

Haldex Brake Products Limited
Annual report and financial statements
for the year ended 31 December 2020

Registered number: 01971131



Haldex Brake Products Limited

Annual report and financial statements for the year ended 31 December 2020

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Haldex Brake Products Limited

Directors and advisers

Directors

C Mellings

M Biork

Company secretary

S Baker

Independent auditors

Cooper Parry Group Limited

Chartered Accountants and Statutory Auditor

Sky View

Argosy Road

East Midlands Airport

Castle Donnington

Derbyshire

DE74 2SA

Bankers

Nordea Bank Finland plc

City Place House

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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 2020

The directors present their Strategic report for the year ended 31 December 2020.

Business review and future developments

The results for the year are shown on page 10. The company's profit for the financial year was £186,000 (2019: £108,000). The company's net liabilities at 31 December 2020 are £5,353,000 (2019: £4,338,000).

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.

Brexit has not impacted the current year with supplies coming via Haldex Group (Note 20) and any services sourced locally. The major area of impacts of Brexit are from the changes to customs and duty/VAT and the returning home of European engineers. The company will rely on courier companies who have the systems and expertise to handle the customs issues and the loss of engineers will be replaced from the highly skilled pool of engineers based in the UK.

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.

Principal risks and uncertainties

As the principal activity of the company is to provide design and development services to the Haldex Group (Note 20) 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 twelve months from the date of the letter; the letter being dated 22 July 2022.

Haldex Brake Products Limited

Strategic report for the year ended 31 December 2020 (continued)

Impact of Coronavirus (COVID-19)

The World Health Organisation declared the COVID-19 outbreak a global pandemic on 11 March 2020 and in November 2020 a second lockdown was announced for all English businesses.

The company's level of activity was maintained during the initial phases of the pandemic until Q4 2020 when one of Haldex Group's customers changed strategic direction leading to the cessation of a major development project which Haldex Brake Products Limited was a major contributor. The impact was a detailed review of resource levels, resulting in all sub-contractors not being renewed by the end of the year and other cost savings activities implemented. The biggest impact of COVID-19 was on the Haldex Group (Note 20) with global economies being heavily impacted by the pandemic, and the impact on group finances which had a knock-on effect requiring all Haldex Group companies to minimise cost and operate as efficiently as possible.

After a detailed review of the development activities taking into account Haldex Group requirements being reduced; Haldex Brake Products Limited implemented a reduction in the workforce from 78 to 56. This reduction was achieved through compulsory/ voluntary redundancy and natural losses. The cost of achieving this resource reduction was £400,000 and will be included in the 2021 results.

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:

	2020 £'000	2019 £'000
Revenue	9,966	10,317
Gross profit	1,998	2,199
Operating profit	675	594
Profit before taxation	194	185

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

22 July 2022

Haldex Brake Products Limited

Directors' report for the year ended 31 December 2020

The directors present their Annual report and the audited financial statements of Haldex Brake Products Limited ('the company') for the year ended 31 December 2020.

Results and dividends

The profit for the financial year will be transferred to reserves. No interim dividend was paid during the year (2019: £nil) and the directors do not recommend the payment of a final dividend (2019: £nil).

Future developments

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

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 twelve months from the date of the letter; the letter being dated 22 July 2022.

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. Having taken into account these confirmations from Haldex AB and with reference to the financial position of Haldex AB the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

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 £7,968,000 (2019: £8,118,000) 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.

Haldex Brake Products Limited

Directors' report for the year ended 31 December 2020 (continued)

Financial risk management

The company's operations expose it to a number of financial risks that include liquidity risk, price 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.

Liquidity risk

The company actively manages its working capital requirements to ensure it has sufficient funds for its operations. The company has access to a group-wide cash pool arrangement to facilitate this.

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.

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 access to a group-wide cash pooling arrangement. The directors will revisit the appropriateness of this policy should the company's operations or cash balances change in size or nature.

