

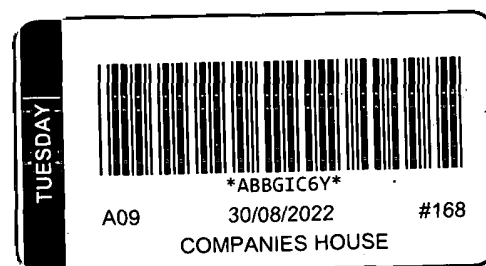


**Knorr-Bremse Systems for Commercial Vehicles
Limited**

Annual report and financial statements

Registered number 529247

31 December 2021



Contents

Strategic report	3 - 5
Directors' report	6 - 7
Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements	8
Independent auditor's report to the members of Knorr-Bremse Systems for Commercial Vehicles Limited	9-11
Profit and Loss Account and Other Comprehensive Income	12
Balance Sheet	13
Statement of Changes in Equity	14
Notes	15 - 29

Strategic report

The Directors here present their Strategic Report for the year to 31 December 2021, in compliance of Section 172 of the Companies Act 2006, and relevant regulations related thereto, and consider it to be fair, balanced, and understandable.

The reports and financial statements here presented have been prepared in accordance with Financial Reporting Standard 102 the financial reporting standard applicable in the UK and Republic of Ireland ("FRS 102").

The company's principal activity remains the supply of commercial vehicle braking, air suspension and other associated equipment for the UK and overseas markets.

The key purpose of the company is to enhance shareholder value whilst providing competitive goods and services, including technical expertise, to its customers, business partners and where appropriate regulatory bodies.

In order to achieve this purpose, the company sources goods from both within and outside the Knorr-Bremse group ("KB Group") as well as drawing upon significant expertise within its employees and those within the wider group. Knorr-Bremse AG, as ultimate parent entity (see note 21), invests significantly in research and development to maintain its position as a leading technological leader in the commercial vehicle market worldwide. This enables the company to offer leading edge technology to its customers.

The company regularly discusses its objectives with its shareholders and the wider group to develop and agree short term financial targets along with longer term strategy.

The company aims to supply and support various commercial vehicle markets both in the UK and overseas (see note 2) to retain exposure to both original equipment manufacturers (OE) and spares market (AM).

	<u>2021</u>	<u>2020</u>
Sales to OE	33%	41%
Sales to AM	67%	59%

The mix of sales is important to reduce exposure to each markets separate economic cycle as well as to maintain an acceptable level of competitive margin. The company also undertakes some value-add kitting activities in the UK to support its customers.

The company nonetheless does see fluctuations due to the relative position of each key market and its market share within each.

The company's principal measures are sales and profit. Total gross sales in 2021 were £41.3m (net after discounts £40.5m) (2020: Gross £37.6m, Net £37.2 m). The year represents an increase in sales versus 2020 as the market continued to return as the COVID-19 pandemic subsided. Although sales have not yet returned to pre-pandemic levels (2019: £42.7m) the return was particularly evidenced in the UK AM market whilst sales in the UK OE bus market continues to be deflated due to COVID-19.

This represents an increase in sales of 8.9 % year on year with UK customers increasing by 14.2% over the year and overseas sales that decreased 10.3%. UK sales represented 82% of turnover (2020: 79%).

Despite the increase in sales, gross margins declined to 17.6% (2020: 22.7%) being driven mainly by an increase in supplier pricing.

Administration costs have decreased over the year to £4.2m (2020: £5.7m) mainly due to decreased bad debt and defined benefit pension costs, partially offset by the reduction of Covid-19 related costs.

Return on sales (profit before taxation divided by turnover) for the year is reported at 7.5% (2020: 8.6%). The main reasons for this are outlined above.

Strategic report (continued)

Principal areas of risk

Key factors likely to affect the company's future development, performance and business are described in below:

Risk:	Information Technology – obsolescence and security
Mitigation:	We continue to invest in updated hardware technology and undergo regular Knorr-Bremse Group audits of our security procedures and systems.
Risk:	Foreign exchange – adverse movement in rates
Mitigation:	The Company hedges significant foreign currency exposures in conjunction with group treasury where no natural hedging exists. The company follows corporate policy in order that exposures are hedged at an appropriate level and that no speculative risks exist.
Risk:	Disaster – significant disruption to business from a range of adverse incidents
Mitigation:	The Company has a formal Business Continuity Plan across all areas of the business. The plan is reviewed and updated on a regular basis.
Risk	Defined benefit pension obligations within the macro-economic environment.
Mitigation	The Company and KB Group continue to work with the Trustees of the defined benefit pension plans to lower risk inherent within the plans and to attempt to maintain sufficient funding levels.
Risk	Supply chain – disruption to business from reduction in goods supply and increases in cost.
Mitigation	The Company and KB Group continue to work with our suppliers to ensure steady flow of goods and mitigate the risk of “stock-outs”. We seek to pass on price increases onto customers where feasible.

