

# KAB Seating Limited

## Annual report and financial statements

Registered number 02104900

For the year ended 31 December 2021



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## Strategic report

### Business review

As shown in the company's profit and loss account on page 10 the company's turnover increased by 40% from £34.6 million to £48.6 million year on year. Recovery from COVID-19 and the national lockdown in the prior year reflected in a stronger order book exiting 2020 into 2021; this, coupled with securing containers, allowed the current sales to be fulfilled and to address the arrears situation caused by the container crisis at the end of 2020. Because of the rapidly increasing commodity and freight costs during the financial year it was necessary to implement a surcharge across the customer base to pass through this inflation driven incremental business expense. Due to the timely management of the economic drivers the gross profit margin improved against prior year by 21% from £6.9 million to £8.4 million, the conversion rate did however deteriorate due to the quarter lag in increased costs versus pass through.

Operating profit has increased from a breakeven position to £1.7 million for the year ended 2021. The improved movement on OI of 3.5% year on year is reflective of savings on reorganizational costs year on year, reductions on controllable spend and reduced travelling and marketing activities. The business reported an increase in net current assets of £0.5 million resultant from increasing inventory amounts to support the strengthened order book, higher debtors due to increased turnover levels partially offset by a reduction in cash as at year end and increased creditor balance. The pension liabilities reduced by £3.8 million year over year due to the continued company contributions, improved funding position partially offset by inflation expectations in the assumptions.

Management has been and will continue to be focussed on reducing costs and improving operational efficiency to further improve performance with particular emphasis on employee safety, quality, delivery and plant efficiency. Management sets targets and monitors these targets by means of financial and non-financial key performance indicators such as delivery, customer quality, productivity, rolling 12-month RIF (recordable injury frequency) rates and relevant working capital measures. The key performance indicators continue to trend in an improving direction, which are evident by the year-on-year results.

The company continues to work on lowering its historical energy consumption and impact on the environment through various initiatives such as safe disposal of manufacturing waste, recycling, reducing energy consumption and increasing employee awareness of environmental impacts. The financial year pertaining to these accounts involved stabilising the business as we continued to correct the financial position from the adverse impacts of COVID-19, this has allowed the business to move into 2022 in a stronger position enabling the execution of pre COVID -19 plans.

### Going Concern

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

KAB Seating Limited is primarily funded through cash generated through operating activities and an intercompany loan from CVG Global Inc. of £1.6 million repayable in 2035.

The directors have prepared a cash flow forecast for a period of at least 12 months from the date of approval of these financial statements. The economic outlook resulting from the global COVID-19 pandemic appears to be stabilising somewhat and the Company's directors have considered the impact to the business activities by conducting scenario analysis on the Company's profitability and the availability of cash to meet liabilities as they fall due. This indicates that the Company will have sufficient funds to continue in operational existence for at least 12 months from the date of signing these financial statements.

Therefore, the Directors of the Company consider, after making appropriate enquiries, that the Company has adequate resources to continue in operation as a going concern and that the Company will be able to meet its obligations for the period covered by the Company's cash flow forecasts. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

## **Strategic report** *(continued)*

### **Financial risk management objectives and policies**

The company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk.

#### *Cash flow risk*

The company's activities expose it primarily to the cash flow risk associated with the management of working capital, any financial risks of changes in foreign currency exchange rates are managed effectively through natural hedging.

#### *Credit risk*

The company's principal financial assets are bank balances and cash, trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which based on previous experience, is evidence of a reduction in the recoverability of the cash flows. COVID-19 has had no adverse impact on the level of risk as the business continues to work closely with customers to ensure all obligations are met from both sides.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

#### *Liquidity risk*

To maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the company uses a mixture of cash and intra group funding.

#### *Price risk*

The company is exposed to commodity price risk. The company does not hedge against its exposure to commodity price risk due to cost benefit considerations but will seek to mitigate where possible through driving operational efficiencies.