Political contributions

During the year the company did not make any political donations (2019: £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.

Haldex Brake Products Limited

Directors' report for the year ended 31 December 2020 (continued)

Engagement with suppliers, customers and other stakeholders

The company's aim is to foster proactive business relationships with its suppliers and partners as we value the role they have in our success, where working closely with them helps maximise value for all parties.

The principal activity of the company is to provide design and development services to its immediate customers which are fellow subsidiaries within the Haldex Group, thereby supporting the wider Haldex Group to constantly innovate, providing excellent service to the external customers of the Haldex Group and avoiding losing market share.

The company recognises the impact of its operations on the community, other stakeholders and the environment, with the aim to build strong relationships where possible.

Directors

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

C Mellings

A Larsson (resigned 31 July 2020)

M Biork (appointed 1 November 2020)

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 regulations.

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.

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.

Haldex Brake Products Limited

Directors' report for the year ended 31 December 2020 (continued)

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 reappoint the auditors for the coming term will be proposed at the Annual General Meeting.

On behalf of the Board



C Mellings

Director

22 July 2022

Haldex Brake Products Limited

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

Opinion

We have audited the financial statements of Haldex Brake Products Limited (the 'Company') for the year ended 31 December 2020, which comprise the Income statement, Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (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 2020 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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 Auditors' 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.

Haldex Brake Products Limited

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

Opinion on other matters prescribed by the Companies Act 2006

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

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

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 Strategic report or the Director's report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Director's responsibilities statement set out on page 3, 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 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.

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:

Our assessment focused on key laws and regulations the partnership has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, International Financial Reporting Standards as adopted by the United Kingdom and relevant tax legislation.

Haldex Brake Products Limited

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

Auditors' responsibilities for the audit of the financial statements (continued)

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to the following:

- obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions and sample testing of controls;
- obtaining an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;
- obtaining an understanding of the entity's risk assessment process, including the risk of fraud;
- designing our audit procedures to respond to our risk assessment; and
- performing audit testing over the risk of management override of controls, including testing of journal entries; and
- other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Neil Calder (Senior statutory auditor)

for and on behalf of

Cooper Parry Group Limited

Chartered Accountants

Statutory Auditor

22 July 2022

Haldex Brake Products Limited

Income statement for the year ended 31 December 2020

		2020	2019
	Note	£'000	£'000
Continuing operations			
Revenue	3	9,966	10,317
Cost of sales		(7,968)	(8,118)
Gross profit		1,998	2,199
Administrative expenses		(1,886)	(2,303)
Other operating income	4	563	698
Operating profit	5	675	594
Finance expenses	7	(481)	(409)
Profit before taxation		194	185
Tax on profit	8	66	(77)
Profit for the financial year		260	108

The notes on pages 14 to 32 form an integral part of these financial statements.

Haldex Brake Products Limited

Statement of comprehensive income for the year ended 31 December 2020

		2020	2019
	Note	£'000	£'000
Profit for the financial year		260	108
Other comprehensive (expense)/income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Net remeasurement (losses) on defined benefit pension scheme	16a	(1,574)	(1,961)
Tax on items relating to components of other comprehensive expense	8b	299	333
Total other comprehensive expense for the financial year, net of tax		(1,275)	(1,628)
Total comprehensive expense for the financial year		(1,015)	(1,520)

The notes on pages 14 to 32 form an integral part of these financial statements.

