

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 2023



PHINIA DELPHI UK LTD

COMPANY INFORMATION

Directors	J Kyte C Bird N Fryer G Muir	(Appointed 8 June 2023) (Appointed 8 June 2023) (Appointed 3 July 2023)
Secretary	Pinsent Masons Secretarial Limited	
Company number	03870587	
Registered office	Brunel Way Stroudwater Business Park Stonehouse Gloucestershire GL10 3SX	
Auditors	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR	
Bankers	Citibank N.A. Citigroup Centre 33 Canada Square Canary Wharf London E14 5LB Barclays Bank PLC 1 Churchill Place London E14 5HP	
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 2023

The directors present the strategic report for the year ended 31 December 2023.

Fair review of the business

PHINIA Delphi UK Ltd (previously BorgWarner Technologies Limited) (the "Company") supplies diesel automotive technology to heavy and medium duty vehicle manufacturers and the independent aftermarket. The Company name change took place on 1 November 2023. The Company was a wholly owned subsidiary of BorgWarner Inc. (the "Previous 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. (the "Parent"). Customers include many of the world's largest original equipment manufacturers (OE), 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 markets. The Company also supplies some mechanical fuel injection products for off highway and developing markets. The Aftermarket segment provides OE specification end-to-end solutions from components to sophisticated software solutions into the independent aftermarket.

Key financial performance indicators monitored by management are turnover and operating profit margins. In 2023 turnover was £620m (2022 - £589m) reflecting the increase in market share and continued growth of the Company. Operating margin for the business in 2023 was 11% (2022: 14%). The decline is represented by the impact of transfer price within PHINIA Inc. as result of loss in customer contracts in the USA. As at 31 December 2023 the Company's balance sheet was strong with net assets of £580m (2022 - £538m). During the year the Company invested £20M (2022: £23M) in fixed assets to update machinery and tooling and had capital commitments of £7M (2022: £11.7M) at the end of the year. The Company disposed of assets worth £14M during the year (2022: £7M), part of this was related with a transfer of business within the PHINIA Group. In 2023 the Company announced plans for restructuring following this transfer of business to ensure the profitability into 2025 and beyond. The cost impact of 2023 was £2M, represented within exceptional costs (2022: £nil).

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 aggressive interest rate policy in western nations, cost of living crisis, political unrest and war in international territories. Global economic conditions remain uncertain in 2024.

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 2023

Principal risks and uncertainties (continued)

Climate risk

The directors consider climate risk as part of the risk review process. PHINIA Delphi UK Ltd (previously BorgWarner Technologies Limited) 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 and fixed price energy contracts

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, availability, as well as the company's status as sponsor of the PHINIA Delphi Pension Scheme. The Directors have given thought to a severe but plausible downside scenario such as significant loss of revenue or product line based on approved forecasts. 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 and investing in next generation low carbon alternatives in the automotive industry. 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 after considering downside scenarios discussed above. Additionally, PHINIA Inc has provided written confirmation 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. The financial and operational effect of the transaction had limited operational disruption following spin-off and financial forecasts for at least 12 months from signing these financial statements. The method of financing of PHINIA Delphi UK Limited (previously BorgWarner Technologies Limited) has continued under a group-wide cash pool model. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the going concern basis has been adopted in preparing the financial statements.

PHINIA DELPHI UK LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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 and these KPI's are aligned to the Group. For a more detailed explanation of PHINIA's Non-Financial KPI's please see the PHINIA website or Form 10k annual report.

Non-financial and sustainability information statement

The below summary provides climate-related governance, strategy, risk management, and performance information aligned with the TCFD framework. The information relates to PHINIA Inc., which includes PHINIA Delphi UK Ltd. and other PHINIA Inc.'s subsidiaries (collectively, "PHINIA," "we," "us," and "our"). For additional information regarding climate-related and other key risks and uncertainties affecting our business, see Item 1A, "Risk Factors" in our 2023 Annual Report on Form 10-K and other reports filed from time to time with the SEC.

As permitted by the regulations governing this report, some disclosure requirements have been omitted. PHINIA spun off from its former parent in July 2023, and as a newly public company, we are actively working to build and enhance our environmental and sustainability practices. These enhancements may include analysis of business model resilience using different climate scenarios and expanding upon the targets and KPIs used to manage and assess our progress relating to climate-related risks and opportunities that are described in the Company's 2023 Sustainability Report. We are committed to continuous improvement, and as we mature as an independent company, we will seek to further develop our disclosure practices and related processes.