Brexit

At the very end of 2020, the UK government and the European Union finally agreed to the terms of a trade agreement signalling tariff and quota free transactions between the parties. Implementation of these terms have been staggered into three stages across 2021 and 2022, in order to give industry time to adapt to the changes.

The Company has worked with its suppliers, forwarding agents and customers to ensure continuation of supply during the changes. The Company has implemented ‘Postponed VAT Accounting’ during 2021 and continues to hold a Duty Deferment Account to aid ease of movement of goods cross-border. Although every reasonable precaution has been taken, freight costs have increased due to the additional paperwork and time taken to cross customs checkpoints as well as global cost pressures such as container shortages.

Although Brexit continues to hold some challenges, the Directors are pleased with the transition.

Coronavirus – COVID-19

The company and group took every reasonable precaution to protect the health of its employees and business partners throughout this period.

The KB Group has high liquidity and a good creditworthiness combined with a robust business model. The KB Group is well placed to master the continued uncertain times ahead and we are preparing for different scenarios. With the continued support of the KB Group, the Company can meet its financial liabilities when they fall due and remains a going concern.

The availability of vaccines led to the growth in economic activity and markets through the spring/summer of 2021, which in turn, saw recovery in sales for the Company.

All reasonable actions continue to ensure continuity of business whilst protecting our stakeholders and business partners. The financial strength of both the Company and the KB Group means that the Directors' do not envisage any significant impact to the “going concern” of the Company as we continue to approach the end of the pandemic.

The Directors' Report below (pg 6-7) provides further information with regards to the company's relationship and interaction with its employees, including policies, communication, and involvement.

The company, along with the wider group, continually works to maintain and improve its environmental and social impacts from its operations and relationships.

Strategic report *(continued)*

Semiconductors

Throughout 2021 it has been widely reported that there has been a shortage in the worldwide supply of Semiconductor's caused by a variety of reasons; partially caused by COVID-19, along with a fire in a plant in Japan and the short-term shutdown of a factory in Texas.

This has had an effect upon our industry and has driven up costs along with lead-times. The KB Group has strong connections with its suppliers and has widened its pool of suppliers in order to obtain scarce products.

As a member of the KB Group, the company has benefited from the procurement strength of the group in order to keep stock moving and keep price rises to a minimum.

This worldwide shortage is anticipated to continue into 2022 and the KB Group and the Company continue to do everything reasonably possible to mitigate this shortage risk.

Russia's attack on Ukraine

Due to the recent aggression from Russia towards Ukraine, western countries, including the UK have imposed sanctions on Russian companies and state intuitions including individuals linked to supporting the war effort. The Company has recognised the event as a non-adjusting balance sheet event. However, no impact from the war and sanctions has been experienced by the business. The Directors continue to monitor the situations and potential effects on the business.

Future Prospects

The directors anticipate a similar level of sales and operating profitability during 2022 with the hopeful significant reduction of the effects of the pandemic and short-term Brexit disruptions offset by continued cost pressures.

Regardless, given the financial strength of the company and its parent, the directors are confident in its ability to withstand any such market volatility.

By order of the board.



Mike Hall
Managing Director

Century House,
Folly Brook Road,
Bristol BS16 7FE

12 May 2022

Directors' report

Dividend

During the year the company paid a dividend of £3.0m (2020: £3.7m). No final dividend is planned.

Directors

The directors who held office during the period were as follows:

M Hall

M Smith

B Spies (Germany)

A Wagner (Germany)

Employee policies

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

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 benefit 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 designated defined contribution schemes for new employees since January 2004.

Disabled employees

It is our policy to encourage the suitable employment and development of 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 directors would like to record their thanks and appreciation to all our employees who have actively supported the business performance and development, particularly during the pandemic and Brexit disruptions, in 2021.

