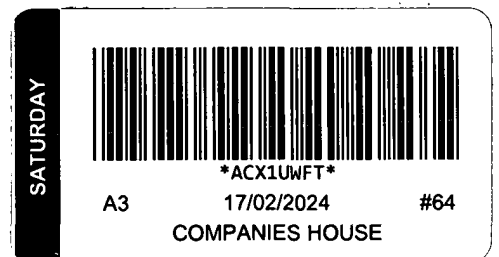


Company registration number 03870587 (England and Wales)

PHINIA DELPHI UK LTD
(PREVIOUSLY BORGWARNER TECHNOLOGIES LIMITED)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



PHINIA DELPHI UK LTD

COMPANY INFORMATION

Directors

J Kyte	(Appointed 31 August 2022)
C Bird	(Appointed 8 June 2023)
N Fryer	(Appointed 8 June 2023)
G Muir	(Appointed 3 July 2023)

Secretary Pinsent Masons Secretarial Limited

Company number 03870587

Registered office

Brunel Way
Stroudwater Business Park
Stonehouse
Gloucestershire
GL10 3SX

Independent Auditors

PricewaterhouseCoopers LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0FR

Bankers

Citibank N.A.
Citigroup Centre
33 Canada Square
Canary Wharf
London
E14 5LB

Solicitors

Pinsent Masons LLP
1 Park Row
Leeds
LS1 5AB

PHINIA DELPHI UK LTD

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PHINIA DELPHI UK LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Fair review of the business

PHINIA Delphi UK Ltd (the "Company") supplies diesel automotive technology to heavy and medium duty vehicle manufacturers and the independent aftermarket. The Company was a wholly owned subsidiary of BorgWarner Inc. (the "Parent") during the year ended 31 December 2022. On 3 July 2023 Borgwarner Inc. (the Group) executed a spin-off of its Fuel Systems and Aftermarket segments into a separate, publicly traded company - PHINIA Inc. As of 3 July 2023 the Company is a wholly owned subsidiary of PHINIA Inc.

Customers include many of the world's largest original equipment manufacturers, such as Volvo Trucks, Renault Trucks, PACCAR DAF, Caterpillar and Daimler and we strive to offer the best possible products and customer service.

The Company supplies advanced fuel injection equipment for commercial vehicles with most of the business coming from the European, Asian and North American markets. The Company also supplies some mechanical fuel injection products for off highway and developing markets.

Key financial performance indicators monitored by management are turnover and operating profit margins. In 2022 turnover was £589m (2021 - £543m) reflecting the increase in market share and continued growth of the Company. Operating margins for the business rose from 11% to 13%. As at 31 December 2022 the Company's balance sheet was strong with net assets of £537m (2021 - £503m).

Principal risks and uncertainties

Cyclical nature of automotive sales and production

The Company's business is directly related to the sales levels and productions volumes of its customers in the automotive sector, in particular with respect to commercial and off highway vehicles. Automotive sales and production are highly cyclical and, in addition to general economic conditions, also depend on other factors, such as consumer confidence and preferences. Lower global automotive sales result in substantially all of the Company's automotive Original Equipment Manufacturer (OEM) customers significantly lowering vehicle production schedules, which has a direct impact on its earnings and cash flows.

The Company's sales are also affected by inventory levels and OEM's production levels. It is not possible to predict when OEMs will decide to increase or decrease inventory levels or whether new inventory levels will approximate historical inventory levels. Uncertainty and other unexpected fluctuations could have a material adverse effect on the Company's business and financial condition.

Prolonged economic downturn or economic uncertainty

The Company's sensitivity to economic cycles and any related fluctuation in the business of its customers or potential customers may have a material adverse effect on its financial condition, results of operations or cash flows. There are several external factors that impact on the wider economy at present such as the lingering impact of the COVID-19 pandemic, aggressive interest rate policy in western nations, cost of living crisis, political unrest and war in international territories. Global economic conditions remain highly uncertain in 2023.

Economic declines that result in significant reduction in automotive sales and production by our customers have in the past had, and in the future may have, an adverse effect on our business, results of operations and financial condition.

PHINIA DELPHI UK LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Principal risks and uncertainties (continued)

Climate risk

The directors consider climate risk as part of the risk review process. PHINIA Delphi UK Ltd recognises the important role that ICE (internal combustion engine) vehicles will play in the gradual transition from ICE to more sustainable forms of transport. The greatest risk to the business arising from climate issues would be the obsolescence of combustion engines such that the products made by the Company become redundant. This is deemed low risk since at present there is no commercially at scale produced renewable fuel motor that can manage medium and heavy duty freight loads at ranges required for industry use. Overall climate risk is deemed to be low in the medium term.

Financial risk management

The Company does not use derivatives to manage its financial risk. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the Company's business, and the assets and liabilities contained within the Company's balance sheet, the only financial risks that the directors consider relevant to this Company are credit risk, currency risk and price risk.

Currency and credit risk management

The Company is exposed to a level of currency risk when suppliers invoice foreign currency such as Euros and US Dollars. Currency risk for the Group is managed by the central treasury function of the Group on a portfolio basis across all of its subsidiaries and mainly through cash pooling. Credit risk is mitigated by the Company's credit control policies.

Price risk management

The Company is exposed to price risk on its supply chain. Input costs on purchases are subject to volatility in markets such as raw materials and energy. Due to recent macro-economic developments such as high levels of inflation, price risk on the supply side has become a greater risk for the business. Price risk is managed via robust supply chain management.