The information in this report and related information made available on or through our website does not cover all information about our business. The inclusion of information or references in this report should not be construed as a characterization regarding the materiality of such information to our business or financial results or that such information is necessarily material to investors or other stakeholders for purposes of federal, state, and local securities and other laws, regulations, and requirements.

Strategy

PHINIA is committed to considering the potential risks and opportunities climate change may pose to our business. From time to time, we establish new strategies and set new expectations related to the impacts of climate change and other environmental matters, including evaluating ways to reduce the resource needs of our operations and the direct and indirect environmental impacts of the supply, manufacturing, use, and disposal of our products. Our ability to achieve any such strategies or expectations is subject to numerous factors and conditions, many of which are outside of our control. Examples of such factors include, but are not limited to, evolving legal, regulatory, and other standards, processes, and assumptions, the pace of scientific and technological developments, increased costs, the availability of requisite financing, and changes in carbon markets. Failures or delays (whether actual or perceived) in achieving our strategies or expectations related to climate change and other environmental matters could adversely affect our business, financial condition, and results of operations, and reputation, and increase the risk of litigation.

Executive members of our Strategy Board and Sustainability Steering Committee and senior leaders within our Sustainability Council monitor changing regulatory requirements and other impacts to our business relating to the impacts of climate change. We seek to balance operational efficiency with resilience through a diversified manufacturing and supplier base while meeting the needs of our customers.

Governance

- **Board Oversight:** Our Board of Directors, through its Corporate Governance Committee, oversees our sustainability strategies and assessment of sustainability-related risks and opportunities, including those related to the impacts of climate change and evolving regulations, and their mitigation through periodic updates from members of the executive-level Sustainability Steering Committee and other senior leaders.
- **Management Oversight:** Our Sustainability Steering Committee consists of senior executives responsible for overseeing strategies across key sustainability topics within our framework, including our Vice President, Operational Excellence that oversees climate-related initiatives. The Sustainability Steering Committee provides periodic updates to the Strategy Board, consisting of our CEO and other executive leaders, on the work of the Sustainability Council and its subject matter experts leading work groups focused on topics across our sustainability framework. The Strategy Board oversees our overall sustainability strategies and goals and provides resources to execute our initiatives.

PHINIA DELPHI UK LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Non-financial and sustainability information statement (continued)

Risk management

PHINIA's CEO, other executive leaders, and our Board of Directors are intent on managing and mitigating various risks to our business and financial performance, including relating to the impacts of climate change and other environmental risks. Such risk management topics are reviewed and discussed on a periodic basis with members of our Board of Directors, among our executive leaders, and across the entire organisation, including relevant to our UK operations, through our sustainability governance structure and enterprise risk management process. Consideration of such risks influences our business strategies, including in operating and investment decisions across our global footprint.

Physical, Transitional, and Regulatory Risks

We have identified climate-related risks and opportunities that may impact us over the short-, medium-, and longer-term. The risks include:

- **Physical Risks:** The physical impacts of climate change could disrupt our operations, including by impacting the availability and cost of materials within our supply chain, and increase insurance and other operating costs. These factors might also impact our decisions to construct new facilities in certain geographic locations. Extraordinary events, including natural disasters or extreme weather events — that might result from the impacts of climate change — might in the future disrupt and adversely impact our business, our global supply chain and access to necessary raw materials, and the global economy generally, potentially resulting in increased costs and the loss of sales and customers. Any of these disruptions or other extraordinary events outside of our control that impact our operations or the operations of our suppliers or customers could adversely impact our business, financial condition, or results of operations.
- **Transitional and Regulatory Risks:** The impacts of climate change continue to raise significant concern and attention worldwide, which has led to swift and stringent legislative and regulatory efforts to limit greenhouse gas emissions. Our manufacturing plants use energy, including electricity and natural gas, and certain of our plants that emit greenhouse gas might be affected by these legislative and regulatory efforts. Greenhouse gas regulations could increase the price of the electricity we purchase, increase costs for use of natural gas, potentially restrict access to or the use of natural gas, require us to purchase allowances to offset our own emissions, or result in an overall increase in costs of raw materials, any one of which could increase our costs, reduce competitiveness in a global economy, impact our reputation, or otherwise negatively affect our business, financial condition or results of operations. Many of our suppliers face similar risks. Supply disruptions relating to such regulations could result in increased costs, could jeopardize the continuity of production, and could have an adverse effect on our business, financial condition or results of operations.