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2020: nil).

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.

Directors' report (continued)

Energy and Greenhouse Gas reporting

The company discloses below its calculated energy usage and greenhouse gas emissions

<u>Energy</u>	<u>Units</u>	<u>2021</u>	<u>2020</u>
Electricity	kWh	237,434	212,432
Gas	kWh	251,850	156,430
Vehicle Fuel	kWh	171,893	118,112
Total	kWh	661,177	486,974
GHG Emissions	kgCO ₂ e	120,173	95,523
Intensity Ratio (per £000 sales)	kWh	16.0	13.0

The overall usage of energy has increased primarily due to staff returning to the office and travel to customer sites as COVID-19 restrictions began to ease.

The company and group remained committed to reduction of GHG emissions in its activities and this programme continued locally with sensor lighting installed throughout the company office during the year. Further details of larger group initiatives can be found in the group annual report.

Other information

An indication of any future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 3 to 5.

By order of the board



Mike Hall
Managing Director

Century House,
Folly Brook Road,
Bristol BS16 7FE

12 May 2022

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

The directors are responsible for preparing the Strategic Report, 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), including FRS 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Independent auditor's report to the members of Knorr-Bremse Systems for Commercial Vehicles Limited

Opinion

We have audited the financial statements of Knorr-Bremse Systems for Commercial Vehicles Limited ("the company") for the year ended 31 December 2021 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management.

- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because the process is non-complex and there is limited opportunity and incentive to perpetrate fraud.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unrelated accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with directors and other management (as required by auditing standards), and discussed with directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and pensions legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment law, environmental legislation, and product legislation recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;

- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Alexander Chong (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
 66 Queen Square,
 Bristol.
 BS1 4BE

18 May 2022

Profit and Loss Account and Other Comprehensive Income
for the year to 31 December 2021

		2021	2020
	<i>Note</i>	£000	£000
Turnover	2	40,476	37,163
Cost of Sales		(33,344)	(28,717)
Gross Profit		7,132	8,446
Distribution costs		(202)	(144)
Administrative expenses		(4,242)	(5,653)
Operating profit	3-5	2,688	2,649
Interest receivable and similar income	6	328	536
Profit before taxation		3,016	3,185
Tax on profit	7	(595)	(596)
Profit for the financial year		<u>2,421</u>	<u>2,589</u>
Other comprehensive income			
Re-measurement of the net defined benefit asset	16	6,162	(1,842)
Income tax on other comprehensive income	7	(2,157)	645
Other comprehensive income for the year net of tax		<u>4,005</u>	<u>(1,197)</u>
Total comprehensive income for the year		<u>6,426</u>	<u>1,392</u>

The notes on pages 15 to 29 form an integral part of these financial statements.

Balance Sheet
at 31 December 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed Assets:					
Tangible assets	8		140		132
Current Assets:					
Defined benefit pension scheme asset	16	25,173		18,867	
Stocks	9	4,479		3,784	
Debtors	10	21,255		21,720	
Cash at hand and in bank	11	<u>462</u>		<u>594</u>	
		51,369		44,965	
Creditors: amounts falling due within one year	12	<u>(10,717)</u>		<u>(10,039)</u>	
Net current assets			<u>40,652</u>		<u>34,926</u>
Total assets less current liabilities			40,792		35,058
Provisions for liabilities	15		<u>(9,283)</u>		<u>(6,975)</u>
Net assets			<u>31,509</u>		<u>28,083</u>
Capital and reserves:					
Called up share capital	17		5,890		5,890
Share premium account			5,830		5,830
Profit and loss account			<u>19,789</u>		<u>16,363</u>
Equity shareholders' funds			<u>31,509</u>		<u>28,083</u>

These financial statements were approved by the Board of Directors on 12 May 2022 and were signed on its behalf by:



Mark Smith
Finance Director
Company registered number: 529247

The notes on pages 15 to 29 form an integral part of these financial statements.

Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021	5,890	5,830	16,363	28,083
Total comprehensive income for the period:				
Profit for the year	-	-	2,421	2,421
Other comprehensive income	-	-	4,005	4,005
Total comprehensive income for the period	-	-	6,426	6,426
Transactions with owners, recorded directly in equity:				
Issue of shares	-	-	-	-
Dividends	-	-	(3,000)	(3,000)
Balance at 31 December 2021	<u>5,890</u>	<u>5,830</u>	<u>19,789</u>	<u>31,509</u>
Balance at 1 January 2020	5,890	5,830	18,671	30,391
Total comprehensive income for the period:				
Profit for the year	-	-	2,589	2,589
Other comprehensive income	-	-	(1,197)	(1,197)
Total comprehensive income for the period	-	-	1,392	1,392
Transactions with owners, recorded directly in equity:				
Issue of shares	-	-	-	-
Dividends	-	-	(3,700)	(3,700)
Balance at 31 December 2020	<u>5,890</u>	<u>5,830</u>	<u>16,363</u>	<u>28,083</u>

The notes on pages 15 to 29 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Knorr-Bremse Systems for Commercial Vehicles Limited (the "Company") is a private company limited by shares and incorporated and domiciled in the UK and registered at Century House, Folly Brook Road, Bristol BS16 7FE.

These financial statements are for the year ended 31 December 2021. Comparative figures are for the year ended 31 December 2020.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Knorr-Bremse AG includes the Company in its consolidated financial statements. The consolidated financial statements of Knorr-Bremse AG are prepared in accordance with International Financial Reporting Standards and are available to the public. These may be obtained from Moosacher Str. 80, D80809 München, Germany or on www.knorr-bremse.com. In these financial statements, the company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Knorr-Bremse AG include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis, except where otherwise noted in accordance with FRS 102.

1.2 Going concern

The Company has net current assets of £40.7m (2020: £34.9m), including cash balances of £0.5m (2020: £0.6m) and is in a profitable trading position. The directors have prepared the financial statements on a going concern basis having reviewed the cash-flow forecast of the Company for the foreseeable future and possible continued downside risks as noted in the strategic report. The directors are satisfied that the Company will continue operations and be able to satisfy its liabilities as they fall due.

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its bank facilities and funding from its ultimate parent company, Knorr-Bremse AG, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Knorr Bremse AG not withdrawing financial support during that period. Knorr Bremse AG has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Notes (continued)

1 Accounting policies (continued)

However, the ability of Knorr-Bremse AG to continue to provide this support is dependent on the wider performance and position of the Group. At the date of this report, it is apparent that the group has continued to trade profitably including and up to the point of approval of these financial statements and that there is no reason to believe this will not continue. Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Where forward hedge contracts exist, the settlement transaction is booked at the contractual hedge rate when the obligation is satisfied. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are re-translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Financial derivatives

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Pension asset

Pension Assets are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in other comprehensive income whilst costs and interest of the plan are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Notes (continued)

1 Accounting policies (continued)

The estimated useful lives are as follows:

- | | |
|---|---|
| • Plant and machinery | - 3 to 10 years |
| • Fixtures, fittings, tools and equipment | - 3 to 5 years |
| • Short term leasehold improvements | - over estimated useful life or length of lease remaining; whichever is the shorter |

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.7 Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its' carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment; an impairment is calculated as the difference between its' carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.8 Employee benefits

Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense/income on the net defined benefit liability/asset for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/asset taking account of changes arising as a result of contributions and benefit payments

Notes (continued)

1 Accounting policies (continued)

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to, the terms of the Company's obligations. A valuation is performed annually by the directors or a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

1.9 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.10 Turnover

Turnover is measured at the fair value of consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The company's principal activity is the supply of commercial vehicle braking, air suspension and other associated equipment for the UK and overseas markets. Revenue is recognised upon despatch to customer.

1.11 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

Interest receivable and interest payable

Other interest receivable and similar income includes interest receivable on funds invested and net interest on the defined benefit pension schemes.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2 Turnover

Analysis of turnover (gross sales less discounts & rebates) by geographical market is shown below.

	2021	2020
	£000	£000
United Kingdom	33,303	29,169
Spain	3,435	4,004
Hong Kong	1,134	1,281
Eire	1,014	916
Holland	819	882
Others	<u>771</u>	<u>911</u>
	<u>40,476</u>	<u>37,163</u>

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2021	2020
	£000	£000
Auditors remuneration:		
Audit of these financial statements	<u>45</u>	<u>28</u>
Expenses:		
Depreciation	<u>35</u>	<u>35</u>
Operational leases	<u>384</u>	<u>411</u>

4 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 2021	Number of employees 2020
Manual workers	6	7
Administration staff	<u>37</u>	<u>38</u>
	<u>43</u>	<u>45</u>

