

Haldex Brake Products Limited
Annual report and financial statements
for the year ended 31 December 2019

Registered number: 01971131



Haldex Brake Products Limited

Annual report and financial statements for the year ended 31 December 2019

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Haldex Brake Products Limited

Directors and advisers

Directors

C Mellings

M Biork

Company secretary

S Baker

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

One Chamberlain Square

Birmingham

B3 3AX

Bankers

Nordea Bank Finland plc

City Place House

55 Basinghall Street

London

EC2V 5NB

Solicitors

Wright Hassall LLP

Olympus Avenue

Leamington Spa

CV34 6BF

Registered office

Haldex European Technical Centre

MIRA Technology Park

Lindley

Warwickshire

CV13 6DE

Haldex Brake Products Limited

Strategic report for the year ended 31 December 2019

The directors present their Strategic report for the year ended 31 December 2019.

Business review and future developments

The results for the year are shown on page 10. The company's profit for the financial year was £108,000 (2018: £628,000). The company's net liabilities at 31 December 2019 are £4,338,000 (2018: £2,818,000).

The directors have no plans at this time to change the principal activity of the company, which continues to be the design and development of air brake systems for commercial vehicles. The directors consider the performance of the company during the year, the financial position at the end of the year and the prospects for the future to be satisfactory.

In preparing for the UK's exit from the EU (Brexit) the company considered risks related to its supply chain and retention of employees of EU nationality while the future trading relationship between the UK and EU was being negotiated. The company is awaiting guidance on the potential impact of customs duties and delays on goods arriving into the UK on the prototype parts used in our design build and validation processes in 2020. The company has not quantified the potential ongoing costs arising from Brexit in our financial statements but continues to review developments as more details emerge on how the business will need to respond to Brexit.

Brexit has not impacted the current year at all with supplies coming via Haldex Group (Note 21) and any service sourced locally. The impact now the United Kingdom has officially left the EU is still to be fully understood. It is expected that any changes to customs and imports will be covered by the courier companies who have the systems and expertise to handle these issues.

The process of homologation or type approval of our future products under development should the UK and the EU diverge on automotive regulatory compliance may be complicated but as Haldex already sells its products globally the company has both the expertise and experience to respond quickly. Over the longer term, we continue to believe that Brexit will not have a material impact on the business.

Research and development

The company continues to engage in research and development activities in order to improve the market position of Haldex Group's products. In the year the company spent £8,118,000 (2018: £7,880,000) on these activities. All costs incurred, following the implementation of a new cost-plus agreement in 2016, are recharged to Haldex AB. Before this agreement the company recharged some of these costs to other Haldex companies.

Principal risks and uncertainties

As the principal activity of the company is to provide design and development services to the Haldex Group (Note 21) so there are no immediate external risks considered likely to have a significant impact on the short-term or long-term value of the company. However, the principal risks identified are as follows:

Competition

The automotive market is highly competitive with tight margins. Haldex Group has significantly lower sales than the two largest players in the market.

Customers

There are only a few major truck and trailer manufacturers and all of them are customers of Haldex. No single customer accounts for more than 10% of Group sales. While the loss of a customer, or the loss or delay of a major contract, has a limited impact on Haldex Group as a whole, it could have a major impact on an individual unit.

Product development

Demands from users and regulators for increased safety and improved environmental and vehicle dynamic performance are leading to new demands on, and requests regarding, the products offered by Haldex. It is therefore essential that the Group continuously develops new products or improves existing products that meet these demands, to avoid losing market share to competitors.

Going concern

The directors of the company have received a letter of support from its ultimate parent company, Haldex AB, to enable the company to meet its financial obligations as they fall due for a period of eighteen months from the date of the letter; the letter being dated 14 January 2021.

Haldex Brake Products Limited

Strategic report for the year ended 31 December 2019 (continued)

Impact of Coronavirus (COVID-19)

The World Health Organisation declared the COVID-19 outbreak a global pandemic on 11 March 2020 and given the passage of time from the reporting date of 31 December 2019, this is considered to be a non-adjusting event after the end of the reporting period.

The company's level of activity has been maintained during the pandemic with the continued development of next generation of the brake system progressing towards production in 2021. The impact of COVID-19 has been for the majority of the workforce working from home and the office being set up to comply with social distancing and other government COV-ID guidelines. In the fourth quarter a major customer announced a change of direction which resulted in the postponement of a project; the result for Haldex Brake Products Limited was a freeze on recruitment, followed by the non-renewal of sub-contractors and a lease on building facility was not renewed when it expired in October 2020. There have been no staff furloughed and no financial support sought from the Government.

The biggest impact of COVID-19 has been on the Haldex Group (Note 21) with global economies being heavily impacted by the pandemic, and the impact on group finances which has had a knock-on effect requiring all Haldex Group companies, including Haldex Brake Products Limited, to minimise cost and operate as efficiently as possible.

The company continues to monitor closely the Coronavirus (COVID-19) situation.