### **Brexit**

The Company's assessment is that Brexit does not represent a significant risk to the business following the Trade and Cooperation Agreement and other relevant Brexit agreements reached between the United Kingdom and the EU. We will monitor closely the implication of those agreements and how this may affect the Company going forward.

### **COVID-19**

Despite the impact of the pandemic on turnover in the prior year the demand for products has returned to normal levels expected however the global supply issues resultant from the pandemic and escalating commodity costs have needed to be addressed through internal cost control where viable and justifiable surcharge pricing to customers. Frequent scenario planning around the rolling 12-month outlook helps to ensure countermeasures are in place to achieve financial objectives set out. The safety and wellbeing of our employees continues to be at the forefront of decision making when carrying out operational planning whilst satisfying fluctuating customer demands and supplier constraints.

## Strategic report *(continued)*

### **Directors' statement of compliance with duty to promote the success of the Company**

The directors of KAB Seating Limited have been briefed in their duties to promote the success of the Company for the benefit of, and in consultation with, our community, customers, employees, suppliers, and other stakeholders.

Our employees are at the forefront of the companies' growth and success and are essential in delivering the business plan; their health, wellbeing and safety is the number one priority and is always the first KPI to be discussed in business reviews.

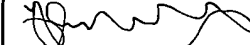
Whilst continuing to service our current customer base and maintaining good relationships by offering aftersales support and engineering solutions we also are developing the 5 year plan to develop and grow into new markets and sectors which will further diversify the product offering without introducing further complexity. This growth will allow for further investment in error proof production lines and advanced manufacturing techniques.

Good supplier relations are being maintained as we work through the difficulties of the global pandemic with the ongoing commodity increases and container shortages to ensure we maintain supplies into the factory and service our customers to the best of our ability.

Continuing work with the wider community and local charities is progressing year on year and is becoming embedded into the culture of the organisation.

In summary the foundation of the success of the Company is the strength of our relationships with all stakeholders, which is only possible by us representing and maintaining the highest standards of business conduct.

By order of the board

DocuSigned by:  
  
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A Mohamed  
*Director*

22 August 2022

## Directors' report

The directors present their annual report on the affairs of the company, together with the audited financial statements and independent auditor's report, for the year ended 31 December 2021.

### Principal activities

The principal activity of the company is the manufacture and sale of technically advanced suspension seating for vehicles in construction equipment, agricultural machinery and truck sectors, together with high end office chairs.

### Results and dividends

The profit on ordinary activities after taxation for the year was £928,000 (2020: loss £269,000). The directors do not propose payment of a final dividend (2020: £Nil). No dividend was paid in the year (2020: £Nil). No shares were issued in the year (2020: nil)

### Directors

The directors, who served during the year, and subsequently, were as follows:

A Mohamed	USA	
S Sennett	UK	(Resigned 23 June 2021)

### Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements.

The company places considerable value in the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company by way of regular communication sessions.

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### Environment

The company recognises the importance of its environmental responsibilities, and accordingly attained ISO 14001 certification in November 2006; recertification was obtained in September 2018. Initiatives designed to minimise the company's impact on the environment include safe disposal of manufacturing waste, recycling, reducing energy consumption, and increasing employee awareness of environmental impacts.

### Political donations

During the year, the company made no political donations (2020: £Nil).

### Directors' indemnities

All the directors named above are indemnified under the ultimate parent company's directors' and officers' liability insurance policy.

### 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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Directors' report** *(continued)***Streamlined Energy and Carbon Reporting (SECR)**

Under the UK subsidiaries qualifying for SECR regulations KAB Seating Limited is required to disclose the UK energy use and associated greenhouse gas emissions. Specifically, we are required to report, as a minimum, energy use and associated GHG emissions relating to natural gas, electricity, and transport fuel, as well as intensity ratio and a narrative on energy efficiency action taken over the year.