Haldex Brake Products Limited

Statement of financial position as at 31 December 2020

		2020	2020	2019	2019
Registered number: 01971131	Note	£'000	£'000	£'000	£'000
Fixed assets					
Property, plant and equipment	9		738		749
Right-of-use assets	10		4,698		5,288
Investments in subsidiaries	11		115		115
			5,551		6,152
Current assets					
Deferred tax asset	8d	1,916		1,551	
Inventories	12	5,267		2,902	
Trade and other receivables	13	2,170		2,820	
Cash and cash equivalents		7		7	
		9,360		7,280	
Creditors - amounts falling due within one year	14	(5,990)		(4,151)	
Net current assets		3,370		3,129	
Total assets less current liabilities			8,921		9,281
Creditors - amounts falling due after more than one year	15		(4,221)		(4,559)
Employee benefit obligations	16a		(10,053)		(9,060)
Net liabilities			(5,353)		(4,338)
Equity					
Called up share capital	17		4,901		4,901
Capital reserve			645		645
Accumulated losses			(10,899)		(9,884)
Total shareholders' deficit			(5,353)		(4,338)

The notes on pages 14 to 32 form an integral part of these financial statements.

The financial statements on pages 10 to 32 were approved by the Board of Directors on 22 July 2022 and signed on its behalf by:


C Mellings
Director

Haldex Brake Products Limited

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital	Capital reserve	Accumulated losses	Total shareholders' deficit
	£'000	£'000	£'000	£'000
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 at 31 December 2019	4,901	645	(9,884)	(4,338)
Balance at 1 January 2020	4,901	645	(9,884)	(4,338)
Profit for the financial year	-	-	260	260
Total other comprehensive expense for the financial year, net of tax	-	-	(1,275)	(1,275)
Total comprehensive expense for the financial year	-	-	(1,015)	(1,015)
Balance as at 31 December 2020	4,901	645	(10,899)	(5,353)

The notes on pages 14 to 32 form an integral part of these financial statements.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2020

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.

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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.

Financial Reporting Standard 101 -reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) paragraph 38 of IAS 1, *Presentation of Financial Statements* comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 *Property, plant and equipment*;
- (b) the following paragraphs of IAS 1, *Presentation of financial statements*:
 - (i) 10(d) (statement of cash flows)
 - (ii) 16 (statement of compliance with all IFRS)
 - (iii) 38A (requirement for minimum of two primary statements, including cash flow statements)
 - (iv) 38B-D (additional comparative information)
 - (v) 111 (statement of cash flow information) and
 - (vi) 134-136 (capital management disclosures);
- (c) the requirements of IAS 7 *Statement of cash flows*;
- (d) paragraphs 30 and 31 of IAS 8 *Accounting policies, changes in accounting estimates and errors* (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- (e) Paragraph 17 of IAS 24 *Related party disclosures* (key management compensation);
- (f) Paragraph 18A of IAS 24 *Related party disclosure* (related party transactions entered into between two or more members of a group);
- (g) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*;
- (h) the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- (i) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a to c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

Principal accounting policies (continued)

Financial Reporting Standard 101 -reduced disclosure exemptions (continued)

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 20.

1 New standards, amendments and IFRS IC interpretations

No new accounting standards, or amendments to accounting standards, or IFRS Interpretation Committee (IFRS IC) interpretations that are effective for the year ended 31 December 2020, have had a material impact on the company's financial statements.

Consolidated financial statements

The company is a wholly owned subsidiary of Haldex Limited and of its ultimate parent, Haldex AB 'Haldex Group', which is incorporated in Sweden. It is included within the consolidated financial statements of Haldex AB, which are publicly available. Therefore, the company is exempt, by virtue of Section 400 of the Companies Act 2006, from the requirement to prepare consolidated financial statements. The address of the ultimate parent's registered office is given in Note 20.

These financial statements are separate financial statements.

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 twelve months from the date of the letter; the letter being dated 22 July 2022.

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. Having taken into account these confirmations from Haldex AB and with reference to the financial position of Haldex AB the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

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.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

1 Principal accounting policies (continued)

Revenue and other operating income (continued)

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.

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.

Impairment of non-financial assets

Assets that are subject to depreciation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Investments in subsidiaries

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.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

1 Principal accounting policies (continued)

Post-employment benefits

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 the employees became members of the defined contribution scheme (see below). The defined benefit scheme is externally funded and provides retirement benefits on the basis of members' final salary.