Metrics

We track PHINIA's Scope 1 and Scope 2 greenhouse gas (GHG) emissions, energy use, and our relative efficiency performance. Scope 1 and Scope 2 GHG emissions for the full year 2023 were 8,952 metric tons CO₂e and 72,846 metric tons CO₂e, respectively.

PHINIA DELPHI UK LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

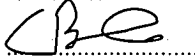
Future Prospects

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 the development of low emission 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



C Bird

Director

Date: 1 November 2024

PHINIA DELPHI UK LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their annual report and audited financial statements for the year ended 31 December 2023.

Results, dividends and future developments

The results for the year are set out on pages 17 and 18. 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 North	(Resigned 19 May 2023)
T Anderson	(Resigned 11 September 2023)
J Kyte	
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 material charitable donations were made in the year to 31 December 2023 (2022: £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.

Section 172(1) statement

The directors are committed to act in good faith to promote the success of the company for the benefit of its members as a whole and understand the need to act fairly as between members of the company.

The consequences of any decision in the long term, the impact of the company's operations on the community and the environment and the desirability of the company maintaining a reputation for high standards of business conduct are discussed within the strategic report.

PHINIA DELPHI UK LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

	2023	2022
<i>Energy consumption</i>	kWh	kWh
Aggregate of energy consumption in the year		
- Gas combustion	14,427,406	16,425,346
- Electricity purchased	42,258,985	42,637,444
	<u>56,686,391</u>	<u>59,062,790</u>
	2023	2022
<i>Emissions of CO2 equivalent</i>	metric tonnes	metric tonnes
Scope 1 - direct emissions		
- Gas combustion	2,655	3,022
Scope 2 - indirect emissions		
- Electricity purchased	10,818	10,915
	<u>13,473</u>	<u>13,937</u>
Total gross emissions		
	<u>8.93</u>	<u>9.47</u>
<i>Intensity ratio</i>		
CO2 / FTE Headcount		

PHINIA DELPHI UK LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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 PHINIA Delphi UK Limited (previously 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 (previously BorgWarner Technologies Limited) is a recognised 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 Company concerning ESG, please see our 2023 sustainability report which is publicly available on the PHINIA website.

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.

Financial risk management

Financial risk management is discussed within the strategic report.

PHINIA DELPHI UK LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Post balance sheet event

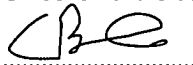
On 28 February 2024 the Company agreed a loan extension with PHINIA Delphi Luxembourg SARL for £110,000k with a maturity date of 28 February 2029. The loan will bear interest rate of SONIA plus 200 basis points. On 1 May 2024 the Company agreed a loan extension with PHINIA Management UK Limited for £60,000k and maturity date of 1 May 2029. The loan will bear interest of SONIA plus 250 basis points.

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



.....
C Bird

Director

Date: 1 November 2024

PHINIA DELPHI UK LTD

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 2023 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: Balance Sheet as at 31 December 2023; the Profit and Loss Account, Statement of Comprehensive Income and 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.

PHINIA DELPHI UK LTD

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF PHINIA DELPHI UK LTD

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 2023 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.

PHINIA DELPHI UK LTD

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF PHINIA DELPHI UK LTD

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 the Companies Act 2006 and tax legislation in relation to corporate, employee and VAT, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 manipulate financial results, including the improper creation or inclusion of transactions in revenue through inappropriate journal entries. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance to enquire of any known instances of non-compliance with laws and regulations or fraud;
- Obtaining an understanding of the legal and regulatory frameworks applicable to the Company, including those that relate to the relevant tax compliance regulations;
- Evaluating the effectiveness of management's controls designed to prevent and detect irregularities;
- Reviewing legal expense nominal ledger accounts and board minutes for indications of non-compliance with laws and regulations and fraud;
- Identifying and testing journal entries that meet our defined risk criteria, in particular any journal entries posted with unusual account combinations, such as unusual credits to revenues; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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.