The Company operated at one single business premises the UK during the year ended 31 December 2021. The Company recognises that it is important that it acts in an environmentally responsible manner. The table below includes energy usage exclusively at KAB Seating Limited and covers the reporting period from 1<sup>st</sup> January 2021 – 31<sup>st</sup> December 2021, in line with the financial year.

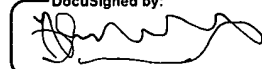
The consumption data is based on utility bills and business mileage. The greenhouse emissions have been calculated based on conversion factors published by the Department for Business, Energy & Industrial Strategy. This is the first year of reporting this data which will enable the Company's management to focus on identifying ways to reduce the Company's carbon footprint. The emission intensity ratio for the year was 3.88 KG CO<sub>2</sub>e per FTE.

KAB SEATING LTD	2021	
	Energy (kWh)	Emissions (tCO <sub>2</sub> e)
Electricity	2,426,534	565.72
Gas	3,500,233	816.04
LPG <i>Fuel used for forklifts</i>	n/a	n/a
Transport fuel – Scope 1 <i>Purchased petrol and diesel for company pool cars</i>	11,291	2.63
Transport fuel – Scope 2 <i>Electricity for company pool cars (not counted for above)</i>	3,281	0.77
Transport fuel – Scope 2 <i>Business mileage in personal vehicles</i>	4,461	1.04
Out of Scope Transport <i>International Travel</i>	901	0.21
<b>Total</b>	<b>5,946,701</b>	<b>1,386.41</b>
Intensity Ratio: kWh and tCO <sub>2</sub> e / FTE	16,654	3.88

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the incumbent auditor (KPMG) is to be resigned and Mercer Hole is to be appointed.

By order of the board

DocuSigned by:  
  
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A Mohamed  
Director

Stone Circle Road  
Round Spinney  
Northampton  
NN3 8RS

22 August 2022

## **Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements**

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 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.

# **KAB SEATING LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBER OF KAB SEATING LIMITED**

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#### **Opinion**

We have audited the financial statements of KAB Seating Limited (the 'company') for the year ended 31 December 2021 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The director is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the director's report has been prepared in accordance with applicable legal requirements.

# **KAB SEATING LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBER OF KAB SEATING LIMITED**

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#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the director's report.

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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the director's report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

#### **Responsibilities of director**

As explained more fully in the director's responsibilities statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the director is responsible for 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 the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Explanation as to what extent the audit was considered capable of detecting irregularities including fraud

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. These included, but were not limited to, the Companies Act 2006 and tax legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements and the financial report (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate entries including journals to overstate revenue or understate expenditure and management bias in accounting estimates.

Audit procedures performed by the engagement team included:

- discussions with management, including considerations of known or suspected instances of non-compliance with laws and regulations and fraud;
- gaining an understanding of management's controls designed to prevent and detect irregularities; and
- identifying and testing journal entries.

**KAB SEATING LIMITED**  
**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBER OF KAB SEATING LIMITED**

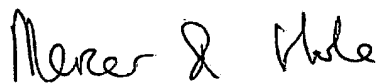
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Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) 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 irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the company's member 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 member those matters we are required to state to her 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 member for our audit work, for this report, or for the opinions we have formed.



**Steve Robinson FCA (Senior Statutory Auditor)**  
**For and on behalf of Mercer & Hole**

Date: 22 August 2022

**Chartered Accountants**  
**Statutory Auditor**

Silbury Court  
420 Silbury Boulevard  
Central Milton Keynes  
Buckinghamshire  
MK9 2AF