Other uncertainties

Automotive sales and production can be affected by labour relations issues, regulatory requirements, trade agreements, the availability of consumer financing and other factors. Risks are mitigated by ensuring strong relationships with key stakeholders such as trade unions & regulatory bodies.

Corporate Governance

The directors recognise the benefits and importance of good governance. Section 172 of the Companies Act 2006 requires directors to act in a way they consider, in good faith, would most be likely to promote the success of the Company for the benefit of all stakeholders.

Going concern

In assessing Going Concern the directors have given thought to uncertainty around the economy and inflation, uncertainty around energy prices and availability as well as the company's status as sponsor of the PHINIA Delphi UK Limited defined benefit pension scheme. Whilst there are major risks to the business at present, many steps have been taken to mitigate risk. Examples of this include fixing our energy unit price & streamlining OEM operations. The directors are of the view that the Company is likely to have sufficient cash flow from operations to meet its liabilities as they fall due. Additionally, if needed PHINIA Inc has offered to support the entity to meet its liabilities as it falls due for at least 12 months from date of approval of the financial statements.

On 3 July 2023 BorgWarner Inc. executed a tax-free spin-off of its Fuel Systems and Aftermarket segments into a separate, publicly traded company (PHINIA Inc.). The separation supports PHINIA Inc. to pursue growth opportunities in alternative fuels, such as hydrogen, and in Aftermarket. Following the spin-off the Company name changed to PHINIA Delphi UK Limited (formally BorgWarner Technologies Limited).

The financial and operational effect of the proposed transaction had limited impact on the Company. The method of financing of PHINIA Delphi UK Limited has continued under a group-wide cash pool model. Overall, the directors do not foresee material uncertainty around Going Concern related to the Spin-Off announcement.

PHINIA DELPHI UK LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Non Financial Information

The Company has regard for social issues impacting the areas in which the company operates. The Company is aware of the recent cost of living crisis and is working with the trade union to support employees. The Company is conscious of human rights issues, risk is mitigated by strong procurement controls. The Company provides training to all staff concerning anti-corruption and bribery. Non-Financial KPI's include staff turnover/retention and energy usage. For a more detailed explanation of BorgWarner's/PHINIA's Non-Financial KPI's please see the BorgWarner/PHINIA website or Form 10k annual report.

Future Prospects

The Company is a leader in the development, design, and manufacture of vehicle propulsion systems that optimise engine performance, increase vehicle efficiency, reduce emissions, improve driving performance and support increasing electrification of vehicles.

The Company continues to invest heavily in research and development (R&D) at its facilities globally in order to ensure that it continues to develop leading technology and to be positioned well for the future. The Company supports PHINIA Inc. in R&D through its facilities in Gillingham, Kent in order to ensure that it continues to develop leading technology and be positioned well for the future.

Market conditions remain tight due to the ongoing war in Ukraine and the spill over off this into the cost of energy and the availability of energy. These impacts have been mitigated by growth of other European markets and fixing future energy unit prices. The cost of living crisis is ongoing with increasing employment costs to support the current workforce. This is mitigated by growth of European markets and trend towards longevity of ICEs.

On behalf of the board



.....
J Kyte
Director

Date: 16 February 2024

PHINIA DELPHI UK LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and audited financial statements for the year ended 31 December 2022.

Results and dividends

The results for the year are set out on pages 12 and 13. The future outlook for the Company is discussed within the strategic report.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

C Aaron	(Resigned 3 July 2023)
W Allen	(Resigned 31 August 2022)
W North	(Appointed 21 February 2022 and resigned 19 May 2023)
P Mistry	(Resigned 3 March 2022)
T Anderson	(Appointed 31 August 2022 and resigned 11 September 2023)
J Kyte	(Appointed 31 August 2022)
C Bird	(Appointed 8 June 2023)
N Fryer	(Appointed 8 June 2023)
G Muir	(Appointed 3 July 2023)

None of the directors had any material interests in any shares of the Company. No director was or is materially interested in any contract subsiding during, or at the end of the year. The Company however, does operate a share option plan for senior leadership.

Indemnity provision for directors

Qualifying third party professional indemnity insurance is in place for all directors of the Company. The cost is borne by the Company.

Qualifying pension scheme indemnity provision

A qualifying third party indemnity was in force during the financial year and at the date of signing the financial statements.

Political donations

No political or charitable donations were made in the year to 31 December 2022 (2021: £nil).

Research and development

The Company continues to maintain a level of investment commensurate with its objectives of meeting the needs of the market place and enhancing its competition.

Disabled persons

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

PHINIA DELPHI UK LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Employee involvement

The directors recognise the important role that employees play in the success of the business. The Company makes a conscious effort to involve its employees in decision making. The Company regularly informs its staff with companywide communications including communications from the PHINIA Delphi leadership team. A substantial number of our employees and the employees of our largest customers and suppliers are members of industrial trade unions or work councils and are employed under the terms of various labour agreements. The Company coordinates with these groups for the benefit of employees.

Employee involvement is actively encouraged in all areas of the Company and is seen as fundamental to our continuing success. Regular and open communication is carried out to encourage participation and update all employees on group objectives and progress towards them. This is achieved in the following ways: email correspondence with all employees communicating relevant announcements that are made concerning the business, employee participation through regular communications with management, employee feedback mechanisms and up-to-date information regarding financial and economic affairs via management presentations and as required in exceptional circumstances.