The pension charge is based on a full actuarial valuation dated 31 December 2019 and updated by an independent actuary as at 31 December 2020. 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.

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.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

1 Principal accounting policies (continued)

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.

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

Creditors

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.

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 2020 (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.

Share capital

Ordinary shares are classified as equity.

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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.

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).

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2020 (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.

Revenue

- 3 The whole of the revenue is attributable to the principal activity of the company, which is the provision of R&D Contract Services. All revenue arose from Europe, excluding the United Kingdom.

4 Other operating income

	2020	2019
	£'000	£'000
Research and development expenditure credit ("RDEC")	530	451
Group costs recharged	19	162
Other income	14	85
5	563	698

Operating profit

Operating profit is stated after charging the following amounts:

	2020	2019
	£'000	£'000
Depreciation of owned property, plant and equipment	222	441
Depreciation of right-of-use assets	597	588
Lease expenses	14	4
Auditors' remuneration – audit services	30	61
Foreign exchange losses on trading transactions	1	2

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

Employees and directors

Employees

Staff costs including directors' remuneration were as follows:

	2020	2019
	£'000	£'000
Wages and salaries	3,959	3,603
Social security costs	443	417
<i>Other pension costs:</i>		
Defined contribution scheme pension costs (Note 16b)	338	297
	4,740	4,317

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

By activity	2020	2019
	Number	Number
Engineering	75	67
Administration	9	11
	84	78

Directors

Directors' emoluments were as follows:

	2020	2019
	£'000	£'000
Aggregate emoluments (including pension contributions)	170	156

	2020	2019
	Number	Number
Members of defined benefit scheme to whom benefits are accruing	1	1

One director received no remuneration from the company (2019: 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.

Finance expenses

	2020	2019
	£'000	£'000
Group finance expense	198	74
Lease liabilities (Note 10)	109	122
Finance expense from post-employment benefits (Note 16a)	174	213
	481	409

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

Tax on profit

a) Analysis of tax for the year

	2020	2019
	£'000	£'000
Current tax		
UK corporation tax on profit for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences -- current year	(66)	77
Total deferred tax	(66)	77
Tax expense recognised in the Income statement	(66)	77

b) Tax recognised in Other comprehensive expense

	2020	2019
	£'000	£'000
Deferred tax		
Current year credit	(299)	(333)
Total credit recognised in Other comprehensive expense	(299)	(333)

c) Reconciliation of tax expense

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

	2020	2019
	£'000	£'000
Profit before taxation	194	185
Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom 19% (2019: 19%)	37	35
Effects of:		
Disallowed expenses and non-taxable income	10	52
Group relief surrendered	-	16
Movement on deferred tax not recognised	240	(54)
Changes in tax rates	(353)	28
Total tax (credit)/charge for the year	(66)	77

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

8 Tax on profit

d) Deferred tax asset

Deferred tax asset relating to pension deficit	2020		2019	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Accelerated capital allowances	-	188	-	231
Other timing differences	1,916	-	1,551	-
Losses	-	1,504	-	1,220
	1,916	1,692	1,551	1,451

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.

	2020 £'000	2019 £'000
At 1 January	1,551	1,295
Deferred tax credited/(charged) to the Income statement	66	(77)
Deferred tax credited to Other comprehensive (expense)/income	299	333
At 31 December	1,916	1,551

e) Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that the mainstream rate of UK corporation tax would increase from 19% to 25% from 1 April 2023. This new rate was substantively enacted on 24 May 2021. As the proposal to increase the rate had not been substantively enacted at the reporting date, its effects are not included in these financial statements.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

Property, plant and equipment

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	Freehold land and buildings	Plant, machinery and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2020	915	2,415	570	3,900
Additions	-	207	4	211
Disposals	-	-	(44)	(44)
At 31 December 2020	915	2,622	530	4,067
Accumulated depreciation				
At 1 January 2020	910	1,751	490	3,151
Charge for the year	1	212	9	222
Disposals	-	-	(44)	(44)
At 31 December 2020	911	1,963	455	3,329
Net book value				
At 31 December 2020	4	659	75	738
At 31 December 2019	5	664	80	749