**Profit and loss account and other comprehensive income**  
*for the year ended 31 December 2021*

	<i>Note</i>	<b>2021</b> <b>£000</b>	2020 £000
<b>Turnover</b>	2	<b>48,579</b>	34,584
Cost of sales		<b>(40,170)</b>	(27,655)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>8,409</b>	6,929
Distribution costs		<b>(599)</b>	(644)
Administrative expenses	3	<b>(6,174)</b>	(7,154)
Other operating income	4	<b>91</b>	886
		<hr/>	<hr/>
<b>Operating profit</b>		<b>1,727</b>	17
Interest payable and similar charges	7	<b>(790)</b>	(243)
		<hr/>	<hr/>
<b>Profit/(Loss) before taxation</b>		<b>937</b>	(226)
Taxation	8	<b>(9)</b>	(43)
		<hr/>	<hr/>
<b>Profit/(Loss) for the financial year</b>		<b>928</b>	(269)
		<hr/> <hr/>	<hr/> <hr/>
<b>Other comprehensive income and expenses</b>			
Actuarial gain/(losses) related to pension scheme		<b>3,131</b>	(3,653)
Deferred taxation arising on actuarial gains/(losses) related to pension scheme		-	-
		<hr/>	<hr/>
<b>Other comprehensive expenses for the year, net of deferred tax</b>		<b>3,131</b>	(3,653)
		<hr/>	<hr/>
<b>Total comprehensive income/(loss) for the year</b>		<b>4,059</b>	(3,922)
		<hr/> <hr/>	<hr/> <hr/>

All operations of the company relate to continuing operations.

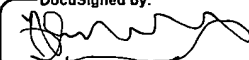
The notes on pages 13 to 25 form part of these financial statements.

**Balance sheet**  
*at 31 December 2021*

	<i>Note</i>	<b>2021</b> <b>£000</b>	<b>£000</b>	<b>2020</b> <b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible assets	9		1,868		2,036
<b>Current assets</b>					
Stocks	10	7,531		4,628	
Debtors	11	15,577		9,582	
Cash at bank and in hand		2,613		7,924	
		<u>25,721</u>		<u>22,134</u>	
<b>Creditors: amounts falling due within one year</b>	12	<b>(16,451)</b>		<b>(13,402)</b>	
<b>Net current assets</b>			<b>9,270</b>		<b>8,732</b>
<b>Total assets less current liabilities</b>			<b>11,138</b>		<b>10,768</b>
<b>Creditors: Amounts falling due after more than one year</b>	13		<b>(1,821)</b>		<b>(1,728)</b>
<b>Pension liabilities</b>	15		<b>(7,331)</b>		<b>(11,113)</b>
<b>Net assets/(liabilities) including pension liabilities</b>			<b>1,986</b>		<b>(2,073)</b>
<b>Capital and reserves</b>					
Called up share capital	16		10,529		10,529
Profit and loss account			<b>(8,543)</b>		<b>(12,602)</b>
<b>Shareholders' funds/(deficit)</b>			<b>1,986</b>		<b>(2,073)</b>

The notes on pages 13 to 25 form part of these financial statements.

These financial statements were approved by the board of directors on 22 August 2022 and were signed on its behalf by:

DocuSigned by:  
  
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A Mohamed

*Director*

Company registered number: 02104900

**Statement of changes in equity**  
*for the year ended 31 December 2021*

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance 1 January 2020	10,529	(8,680)	1,849
Total comprehensive income for the year			
Profit or loss	-	(269)	(269)
Other comprehensive expense	-	(3,653)	(3,653)
	<hr/>	<hr/>	<hr/>
Total other comprehensive expense	-	(3,922)	(3,922)
	<hr/>	<hr/>	<hr/>
Transactions with owners, recorded directly in equity			
Issue of shares	-	-	-
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	10,529	(12,602)	(2,073)
	<hr/>	<hr/>	<hr/>
Balance 1 January 2021	10,529	(12,602)	(2,073)
	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>			
Profit or loss	-	928	928
Other comprehensive income	-	3,131	3,131
	<hr/>	<hr/>	<hr/>
Total other comprehensive income	-	4,059	4,059
	<hr/>	<hr/>	<hr/>
Transactions with owners, recorded directly in equity			
Issue of shares	-	-	-
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2021</b>	<b>10,529</b>	<b>(8,543)</b>	<b>1,986</b>
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The notes on pages 13 to 25 form part of these financial statements.