PHINIA DELPHI UK LTD

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF PHINIA DELPHI UK LTD

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.

R Cletheroe

Rachel Cletheroe (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
1 November 2024

PHINIA DELPHI UK LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £000's	Restated 2022 £000's
Turnover	3	620,109	588,872
Cost of sales		(480,551)	(477,158)
Gross profit		139,558	111,714
Distribution costs		(4,823)	(5,620)
Administrative expenses		(62,986)	(22,689)
Other operating income		578	-
Exceptional item	4	(2,709)	(1,380)
Operating profit	5	69,618	82,025
Interest receivable and similar income	8	13,643	5,041
Interest payable and similar expenses	9	(4,159)	(932)
Gain/(Loss) on sale of fixed assets	10	380	(757)
Loss on defined benefit pension plan		(2,349)	(2,134)
Profit before taxation		77,133	83,243
Tax on profit	11	(19,936)	(6,727)
Profit for the financial year		57,197	76,516

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

The notes on pages 21 to 40 form part of these financial statements.

Refer to note 27 for details of the restated amounts in 2022.

PHINIA DELPHI UK LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 £000's	2022 £000's
Profit for the year	<u>57,197</u>	<u>76,516</u>
Other comprehensive expense		
Actuarial loss on defined benefit pension schemes	(19,894)	(50,073)
Pension scheme liabilities assumed as a result of transfer	-	(5,843)
Tax relating to other comprehensive expense	<u>4,974</u>	<u>14,241</u>
Other comprehensive expense for the year	<u>(14,920)</u>	<u>(41,675)</u>
Total comprehensive income for the year	<u>42,277</u>	<u>34,841</u>

PHINIA DELPHI UK LTD

BALANCE SHEET

AS AT 31 DECEMBER 2023

	Note	2023		2022	
		£000's	£000's	£000's	£000's
Fixed assets					
Intangible fixed assets	12		263		867
Tangible fixed assets	13		109,761		109,684
Fixed asset investments	14		190		190
			<u>110,214</u>		<u>110,741</u>
Current assets					
Stocks	15	106,013		100,902	
Debtors	16	555,130		455,103	
Cash at bank and in hand		41,180		101,167	
			<u>702,323</u>	<u>657,172</u>	
Creditors: amounts falling due within one year	17	<u>(159,600)</u>		<u>(178,529)</u>	
Net current assets			<u>542,723</u>		<u>478,643</u>
Total assets less current liabilities			<u>652,937</u>		<u>589,384</u>
Provisions	18	3,640		4,509	
Defined benefit pension liability	20	2,509		2,708	
			<u>(6,149)</u>	<u>(7,217)</u>	
Net assets excluding pension liability			<u>646,788</u>		<u>582,167</u>
Defined benefit pension liability	20		<u>(66,915)</u>		<u>(44,571)</u>
Net assets			<u><u>579,873</u></u>		<u><u>537,596</u></u>
Capital and reserves					
Called up share capital	21		133,100		133,100
Share premium account			104,654		104,654
Profit and loss account			342,119		299,842
			<u>579,873</u>		<u>537,596</u>
Total equity			<u><u>579,873</u></u>		<u><u>537,596</u></u>

The financial statements on pages 17 to 40 were approved by the board of directors and authorised for issue on 1 November 2024 and are signed on its behalf by:



.....
C Bird
Director

PHINIA DELPHI UK LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital £000's	Share premium account £000's	Profit and loss reserves £000's	Total £000's
Balance at 1 January 2022	133,100	104,654	265,001	502,755
Year ended 31 December 2022				
Profit for the year	-	-	76,516	76,516
Other comprehensive income for the year				
Actuarial losses 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	-	-	34,841	34,841
Balance at 31 December 2022	133,100	104,654	299,842	537,596
Year ended 31 December 2023				
Profit for the year	-	-	57,197	57,197
Other comprehensive income for the year				
Actuarial losses on defined benefit plans	-	-	(19,894)	(19,894)
Tax relating to other comprehensive income	-	-	4,974	4,974
Total comprehensive income	-	-	42,277	42,277
Balance at 31 December 2023	133,100	104,654	342,119	579,873

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

Company information

PHINIA Delphi UK Limited (previously BorgWarner Technologies Limited) is a private company limited by shares incorporated in England. The registered office is Brunel Way, Stroudwater Business Park, Stonehouse, Gloucestershire, GL10 3SX. The Company has 3 main sites being the registered office, Warwick and Gillingham all in the United Kingdom.