Key performance indicators ("KPIs")

The performance of the business is set out in the financial statements that accompany this report. In summary:

	2019	2018
	£'000	£'000
Revenue	10,317	9,891
Gross profit	2,199	2,012
Operating profit	594	928
Profit before taxation	185	677

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

On behalf of the Board


C Mellings
Director

2nd March 2021

Haldex Brake Products Limited

Directors' report for the year ended 31 December 2019

The directors present their Annual report and the audited financial statements of Haldex Brake Products Limited ('the company') for the year ended 31 December 2019.

Results and dividends

The profit for the financial year will be transferred to reserves. No interim dividend was paid during the year (2018: £nil) and the directors do not recommend the payment of a final dividend (2018: £nil).

Events after the end of the reporting period

COVID-19

The World Health Organisation declared the COVID-19 outbreak a global pandemic on 11 March 2020 and given the passage of time from the reporting date of 31 December 2019, this is considered to be a non-adjusting event after the end of the reporting period.

The company's level of activity has been maintained during the pandemic with the continued development of next generation of the brake system progressing towards production in 2021. The impact of COVID-19 has been for the majority of the workforce working from home and the office being set up to comply with social distancing and other government COV-ID guidelines. In the fourth quarter a major customer announced a change of direction which resulted in the postponement of a project; the result for Haldex Brake Products Limited was a freeze on recruitment, followed by the non-renewal of sub-contractors and a lease on a building facility was not renewed when it expired in October 2020. There have been no staff furloughed and no financial support sought from the Government.

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The company continues to monitor closely the Coronavirus (COVID-19) situation.

Going concern

These financial statements have been prepared on a going concern basis, which assumes the company will continue to be able to meet its liabilities as they fall due for at least 12 months following the date of approval of these financial statements. The directors are required to consider the appropriateness of the going concern basis when preparing the financial statements.

In considering the company's ability to continue as a going concern, the directors have taken into account the company's forecasts which show that it will continue to utilise the Haldex group overdraft facility to support its future operations.

The directors of the company have received a letter of support from its ultimate parent company, Haldex AB, to enable the company to meet its financial obligations as they fall due for a period of eighteen months from the date of the letter; the letter being dated 14 January 2021.

The directors of the ultimate parent company, Haldex AB, confirm that the overdraft facility within Haldex Limited is currently supported by a group banking arrangement with Nordea Bank, Finland PLC whereby Haldex AB is solely responsible for the settlement of any net overdraft position across the group under this arrangement.

Future developments

An indication of the likely future developments of the business is included in the Strategic report on page 2.

Financial risk management

The company's operations expose it to a number of financial risks that include liquidity risk, price risk, credit risk and interest rate cash flow risk. The company has in place a risk management policy that seeks to maximise finance income from short term deposits via the monitoring of cash balances and working capital requirements.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented through the use of the Group Treasury department as required.

Haldex Brake Products Limited

Directors' report for the year ended 31 December 2019 (continued)

Financial risk management (continued)

Liquidity risk

The company actively manages its working capital requirements to ensure it has sufficient funds for its operations. The requirement for medium to long term debt finance will be reviewed by the board of directors based on the company's forecast requirements

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of actively managing exposure to commodity price risk exceed any potential benefits. Commodities such as metals are subject to price changes, but these are passed on to customers where appropriate. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Usually new customers are given cash accounts, then migrate to credit accounts once payment history is established. The company uses credit insurance as well as Companies House information, including latest financial statement submissions. Where debt finance is required, this will be subject to pre-approval by the board of directors and such approval will be limited to financial institutions with an AA rating or better.

Interest rate cash flow risk

The company has both interest-bearing assets and interest-bearing liabilities. Interest-bearing assets consist of short-term deposits and cash balances, all of which earn interest at variable rates. Interest-bearing liabilities consist of short-term overdraft facilities which pay interest at variable rates. The company has a policy of maintaining short term deposits and cash balances at a level sufficient to fund its operations. The directors will revisit the appropriateness of this policy should the company's operations or cash balances change in size or nature.

Financial instruments

The company manages foreign currency risk by taking out forward contracts to fix currency exchange rates on export sales and purchases of inventory.

Political contributions

During the year the company did not make any political donations (2018: £nil).

Employee involvement

The company is firmly committed to maintaining the co-operation and involvement of its employees in the future of the business. This is achieved through consultation at the appropriate level. Employees will also be notified of matters affecting the company on a more general basis through quarterly employee presentations.

Disabled persons

The company's recruitment, training, development and promotion policies give equality of opportunity for people to develop their potential. Steps are taken to accommodate the needs of disabled employees at work and wherever possible additional training is arranged to meet the special needs of those who become disabled.

Directors

The directors of the company during the year and up to the date of signing the financial statements were:

C Mellings

A Bengtsson (resigned 14 June 2019)

A Larsson (resigned 31 July 2020)

M Biork (appointed 1 November 2020)

Haldex Brake Products Limited

Directors' report for the year ended 31 December 2019 (continued)

Qualifying third party indemnity

The ultimate parent company, Haldex AB, has maintained indemnity insurance for the directors and officers of its subsidiary companies throughout the year, which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. Directors' report for the year ended 31 December 2019 (continued)

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

A resolution to appoint auditors for the coming term will be proposed at the Annual General Meeting.

