

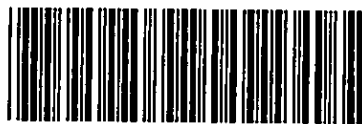
Knorr-Bremse Rail Systems (UK) Limited

**Directors' report and financial
statements**

Registered number 03974921

31 December 2012

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Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2012

Principal activities

The Company's principal activities during the year were 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 2012 were £64.6 million (2011: £73.8 million) which is in line with the directors' expectations.

During 2012, the company agreed to close the defined benefit pension schemes to the future accrual of benefits with effect from 1 January 2013. This was negotiated and agreed with the Trustees, Unions and employees after consideration of an updated valuation of schemes as at 1 January 2012 (see note 23).

A new defined contribution pension plan has been set up to provide for employees' future pension savings. The company agreed to fund a 10 year recovery plan which will lead to further significant increases in pension costs from 2013 onwards. These decisions were taken with the full backing of Knorr-Bremse AG, the ultimate parent company, who provided a funding guarantee to the Trustees as part of the agreement.

The ultimate objective, when markets and finances permit, is to "buy-out" the pension liabilities with an insurance company and thus remove the legacy pension scheme risk from the company. However, this should not be expected for a number of years.

Spend on research and development in 2012 was 0.9% of sales (2011: 1.0%).

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 £3.1 million net profit before tax for the reporting year (*2011 £4.8 million*) is net of £1.4 million depreciation and amortisation (*2011 £1.4 million*)

Overall, the directors are satisfied 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 £6.5 million (*2011 £6.0 million*)

Political and charitable donations

During the year, the company made charitable donations of £2,921 (*2011 £300*). 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

Dr A E Koehler
Dr F Gropengiesser (Resigned 13 June 2012)
Mr P Goodhand
Dr R Voss (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 provided 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 was closed to new entrants from 1 January 2004 and closed to future accrual with effect from 1 January 2013. 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 2012 the Company was successful in the recertification of 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 2012, 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. Regular meetings are held between management and employees to facilitate an exchange of information and ideas.

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 initiatives and progress in 2012.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor 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

10 July 2013

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 2012 set out on pages 7 to 18. 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 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2012 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



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

29 August

2013

Profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Turnover	2	64,551	73,769
Change in stocks of finished goods and work in progress		(5,710)	(8,045)
Raw materials and consumables		(27,634)	(26,746)
Staff costs	5	(15,901)	(16,368)
Depreciation and other amounts written off tangible and intangible fixed assets		(1,378)	(1,412)
Other operating charges		(10,839)	(16,386)
Operating profit		3,089	4,812
Interest receivable and similar income	6	34	57
Interest payable and similar charges	7	-	(89)
Profit on ordinary activities before tax	3	3,123	4,780
Tax on profit on ordinary activities	8	(457)	(1,780)
Profit for the financial year	18	2,666	3,000

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

The notes on pages 9 to 18 form an integral part of these financial statements

Balance sheet
at 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Fixed assets			
Intangible assets	9	1,074	1,541
Tangible assets	10	7,484	6,952
Investments	11	-	-
		8,558	8,493
Current assets			
Stocks	12	7,291	6,874
Debtors	13	37,042	44,337
Cash at bank and in hand		437	209
		44,770	51,420
Creditors, amounts falling due within one year	14	(19,825)	(22,159)
Net current assets		24,945	29,261
Total assets less current liabilities		33,503	37,754
Creditors: amounts falling due after more than one year	15	(1,470)	(2,069)
Provisions	16	(6,093)	(5,911)
Net assets		25,940	29,774
Capital and reserves			
Called up share capital	17	-	-
Share premium account	18	22,000	22,000
Profit and loss account	18	3,940	7,774
Equity shareholders' funds	19	25,940	29,774

These financial statements were approved by the board of directors on **10 July** 2013 and were signed on its behalf by



Paul Goodhand
Managing Director

Registered number 03974921

The notes on pages 9 to 18 form an integral part of these financial statements

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

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 schemes have closed to the future accrual of benefits with effect from 1 January 2013.