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.

1.2 Going concern

In assessing Going Concern the directors have given thought to uncertainty around the economy and inflation, uncertainty around energy prices, availability, as well as the company's status as sponsor of the PHINIA Delphi Pension Scheme. The Directors have given thought to a severe but plausible downside scenario such as significant loss of revenue or product line based on approved forecasts. 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 and investing in next generation low carbon alternatives in the automotive industry. 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 after considering downside scenarios discussed above. Additionally, PHINIA Inc has provided written confirmation 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. The financial and operational effect of the transaction had limited operational disruption following spin-off and financial forecasts for at least 12 months from signing these financial statements. The method of financing of PHINIA Delphi UK Limited (previously BorgWarner Technologies Limited) has continued under a group-wide cash pool model. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the going concern basis has been adopted in preparing the financial statements.

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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. In addition to discounts the company offers performance-based rebate plans, which are contractually agreed.

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	Indefinite
Buildings	40 years
Plant and equipment	12 years
Capital Tooling	3 years

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 the 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.

When there is an impairment trigger IAS36 requires the valuation to be performed at higher of value in use or fair value less cost of disposal.

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. Recoverable value is measured at market value less cost to sell.

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.

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies (Continued)

1.7 Fixed asset investments (continued)

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 standard costing 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 2023

1 Accounting policies

(Continued)

1.10 Financial instruments (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

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. The Company has no other financial liabilities measured at fair value through profit or loss.

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies (Continued)

1.10 Financial instruments (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 2023

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 2022 and 2023.

1.15 Retirement benefits

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 2023

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 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.

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

	2023 £000's	2022 £000's
Turnover analysed by geographical market		
UK	104,903	107,374
Europe	374,912	280,123
North America	69,593	83,055
Rest of World	70,701	118,320
	<u>620,109</u>	<u>588,872</u>

4 Exceptional item

	2023 £000's	2022 £000's
Expenditure		
Restructuring expenses	2,709	1,380
	<u>2,709</u>	<u>1,380</u>

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

5	Operating profit	2023 £000's	Restated 2022 £000's
	Inventory recognised as an expense	346,974	325,237
	Foreign currency exchange (gain)/loss	(256)	2,379
	Research and development costs	42,947	41,320
	Auditors' remuneration for audit services	337	310
	Auditors' remuneration for non audit services	359	566
	Depreciation of owned tangible fixed assets	14,142	15,700
	Amortisation of goodwill	604	859
	Impairment of stocks recognised as an expense	2,088	1,412
	Operating lease charges	4,550	4,713

Restated figures relate to impairment of stocks recognised as an expense updated to remove scrappage.

6 Employees

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

	2023 Number	2022 Number
Administration	362	333
Manufacturing	811	800
Research & development	335	358
Total	1,508	1,490

Their aggregate remuneration comprised:

	2023 £000's	2022 as restated £000's
Wages and salaries	70,375	68,394
Social security costs	7,478	7,667
Other pension costs	5,188	5,337
	83,041	81,398

Restatement of 2022 relates to inclusion of research and development staff costs and correction to include all payrolled employees of the Company. The restatement amounts to an increase in the staff costs for 2022 by £4.6m.

7	Directors' remuneration	2023 £000's	2022 £000's
	Gross salary	927	499
	Company pension contributions (money purchase)	35	40
	Share based compensation	93	64
		1,055	603

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

7 Directors' remuneration (Continued)

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

	2023 £000's	2022 £000's
Gross salary	449	162
Company pension contributions (money purchase)	13	6
Share based compensation	-	64
	<u>462</u>	<u>232</u>

Directors' remuneration disclosed above for the year ended 31 December 2023 represents payments to 3 directors (2022: 2) for their qualifying services as directors to the Company.

Directors' remuneration for 2 directors (2022: 2) are paid by ultimate parent company PHINIA Inc and no amounts are recharged to the Company (2022: £nil). These individuals have global corporate responsibilities and therefore specific remuneration related to their qualifying services to PHINIA Delphi UK Limited (previously BorgWarner Technologies Limited) cannot be reliably estimated and therefore not included in these financial statements.