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£000	£000
Wages and salaries	2,256	2,110
Social security costs	285	260
Pension contributions	171	169
Provision for equalisation of GMPs in DB pension schemes	-	270
	<u>2,712</u>	<u>2,809</u>

Notes (continued)

5 Directors' remuneration

	2021	2020
	£000	£000
Directors' emoluments	327	290
Pension contributions	<u>52</u>	<u>50</u>
	<u>379</u>	<u>340</u>

The remuneration above relates to four directors (2020: four). The fees for two (2020: two) of these Directors are borne by other group companies. Retirement benefits are accruing to two directors under a defined contribution scheme (2020: two).

6 Interest receivable and similar income

	2021	2020
	£000	£000
Net interest income relative to defined benefit pension schemes	263	474
Receivable from group undertakings	<u>65</u>	<u>62</u>
Total interest receivable and similar income	<u>328</u>	<u>536</u>

Notes (continued)**7 Taxation**

Total tax expense/(income) recognised in the profit and loss account, other comprehensive income and equity

	2021		2020	
	£000	£000	£000	£000
Current tax				
Current tax on income for the period	563		562	
Adjustments in respect of prior periods	<u>13</u>		<u>(34)</u>	
Total current tax		576		528
Deferred tax (see notes 13 and 14)				
Origination and reversal of timing differences	2,207		(571)	
Adjustments in respect of prior periods	<u>(31)</u>		<u>(6)</u>	
Total deferred tax		<u>2,176</u>		<u>(577)</u>
Total tax expense		<u>2,752</u>		<u>(49)</u>

	£000	2021 £000	£000	£000	2020 £000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in profit and loss account	576	19	595	528	68	596
Recognised in other comprehensive income	<u>-</u>	<u>2,157</u>	<u>2,157</u>	<u>-</u>	<u>(645)</u>	<u>(645)</u>
Total tax expense/(income)	<u>576</u>	<u>2,176</u>	<u>2,752</u>	<u>528</u>	<u>(577)</u>	<u>(49)</u>

Reconciliation of effective tax rate

	2021 £000	2020 £000
Profit for the year	2,421	2,589
Total tax expense/(income)	<u>595</u>	<u>596</u>
 Profit excluding taxation	 3,016	 3,185
Tax using the UK corporation tax rate of 19.00% (2020: 19.00%)	573	606
Expenses not deductible for tax purposes	1	1
Differences between capital allowances and depreciation	(1)	(1)
Movement on provisions (pension surplus tax rate at 35% (2020: 35%))	39	15
Movement on provisions (DT from April 23 increase tax rate from 19% to 25%)	4	-
Origination and reversal of other timing differences	(3)	15
Under provided in prior years	<u>(18)</u>	<u>(40)</u>
Total tax expense	<u>595</u>	<u>596</u>

Factors that may affect future current and total tax charges

The above tax was calculated on the basis of the tax rates substantively enacted as at the date of these financial statements. This was a corporation tax rate of 19% and a pension surplus refund rate of 35%.

From April 2023, the UK Corporation tax rate will increase from 19% to 25%. Deferred tax has been calculated on the basis that this will crystallise after April 2023.

The taxation provided against the pension asset can only crystallise on the winding-up of the defined benefit pensions scheme with a surplus after providing for all members' benefits – possibly through an insurance buy-out. There is currently no plan to undertake such a buy-out.

Notes (continued)**8 Tangible fixed assets**

	Land and buildings (Leasehold improvements) £000	Plant and Machinery £000	Plant and Machinery Asset under Construction £000	Total £000
<i>Cost</i>				
Balance at 1 January 2021	400	776	-	1,176
Additions	-	12	31	43
Disposals	-	-	-	-
Balance at 31 December 2021	<u>400</u>	<u>788</u>	<u>31</u>	<u>1,219</u>
<i>Depreciation and impairment</i>				
Balance at 1 January 2021	368	676	-	1,044
Depreciation charge for the period	8	27	-	35
Disposals	-	-	-	-
Balance at 31 December 2021	<u>376</u>	<u>676</u>	<u>-</u>	<u>1,079</u>
<i>Net book value</i>				
At 31 December 2021	<u>24</u>	<u>85</u>	<u>31</u>	<u>140</u>
At 31 December 2020	<u>32</u>	<u>100</u>	<u>-</u>	<u>132</u>

Land and buildings

Land and buildings represent the value of leasehold improvements to buildings held on short term lease.