## Notes

(forming part of the financial statements)

### 1 Accounting policies

KAB Seating Limited (the "Company") is a private company incorporated and domiciled in the UK. The Company's registered number is 02104900 and the registered address is Stone Circle Road, Round Spinney, Northampton NN3 8RS.

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, Commercial Vehicle Group Inc. includes the Company in its consolidated financial statements. The consolidated financial statements of Commercial Vehicle Group Inc. are available to the public and may be obtained from 7800 Walton Parkway, New Albany, Ohio 43054, USA. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) 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 end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Commercial Vehicle Group Inc. include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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 20.

#### **Measurement convention**

The financial statements are prepared on the historical cost basis.

#### **1.1 Going concern**

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

KAB Seating Limited is primarily funded through cash generated through operating activities and an intercompany loan from CVG Global Inc. of £1.6 million repayable in 2035.

The directors have prepared a cash flow forecast for a period of at least 12 months from the date of approval of these financial statements. The economic outlook resulting from the global COVID-19 pandemic appears to be stabilising somewhat and the Company's directors have considered the impact to the business activities by conducting scenario analysis on the Company's profitability and the availability of cash to meet liabilities as they fall due. This indicates that the Company will have sufficient funds to continue in operational existence for at least 12 months from the date of signing these financial statements.

Therefore, the Directors of the Company consider, after making appropriate enquiries, that the Company has adequate resources to continue in operation as a going concern and that the Company will be able to meet its obligations for the period covered by the Company's cash flow forecasts. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

**Notes (continued)****1 Accounting policies (continued)****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. 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. 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 retranslated 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/creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. 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, less any impairment losses in the case of trade debtors. 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 instrument for a similar debt instrument.

*Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

*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 and cash equivalents for the purpose only of the cash flow statement.

**1.5 Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) 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. The estimated useful lives are as follows:

- leasehold improvements                      Period of lease
- plant and equipment                          3 - 10 years

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 Research and development**

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

**1.7 Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out 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. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.8 Government Grants – COVID 19 Support

During the period, KAB Seating Limited benefitted from the UK Government's Coronavirus Job Retention Scheme (CJRS) scheme for furloughed employees, as part of the support available for businesses impacted by the COVID-19 pandemic. The eligible salary and other payroll expenses have continued to be recognised in the income statement in the period in which they were incurred. Eligible matching CJRS grant amounts have been recognised as other income in the profit and loss account in the same period. Further details on CJRS are available in Note 4.

#### 1.9 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 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 on the net defined benefit liability for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability taking account of changes arising as a result of contributions and benefit payments.

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 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 a profit or loss.

Remeasurement of the net defined benefit liability is recognised in other comprehensive income in the period in which it occurs.

#### 1.10 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.

#### 1.11 Turnover

Turnover comprises sales in the ordinary course of business to external customers for goods supplied and services provided, exclusive of sales related taxes. Turnover is recognised when the risks and rewards of ownership have transferred to the customer, usually upon despatch of goods and delivery of services.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.12 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 unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

#### 1.13 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 not 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; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. 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**

Turnover has been derived based on the principal activity. In the opinion of the directors, the disclosure of the geographical information would be seriously prejudicial to the interests of the Company.

**3 Expenses and auditor's remuneration**

Included in profit /loss are the following:

	2021 £000	2020 £000
Depreciation and other amounts written off tangible fixed assets	389	397
Operating lease rentals:		
Plant and machinery	122	132
Land and buildings	1,146	1,158
Research and development expenditure	5	25
Royalty income received	(47)	(41)
	<u>          </u>	<u>          </u>
<i>Auditor's remuneration:</i>		
Audit of these financial statements	75	78
	<u>          </u>	<u>          </u>
Amounts receivable by the auditor and their associates in respect of:		
Tax services	-	21
	<u>          </u>	<u>          </u>

**4 Other Operating Income**

	2021 £000	2020 £000
Royalties (gross)	56	50
Intercompany recharges for engineering services	28	27
COVID-19 JRS	6	809
Sale of Fixed Asset	1	-
	<u>          </u>	<u>          </u>
	<u>91</u>	<u>886</u>

*Coronavirus Job Retention Scheme (CJRS)*

The Company benefited from the UK government Coronavirus Retention Scheme (CJRS). Total eligible costs against which grant income has been recognised in the Income Statement were £6,258 (2020: £809,000).