1 director (2022: 1) is paid by ultimate parent company PHINIA Inc and details of their remuneration are included in the financial statements of PHINIA Inc in 2023. In 2022 their remuneration is disclosed within the above note.

8 Interest receivable and similar income

	2023 £000's	2022 £000's
Interest income		
Interest on financial instruments	106	-
Interest receivable from group companies	13,537	4,982
Net interest on pension plan assets and liabilities	-	59
	<u>13,643</u>	<u>5,041</u>

9 Interest payable and similar expenses

	2023 £000's	2022 £000's
Bank interest payable	1,820	905
Interest payable to group undertakings	201	27
Net interest on pension plan assets and liabilities	2,138	-
	<u>4,159</u>	<u>932</u>

10 Gain/(loss) on sale of fixed assets

	2023 £000's	2022 £000's
Gain/(loss) on sale of fixed assets	380	(757)
	<u>380</u>	<u>(757)</u>

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

11 Tax on profit	2023 £000's	2022 £000's
Current tax		
UK corporation tax on profits for the current period	1,204	1,526
Adjustments in respect of prior periods	1,611	(247)
Total current tax	<u>2,815</u>	<u>1,279</u>
Deferred tax		
Origination and reversal of timing differences	17,374	13,590
Changes in tax rates	811	1,982
Adjustment in respect of prior periods	(1,064)	(10,124)
Total deferred tax	<u>17,121</u>	<u>5,448</u>
Total tax charge	<u>19,936</u>	<u>6,727</u>

On 1 April 2023 the UK corporate tax rate increased 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:

	2023 £000's	2022 £000's
Profit before taxation	<u>77,133</u>	<u>83,243</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 23.52% (2022: 19.00%)	18,142	15,816
Variance due to changes in deferred tax rate	811	1,982
Permanent timing differences	437	(175)
Current tax adjustments in respect of prior years	546	(718)
Deferred tax adjustments in respect of prior years	-	(10,178)
Taxation charge for the year	<u>19,936</u>	<u>6,727</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:

	2023 £000's	2022 £000's
Deferred tax arising on:		
Tax rate change	(295)	(3,417)
Actuarial differences recognised as other comprehensive income	(4,679)	(10,824)
	<u>(4,974)</u>	<u>(14,241)</u>

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

11 Tax on profit (continued)

Pillar Two legislation

On December 20, 2021, the OECD/G20 Inclusive Framework ("IF") on Base Erosion and Profit Shifting ("BEPS") released Model Global Anti-Base Erosion ("GloBE") rules ("Model Rules") under Pillar Two. On 20th June 2023, the UK substantially enacted Pillar Two Model Rules, effective as from 1st January 2024.

The company has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The company is within the scope of the OECD Pillar Two Model rules and an initial assessment carried out by PHINIA Inc. and its advisors, on behalf of its global subsidiaries, based on the most recent financial information estimated that any exposure to additional taxation for the company was not material.

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

12 Intangible fixed assets

	Goodwill £000's
Cost	
At 1 January 2023 and 31 December 2023	80,452
Accumulated amortisation and impairment	
At 1 January 2023	79,585
Amortisation charged for the year	604
At 31 December 2023	80,189
Carrying amount	
At 31 December 2023	263
At 31 December 2022	867

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

13 Tangible fixed assets

	Land and Buildings £000's	Plant and equipment £000's	Capital Tooling £000's	Total £000's
Cost				
At 1 January 2023	28,603	319,271	25,839	373,713
Additions	5,989	12,154	1,799	19,942
Disposals	(24)	(11,671)	(2,687)	(14,382)
At 31 December 2023	34,568	319,754	24,951	379,273
Accumulated depreciation and impairment				
At 1 January 2023	12,636	231,913	19,480	264,029
Depreciation charged in the year	1,070	10,517	2,555	14,142
Eliminated in respect of disposals	(45)	(6,429)	(2,185)	(8,659)
At 31 December 2023	13,661	236,001	19,850	269,512
Carrying amount				
At 31 December 2023	20,907	83,753	5,101	109,761
At 31 December 2022	15,967	87,358	6,359	109,684

The Company's fixed assets included assets under finance leases with net book value of £nil (2022: £26,000). The value of Land included within 'Land and Buildings' is £15,000k (2022: £15,000k).