On behalf of the Board



C Mellings

Director

2nd March 2021

Haldex Brake Products Limited

Independent auditors' report to the members of Haldex Brake Products Limited

Report on the audit of the financial statements

Opinion

In our opinion, Haldex Brake Products Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

Haldex Brake Products Limited

Independent auditors' report to the members of Haldex Brake Products Limited (continued)

Reporting on other information (continued)

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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are 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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Haldex Brake Products Limited

Independent auditors' report to the members of Haldex Brake Products Limited (continued)

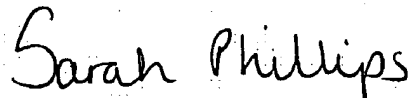
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Sarah Phillips (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
2 March 2021

Haldux Brake Products Limited

Income statement for the year ended 31 December 2019

		2019	2018
	Note	£'000	£'000
Continuing operations			
Revenue	3	10,317	9,891
Cost of sales		(8,118)	(7,879)
Gross profit		2,199	2,012
Administrative expenses		(2,303)	(1,747)
Other operating income	4	698	663
Operating profit	5	594	928
Finance expenses	7	(409)	(251)
Profit before taxation		185	677
Tax on profit	8	(77)	(49)
Profit for the financial year		108	628

The notes on pages 14 to 34 form an integral part of these financial statements.

Haldex Brake Products Limited

Statement of comprehensive income for the year ended 31 December 2019

		2019	2018
	Note	£'000	£'000
Profit for the financial year		108	628
Other comprehensive (expense)/income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Net remeasurement (losses)/gains on defined benefit pension scheme	16a	(1,961)	527
Tax charged on items relating to components of other comprehensive (expense)/income	8b	333	(86)
Total other comprehensive (expense)/income for the financial year, net of tax		(1,628)	441
Total comprehensive (expense)/income for the financial year		(1,520)	1,069

The notes on pages 14 to 34 form an integral part of these financial statements.

Haldex Brake Products Limited


Statement of financial position as at 31 December 2019

		2019	2019	2018	2018
Registered number: 01971131	Note	£'000	£'000	£'000	£'000
Fixed assets					
Property, plant and equipment	9		749		904
Right-of-use assets ¹	10		5,288		-
Investments	11		115		115
			6,152		1,019
Current assets					
Deferred tax asset	8d	1,551		1,295	
Inventories	12	2,902		214	
Trade and other receivables	13	2,820		3,967	
Cash and cash equivalents		7		7	
		7,280		5,483	
Creditors - amounts falling due within one year	14	(4,151)		(1,700)	
Net current assets		3,129		3,783	
Total assets less current liabilities			9,281		4,802
Creditors - amounts falling due after more than one year	15		(4,559)		-
Employee benefit obligations	16a		(9,060)		(7,620)
Net liabilities			(4,338)		(2,818)
Equity					
Called up share capital	17		4,901		4,901
Capital reserve			645		645
Accumulated losses			(9,884)		(8,364)
Total shareholders' deficit			(4,338)		(2,818)

¹The company has applied IFRS 16 effective 1 January 2019, using the modified retrospective approach – see Note 23.

The notes on pages 14 to 34 form an integral part of these financial statements.

The financial statements on pages 10 to 34 were approved by the Board of Directors on 2nd March 2021 and signed on its behalf by:


C Mellings
Director

Haldex Brake Products Limited

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital	Capital reserve	Accumulated losses	Total shareholders' deficit
	£'000	£'000	£'000	£'000
Balance at 1 January 2018	4,901	645	(9,433)	(3,887)
Profit for the financial year	-	-	628	628
Total other comprehensive income for the financial year, net of tax	-	-	441	441
Total comprehensive income for the financial year	-	-	1,069	1,069
Balance at 31 December 2018	4,901	645	(8,364)	(2,818)
Balance at 1 January 2019	4,901	645	(8,364)	(2,818)
Profit for the financial year	-	-	108	108
Total other comprehensive expense for the financial year, net of tax	-	-	(1,628)	(1,628)
Total comprehensive expense for the financial year	-	-	(1,520)	(1,520)
Balance as at 31 December 2019	4,901	645	(9,884)	(4,338)

The notes on pages 14 to 34 form an integral part of these financial statements.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019

1 Principal accounting policies

General information

Haldex Brake Products Limited ("the company") is a private company limited by shares which is incorporated and domiciled in the United Kingdom and registered in England. The registered office address is Haldex European Technical Centre, MIRA Technology Park, Lindley, Warwickshire, CV13 6DE.

The principal activity of the company continues to be the design and development of air brake systems for commercial vehicles.

The financial statements are prepared in Sterling and are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101).

Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with The Companies Act 2006 as applicable to companies using FRS 101. The financial statements have been prepared on a going concern basis, under the historical cost convention. The company meets the definition of a qualifying entity under Financial Reporting Standard 101 Reduced Disclosure Framework.