**Notes (continued)****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:

	<b>Number of employees</b>	
	<b>2021</b>	<b>2020</b>
Selling and administration	<b>73</b>	87
Production	<b>284</b>	234
	<hr/> <b>357</b> <hr/>	<hr/> 321 <hr/>

The aggregate payroll costs of these persons were as follows:

	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>9,572</b>	7,375
Social security costs	<b>765</b>	616
Contributions to defined contribution plans	<b>392</b>	468
Past Service Cost	-	29
	<hr/> <b>10,729</b> <hr/>	<hr/> 8,488 <hr/>

**6 Remuneration of directors**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Directors' emoluments	<b>80</b>	70
Compensation for loss of office	<b>37</b>	27
Contributions into pension	-	5
	<hr/> <b>117</b> <hr/>	<hr/> 102 <hr/>

The other directors of the company are also directors of the holding companies and fellow subsidiaries.

The overseas directors are employed by other affiliated companies and are remunerated by those companies in respect of their services as employees. No part of their remuneration is specifically attributable to their services to this company.

**7 Interest payable and similar charges**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Interest payable to group undertakings	<b>93</b>	94
Net pension financing expense (note 15)	<b>128</b>	149
Foreign exchange (gain)/loss	<b>569</b>	-
	<hr/> <b>790</b> <hr/>	<hr/> 243 <hr/>

**Notes (continued)****8 Taxation****Total tax expense recognised in the profit and loss account, after comprehensive income and equity**

	2021 £000	£000	2020 £000	£000
<i>Current tax</i>				
Prior year adjustment	-		35	
	<hr/>		<hr/>	
<i>Foreign tax</i>				
Higher rates on overseas earnings	9		8	
	<hr/>		<hr/>	
Total current tax		9		43
		<hr/>		<hr/>
Total tax on profit/(loss) on ordinary activities		9		43
		<hr/> <hr/>		<hr/> <hr/>

	£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	9	-	9	43	-	43
Recognised in other comprehensive income	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total tax	9	-	9	43	-	43
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Reconciliation of effective tax rate**

	2021 £000	2020 £000
Profit/(Loss) for the year	928	(269)
Total tax expense	9	43
	<hr/>	<hr/>
Profit/(Loss) excluding taxation	937	(226)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19% (2020: 19%)	178	(43)
	<hr/>	<hr/>
Unrecognised/(utilisation of) tax losses carried forward	(178)	43
Higher tax rates on overseas earnings	9	8
Prior year adjustment	-	35
	<hr/>	<hr/>
Total tax expense included in profit and loss	9	43
	<hr/> <hr/>	<hr/> <hr/>

**Factors that may affect future current and total tax charges**

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. In the 3 March 2021 Budget it was announced that the UK tax rate will increase from the current 19% to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge.

**Notes** (continued)**9 Tangible fixed assets**

	Leasehold improvements £000	Plant and equipment £000	Total £000
<b>Cost</b>			
At beginning of year	1,068	14,401	15,469
Additions	18	203	221
Disposals	-	(12)	(12)
	<hr/>	<hr/>	<hr/>
At end of year	1,086	14,592	15,678
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Depreciation</b>			
At beginning of year	1,028	12,405	13,433
Charge for year	9	380	389
On disposals	-	(12)	(12)
	<hr/>	<hr/>	<hr/>
At end of year	1,037	12,773	13,810
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Net book value</b>			
<b>At 31 December 2021</b>	<b>49</b>	<b>1,819</b>	<b>1,868</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2020	40	1,996	2,036
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**10 Stocks**

	2021 £000	2020 £000
Raw materials and consumables	5,848	3,203
Work in progress	1,063	797
Finished goods	620	628
	<hr/>	<hr/>
	<b>7,531</b>	<b>4,628</b>
	<hr/> <hr/>	<hr/> <hr/>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £30,000,745 (2020: £21,395,000). The write down of stocks to net realisable value amounted to £Nil (2020: £Nil).