Freehold land and buildings includes £nil (2019: £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 2020 (continued)

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

	2020	2019
	£'000	£'000
Right-of-use assets		
Buildings	4,642	5,205
Office equipment	-	16
Vehicles	56	67
	4,698	5,288
Lease liabilities		
Current – amounts falling due within one year (Note 14)	554	852
Non-current- amounts falling due after more than one year (Note 15)	4,221	4,559
	4,775	5,411

Additions to the right-of-use assets during the financial year were £nil (2019: £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:

	2020	2019
	£'000	£'000
Depreciation charge of right-of-use assets:		
Buildings	562	554
Office equipment	16	16
Vehicles	19	18
	597	588
Interest expense (included in finance costs) Note 7	109	122
	706	710

The total cash outflow for leases in 2020 was £659,000 (2019: £588,000). There were no material expenses in relation to short-term lease payments, low value assets or variable lease payments.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

Investments in subsidiaries

Shares in group undertakings non-current £'000

Cost and net book value

11 At 1 January 2020 and 31 December 2020 115

Investments as at both 1 January 2020 and 31 December 2020 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.

Inventories

12	2020 £'000	2019 £'000
Work in progress	5,267	2,902

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.

13 The amount of inventories recognised as an expense in the year was £nil (2019: £nil) and the amount of write-down of inventories recognised as an expense in the year was £nil (2019: £nil).

Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	681	729
Other receivables	1,215	1,427
Prepayments and accrued income	274	664
	2,170	2,820

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

Other receivables include £957,000 (2019: £863,000) 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.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

Creditors – amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	976	2,613
14 Amounts owed to group undertakings	3,620	47
Other taxation and social security	50	47
Lease liabilities (Note 10)	554	852
Other creditors	123	119
Accruals and deferred income	667	473
	5,990	4,151

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 (2019: £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

	2020	2019
	£'000	£'000
Lease liabilities (Note 10)	4,221	4,559

Lease liabilities falling due after more than one year include £2,057,000 due after more than five years .

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

Employee benefit obligations

a) Defined benefit pension scheme

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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").

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. At the reporting date there were no active members and 136 (2019: 147) deferred members in the whole scheme.

The risks of the scheme are as follows:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. 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 £755,000 (2019: £733,000). The best estimate of contributions to be paid by the company into the scheme for the year commencing 1 January 2021 is £778,000 (1 January 2020: £755,000).

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.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increase in life expectancy will result in an increase in the plan's liabilities.

Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the plan's assets are either unaffected by (in case of fixed interest bonds) or loosely correlated to (in case of equities) inflation, meaning that an increase in inflation will also increase the deficit.

A full valuation of the scheme was carried out at 31 December 2019 by Jardine Lloyd Thompson, independent consulting actuaries and updated by an independent actuary as at 31 December 2020.

The financial assumptions used to calculate scheme liabilities include:

	2020	2019	2018
Inflation	3.20%	3.50%	3.50% p.a
Salary increases	3.10%	2.80%	2.80% p.a
Rate of discount	1.40%	2.00%	2.90% p.a
Pension in payment increases for pensions	3.20%	3.50%	3.50% p.a
<i>Accruing after 6 April 1997:</i>			
Revaluation rate for deferred pensioners	2.50%	2.50%	2.50% p.a

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

16 Employee benefit obligations (continued)

a) Defined benefit pension scheme (continued)

The mortality assumptions adopted at 31 December 2020 imply the following life expectancies:

- Male retiring at age 65 in 2020: **21.5** (2019: male retiring at age 65 in 2019: 20.6)
- Female retiring at age 65 in 2020: **23.2** (2019: female retiring at age 65 in 2019: 22.4)
- Male retiring at age 65 in 2040: **22.5** (2019: male retiring at age 65 in 2039: 21.6)
- Female retiring at age 65 in 2040: **24.4** (2019: female retiring at age 65 in 2039: 23.7)

	2020	2019	2018
	£'000	£'000	£'000
The assets and liabilities of the scheme at the year end are:			
Assets	22,779	20,986	17,854
Liabilities	(32,832)	(30,046)	(25,474)
Deficit in scheme	(10,053)	(9,060)	(7,620)

The following table provides an indication of the sensitivity of the value of liabilities to changes in assumptions.