9 Stocks

	2021 £000	2020 £000
Raw materials and work in progress	10	7
Finished goods	4,938	3,887
Provisions for NRV revaluation & obsolescence	(469)	(110)
	<u>4,479</u>	<u>3,784</u>

In 2021 there has been an increase in inventory provision, charged to the P&L, to provide for an increase in excess and obsolete parts identified within the inventory portfolio along with an increase in the adjustment for Net Realisable Value (NRV).

10 Debtors

	2021 £000	2020 £000
Trade debtors	6,613	6,218
Amounts owed by group undertakings	14,003	14,741
Other debtors	300	427
Corporation tax	57	104
Deferred tax assets	115	84
Prepayments and accrued income	167	146
Debtors due within one year	<u>21,255</u>	<u>21,720</u>

Notes (continued)

10 Debtors

Amounts owed by group undertakings are made up of £13.4m (2020: £13.9m) cash pooling and £0.6m (2020: £0.8m) intercompany receivable.

Intercompany trade debtors of £0.6m (2020: £0.8m) are settled by the end of the 2nd or 3rd month following month of invoice in line with group policy.

The Company is part of a sterling cash pooling arrangement whereby cleared balances are pooled each working day and repayable the following day. Interest is payable on any outstanding balance. The cash pooling balance earns interest at BoE base rate less 0.25%.

11 Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	<u>462</u>	<u>594</u>

12 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	1,463	1,137
Amounts owed to group companies	5,431	4,779
Corporation tax	24	0
Taxation and social security	1,276	2,004
Other creditors	1,808	1,464
Accruals and deferred income	714	655
	<u>10,717</u>	<u>10,039</u>

Intercompany trade creditors of £5.4m (2020: £4.8m) are settled by the end of the 2nd or 3rd month following month of invoice in line with group policy.

13 Deferred tax assets

Deferred tax assets are attributable to the following:

	2021 £000	2020 £000
Accelerated capital allowances	19	17
Other short-term timing differences	96	67
	<u>-</u>	<u>-</u>
	<u>115</u>	<u>84</u>

14 Deferred tax liabilities

	2021 £000	2020 £000
Deferred tax on defined benefit pension schemes	<u>(8,811)</u>	<u>(6,603)</u>
	<u>(8,811)</u>	<u>(6,603)</u>

The deferred tax liabilities relate to the taxation effect of the recognition of defined benefit pension schemes.

Notes (continued)**15 Provisions**

	Deferred Tax	Restructuring	Warranty	Other	Total
	£000	£000	£000	£000	£000
Balance at 1 January 2021	6,603	-	90	282	6,975
Provisions made during year	2,208	90	9	166	2,473
Provisions used during year	-	-	-	(101)	(101)
Provisions reversed during year	-	-	(29)	(35)	(64)
Balance at 31 December 2021	<u>8,811</u>	<u>90</u>	<u>70</u>	<u>312</u>	<u>9,283</u>

The warranty provision represents the expected liabilities on products already sold being returned under the warranty terms offered, given anticipated return rates. In addition, a provision is made for specifically identified warranty issues at their anticipated future costs, as well as a number of provisions relating to property, employee and deferred cost matters.

16 Employee benefits**Defined benefit plans**

The directors wish to draw the attention of the reader to the uncertainty of the value of the net defined pension plan asset, as noted in the Strategic Report and under Note 24 below.

The information disclosed below is in respect of the proportion of the plans for which the Company has been allocated a share of cost under an agreed group policy throughout the periods shown. These are the Knorr-Bremse (UK) Pension Scheme and the Knorr-Bremse (UK) Executive Scheme ("the Schemes"). 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 schemes were closed to the future accrual of benefits with effect from 1 January 2013. The company provided a defined contribution plan for employees with effect from 1st January 2013.

The consolidated defined benefit plans of the Knorr-Bremse A.G. group are publicly available, as documented in Note 1 - Accounting Policies.