As permitted by FRS 101 the company has taken advantage of the disclosure exemptions available under that standard in relation to presenting comparative information in respect of tangible and intangible assets, financial instruments, capital management, presentation of a cash flow statement, remuneration of key management personnel, standards issued but not yet effective, capital management, related party transactions with other wholly-owned members of the group and revenue from contracts with customers. Where required, equivalent disclosures are given in the group financial statements of Haldex AB, the ultimate parent undertaking, which is incorporated in Sweden. The group financial statements of Haldex AB are available to the public and can be obtained as set out in Note 21.

New standards, amendments and IFRS IC interpretations

IFRS 16 Leases is a new accounting standard that is effective for the year ended 31 December 2019 and has had a material impact on the company's financial statements, see Note 23.

No other new accounting standards, or amendments to accounting standards, or IFRS Interpretation Committee (IFRS IC) interpretations that are effective for the year ended 31 December 2019, have had a material impact on the company's financial statements.

Consolidated financial statements

The financial statements contain information about the individual company and do not contain consolidated financial information as the parent of a group. The company is exempt from preparing group financial statements under Section 400 of the Companies Act 2006. The company is included within the consolidated financial statements of Haldex AB, 'Haldex Group' the company's ultimate parent undertaking, which is incorporated in Sweden.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Principal accounting policies (continued)

Going concern

These financial statements have been prepared on a going concern basis, which assumes the company will continue to be able to meet its liabilities as they fall due for at least 12 months following the date of approval of these financial statements. The directors are required to consider the appropriateness of the going concern basis when preparing the financial statements.

In considering the company's ability to continue as a going concern, the directors have taken into account the company's forecasts which show that it will continue to utilise the Haldex group overdraft facility to support its future operations.

The directors of the company have received a letter of support from its ultimate parent company, Haldex AB, to enable the company to meet its financial obligations as they fall due for a period of eighteen months from the date of the letter; the letter being dated 14 January 2021.

The directors of the ultimate parent company, Haldex AB, confirm that the overdraft facility within Haldex Limited is currently supported by a group banking arrangement with Nordea Bank, Finland PLC whereby Haldex AB is solely responsible for the settlement of any net overdraft position across the group under this arrangement.

Revenue and other operating income

The company's revenue is earned from the design and development of air brake systems for commercial vehicles. Revenue from contracts with customers represents the compensation of the company by other group companies for the research and development activities it performs and is measured at its transaction price, being the amount of consideration to which the company expects to be entitled in exchange for transferring promised goods or services to a customer, net of Value Added Tax (VAT), returns, rebates and discounts.

Sale of goods

Transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling price of each distinct good promised in the contract.

Revenue is recognised at a point in time when the performance obligation is satisfied which is when control of the asset is transferred to the customer and only when it is highly probable that a significant reversal of revenue will not occur. Control is transferred when the goods are dispatched under the company's normal business terms.

Provision of services

Transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling price of each distinct service promised in the contract.

Revenue is recognised at a point in time when the performance obligation is satisfied which is when control is transferred to the customer and only when it is highly probable that a significant reversal of revenue will not occur. Control is transferred when a service has been completed as per the terms of the contract with the customer.

Other operating income is revenue that does not originate from the company's principal business activity.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Principal accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation. Depreciation is calculated on a straight-line basis at rates estimated to write off the cost of tangible fixed assets over their estimated useful lives. The principal asset lives are:

Buildings	25 years
Plant, machinery and equipment	5 to 12 years
Motor vehicles	3 to 4 years
Freehold land is not depreciated.	

An asset's carrying amount is written down immediately to its recoverable amount if the asset carrying amount is greater than its estimated recoverable amount.

Investments

Investments held in subsidiary companies are held at historical cost less provision for any impairment. Investments are reviewed for impairment in accordance with IAS 36 when circumstances indicate that they may be impaired.

An impairment loss will be recognised whenever the carrying value of the investment exceeds its recoverable amount. The recoverable amount is the higher of the investment's net realisable value and its value-in-use. In assessing the value in use, the estimated future cash flows generated are discounted to their present value using a post-tax discount rate that reflects the current market assumptions of the time value of money and the risks specific to the asset concerned. Impairment losses are recognised in the profit and loss account.

Inventories

Costs relating to the on-going design and manufacture of production equipment and tooling to be used for future Haldex product manufacture are held as inventory until the production goes live. These assets will then be transferred at cost to one of the production companies within the Haldex Group.

Foreign currencies

Transactions in foreign currency are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling at the rates of exchange ruling at the balance sheet date. Exchange gains and losses arising on monetary assets and liabilities are taken to the Income statement. Non-monetary assets and liabilities are not retranslated.

Post-employment benefits

Defined benefit pension scheme

The defined benefit pension scheme closed in January 2016 and the employees became members of the defined contribution scheme. The pension charge is based on a full actuarial valuation dated 31 December 2016 and updated by an independent actuary as at 31 December 2019.