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

In addition the company operates a Defined Contribution Group Stakeholder Scheme. This scheme was closed to future contributions as at 31 December 2012. 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

	2012 £000	2011 £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	25	27
Depreciation of owned tangible fixed assets	908	946
Amortisation of intangible fixed assets	467	466
Rent of land and buildings – operating leases	768	687
Hire of plant and machinery – operating leases	189	195
Research and development expenditure	589	723
Exchange losses	1,184	940
	<u> </u>	<u> </u>

4 Remuneration of directors

	2012 £000	2011 £000
Directors' emoluments	260	266
Pension contributions	33	29
	<u> </u>	<u> </u>
	293	295
	<u> </u>	<u> </u>

The remuneration above relates to one director (2011 two) Retirement benefits are accruing to one director under a defined contribution scheme (2011 one)

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £260,000 (2011 £236,000), and pension contributions of £33,000 (2011 £29,000) 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	
	2012	2011
Manufacturing	183	207
Engineering	69	70
Administration	25	27
Sales, marketing and project management	60	49
	<u> </u>	<u> </u>
	337	353
	<u> </u>	<u> </u>

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

	2012 £000	2011 £000
Wages and salaries	12,494	13,054
Social security costs	1,319	1,279
Other pension costs	2,088	2,035
	<u>15,901</u>	<u>16,368</u>

6 Interest receivable and similar income

	2012 £000	2011 £000
Receivable from group undertakings	<u>34</u>	<u>57</u>

7 Interest payable and similar charges

	2012 £000	2011 £000
Other interest	<u>-</u>	<u>89</u>

8 Taxation

Analysis of charge in year

	2012 £000	£000	2011 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the year	779		1,211	
Adjustments to prior year	(595)		20	
	<u></u>	184	<u></u>	1,231
<i>Foreign tax</i>				
Adjustments to prior year		109		-
Total current tax		<u>293</u>		<u>1,231</u>
<i>Deferred tax</i>				
Origination/reversal of timing differences	164		144	
Prior year adjustment	-		405	
	<u></u>	164	<u></u>	549
Total deferred tax (see note 20)		<u>164</u>		<u>549</u>
Tax on profit on ordinary activities		<u>457</u>		<u>1,780</u>

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2011 lower) than the blended rate of corporation tax of 24.5% (2011 26.5%). The differences are explained below

	2012 £000	2011 £000
Current tax reconciliation		
Profit on ordinary activities before tax	3,123	4,780
Current tax at 24.5% (2011 26.5%)	765	1,267
Effects of		
Expenses not deductible for tax purposes	36	50
Depreciation charge in excess of capital allowances in the year	39	55
R&D credit	(61)	(57)
Double taxation relief	-	(104)
Adjustments to prior years	(486)	20
Total current tax charge (see above)	293	1,231

Factors that may affect future current and total tax charges

On 21 March 2012 the Chancellor announced that the main rate of UK corporation tax would reduce from 24 per cent to 23 per cent with effect from 1 April 2013. This tax change became substantively enacted in July 2012.

On 20 March 2013 the Chancellor also proposed changes to further reduce the main rate of corporation tax by two per cent to 21 per cent on 1 April 2014 and by a further one percent to 20 per cent on 1 April 2015, but these changes have not yet been substantively enacted and therefore are not included in the figures above.

This will reduce the company's future tax charge accordingly and further reduce the deferred tax liability at the balance sheet date.

9 Intangible fixed assets

	Patents £000
Cost	
At 1 January and 31 December 2012	7,000
Amortisation	
At 1 January 2012	5,459
Charge for year	467
At 31 December 2012	5,926
Net book value	
At 31 December 2012	1,074
At 31 December 2011	1,541

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 2012	3,824	22,732	6,181	3,383	36,120
Additions	33	1,215	3	189	1,440
Disposals	-	-	-	-	-
At 31 December 2012	3,857	23,947	6,184	3,572	37,560
Depreciation					
At 1 January 2012	1,350	18,854	5,817	3,147	29,168
Charge for the year	196	547	58	107	908
Disposals	-	-	-	-	-
At 31 December 2012	1,546	19,401	5,875	3,254	30,076
Net book value					
At 31 December 2012	2,311	4,546	309	318	7,484
At 31 December 2011	2,474	3,878	364	236	6,952

11 Fixed asset investments

	Shares in group undertakings £000
Cost at 1 January 2012	252
Written off during the year	(252)
At 31 December 2012	-
Provision	
At 1 January 2012	252
Released in the year	(252)
At 31 December 2012	-
Net book value	
At 31 December 2012	-
At 31 December 2011	-

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,

Notes (continued)