**Notes (continued)****11 Debtors**

	<b>2021</b>	2020
	<b>£000</b>	£000
Trade debtors	<b>6,934</b>	4,924
Amounts owed by group undertakings	<b>7,763</b>	3,799
Other debtors	<b>268</b>	188
Prepayments and accrued income	<b>612</b>	671
	<b>15,577</b>	9,582

**12 Creditors; amounts falling due within one year**

	<b>2021</b>	2020
	<b>£000</b>	£000
Trade creditors	<b>3,882</b>	4,464
Amounts owed to group undertakings	<b>10,198</b>	6,735
Taxation and social security	<b>204</b>	164
Accruals and deferred income	<b>2,167</b>	2,039
	<b>16,451</b>	13,402

**13 Interest bearing loans and borrowings**

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

Creditors falling due after more than one year

	<b>2021</b>	2020
	<b>£000</b>	£000
Loans from group undertaking	<b>1,821</b>	1,728

Terms and debt repayment schedule

	<b>Currency</b>	<b>Nominal fixed interest rate</b>	<b>Year of maturity</b>	<b>Repayment schedule</b>	<b>2021</b>	2020
					<b>£000</b>	£000
Loans from group undertaking	GBP	5.7%	2035	Maturity in June 2035	<b>1,821</b>	1,728

**Notes (continued)****14 Deferred tax assets and liabilities**

The deferred tax assets noted below have not been recognised because, in the opinion of the directors, there is insufficient certainty that taxable profits will arise in the immediate future. The total unrecognised deferred tax asset is £8,022,000 (2020: £6,856,000).

	Unrecognised	
	2021	2020
	£000	£000
Capital allowances in excess of depreciation	1,048	727
Employee benefits	2,060	2,212
Losses carried forward	4,914	3,917
	<hr/>	<hr/>
Deferred tax asset not recognised	8,022	6,856
	<hr/> <hr/>	<hr/> <hr/>

**15 Employee benefits****Defined contribution scheme**

The Company operates the KAB 2003 scheme, a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £392,000 (2020: £468,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

**Defined benefit scheme**

The company operates the KAB Pension Scheme, a defined benefit pension scheme. The assets of the scheme are held separately from those of the company, being invested mainly in managed funds. With effect from 1 April 2006 the principal defined benefit scheme was closed to future accruals and all participating employees were invited to join the KAB 2003 Scheme, a defined contribution scheme.

The date of the latest actuarial review was 6 April 2018. The contribution levels for the defined benefit category are determined by an independent qualified actuary on the basis of triennial valuations using the defined accrued benefit method.

The determination of pension plan obligations and related expenses requires the use of assumptions to estimate the amount of the benefits that employees earn while working, as well as the present value of those benefits. The company's assumptions are determined based on current market conditions, historical information and consultation with and input from third-party actuaries. Significant assumptions used to measure the annual pension benefit expenses include the discount rate, expected return on plan assets, and price inflation.

The information disclosed below is in respect of the whole of the plans for which the company is the sponsoring employer.