The cost of providing pensions is charged to the Income statement in accordance with IAS 19 over the periods benefiting from the services of employees. The funding for past service is invested through the scheme's trustees. The amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Principal accounting policies (continued)

Defined benefit pension scheme (continued)

Past service costs are recognised immediately in the Income statement if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking into account of any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. The net interest is recognised in the Income statement as other finance income or cost. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling and return on the net assets (excluding amounts included in net interest), are recognised immediately in Other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the company expects to recover by way of refunds from the plan or reductions in the future contributions.

The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method.

Defined contribution pension scheme

A defined contribution scheme is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independent administered fund. The amount charged to the profit and loss represents the contributions payable to the scheme in respect of the accounting period. The company has no further payment obligations once the contributions have been paid.

Current and deferred taxation

The tax charge for the year comprises of current and deferred tax.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Principal accounting policies (continued)

Financial assets

Trade and other receivables

Prepayments and other receivables are stated at their nominal values and are written off where there is no expectation of recovery. Where the time value of money is material, receivables are carried at amortised cost.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Financial liabilities

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Leases

The company's leases primarily consist of buildings, office equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 15 years but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand alone prices. However, for leases of real estate for which the company is lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Until the 2018 financial year, leases of buildings, office equipment and vehicles were classified as operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

The right of use assets and corresponding liabilities are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Principal accounting policies (continued)

Leases (continued)

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Information about critical accounting estimates and judgments in the application of lease accounting is disclosed in Note 2.

As explained in above and in Note 23 the company has changed its accounting policy for leases. The impact of the change is explained in Note 23.

Prior to this change, leases in which a significant portion of the risks and rewards of ownership were not transferred to the company as leases were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity.

2 Judgements in applying significant accounting policies and key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. Management are also required to exercise judgement in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

In preparing these financial statements, the directors have made the following judgements:

Assumptions relating to tax

Management estimation is required to determine the amount of deferred tax assets or liabilities that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Judgements in applying significant accounting policies and key sources of estimation uncertainty (continued)

Pension costs

We provide pension and post-retirement benefits to certain of our employees, including former employees and their beneficiaries. The assets, liabilities and expenses we recognise and the disclosures we make are based on actuarial valuations and assumptions regarding factors such as discount rates, health care cost trend rates, inflation, expected rates of return on plan assets, retirement rates, mortality rates, turnover, rates of compensation increases and other factors.

We ensure that our significant assumptions are within the reasonable range relative to market data. The methodology to set our significant assumptions includes:

Discount rates are estimated using high quality debt securities based on an analysis of AA-graded corporate bonds used to generate a yield curve with a duration matching the expected benefit payments.

The expected rate of compensation increase reflects estimates of the change in future compensation levels due to general price levels, seniority, age and other factors.

The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in Note 16a.

Leases

The lease payments are discounted using the company's incremental borrowing rates of 1.70%-2.15%. An increase or decrease in the incremental borrowing rate would result in a decrease or increase in the right-of-use asset and corresponding liability. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

At 1 January 2019 there are no material potential future cash outflows which have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

3 Revenue

All revenue was derived from the provision of R&D Contract Services to Europe, excluding the United Kingdom.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

4 Other operating income

	2019 £'000	2018 £'000
Research and development expenditure credit ("RDEC")	451	468
Group costs recharged	162	159
Other income	85	36
	698	663

5 Operating profit

Operating profit is stated after charging the following amounts:

	2019 £'000	2018 £'000
Depreciation of owned property, plant and equipment	441	465
Depreciation of right-of-use assets	588	-
Operating lease rentals - plant and machinery	-	19
- other	-	770
Lease expenses	4	-
Auditors' remuneration – audit services	61	18
Foreign exchange losses on trading transactions	2	1

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

6 Employees and directors

Employees

Staff costs including directors' remuneration were as follows:

	2019	2018
	£'000	£'000
Wages and salaries	3,603	2,905
Social security costs	417	342
<i>Other pension costs:</i>		
Defined benefit scheme pension costs (Note 16a)	-	268
Defined contribution scheme pension costs (Note 16b)	297	231
	4,317	3,746

The average monthly number of employees (including directors) during the year was as follows:

By activity	2019	2018
	Number	Number
Engineering	67	54
Administration	11	9
	78	63

Directors

Directors' emoluments were as follows:

	2019	2018
	£'000	£'000
Aggregate emoluments (including pension contributions)	156	168

	2019	2018
	Number	Number
Members of defined benefit scheme to whom benefits are accruing	1	1

One director received no remuneration from the company (2018: one). This director was remunerated for their services to the group as a whole, including Haldex Brake Products Limited, by other group companies. No amounts are rechargeable to Haldex Brake Products Limited for this director's services.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

7 Finance expenses

	2019 £'000	2018 £'000
Group finance expense	74	41
Lease liabilities ¹	122	-
Finance expense from post-employment benefits (Note 16a)	213	210
	409	251

¹The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach (Note 23). In 2019 the interest expense is for lease liabilities under IFRS 16.