11 Fixed asset investments (continued)

- 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 cost and full provision against a 100% holding in Techtrain Associates Ltd, a company which was incorporated in the UK, have been written off after the cessation of the company's trade from 31st December 2011 and the application to the Registrar of Companies to dissolve the company. The company was dissolved on 22nd January 2013.
- 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

	2012 £000	2011 £000
Raw materials and consumables	6,874	6,304
Work in progress	417	570
	<u>7,291</u>	<u>6,874</u>

13 Debtors

	2012 £000	2011 £000
Trade debtors	11,266	11,707
Amounts owed by group undertakings	24,069	27,724
Other debtors	248	863
Amounts recoverable on long term contracts	-	2,907
Prepayments and accrued income	375	422
Corporation tax	513	-
Taxation and social security	571	626
Deferred tax asset (see note 20)	-	88
	<u>37,042</u>	<u>44,337</u>

14 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Payments received on account	2,989	2,953
Trade creditors	4,928	10,120
Amounts owed to group undertakings	4,814	4,505
Corporation tax	-	139
Other creditors including taxation and social security	721	1,668
Accruals and deferred income	6,373	2,774
	<u>19,825</u>	<u>22,159</u>

15 Creditors: amounts falling due in more than one year

	2012 £000	2011 £000
Payments received on account	1,470	2,069

Notes (continued)

16 Provisions

	Note	At 1 January 2012 £000	Additions / releases £000	Amounts used £000	At 31 December 2012 £000
Warranty	(i)	3,321	1,280	(1,826)	2,775
Contract	(ii)	2,521	1,080	(428)	3,173
Other	(iii)	69	-	-	69
Deferred taxation (see note 20)		-	76	-	76
		<u>5,911</u>	<u>2,436</u>	<u>(2,254)</u>	<u>6,093</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

	2012 £	2011 £
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

18 Share premium and reserves

	Share premium account £000	Profit and loss account £000
At 1 January 2012	22,000	7,774
Retained profit for the year	-	2,666
Distributions in the year	-	(6,500)
At 31 December 2012	<u>22,000</u>	<u>3,940</u>

19 Reconciliation of movements in equity shareholders' funds

	2012 £000	2011 £000
Profit for the financial year	2,666	3,000
Distributions in year	(6,500)	(6,009)
Opening equity shareholders' funds	<u>29,774</u>	<u>32,783</u>
Closing equity shareholders' funds	<u>25,940</u>	<u>29,774</u>

Notes (continued)

20 Deferred taxation

	£000
Asset at 1 January 2012	88
Debit to the P&L account	(164)
Liability at 31 December 2012	(76)

The elements of deferred taxation are as follows

	2012 £000	2011 £000
(Accelerated)/decelerated capital allowances	(76)	88
Deferred tax (liability)/asset (see note 13 and 16)	(76)	88

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 £19,668,000 (2011 £19,944,000)

22 Commitments

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

	2012 £000	2011 £000
Contracted	313	713

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

	2012 Land and Buildings £000	Machinery and vehicles £000	2011 Land and Buildings £000	Machinery and vehicles £000
Operating leases which expire				
Within one year	-	20	-	3
Two to five years	-	85	-	80
Over five years	732	-	638	-
	732	105	638	83

Notes (continued)

23 Pension scheme

The company participated in three pension schemes during the year - 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 re-valued 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 2012, using the projected unit method.

At this date the market value of the Schemes' assets was £91.4 million and the value of these assets represented 66% of the benefits that had accrued to members, a shortfall of £46.2 million. The company has agreed a Recovery Plan with the Trustees that is planned to eliminate the shortfall over a 10 year period.

As at 31 December 2012, the Actuary has prepared an update to the valuation results which show that the Schemes assets are now valued at £100.8 million, representing 74% of the benefits that had accrued to members, a shortfall of £34.8 million.

The main long term assumptions used were that the investment return would be 4.9% per annum pre-retirement, 3.4% per annum post-retirement and pensionable salaries would increase at 3.0% per annum.

The schemes have now been closed to the future accrual of benefits with effect from 1 January 2013 and the stakeholder plan has been closed to new contributions with effect from the same date. The company has provided a new defined contribution plan for employees with effect from 1st January 2013.

The company is unable to identify its share of the 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 £2,088,000 (2011 £2,035,000). This includes £174,000 (2011 £221,000) for employers contributions to the designated stakeholder scheme.

Contributions amounting to £18,000 were prepaid at the year end and are included in debtors (2011 £14,000).

Contributions amounting to £150,000 (2011 £61,000) 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, incorporated in Germany.

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