Business relationships

The Company is committed to supporting the needs of its customers and suppliers. The Company continues to focus on fuel efficiency and reducing emissions in order to meet increasingly stringent regulatory requirements faced by both customers and suppliers throughout the supply chain. The Company helps customers fulfil their aims to improve vehicle performance and meet regulatory requirements.

Energy and carbon report

For large unquoted companies for financial years starting on or after 1 April 2019, Streamlined Energy and Carbon Reporting (SECR) has been introduced. In line with The Companies (Directors' Report) and Limited Liability Partnership (energy and Carbon Report) Regulations 2018, set out below are disclosures containing information about our energy usage and GHG emissions.

	2022	2021
<i>Energy consumption</i>	kWh	kWh
Aggregate of energy consumption in the year		
- Gas combustion	16,425,346	12,986,794
- Electricity purchased	42,637,444	42,124,896
	<u>59,062,790</u>	<u>55,111,690</u>
<i>Emissions of CO2 equivalent</i>	2022	2021
	metric	metric
	tonnes	tonnes
Scope 1 - direct emissions		
- Gas combustion	3,022.00	2,390.00
Scope 2 - indirect emissions		
- Electricity purchased	10,915.00	10,784.00
	<u>13,937.00</u>	<u>13,174.00</u>
Total gross emissions		
	<u>13,937.00</u>	<u>13,174.00</u>
<i>Intensity ratio</i>		
CO2 / FTE Headcount	9.47	8.95

PHINIA DELPHI UK LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Quantification and reporting methodology

The Company monitors its power usage and related CO₂ emissions at its Gillingham and Stonehouse manufacturing plants. Total energy usage is determined using data from our energy supplier. The related CO₂ emissions arising from such energy usage are calculated using a 'Grid mix' formula that applies a conversion rate to the usage. The resulting output allows us to estimate CO₂ emissions. The Grid mix conversion factor is obtained from reports issued by the UK Government concerning greenhouse gas emissions. The Company also operates an Aftermarket sales division in Warwick, England. The Aftermarket sales division of the business only uses a small fraction of the total energy since it does not operate energy intensive manufacturing equipment. To account for energy usage at this division the data for Gillingham and Stonehouse has been grossed up by 10% to give an estimate of the total usage of BorgWarner Technologies Limited. The Company outsources all carriage and freight thus the below data does not include any figures related to carriage and freight. Fuel usage by employees who own company cars is deemed to be negligible in light of the manufacturing operations. Business travel emissions are trivial in light of our manufacturing operations and have therefore not been included in the above data.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e per FTE Headcount, the recommended ratio for the sector.

Measures taken to improve energy efficiency

PHINIA Delphi UK Limited is a recognized leader in designing and building systems and components that enable vehicles to save fuel and operate more efficiently. We are positive about the role we play in the industry and that so much of what we do contributes to decreasing carbon emissions and other pollutants. For more information on the specific strategies employed by the Group concerning ESG, please see our 2022 sustainability report which is publicly available on the BorgWarner website.

Post Balance Sheet Event

On 3 July 2023 BorgWarner Inc. executed a tax-free spin-off of its Fuel Systems and Aftermarket segments into a separate, publicly traded company (PHINIA Inc.). The separation supports PHINIA Inc. to pursue growth opportunities in alternative fuels, such as hydrogen, and in Aftermarket. Following the spin-off the Company name changed to PHINIA Delphi UK Limited (formally BorgWarner Technologies Limited).

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards, comprising FRS102, 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for 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 also 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

PHINIA DELPHI UK LTD

DIRECTORS' REPORT (CONTINUED)

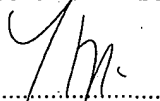
FOR THE YEAR ENDED 31 DECEMBER 2022

Directors' confirmations

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

- So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware; and
- They have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



.....
J Kyte
Director

Date: 16 February 2024

Independent auditors' report to the members of PHINIA Delphi UK Ltd

Report on the audit of the financial statements

Opinion

In our opinion, PHINIA Delphi UK Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 balance sheet as at 31 December 2022; the profit and loss account; the statement of comprehensive income and 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

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.

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

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

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

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 or, 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. 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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK corporation tax, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to increase revenue, and management bias in accounting estimates in particular to the accounting estimation of pension liabilities. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions and judgements used to determine pension liabilities;
- Reviewing minutes of the meetings of those charged with governance for evidence of breaches of laws and regulations and reading relevant correspondence;
- Incorporating unpredictability into the nature, timing and/or extent of our testing and
- Identifying and testing journal entries posted with unusual account combinations, in particular any such entries posted to revenue.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

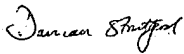
Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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.



Duncan Stratford (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors, Bristol, 16 February 2024

PHINIA DELPHI UK LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000's	2021 £000's
Turnover	3	588,872	543,111
Cost of sales		(439,366)	(395,871)
Gross profit		149,506	147,240
Distribution costs		(22,163)	(23,603)
Administrative expenses		(43,938)	(56,658)
Other operating income		-	296
Restructuring expenses		(1,380)	(5,098)
Operating profit	4	82,025	62,177
Interest receivable and similar income	7	5,041	4,353
Interest payable and similar expenses	8	(932)	(2,122)
Loss on sale of fixed assets	9	(757)	(6,167)
Loss on defined benefit pension plan	19	(2,134)	(3,526)
Profit before taxation		83,243	54,715
Tax on profit	10	(6,727)	(4,973)
Profit for the financial year		76,516	49,742

The profit and loss account has been prepared on the basis that all operations are continuing operations.