Net pension asset

	2021 £000	2020 £000
Defined benefit obligation	(101,965)	(114,085)
Plan assets	<u>127,138</u>	<u>132,952</u>
Net pension asset	<u>25,173</u>	<u>18,867</u>

Movements in present value of defined benefit obligation

	2021 £000	2020 £000
At 1 January	114,085	104,663
Net interest income	1,568	2,150
Benefit payments from plan assets	(4,140)	(4,558)
Provision for effect of GMP Equalisation	-	270
Re-measurements due to effect of change in actuarial assumptions	<u>(9,548)</u>	<u>11,560</u>
At 31 December	<u>101,965</u>	<u>114,085</u>

Notes (continued)**16 Employee benefits (continued)*****Movements in present value of plan assets***

	2021 £000	2020 £000
At 1 January	132,952	125,203
Net interest income	1,831	2,624
Employer contributions	84	84
Benefit payments from plan assets	(4,140)	(4,558)
Administrative expenses paid from plan assets	(203)	(119)
Return on plan assets	<u>(3,386)</u>	<u>9,718</u>
At 31 December	<u>127,138</u>	<u>132,952</u>

(Income)/Expense recognised in the profit and loss account and Statement of Other comprehensive income

	2021 £000	2020 £000
Staff costs	-	270
Administration costs	203	119
Interest receivable and similar income	<u>(263)</u>	<u>(474)</u>
Total (income) recognised in profit or loss	<u>(60)</u>	<u>(85)</u>
Total (income)/expense recognised in Other comprehensive income	<u>(6,162)</u>	<u>1,842</u>

The fair value of the plan assets and the return on those assets were as follows:

	2021 Fair value £000	2020 Fair value £000
Equities	510	653
Government debt	34,132	35,144
Corporate bonds	74,145	80,872
Other	<u>18,351</u>	<u>16,283</u>
	<u>127,138</u>	<u>132,952</u>
Average annual return on plan assets	-3%	+8%

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2021 %	2020 %
Discount rate to determine defined benefit obligations	1.80%	1.40%
RPI Inflation	3.30%	2.90%
CPI Inflation	2.85%	2.40%
Salary inflation	3.85%	3.40%
Pensions in payment increase rate	2.80%	2.75%

The assumptions for increases in pensions in payment range from 1.2% to 3.6% (2020: 1.8% to 3.5%) depending on the benefit structure of the pensioner concerned and subject to various caps and floors.

Notes (continued)

16 Employee benefits (continued)

The last full actuarial valuation was performed as at 1 January 2021. This was updated to 31 December 2021 by a qualified independent actuary.

In valuing the liabilities of the pension fund at 31 December 2021 mortality rates are based on S2PA base tables with CMI_2020 projections with a long-term trend of 1.5% p.a. (and -1 year age rating for the Executive Scheme).

Effect of changes in actuarial assumptions:

A material change to assumptions relative to the prior year, is a significant fall in the discount rate by 0.7% (reflecting lower corporate bond yields), which increases the value of the pension obligations.

Sensitivity analysis:

The impact of reducing the discount rate by 0.5% will result in an increase in the pension obligation of £7,818,000.

The impact of increasing the discount rate by 0.5% will result in a decrease in the pension obligation of £7,051,000.

The impact of reducing the salary increase rate by 0.5% will result in a decrease in the pension obligation of £256,000.

The impact of increasing the salary increase rate by 0.5% will result in an increase in the pension obligation of £267,000.

The impact of reducing the pension-in-payment rate by 0.5% will result in a decrease in the pension obligation of £3,739,000.

The impact of increasing the pension-in-payment rate by 0.5% will result in an increase in the pension obligation of £4,003,000.

Defined contribution plan

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current year was £171,000 (2020: £169,000)

Notes (continued)**17 Capital and reserves**

Share capital	Ordinary shares 2021 £000
<i>Allotted, called up and fully paid</i>	
292,896 ordinary shares of £1 each	293
97,150 ordinary 'A' shares of £1 each	97
5,500,000 ordinary 'B' shares of £1 each	<u>5,500</u>
Total share capital	<u>5,890</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

18 Operating leases

Commitments to non-cancellable operating lease rentals are as follows:

	2021 £000	2020 £000
Less than one year	386	384
Between one and five years	605	910
More than five years	<u>8</u>	<u>40</u>
	<u>999</u>	<u>1,334</u>

During the year £384,000 (2020: £411,000) was recognised as an expense in the profit and loss account in respect of operating leases.

19 Commitments**Capital commitments**

The Company's contractual commitments to purchase tangible fixed assets at the year-end were £31,000 (2020: £nil).