8 Tax on profit

a) Analysis of tax for the year

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on profit for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences – current year	77	49
Total deferred tax	77	49
Tax expense recognised in the Income statement	77	49

b) Tax (credit)/charge recognised in Other comprehensive (expense)/income

	2019 £'000	2018 £'000
Deferred tax		
Current year (credit)/charge	(333)	86
Total (credit)/charge recognised in Other comprehensive (expense)/income	(333)	86

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

8 Tax on profit (continued)

c) Reconciliation of tax expense

The tax assessed on the profit before taxation is higher than (2018: lower than) the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Profit before taxation	185	677
Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom 19% (2018: 19%)	35	129
Effects of:		
Disallowed expenses and non-taxable income	52	46
Group relief surrendered	16	-
Movement on deferred tax not recognised	(54)	(98)
Changes in tax rates	28	(28)
Total tax charge for the year	77	49

d) Deferred tax asset

Deferred tax asset relating to pension deficit	2019		2018	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Accelerated capital allowances	-	231	-	228
Other timing differences	1,551	-	1,295	6
Losses	-	1,220	-	1,241
	1,551	1,451	1,295	1,475

The company has not recognised deferred tax assets as noted above as there is insufficient evidence that these will be recoverable against trading profits in future years.

Deferred tax assets have been recognised on certain items where management believe that the deferred tax asset will be recoverable in future years.

	2019 £'000	2018 £'000
At 1 January	1,295	1,430
Deferred tax (charged) to the Income statement	(77)	(49)
Deferred tax credited/(charged) to Other comprehensive (expense)/income	333	(86)
At 31 December	1,551	1,295

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

8 Tax on profit (continued)

e) Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% was not substantively enacted at the reporting date, its effects are not included in these financial statements.

9 Property, plant and equipment

	Freehold land and buildings	Plant, machinery and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2019	915	2,129	570	3,614
Additions	-	286	-	286
At 31 December 2019	915	2,415	570	3,900
Accumulated depreciation				
At 1 January 2019	758	1,472	480	2,710
Charge for the year	152	279	10	441
At 31 December 2019	910	1,751	490	3,151
Net book value				
At 31 December 2019	5	664	80	749
At 31 December 2018	157	657	90	904

Freehold land and buildings includes £nil (2018: £nil) in respect of freehold land which is not depreciated.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

10 Leases

The company's leases primarily consist of buildings, office equipment and vehicles. The amounts recognised in the financial statements in relation to the leases are as follows:

Amounts recognised in the Statement of financial position

	31 December 2019 £'000	1 January 2019 ¹ £'000
Right-of-use assets		
Buildings	5,205	-
Office equipment	16	-
Vehicles	67	-
	5,288	-
Lease liabilities		
Current – amounts falling due within one year (Note 14)	852	-
Non-current- amounts falling due after more than one year (Note 15)	4,559	-
	5,411	-

¹In the previous year the company did not recognise assets in relation to leases that were classified as 'operating leases'. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to Note 23.

Additions to the right-of-use assets during the 2019 financial year were £126,000. There were no disposals of right-of-use assets during the year.

Amounts recognised in the Income Statement

The Income statement shows the following amounts in relation to leases:

	2019 £'000	2018 £'000
Depreciation charge of right-of-use assets:		
Buildings	554	-
Office equipment	16	-
Vehicles	18	-
	588	-
Interest expense (included in finance costs) Note 7	122	-
	710	-

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

10 Leases (continued)

	2019 £'000	2018 £'000
Future minimum lease payments as at 31 December 2019 are as follows¹:		
Not later than one year	665	-
Later than one year and not later than five years	2,378	-
Later than five years	2,899	-
Total gross payments	5,942	-
Impact of finance expenses	(531)	-
Carrying amount of liabilities	5,411	-

¹The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. (Note 23).

The total cash outflow for leases in 2019 was £588,000 (2018: £nil). There were no material expenses in relation to short-term lease payments, low value assets or variable lease payments.

11 Investments

Shares in group undertakings non-current	£'000
Cost and net book value	
At 1 January 2019 and 31 December 2019	115

Investments comprise the whole of the €120,000 issued ordinary share capital of Haldex España S.A, which is not publicly traded, is incorporated and operated in Spain and is engaged in the distribution of air brake systems. Its registered office address is: Haldex España S.A., Galileo Galilei num 72nd, 08403 Granollers, Spain. The directors believe that the carrying value of investments is supported by their underlying assets.

12 Inventories

	2019 £'000	2018 £'000
Work in progress	2,902	214

Inventories comprise equipment and tooling under construction for new and improved products which the company is developing. The ownership of these assets will be transferred to the relevant Haldex group company when the products enter commercial operation.

There is no material difference between purchase price or production cost of inventories and their replacement value.

The amount of inventories recognised as an expense in the year was £nil (2018: £nil) and the amount of write-down of inventories recognised as an expense in the year was £nil (2018: £nil).

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

13 Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	729	2,199
Other receivables	1,427	875
Prepayments and accrued income	664	893
	2,820	3,967

The amounts owed by group undertakings are unsecured, have no fixed repayment date and are not interest bearing.

Other receivables include £863,000 (2018: £602,000) receivable under the Research and Development Expenditure Credit scheme ("RDEC").