PHINIA DELPHI UK LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £000's	2021 £000's
Profit for the year	<u>76,516</u>	<u>49,742</u>
Other comprehensive income		
Actuarial (loss)/gain on defined benefit pension schemes	(50,073)	126,799
Pension scheme liabilities assumed as a result of transfer	(5,843)	-
Tax relating to other comprehensive income	<u>14,241</u>	<u>(31,700)</u>
Other comprehensive income for the year	<u>(41,675)</u>	<u>95,099</u>
Total comprehensive income for the year	<u>34,841</u>	<u>144,841</u>

PHINIA DELPHI UK LTD

BALANCE SHEET

AS AT 31 DECEMBER 2022

	Note	2022 £000's	2021 £000's
Fixed assets			
Goodwill	11	867	1,726
Tangible assets	12	109,684	103,674
Investments	13	190	-
		<u>110,741</u>	<u>105,400</u>
Current assets			
Stocks	14	100,902	83,371
Debtors	15	455,103	410,114
Cash at bank and in hand		101,167	80,889
		<u>657,172</u>	<u>574,374</u>
Creditors: amounts falling due within one year	16	<u>(178,529)</u>	<u>(166,875)</u>
Net current assets		<u>478,643</u>	<u>407,499</u>
Total assets less current liabilities		<u>589,384</u>	<u>512,899</u>
Provisions for liabilities			
Provisions	17	4,509	9,975
Defined benefit pension liability	19	2,708	4,009
		<u>(7,217)</u>	<u>(13,984)</u>
Defined benefit pension (liability)/surplus	19	<u>(44,571)</u>	<u>3,840</u>
Net assets		<u>537,596</u>	<u>502,755</u>
Capital and reserves			
Called up share capital	20	133,100	133,100
Share premium account		104,654	104,654
Profit and loss account		299,842	265,001
Total equity		<u>537,596</u>	<u>502,755</u>

The financial statements on pages 12 to 31 were approved by the board of directors and authorised for issue on 16 February 2024 and are signed on its behalf by:


 J Kyte
 Director

Company Registration No. 03870587

PHINIA DELPHI UK LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Share premium account	Profit and loss reserves	Total
	£000's	£000's	£000's	£000's
Balance at 1 January 2021	133,100	104,654	120,160	357,914
Year ended 31 December 2021				
Profit for the year	-	-	49,742	49,742
Other comprehensive income:				
Actuarial gain on defined benefit plans	-	-	126,799	126,799
Tax relating to other comprehensive income	-	-	(31,700)	(31,700)
Total comprehensive income for the year	-	-	144,841	144,841
Balance at 31 December 2021	133,100	104,654	265,001	502,755
Year ended 31 December 2022				
Profit for the year	-	-	76,516	76,516
Other comprehensive income:				
Actuarial loss on defined benefit plans	-	-	(50,073)	(50,073)
Pension scheme liabilities assumed as a result of transfer	-	-	(5,843)	(5,843)
Tax relating to other comprehensive income	-	-	14,241	14,241
Total comprehensive income for the year	-	-	34,841	34,841
Balance at 31 December 2022	133,100	104,654	299,842	537,596

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

PHINIA Delphi UK Ltd is a private company limited by shares incorporated in England and Wales. The registered office is Brunel Way, Stroudwater Business Park, Stonehouse, Gloucestershire, GL10 3SX.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000's.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel and transactions with group members.

The financial statements of the company are consolidated in the financial statements of BorgWarner Inc. These consolidated financial statements are available via the Securities and Exchange Commission.

1.2 Going concern

In assessing Going Concern the directors have given thought to uncertainty around the economy and inflation, uncertainty around energy prices and availability as well as the company's status as sponsor of the PHINIA Delphi UK Limited defined benefit pension scheme. Whilst there are major risks to the business at present, many steps have been taken to mitigate risk. Examples of this include fixing our energy unit price & streamlining OEM operations. The directors are of the view that the Company is likely to have sufficient cash flow from operations to meet its liabilities as they fall due. Additionally, if needed PHINIA Inc has offered to support the entity to meet its liabilities as it falls due for at least 12 months from date of approval of the financial statements.

On 3 July 2023 BorgWarner Inc. executed a tax-free spin-off of its Fuel Systems and Aftermarket segments into a separate, publicly traded company (PHINIA Inc.). The separation supports PHINIA Inc. to pursue growth opportunities in alternative fuels, such as hydrogen, and in Aftermarket. Following the spin-off the Company name changed to PHINIA Delphi UK Limited (formally BorgWarner Technologies Limited).

The financial and operational effect of the proposed transaction had limited impact on the Company. The method of financing of PHINIA Delphi UK Limited has continued under a group-wide cash pool model. Overall, the directors do not foresee material uncertainty around Going Concern related to the Spin-Off announcement.

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.3 Turnover

Turnover is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, VAT and other sales taxes or duty. The following criteria must also be met before specific revenue streams are recognised:

Sale of goods: Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

1.4 Research and development expenditure

Research and development expenditure is charged to the profit and loss account as incurred.

1.5 Intangible fixed assets - goodwill

Goodwill arising on the acquisition of assets and liabilities, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its estimated useful economic life, which is between 10 and 20 years. Provision is made for any impairment.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and Buildings	Indefinite
Buildings	16-37 years
Plant and equipment	12 years
Capital Tooling	3 years

The carrying values of property, plant and equipment are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Where such evidence exists, the asset is impaired to its net realisable value based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Impairment of fixed assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists the company estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the company estimates, the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease. An impairment loss recognised for all assets, including investments, is reversed in a subsequent year if and only if the reasons for the impairment loss have ceased to apply.