20 Contingent liability

The Company has contingent liabilities in respect of bank guarantees to HM Revenue & Customs of £200,000 (2020: £200,000) covering the needs of deferred import duty and VAT.

21 Ultimate parent company and parent company of larger group

The Company is controlled by Knorr-Bremse Systeme für Nutzfahrzeuge GmbH. The ultimate controlling party is Knorr-Bremse AG.

The largest group in which the results of the Company are consolidated is that headed by Knorr-Bremse AG, incorporated in Germany. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from Moosacher Str. 80 D-80809 München, Germany or on www.knorr-bremse.com.

Notes (continued)

22 Accounting estimates and judgements

Key sources of estimation uncertainty

Pensions

The Company is principle employer to two defined benefit pension schemes which have inherent risks relating to longevity, inflation, legislation and asset returns. In order to mitigate these risks, the company in conjunction with the Trustees, have agreed to a de-risking programme to better match the assets and liabilities over time and have delegated the operation of the investment strategy to the schemes' professional advisors. The valuation of assets and obligations in the accounts are based upon an independent actuarial valuation update. These valuations are based upon a range of subjective assumptions determined by an external actuary which have a high degree of estimation uncertainty where small changes in assumptions can cause large changes in the liability.

The last full actuarial valuation was performed as at 1 January 2021. This was updated to 31 December 2021 by a qualified independent actuary. In valuing the liabilities of the pension fund at 31 December 2021 mortality rates are based on S2PA base tables with CMI_2020 projections with a long term improvement rate of 1.5% and a -1 year age rating applied to the baseline mortality assumption in relation to the Executive Scheme.

The Covid-19 pandemic has had a significant impact globally and indeed in the UK. The pandemic has seen a significant rise in the 'Excess Mortality' rate – a key indicator of the total impact of the pandemic - across the United Kingdom.

This increase in Excess Mortality however, has not been experienced within the membership of the pension scheme with the annual deaths for the previous two years remaining lower than the 5 year average rate. The company have continued to use the latest CMI_2020 model with the same parameters as previous years as a matter of prudence.

As the long term impacts of Covid-19 on mortality is still largely unknown, the directors believe adopting the default approach is appropriate.

Notes (continued)**23 Related Parties***Identity of related parties with which the Company has transacted*

Transactions have occurred with related parties (which are non-wholly owned subsidiaries and other non-wholly owned members of the wider group). Disclosed below are the relationships along with information about transactions and outstanding amounts. The immediate parent company is Knorr-Bremse Systeme für Nutzfahrzeuge GmbH.

Other related party transactions

	Sales		Material Purchases		Admin Expenses	
	2021	2020	2021	2020	2021	2020
	£000	£000	£000	£000	£000	£000
	-	-	-	-	(4)	(5)
	-	-	-	-	(329)	(292)
KB Rail UK	12	12	-	-	-	-
Bendix (US)	128	36	(41)	(141)	-	-
KB Brazil	-	-	-	(1)	-	-
KB South Africa	-	-	-	-	-	-
KB Australia	-	-	-	(1)	-	-
KB Hong Kong	1,134	1,281	-	-	-	-
KB China	-	-	-	-	-	-
Bendix Spicer (US)	-	-	(1,524)	(655)	-	-
KB Business Services	-	-	-	-	(30)	(36)
KB CAFF	-	-	(24)	(25)	-	-
	1,274	1,329	(1,589)	(823)	(363)	(333)

	Receivables outstanding		Creditors outstanding	
	2021	2020	2021	2020
	£000	£000	£000	£000
KB Sfs	-	-	-	-
KB Media	-	-	-	-
KB IT Services	-	-	(61)	(19)
KB Rail UK	4	226	-	-
Bendix (US)	10	11	(5)	(6)
KB Brazil	-	-	-	-
KB Australia	-	-	-	-
KB Hong Kong	415	372	-	-
KB Business Services	-	-	(2)	(6)
Bendix Spicer (US)	-	-	(153)	(94)
CAFF	-	-	(7)	(13)
	429	609	(228)	(138)

In the above table of related parties, the term "KB" represents Knorr-Bremse. There are other transactions with related parties where the company has taken the permissible exemption as both parties are within the 100% ownership structure. The ultimate parent company has control, joint control or significant influence over the above listed entities.

The transactions with related parties are for the sale and purchase of product, the rest are management and services charges related to personnel costs based in the central office.