All financial instruments included within trade and other receivables are treated as loans and receivables per the classification of financial instruments in IFRS 7. Their fair value is equal to their carrying value.

14 Creditors – amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	2,613	902
Amounts owed to group undertakings	47	107
Other taxation and social security	47	39
Lease liabilities (Note 10)	852	-
Other creditors	119	56
Accruals and deferred income	473	596
	4,151	1,700

The amounts owed to group undertakings have no fixed repayment date, are not repayable by instalments and are not interest bearing. All financial instruments included within creditors are held at amortised costs. Their fair value is equal to their carrying value.

Amounts owed to group undertakings includes £2,500,000 (2018: £2,500,000) held in a segregated bank account in accordance with the Pension Fund Agreement.

15 Creditors – amounts falling due after more than one year

	2019 £'000	2018 £'000
Lease liabilities (Note 10)	4,559	-

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

16 Employee benefit obligations

a) Defined benefit pension scheme

The defined benefit pension scheme (operated by Haldex Limited for employees of Haldex Limited and Haldex Brake Products Limited) closed in January 2016 and employees became members of the defined contribution scheme. The defined benefit scheme is externally funded and provides retirement benefits on the basis of members' final salary. The assets of the scheme are held in self-administered trust funds separated from the assets of the group comprising of Haldex Limited and Haldex Brake Products Limited ("the Group"). A full valuation of the scheme was carried out at 31 December 2016 by Jardine Lloyd Thompson, independent consulting actuaries and updated by an independent actuary as at 31 December 2019. At the reporting date there were no active members and 147 (2018: 151) deferred members in the whole scheme.

Total annual contributions to the scheme are based on independent actuarial advice and are gauged to fund future pension liabilities (including projected increases in pensions) in respect of services up to the balance sheet date. The company has agreed with the trustees to make annual payments to eliminate the funding shortfall by 1 April 2022. In this respect contributions to the scheme for the year were £733,000 (2018: £712,000).

Additionally, in March 2017 the ultimate party company, Haldex AB, agreed to increase the Guaranteed Obligations of all present and future obligations and liabilities of the defined benefit pension scheme (whether actual or contingent and whether owed jointly or severally and in any capacity whatsoever) of both Haldex Limited and Haldex Brake Products Limited to make payments to the Scheme up to a maximum amount of £22,000,000.

The financial assumptions used to calculate scheme liabilities include:

	2019	2018	2017
Inflation	3.50%	3.50% p.a	3.45% p.a
Salary increases	2.80%	2.80% p.a	2.75% p.a
Rate of discount	2.00%	2.90% p.a	2.60% p.a
Pension in payment increases for pensions	3.50%	3.50% p.a	3.45% p.a
<i>Accruing after 6 April 1997:</i>			
Revaluation rate for deferred pensioners	2.50%	2.50% p.a	2.45% p.a

The mortality assumptions adopted at 31 December 2019 imply the following life expectancies:

- Male retiring at age 65 in 2019: 20.6 (2018: male retiring at age 65 in 2018: 20.7)
- Female retiring at age 65 in 2019: 22.4 (2018: female retiring at age 65 in 2018: 22.6)
- Male retiring at age 65 in 2039: 21.6 (2018: male retiring at age 65 in 2038: 21.8)
- Female retiring at age 65 in 2039: 23.7 (2018: female retiring at age 65 in 2038: 23.9)

The best estimate of contributions to be paid by the company into the scheme for the year commencing 1 January 2020 is £755,000 (1 January 2019: £733,000).

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

16 Employee benefit obligations (continued)

a) Defined benefit pension scheme (continued)

	2019	2018	2017
	£'000	£'000	£'000
The assets and liabilities of the scheme at the year end are:			
Assets	20,986	17,854	18,311
Liabilities	(30,046)	(25,474)	(26,692)
Deficit in scheme	(9,060)	(7,620)	(8,381)

	2019	2018	2017
	£'000	£'000	£'000
The fair value of scheme assets was:			
Cash	65	279	7
Diversified growth funds	16,478	15,102	16,554
Liability driven investments	4,443	2,473	1,750
	20,986	17,854	18,311

None of the fair values of the assets shown above include any investments in the company's own financial instruments or any property occupied by, or other assets used by, the company.

	2019	2018
	£'000	£'000
Reconciliation of opening and closing balances of the fair value of scheme assets:		
Fair value of scheme assets at start of year	17,854	18,311
Interest income	517	476
Actuarial gains/(losses)	2,416	(1,109)
Contributions by employer	733	712
Benefits paid and death in service insurance	(534)	(536)
Fair value of scheme assets at end of year	20,986	17,854

The actual return on the scheme assets over the year ending 31 December 2019 was a gain of £2,933,000 (2018: £633,000 loss).