1.7 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.8 Stocks

Stocks (including work in progress) are valued at the lower of cost and net realisable value. Cost is calculated on a weighted average basis including material, direct labour and appropriate overheads. Net realisable value is based on estimated selling price less and further costs expected to be incurred to completion and disposal. Excess and obsolete stock is provided for based on the age and turns of the product

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year and prior years. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

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 at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax have occurred. 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 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 years in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.13 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the year in which it arises.

Warranty Provision:

Provision is made for liabilities arising in respect of expected customer claims based on historical experience.

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the year in which the employee's services are received.

The Company recognises termination benefits as a liability and an expense only when it is demonstrably committed to either terminate the employment of an employee (or a group of employees) before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy, termination benefits are measured at the best estimate of the expenditure that would be required to settle the obligation at the reporting date. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer. These expenses are recognised within restructuring costs, classed as exceptional items in 2021 and 2022.

1.15 Pension

The Company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

The Company also operates a defined benefit pension scheme which was closed to new entrants from 1 April 2012. New employees can join the defined contribution pension scheme. As of April 2019, the defined benefit scheme closed to accrual of additional benefits. Employees will receive a compensatory cash supplement for two years and are offered to join the Company's defined contribution plan. The cost of providing benefits under the defined benefit plans is determined using the projected unit method, which attributes entitlement to benefits to the current year, (to determine current service cost) and to the current and prior years (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in the income statement immediately. When a change in estimation basis, a settlement or a curtailment occurs, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains are measured when all parties whose consent is required are irrevocably committed to the transaction.

The net interest on the net defined benefit liability is determined by multiplying the net defined benefit liability by the discount rate, both as determined at the start of the annual reporting year, taking account of any changes in the net defined benefit liability during the year as a result of contribution and benefit payments. The net interest on the net defined benefit liability comprises interest cost on the defined benefit obligation and interest income on plan assets. Interest income on plan assets is a component of the return on plan assets, and is determined by multiplying the fair value of the plan assets by the discount rate, both as determined at the start of the annual reporting year, taking account of any changes in the plan assets held during the year as a result of contribution and benefit payments. The difference between the interest income on plan assets and the return on plan assets is included in the measurement of the net defined benefit liability. Actuarial gains and losses are recognised in full in the Statement of Other Comprehensive Income in the year in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and 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 limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

The Company also operates a separate defined benefit group plan where risks are shared between entities under common control. The Group shall obtain information about the plan as a whole measured on the basis of assumptions that apply to the plan as a whole. Individual group entities, PHINIA Delphi UK Ltd being one, shall in their individual financial statements recognise the cost of the defined benefit plan so charged to their share of the obligation.

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.16 Leases

Rentals payable under operating leases (net of any incentives given by the lessor) are charged to the profit and loss account on a straight line basis over the lease term.

1.17 Government grants

Government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Grants are recognised based on the performance model and are measured at the fair value of the asset received or receivable. Where a grant becomes repayable it is recognised as a liability when the repayment meets the definition of a liability.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the year are included in profit or loss.

1.19 Delphi Lockheed Support Agreement

The Company has an agreement with sister company Delphi Lockheed Automotive Limited ("DLA"). As part of the agreement, the Company manages DLA's customer contracts, sales of DLA products and its aftermarket business activities. In return the Company pays to DLA 3% of the gross revenue earned from sales of the DLA product. The 3% takes into consideration any expenses incurred by the Company for the DLA product lines. The minimum amount to be paid is equal to DLA's pension liabilities for the year (regular pension contributions, if any, including any payments in connection with the pension deficit recovery contributions). This fee is shown within administrative expenses in the Income Statement. This agreement was ended in 2020.

1.20 Share-based payments - pre 1 October 2020 (pre acquisition)

Share-based payment arrangements consist of grants of restricted stock units (RSUs), governed by Delphi Technologies PLC's compensation committee. These awards are granted directly to certain company executives by the ultimate parent company. The RSU awards are treated as equity settled in the Delphi Technology PLC financial statements and are therefore treated as equity settled in the company, as the company benefits from the service of the executives. This results in relevant compensation expense being recorded in the income statement and an equal and opposite entry being taken to reserves. Any reimbursement paid by the company to the ultimate parent company is netted off against the amount recognised in reserves.

1.21 Share-based payments - post 1 October 2020 (post acquisition)

BorgWarner operates a stock incentive plan for specific employees. The stock incentive plan is governed by BorgWarner Inc. Upon the purchase of Delphi Technologies PLC by BorgWarner Inc, it was agreed that all outstanding equity under the Delphi Technology PLC RSU scheme would be converted using a conversion factor of 0.4307. For more specific details concerning the BorgWarner stock incentive plan, please see the BorgWarner Inc. 2021 annual report.

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements; estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised where the revision affects only that year, or in the year of the revision and future years where the revision affects both current and future years. Areas affected by judgements and estimates in the financial statements are as follows:

Pensions and other post-employment benefits

The cost of providing benefits under defined benefit pension schemes is determined separately for each of the schemes under the projected unit credit actuarial valuation method. Any actuarial gains or losses are recognised in the year in which they occur. The key assumptions used for the actuarial valuation are based on the best estimate of the factors which will determine the cost of providing post employment benefits.

The Company recognises a pension scheme asset as it has the unconditional right to a refund on the event of winding up of the schemes assuming the gradual settlement of the plan liabilities over time until all members have left the plan.