	2021	2020
	£000	£000
Defined benefit obligation	35,928	39,307
Plan assets	(28,597)	(28,194)
	<hr/>	<hr/>
Pension liability	7,331	11,113
	<hr/> <hr/>	<hr/> <hr/>

**Notes (continued)****15 Employee benefits (continued)***Movements in present value of defined benefit obligation*

	2021 £000	2020 £000
At beginning of year	39,307	34,187
Interest expense	464	653
Remeasurement: actuarial (gains)/losses	(2,613)	5,856
Benefits paid	(1,230)	(1,418)
Past service costs in respect of GMP equalisation	-	29
	<hr/>	<hr/>
At end of year	<b>35,928</b>	<b>39,307</b>
	<hr/> <hr/>	<hr/> <hr/>

*Movements in fair value of plan assets*

	2021 £000	2020 £000
At beginning of year	28,194	26,167
Interest income	336	504
Remeasurements: return on plan assets less interest income	514	2,203
Contributions by employer	783	738
Benefits paid	(1,230)	(1,418)
	<hr/>	<hr/>
At end of year	<b>28,597</b>	<b>28,194</b>
	<hr/> <hr/>	<hr/> <hr/>

*Expense recognised in the profit and loss account*

	2021 £000	2020 £000
Interest on defined benefit pension obligation	(464)	(653)
Interest income	336	504
	<hr/>	<hr/>
Net interest on net defined benefit liability	<b>(128)</b>	<b>(149)</b>
	<hr/> <hr/>	<hr/> <hr/>

The expense is recognised within interest payable and similar charges.

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	17,350	17,632
Gilts and bonds	10,921	10,563
	<hr/>	<hr/>
	<b>28,271</b>	<b>28,195</b>
	<hr/> <hr/>	<hr/> <hr/>
Actual return on plan assets	<b>850</b>	<b>2,707</b>
	<hr/> <hr/>	<hr/> <hr/>

**Notes** (continued)**15 Employee benefits** (continued)

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

	2021	2020
	%	%
Discount rate	1.80	1.20
Expected rate of return on plan assets	2.90	2.60
Expected return on plan assets at beginning of the period	2.60	3.30
RPI	3.40	2.95
CPI	2.95	2.45

In valuing the liabilities of the pension fund at 31 December 2021, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

Current pensioner aged 65:	20.8 years (male), 23.2 years (female)
Future retiree upon reaching 65:	22.1 years (male), 24.7 years (female)

**16 Called up share capital**

	Ordinary shares 2021 £000
On issue at 1 January 2021	10,529
Shares issued	-
At 31 December 2021	10,529
	2021 £000
<b>Allotted, called up and fully paid</b>	2020 £000
10,528,729 (2020: 10,528,729) Ordinary shares of £1 each	10,529

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.

**Notes** *(continued)***17 Operating leases**

Non-cancellable operating lease rentals are payable as follows:

	2021 £000	2020 £000
Less than one year	1,368	1,253
Between one and five years	5,086	4,804
	<u>5,304</u>	<u>6,057</u>

During the year, £1,268,000 was recognised as an expense in the profit and loss account in respect of operating leases (including property, cars & office equipment) (2020: £1,290,000)

**18 Financial commitments**

There are no capital commitments contracted but not provided for in either year.

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

The Company is a subsidiary undertaking of Commercial Vehicle Group Inc., incorporated in the USA, which is the ultimate parent company and the largest group in which the results of the company are consolidated.

The consolidated financial statements of the group may be obtained from Commercial Vehicle Group Inc., 7800 Walton Parkway, New Albany, Ohio 43054, USA.

**20 Accounting estimates and judgements**

During the preparation of these financial statements, the directors make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods impacted.

The key judgments and estimates employed in the financial statements are as follows:-

*Retirement benefits*

In determining the valuation of defined benefit pension scheme assets and liabilities, a number of key assumptions, which are largely dependent on factors outside the control of the company, have been made in relation to:

- Expected return on plan assets
- Inflation rate
- Mortality
- Discount rate
- Salary and pensions increases

Details of the assumptions used are included in note 15.

*Inventory and Receivables provisions*

The measurement of inventory and receivables provisions have been estimated by management based on current information on recovery and past experience of the level of obsolescence/bad debts. Due to the nature of estimates, actual results may differ.