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

16 Employee benefit obligations (continued)

a) Defined benefit pension scheme (continued)

Reconciliation of opening and closing balances of the present value of the scheme liabilities:	2019 £'000	2018 £'000
Scheme liabilities at start of year	25,474	26,692
Interest cost	729	686
Actuarial losses/(gains)	4,377	(1,636)
Benefits paid and death in service insurance	(534)	(536)
Losses due to benefit changes ¹	-	268
Scheme liabilities at end of year	30,046	25,474

¹The English High Court ruling in *Lloyds Banking Group Pension Trustees Limited v Lloyds Bank PLC and others* was published on 26 October 2018, and held that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. This increased pension liability resulted in an amount of £268,000 losses due to benefit changes being charged to staff costs during the financial year ended 31 December 2018.

The total cost recognised as an expense was as follows:	2019 £'000	2018 £'000
Amount charged to operating profit:		
Losses due to benefit changes	-	268
Amount included within staff costs (Note 6)	-	268

Other finance costs:

Net financing cost (Note 7)	213	210
Total charged to Income statement	213	478

The total amount recognised in Other comprehensive (expense)/income was:	2019 £'000	2018 £'000
Actuarial gains/(losses) on fair value of scheme assets	2,416	(1,109)
Actuarial (losses)/gains on present value of scheme liabilities	(4,377)	1,636
Net remeasurement (losses)/gains	(1,961)	527

b) Defined contribution pension scheme

The company participates in a defined contribution scheme. The total cost charged to income in 2019 of £297,000 (2018: £231,000) represents contributions payable to the scheme by the company (Note 6).

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

17 Called up share capital

	2019 £'000	2018 £'000
Authorised		
6,000,000 (2018: 6,000,000) ordinary shares of £1 each	6,000	6,000
Allotted and fully paid		
3,151,000 (2018: 3,151,000) ordinary A shares of £1 each	3,151	3,151
1,750,000 (2018: 1,750,000) ordinary B shares of £1 each	1,750	1,750
	4,901	4,901

The balance classified as share capital includes the total net proceeds on issue of the company's equity shares, comprising £1 ordinary shares. The ordinary A and B shares rank pari passu.

18 Capital commitments

Amounts authorised and committed at 31 December 2019 amounted to £nil (2018: £nil).

19 Other financial commitments

At 31 December the company had future minimum rentals payable under non-cancellable operating leases (under IAS 17) as follows:

	2019 £'000	2018 £'000
Within one year	-	792
After one year but not more than five years	-	2,679
After five years	-	3,677
	-	7,148

20 Related party transactions

As a wholly owned subsidiary of Haldex AB (Note 21), the company has taken advantage of the exemption in FRS 101 from the requirement to disclose transactions within wholly owned group companies.

21 Ultimate and immediate parent company

Haldex AB, a company incorporated in Sweden, is the ultimate parent company and controlling party of Haldex Brake Products Limited, and heads the largest and smallest group, 'Haldex Group', to consolidate the financial statements of the company. The immediate parent company is Haldex Limited, a company incorporated in the United Kingdom.

Copies of the group financial statements can be obtained from Haldex AB, Instrumentgatan 15, Box 501, SE – 261 24 Landskrona, Sweden.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

22 Events after the end of the reporting period

Covid-19

The World Health Organisation declared the COVID-19 outbreak a global pandemic on 11 March 2020 and given the passage of time from the reporting date of 31 December 2019, this is considered to be a non-adjusting event after the end of the reporting period.

The company's level of activity has been maintained during the pandemic with the continued development of next generation of the brake system progressing towards production in 2021. The impact of COVID-19 has been for the majority of the workforce working from home and the office being set up to comply with social distancing and other government COV-ID guidelines. In the fourth quarter a major customer announced a change of direction which resulted in the postponement of a project; the result for Haldex Brake Products Limited was a freeze on recruitment, followed by the non-renewal of sub-contractors and a lease on a building facility was not renewed when it expired in October 2020. There have been no staff furloughed and no financial support sought from the Government.

The biggest impact of COVID-19 has been on the Haldex Group (Note 21) with global economies being heavily impacted by the pandemic, and the impact on group finances which has had a knock-on effect requiring all Haldex Group companies, including Haldex Brake Products Limited, to minimise cost and operate as efficiently as possible.

The company continues to monitor closely the Coronavirus (COVID-19) situation.

23 Effect of adoption of IFRS 16 Leases

As indicated in Notes 1 and 10 the company has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. Under this approach, right-of-use-assets are equivalent to lease liabilities at the date of transition. The new accounting policies are discussed in Note 1.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 January 2019 were 1.70%-2.15%.

Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 determining whether an Arrangement contains a Lease.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

23 Effect of adoption of IFRS 16 leases (continued)

Measurement of lease liabilities

	£'000
Operating lease commitments disclosed as at 31 December 2018	7,148
Discounted using the lessee's incremental borrowing rates of 1.7%-2.15% as at the date of initial application	(737)
Less: adjustments as a result of a different treatment of extension and termination options	(661)
Lease liability recognised as at 1 January 2019	5,750
Of which are:	
Current lease liabilities	503
Non-current lease liabilities	5,247
	5,750

Adjustments recognised in the Statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- Right-of-use assets – increase by £5,750,000
- Lease liabilities – increase by £5,750,000
- Deferred tax liabilities – decrease by £nil

The net impact on Accumulated losses on 1 January 2019 was a decrease of £nil.