3 Turnover

Turnover represents amounts derived from the Company's principal activity of supplying diesel automotive products to vehicle manufacturers and vehicle dealerships.

	2022 £000's	2021 £000's
Turnover analysed by geographical market		
UK	107,374	109,103
Europe	280,123	312,666
North America	83,055	72,518
Rest of World	118,320	48,824
	<u>588,872</u>	<u>543,111</u>
	2022 £000's	2021 £000's
Other revenue		
Coronavirus job retention scheme grant	-	296
	<u>-</u>	<u>296</u>

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

4 Operating profit

	2022 £000's	2021 £000's
Foreign currency exchange loss/(gain)	2,379	(2,194)
Research and development costs	41,320	44,802
Government grants	-	(296)
Auditors' remuneration for audit services	310	310
Auditors' remuneration for non audit services	566	359
Depreciation of owned tangible fixed assets	15,700	14,236
Amortisation of goodwill	859	859
Cost of stocks recognised as an expense	7,575	7,851
Operating lease charges	4,713	4,845

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Administration	690	640
Manufacturing	800	804
Total	1,490	1,444

Their aggregate remuneration comprised:

	2022 £000's	2021 £000's
Wages and salaries	66,215	64,410
Social security costs	7,612	6,793
Other pension costs	2,947	5,503
	76,774	76,706

6 Directors' remuneration

	2022 £000's	2021 £000's
Gross salary	499	419
Company pension contributions (money purchase)	40	31
Share based compensation	64	64
	603	514

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

6 Directors' remuneration

(Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2022 £000's	2021 £000's
Gross salary	162	326
Company pension contributions (money purchase)	6	23
Share based compensation	64	64
	<u> </u>	<u> </u>

During the year one director was employed by another group company. This individual has global corporate responsibilities and therefore specific salary costs related to PHINIA Delphi UK Ltd cannot be accurately apportioned and is therefore not included in these financial statements.

7 Interest receivable and similar income

	2022 £000's	2021 £000's
Interest income		
Interest receivable from group companies	4,982	4,353
Net interest on pension plan assets and liabilities	59	-
	<u> </u>	<u> </u>
Total income	5,041	4,353
	<u> </u>	<u> </u>

8 Interest payable and similar expenses

	2022 £000's	2021 £000's
Bank interest payable	905	519
Interest payable to group undertakings	27	9
Net interest on pension plan assets and liabilities	-	1,594
	<u> </u>	<u> </u>
	932	2,122
	<u> </u>	<u> </u>

9 Loss on disposal of fixed assets

	2022 £000's	2021 £000's
Loss on disposal of fixed assets	757	6,167
	<u> </u>	<u> </u>

10 Taxation

	2022 £000's	2021 £000's
Current tax		
UK corporation tax on profits for the current period	1,526	-
Adjustments in respect of prior periods	(247)	2,899
	<u> </u>	<u> </u>
Total current tax	1,279	2,899
	<u> </u>	<u> </u>

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Taxation	(Continued)	
	2022 £000's	2021 £000's
Deferred tax		
Origination and reversal of timing differences	13,590	9,798
Changes in tax rates	1,982	(779)
Adjustment in respect of prior periods	(10,124)	(6,945)
Total deferred tax	<u>5,448</u>	<u>2,074</u>
Total tax charge	<u>6,727</u>	<u>4,973</u>

From 1 April 2023 the UK corporate tax rate will increase to 25%. The applicable deferred tax balances held at the end of the reporting period have been measured at this rate.

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £000's	2021 £000's
Profit before taxation	<u>83,243</u>	<u>54,715</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	15,816	10,396
Difference due to deferred tax rate being higher than current tax rate	-	1,848
Variance due to changes in deferred tax rate	1,982	(2,626)
Research and development credit	-	(1,000)
Permanent timing differences	(175)	362
Group relief	-	39
Current tax adjustments in respect of prior years	(718)	2,899
Deferred tax adjustments in respect of prior years	(10,178)	(6,945)
Taxation charge for the year	<u>6,727</u>	<u>4,973</u>

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2022 £000's	2021 £000's
Deferred tax arising on:		
Tax rate change	(3,417)	-
Actuarial differences recognised as other comprehensive income	(10,824)	31,700
	<u>(14,241)</u>	<u>31,700</u>

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11 Goodwill

	Goodwill £000's
Cost	
At 1 January 2022 and 31 December 2022	80,452
Accumulated amortisation and impairment	
At 1 January 2022	78,726
Amortisation charged for the year	859
At 31 December 2022	79,585
Carrying amount	
At 31 December 2022	867
At 31 December 2021	1,726

The goodwill balance represents various historical business acquisitions made in prior years.

12 Tangible fixed assets

	Land and Buildings £000's	Plant and equipment £000's	Capital Tooling £000's	Total £000's
Cost				
At 1 January 2022	28,603	304,509	24,516	357,628
Additions	-	21,886	1,323	23,209
Disposals	-	(7,124)	-	(7,124)
At 31 December 2022	28,603	319,271	25,839	373,713
Accumulated depreciation				
At 1 January 2022	11,566	225,421	16,967	253,954
Depreciation charged in the year	1,070	12,117	2,513	15,700
Eliminated in respect of disposals	-	(5,625)	-	(5,625)
At 31 December 2022	12,636	231,913	19,480	264,029
Carrying amount				
At 31 December 2022	15,967	87,358	6,359	109,684
At 31 December 2021	17,037	79,088	7,549	103,674

The Company's fixed assets included assets under finance leases with net book value of £26k (2021: £95k).