14 Investments

	2023 £000's	2022 £000's
Other investments	190	190

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

15 Stocks

	2023 £000's	2022 £000's
Raw materials and consumables	47,234	47,667
Work in progress	6,825	7,832
Finished goods and goods for resale	51,954	45,403
	<u>106,013</u>	<u>100,902</u>

There is no significant difference between the replacement cost of the inventory and its carrying amount. Inventories are stated after provisions for impairments of £11,694k (2022: £10,734k).

16 Debtors

	2023 £000's	2022 £000's
Amounts falling due within one year:		
Trade debtors	106,923	107,954
Amounts owed by group undertakings	353,038	136,977
Other debtors	27,662	34,661
Prepayments and accrued income	2,591	2,280
	<u>490,214</u>	<u>281,872</u>

£182,071k (2022: £51,497k) included in the amounts due from group undertakings represents cash balances held in a group treasury function that are readily accessible by the Company. The amounts owed by group undertakings have increased by £121,000k in the year due to movements in the cash pool arrangement.

Also included in the amounts due from group undertakings are the following credit facilities with; PHINIA Management UK Limited (previously BorgWarner UK Management Limited) for £58,000k (2022: £58,000k). The facility has a maturity date of 30 April 2024. The facility has a maximum borrowing amount of £60,000k and an interest rate of 5.9% and credit facility with PHINIA Delphi Luxembourg SARL ("PDL") (previously BorgWarner Luxembourg Operations) for £95,000k (2022: £95,000k). The facility with PDL has a maturity date of 29 February 2024, with a principal amount of £95,000k. The interest rate was 1.67% during 2023.

Subsequent to year end the loans were extended, see note 26 for details.

	2023 £000's	2022 £000's
Amounts falling due after more than one year:		
Amounts owed by group undertakings	49,190	145,356
Deferred tax asset (note 19)	15,726	27,875
	<u>64,916</u>	<u>173,231</u>
Total debtors	<u>555,130</u>	<u>455,103</u>

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

16 Debtors

(Continued)

Amounts owed by group undertakings due after more than one year represent a long term credit facility with Phinia Holdings UK Limited ("PHU") (previously Borgwarner UK Automotive Operations Limited) for £49,000k (2022: £49,000k).

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

17 Creditors: amounts falling due within one year

	2023 £000's	2022 £000's
Trade creditors	62,298	80,860
Amounts owed to group undertakings	33,496	31,508
Other creditors	3,139	6,896
Accruals and deferred income	60,667	59,265
	<u>159,600</u>	<u>178,529</u>

18 Provisions for liabilities

	2023 £000's	2022 £000's
Warranty	3,299	3,443
Restructuring	341	1,066
	<u>3,640</u>	<u>4,509</u>

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 2023	3,443	1,066	4,509
Additional provisions in the year	1,805	2,709	4,514
Reversal of provision	(158)	-	(158)
Utilisation of provision	(1,791)	(3,434)	(5,225)
	<u>3,299</u>	<u>341</u>	<u>3,640</u>
At 31 December 2023	<u>3,299</u>	<u>341</u>	<u>3,640</u>

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

19 Deferred taxation

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

	Assets 2023 £000's	Assets 2022 £000's
Balances:		
Retirement benefits	17,441	18,137
Fixed assets & other assets	(1,715)	4,914
Trade losses	-	2,043
RDEC	-	2,781
	<u>15,726</u>	<u>27,875</u>
		2023 £000's
Movements in the year:		
Asset at 1 January 2023		(27,875)
Charge to profit or loss		18,185
Credit to other comprehensive income		(4,679)
Effect of change in tax rate - profit or loss		(1,064)
Effect of change in tax rate - other comprehensive income		(293)
Asset at 31 December 2023		<u>(15,726)</u>

A deferred tax asset of £17,441k (2022 - £18,137k) has been recognised, relating to defined benefit pension deficit and other timing differences. The Directors believe it is probable that the Company will continue to generate taxable profits in future, against which this asset will be recovered. Based on current forecasts and schedule of contributions, £775,000 of the closing net deferred tax asset is expected to reverse in the following year. There is no expiry date for capital allowances, tax losses or other timing differences.

