Net book value	
At 31 December 2011	-
At 31 December 2010	61

The fixed asset investments relate to the following investments

- A 100% holding in Westinghouse Brakes Ltd, which is incorporated in the UK. Westinghouse Brakes Ltd is a dormant company and did not trade during the year,
- A 100% holding in Westinghouse Platform Screen Doors Ltd, which is incorporated in the UK. Westinghouse Platform Screen Doors Ltd is a dormant company and did not trade during the year
- The 100% holding in Techtrain Associates Ltd, which is incorporated in the UK. Full provision has been made against investment of £191,000 arising from the full acquisition. Techtrain Associates Ltd has ceased trading from 31st December 2011

Notes (continued)

11 Fixed asset investments (continued)

- A 100% holding in Knorr-Bremse Rail Systems (Machining) Limited. The principal activity of the company is the manufacture of machined parts for the rail industry.

12 Stocks

	2011 £000	2010 £000
Raw materials and consumables	6,304	6,592
Work in progress	570	518
	<u>6,874</u>	<u>7,110</u>

13 Debtors

	2011 £000	2010 £000
Trade debtors	11,707	11,906
Amounts owed by group undertakings	27,724	31,397
Other debtors	863	33
Amounts recoverable on long term contracts	2,907	1,678
Prepayments and accrued income	422	685
Taxation and social security	626	332
Deferred tax asset (see note 20)	88	637
	<u>44,337</u>	<u>46,668</u>

14 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Payments received on account	2,953	4,813
Trade creditors	10,120	8,615
Amounts owed to group undertakings	4,505	4,685
Corporation tax	139	901
Other creditors including taxation and social security	1,668	1,347
Accruals and deferred income	2,774	3,690
	<u>22,159</u>	<u>24,051</u>

15 Creditors' amounts falling due in more than one year

	2011 £000	2010 £000
Payments received on account	<u>2,069</u>	<u>1,655</u>

Notes (continued)

16 Provisions

	<i>Note</i>	At 1 January 2011 £000	Additions / releases £000	Amounts used £000	At 31 December 2011 £000
Warranty	(i)	2,112	3,990	(2,781)	3,321
Contract	(ii)	2,235	286	-	2,521
Other	(iii)	149	(30)	(50)	69
		<u>4,496</u>	<u>4,246</u>	<u>(2,831)</u>	<u>5,911</u>

(i) Warranty

Warranty provision is against statistically anticipated warranty claims based on past experience, or specific claims where known

(ii) Contract

Contract provisions are specific and relate to existing or past contracts and are based on estimated costs to complete onerous contracts and meet contractual obligations for liquidated damages

(iii) Other

These include provisions relating to dilapidations of occupied premises. Dilapidation provision is recognised based on estimated costs payable at the end of relevant leases. Other provisions are made for penalties and legal cases where the amount and timing of payment are uncertain, but can be estimated with reasonable accuracy

17 Share capital

The authorised share capital on incorporation of the company was £1,000, made up of 1,000 ordinary shares each of £1. Of this, 100 ordinary shares each of £1 were allotted, called up and fully paid on subscription. No further movements in share capital have occurred since.

18 Share premium and reserves

	Share premium account £000	Profit and loss account £000
At 1 January 2011	22,000	10,783
Retained profit for the year	-	3,000
Distributions in the year	-	(6,009)
At 31 December 2011	<u>22,000</u>	<u>7,774</u>

19 Reconciliation of movements in equity shareholders' funds

	2011 £000	2010 £000
Profit for the financial year	3,000	8,611
Distributions in year	(6,009)	(3,510)
Opening equity shareholders' funds	<u>32,783</u>	<u>27,682</u>
Closing equity shareholders' funds	<u>29,774</u>	<u>32,783</u>

Notes (continued)

20 Deferred taxation

	£000
Asset at 1 January 2011	637
PY adjustment relating to provisions	(405)
Credit to the P&L account	(144)
Asset at 31 December 2011	88

The elements of deferred taxation are as follows

	2011 £000	2010 £000
Deferred/(accelerated) capital allowances	88	232
Other timing differences	-	405
Net deferred tax asset (see note 13)	88	637

21 Contingent liabilities

The company has contingent liabilities arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. These are in relation to performance guarantee bonds of £19,944,470 (*restated 2010 £17,841,212*)

22 Commitments

a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows

	2011 £000	2010 £000
Contracted	713	390

(b) Annual commitments under non-cancellable operating leases are as follows

	2011 Land and Buildings £000	Machinery and vehicles £000	2010 Land and Buildings £000	Machinery and vehicles £000
Operating leases which expire				
Within one year	-	3	23	47
One to five years	-	80	-	79
Over five years	638	-	638	-
	638	83	661	126

Notes (continued)

23 Pension scheme

The company participates in three pension schemes – the Knorr-Bremse (UK) Pension Scheme, the Knorr-Bremse (UK) Executive Scheme ("the Schemes") and a stakeholder scheme. The Schemes provide retirement benefits based on career revalued and/or final pensionable salary and years of service. The Schemes are held in separate Trustee administered funds.

The pension cost of the Schemes is determined by a qualified actuary on the basis of triennial valuations, with adjustments for significant post-valuation events. The most recent actuarial valuation of the Schemes was carried out as at 1 January 2010, using the projected unit method. This was the second valuation carried out under the new Statutory Funding Objective, introduced to govern Scheme funding in 2005.

At this date the market value of the Schemes' assets was £75.5 million and the value of these assets represented 71% of the benefits that accrued to members, a shortfall of £31.1 million.

The Company has agreed a Recovery Plan with the Trustees under which it is planned to eliminate the shortfall with annual payments of £4.0 million per annum from 1 January 2011.

The main long term assumptions used were that the investment return would be 6.2% per annum pre-retirement, 4.7% per annum post-retirement and pensionable salaries would increase at 2.5% per annum.

The Schemes have been closed to new entrants. The Company contributes to a designated stakeholder scheme for new employees.

The Company is unable to identify its share of underlying assets and liabilities of these multi-employer schemes. As such, the Company has taken the exemption available under FRS17 allowing it to treat the Schemes as if they were Defined Contribution schemes for the purposes of the statutory accounts.

The pension charge for the year represents the employer's contributions payable by the company to the fund, and amounted to £2,035,000 (2010 £1,373,000). This includes £221,000 (2010 £205,000) for employers contributions to the designated stakeholder scheme.

Contributions amounting to £14,000 were prepaid at the year end and are included in debtors (2010 £34,000).

Contributions amounting to £61,000 (2010 £79,000) were payable to the designated stakeholder scheme at the year end, and are included in creditors.

24 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a wholly owned subsidiary undertaking of Knorr-Bremse Investment (UK) Limited incorporated in England and Wales.

The ultimate controlling party is Knorr-Bremse AG.

The only group in which the results of the company are consolidated is that headed by Knorr-Bremse AG, incorporated in Germany. The consolidated accounts of Knorr-Bremse AG are available to the public and may be obtained from Moosacher Str. 80 D-80809 München, Germany.