13 Investments

	2022 £000's	2021 £000's
Other investments	190	-

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13 Investments (Continued)

Movements in Investments

		Other £000's
Cost or valuation		
At 1 January 2022		-
Additions		190
		<hr/>
At 31 December 2022		190
		<hr/>
Carrying amount		
At 31 December 2022		190
		<hr/> <hr/>
At 31 December 2021		-
		<hr/> <hr/>

14 Stocks

	2022 £000's	2021 £000's
Raw materials and consumables	47,667	41,874
Work in progress	7,832	7,060
Finished goods and goods for resale	45,403	34,437
	<hr/>	<hr/>
	100,902	83,371
	<hr/> <hr/>	<hr/> <hr/>

Expenses related to inventory provision during the year ended 31 December 2022 was £7,575k (2021 - £7,851k).

15 Debtors

	2022 £000's	2021 £000's
Amounts falling due within one year:		
Trade debtors	107,954	83,904
Amounts owed by group undertakings	136,977	81,668
Other debtors	34,661	22,530
Prepayments and accrued income	2,280	2,858
	<hr/>	<hr/>
	281,872	190,960
	<hr/> <hr/>	<hr/> <hr/>

£51,497 (2021: £15,321k) included in the amounts due from group undertakings represents cash balances held in a group treasury function that are readily accessible by the Company.

Also included in the amounts due from group undertakings is a credit facility with BorgWarner UK Management Limited ("BWUM") for £58,000k (2021: £58,000- held in amounts falling due after more than one year). The facility with BWUM has a maturity date of 30 April, 2023, a maximum borrowing amount of £60,000k and an interest rate of 1.29%

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

15 Debtors	(Continued)	
	2022 £000's	2021 £000's
Amounts falling due after more than one year:		
Amounts owed by group undertakings	145,356	202,854
Deferred tax asset (note 18)	27,875	16,300
	<u>173,231</u>	<u>219,154</u>
Total debtors	<u>455,103</u>	<u>410,114</u>

Amounts owed by group undertakings due after more than one year represent a long term credit facility with Borgwarner UK Automotive Operations Limited ("BAO") for £49,000k (2021: £49,000k) and a credit facility with BorgWarner Luxemburg Operations ("BOL") for £95,000k (2021: £95,000k).

The credit facility agreement between BAO and the Company is maturing on 30th September 2030 with an interest rate of 2.23%.

The facility with BOL has a maturity date of 29th February 2024, with a principal amount of £95,000k. The interest rate is 1.67%.

16 Creditors: amounts falling due within one year	2022 £000's	2021 £000's
Trade creditors	80,860	83,938
Amounts owed to group undertakings	31,508	23,890
Corporation tax	-	2,899
Other creditors	6,896	5,822
Accruals	59,265	50,326
	<u>178,529</u>	<u>166,875</u>

17 Provisions	2022 £000's	2021 £000's
Warranty	3,443	4,026
Restructuring	1,066	5,949
	<u>4,509</u>	<u>9,975</u>

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17 Provisions

(Continued)

Warranty provision

A provision has been made for the estimated future claims by customers under warranties in respect of products sold during the current and prior years based on historical experience and known claims. It is expected that the majority of this expenditure will be incurred in the next five financial years.

Restructuring provision

A provision has been made for the closure of the Sudbury production facility which was announced on 4 August 2017. The Sudbury plant was fully closed by the end of 2020. Further provision was made for redundancies at the Stonehouse plant.

Movements on provisions:

	Warranty £000's	Restructuring £000's	Total £000's
At 1 January 2022	4,026	5,949	9,975
Additional provisions in the year	3,595	707	4,302
Utilisation of provision	(4,178)	(5,590)	(9,768)
At 31 December 2022	<u>3,443</u>	<u>1,066</u>	<u>4,509</u>

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2022 £000's	Assets 2021 £000's
Balances:		
Retirement benefits	18,137	10,201
Provisions	-	1,326
Fixed assets & other assets	4,914	4,773
Trade losses	2,043	-
RDEC	2,781	-
	<u>27,875</u>	<u>16,300</u>
Movements in the year:		2022 £000's
Asset at 1 January 2022		(16,300)
Charge to profit or loss		15,570
Credit to other comprehensive income		(14,240)
Adjustment in respect of prior years		(12,905)
Asset at 31 December 2022		<u>(27,875)</u>

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

19 Pension schemes

Defined contribution scheme

The company operates a defined contribution pension scheme for all qualifying employees. There were outstanding contributions of £nil at the year end (2021: £nil). The expense for the year was £9,054k (2021: £5,500k).

Defined benefit schemes

Defined benefit scheme - Delphi Technologies Pension Scheme (opened 1 April 2020)

On 1 April 2020 the assets and obligations of the Delco Electronics Overseas Corporate Pension Plan, The Delphi Lockheed Automotive Limited Pension Plan and the Delphi Diesel Systems Pension Scheme were transferred into the new combined scheme called the Delphi Technologies Pension Scheme. The scheme is closed to new entrants. At the date of inception the scheme was sponsored by both PHINIA Delphi UK Limited and Delphi Lockheed Automotive Limited. At the date of signing these financial statements, the sole sponsor is PHINIA Delphi UK Ltd. During 2022 the Company made £2,243k contributions to the plan (2021: £nil).