	Impact on liabilities
Decrease discount rate by 0.1% p.a	Increase by 2.0%
Increase inflation linked assumptions by 0.1%	Inflation linked liabilities increase by 2.0%
Increase life expectancy by 1 year	Increase by 2.0%

The sensitivity analyses are based on a change in an assumption, while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions might be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (that is, present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the Statement of financial position. The methods and types of assumption used in preparing the sensitivity analysis did not change compared to the previous period.

	2020	2019	2018
	£'000	£'000	£'000
The fair value of scheme assets was:			
Cash	55	65	279
Diversified growth funds	17,196	16,478	15,102
Liability driven investments	5,528	4,443	2,473
	22,779	20,986	17,854

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.

Haldex Brake Products Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

16 Employee benefit obligations (continued)

a) Defined benefit pension scheme (continued)

	2020	2019
	£'000	£'000
Reconciliation of opening and closing balances of the fair value of scheme assets:		
Fair value of scheme assets at start of year	20,986	17,854
Interest income	381	517
Actuarial gains	1,311	2,416
Contributions by employer	755	733
Benefits paid and death in service insurance	(654)	(534)
Fair value of scheme assets at end of year	22,779	20,986

The actual return on the scheme assets over the year ending 31 December 2020 was a gain of £1,692,000 (2019: £2,933,000 gain).

	2020	2019
	£'000	£'000
Reconciliation of opening and closing balances of the present value of the scheme liabilities:		
Scheme liabilities at start of year	30,046	25,474
Interest cost	555	729
Actuarial losses	2,885	4,377
Benefits paid and death in service insurance	(654)	(534)
Scheme liabilities at end of year	32,832	30,046

	2020	2019
	£'000	£'000
The total cost recognised as an expense was as follows:		

Other finance costs:

Net financing cost (Note 7)	174	213
Total charged to Income statement	174	213

	2020	2019
	£'000	£'000
The total amount recognised in Other comprehensive (expense)/income was:		
Actuarial gains on fair value of scheme assets	1,311	2,416
Actuarial losses on present value of scheme liabilities	(2,885)	(4,377)
Net remeasurement losses	(1,574)	(1,961)

b) Defined contribution pension scheme

The company participates in a defined contribution scheme. The total cost charged to income in 2020 of £338,000 (2019: £297,000) 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 2020 (continued)

Called up share capital

	2020	2019
	£'000	£'000
Authorised		
17 6,000,000 (2019: 6,000,000) ordinary shares of £1 each	6,000	6,000
Allotted and fully paid		
3,151,000 (2019: 3,151,000) ordinary A shares of £1 each	3,151	3,151
1,750,000 (2019: 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.

Capital commitments

- 18 Amounts authorised and committed at 31 December 2020 amounted to £nil (2019: £nil).

19 Related party transactions

As a wholly owned subsidiary of Haldex AB (Note 20), the company has taken advantage of the exemption in FRS 101 from the requirement to disclose transactions within wholly owned group companies.

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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.

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

Events after the end of the reporting period

After a detailed review of the development activities, taking into account Haldex Group requirements being reduced; Haldex Brake Products Limited implemented a reduction in the workforce from 78 to 56. This reduction was achieved through a combination of compulsory/ voluntary redundancies and natural losses. The cost of achieving this resource reduction was £400,000 and will be included in the 2021 results.