The latest actuarial valuation of the Delphi Technologies Pension Scheme was completed on 30 April 2023. For the purposes of determining liabilities at the year end date, participant data as of the latest census date, 1 October 2022, are used. The defined benefit obligation is projected to the year end date by assuming no actuarial gains and losses in the interim, except for those assumption changes necessary to reflect the situation at the year end date. There were no significant events that would render the projection inappropriate.

<i>Key assumptions</i>	2022 %	2021 %
Discount rate	1.8	1.3
Expected rate of increase of pensions in payment	2.1 - 3.2	1.9 - 2.8
Expected rate of salary increases	N/A	N/A
RPI inflation	3.4	2.9
CPI inflation	2.9	2.4

<i>Amounts recognised in the profit and loss account</i>	2022 £000's	2021 £000's
Net interest on net defined benefit (asset)/liability	(59)	1,558
Scheme introductions, changes, curtailments and settlements	(9,969)	400
Administrative costs	3,435	3,356
Total (income)/costs	(6,593)	5,314

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

19 Pension schemes

(Continued)

	2022 £000's	2021 £000's
<i>Amounts taken to other comprehensive income</i>		
Actual return on scheme assets	427,001	(49,175)
Less: calculated interest element	19,398	13,890
Return on plan assets	446,399	(35,285)
Actuarial (gain)/loss	(390,483)	(91,514)
Remeasurement effects recognised in OCI	55,916	(126,799)

The amounts included in the balance sheet arising from the company's obligations in respect of defined benefit plans are as follows:

	2022 £000's	2021 £000's
Present value of defined benefit obligations	(692,007)	(1,093,093)
Fair value of plan assets	647,436	1,096,933
(Deficit)/surplus in scheme	(44,571)	3,840

	2022 £000's
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 1 January 2022	1,093,093
Transfer payments	17,414
Plan introductions, changes, curtailments and settlements	(9,969)
Benefits paid	(37,387)
Actuarial gains and losses	(390,483)
Interest cost	19,339
At 31 December 2022	692,007

	2022 £000's
<i>Movements in the fair value of plan assets</i>	
Fair value of assets at 1 January 2022	1,096,933
Transfer payments	16,083
Interest income	19,398
Return on plan assets (excluding amounts included in net interest)	(446,399)
Benefits paid	(37,387)
Other	2,243
Administration expenses	(3,435)
At 31 December 2022	647,436

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

19 Pension schemes

(Continued)

	2022	2021
<i>Fair value of plan assets at the reporting year end</i>	£000's	£000's
Equity instruments	55,846	246,443
Debt instruments	103,442	80,651
Property	98,943	71,309
Hedge Funds	120,630	147,182
Liability Driven Investment (LDI)	216,157	348,306
Currency hedging	4,230	-
Cash and cash equivalents	48,188	203,042
	<u>647,436</u>	<u>1,096,933</u>

Defined benefit scheme - Group Plan

The Company also operates a separate defined benefit group plan where risks are shared between entities under common control. The Group shall obtain information about the plan as a whole measured on the basis of assumptions that apply to the plan as a whole. Individual group entities, PHINIA Delphi UK Limited being one, shall in their individual financial statements recognise the cost of the defined benefit plan so charged to their share of the obligation.

At 31 December 2022, the value of obligations owed by PHINIA Delphi UK Limited was £2,708k (2021 - £4,009k). The charge for the year is recognised in the profit and loss account.

Contributions to the scheme were £nil in 2022 (2021: £nil). Of the two members related to PHINIA Delphi UK Limited one member began to receive benefits on 1 January 2021. The second member began to receive benefits on 1 October 2021. The benefit is due in monthly instalments.

20 Called up share capital

	2022	2021	2022	2021
	Number	Number	£000's	£000's
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	133,100,000	133,100,000	133,100	133,100
	<u>133,100,000</u>	<u>133,100,000</u>	<u>133,100</u>	<u>133,100</u>

21 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022	2021
	£000's	£000's
Within one year	3,741	267
Between two and five years	14,166	100
In over five years	1,603	10,034
	<u>19,510</u>	<u>10,401</u>

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

22 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2022 £000's	2021 £000's
Acquisition of tangible fixed assets	11,660	1,735

23 Related party transactions

The Company is a wholly owned subsidiary of BorgWarner Inc, whose consolidated financial statements are publicly available. The Company has taken advantage of the exemption within FRS 102 section 33, not to disclose transactions with directly or indirectly wholly owned group companies. During the year there were no transactions with associates that were not directly or indirectly wholly owned group companies of the Group.

24 Events after the reporting date

On 3 July 2023 BorgWarner Inc. executed a tax-free spin-off of its Fuel Systems and Aftermarket segments into a separate, publicly traded company (PHINIA Inc.). The separation supports PHINIA Inc. to pursue growth opportunities in alternative fuels, such as hydrogen, and in Aftermarket. Following the spin-off the Company name changed to PHINIA Delphi UK Limited (formally BorgWarner Technologies Limited).

25 Ultimate controlling party

BorgWarner UK Automotive Operations Limited is the immediate parent undertaking of the Company, with registered address 1 Park Row, Leeds, LS1 5AB.

BorgWarner Inc. is the ultimate parent undertaking of the Company. BorgWarner Inc. is incorporated in Jersey and is traded on the New York Stock Exchange. Its registered address is Auburn Hills, Michigan, United States. From 3 July 2023 PHINIA Inc. became the ultimate parent undertaking and controlling party.

The parent of both the smallest and largest group for which the results of the Company have been consolidated is BorgWarner Inc. The group financial statements of BorgWarner Inc. are available from the Securities and Exchange Commission in the U.S.