20 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. There were outstanding contributions of £nil at the year end (2022: £nil). The expense for the year was £8,649k (2022: £9,054k).

Defined benefit schemes

Defined benefit scheme – PHINIA Delphi Pension Scheme (opened 1 April 2020)

The Scheme is composed of four legacy plans, namely, Delco Electronics Overseas Company Limited, Delphi Diesel Systems Pension Scheme, Delphi Lockheed Automotive Limited Pension Plan and Sevcon Limited Pension Plan. The four plans are all closed to new members with Delco Electronics Overseas Company Limited closed on 1 April 2012, both Delphi Diesel Systems Pension Scheme and Delphi Lockheed Automotive Limited Pension Plan closed on 1 April 2019 and Sevcon Limited Pension Plan closed on 1 September 2012. At the date of inception the scheme was sponsored by both PHINIA Delphi UK Limited (previously BorgWarner Technologies Limited) and Delphi Lockheed Automotive Limited. At the date of signing these financial statements, the sole sponsor is PHINIA Delphi UK Ltd (previously BorgWarner Technologies Limited). During 2023 the Company made £2,229k contributions to the plan (2022: £2,243k). During 2024 the Company is expected to make contributions of £3,100k.

The latest actuarial valuation of the PHINIA Delphi Pension Scheme was completed on 28 February 2024. For the purposes of determining liabilities at the year end date, participant data as of the latest census date, 1 October 2023, 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.

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

20 Retirement benefit schemes

(Continued)

	2023	2022
<i>Key assumptions</i>	%	%
Discount rate	4.5	4.8
Expected rate of increase of pensions in payment	2.1 - 3.2	2.1 - 3.4
Expected rate of salary increases	N/A	N/A
RPI inflation	3.2	3.4
CPI inflation	2.7	2.9
Remaining life expectancy from age 65 (years):		
Male: currently aged 65 years old	20.5	20.8
Female: currently aged 65 years old	22.0	22.3
Male: reaching age 65 in 15 years' time	21.3	21.6
Female: reaching age 65 in 15 years' time	23.1	23.4
	<u> </u>	<u> </u>
	2023	2022
<i>Amounts recognised in the profit and loss account</i>	£000's	£000's
Net interest on net defined benefit liability/(asset)	2,138	(59)
Scheme introductions, changes, curtailments and settlements	-	(9,969)
Other costs and income	2,541	3,435
	<u> </u>	<u> </u>
Total costs/(income)	4,679	(6,593)
	<u> </u>	<u> </u>
	2023	2022
<i>Amounts taken to other comprehensive income</i>	£000's	£000's
Actual return on scheme assets	(17,472)	427,001
Less: calculated interest element	30,050	19,398
	<u> </u>	<u> </u>
Return on scheme assets excluding interest income	12,578	446,399
Actuarial changes related to obligations	7,316	(390,483)
	<u> </u>	<u> </u>
Total costs	19,894	55,916
	<u> </u>	<u> </u>
The amounts included in the balance sheet arising from the company's obligations in respect of defined benefit plans are as follows:		
	2023	2022
	£000's	£000's
Present value of defined benefit obligations	694,286	692,007
Fair value of plan assets	(627,371)	(647,436)
	<u> </u>	<u> </u>
Deficit in scheme	66,915	44,571
	<u> </u>	<u> </u>

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

20 Retirement benefit schemes (Continued)

	2023 £000's
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 1 January 2023	692,007
Benefits paid	(37,225)
Actuarial gains and losses	7,316
Interest cost	32,188
At 31 December 2023	<u>694,286</u>

	2023 £000's
<i>Movements in the fair value of plan assets</i>	
Fair value of assets at 1 January 2023	647,436
Interest income	30,050
Return on plan assets (excluding amounts included in net interest)	(12,578)
Benefits paid	(37,225)
Contributions by the employer	2,229
Other	(2,541)
At 31 December 2023	<u>627,371</u>

	2023 £000's	2022 £000's
<i>Fair value of plan assets at the reporting year end</i>		
Equity instruments	109,495	55,846
Debt instruments	68,564	103,442
Property	132,293	98,943
Hedge Funds	24,240	120,630
Liability Driven Investment (LDI)	261,543	216,157
Currency hedging	4,295	4,230
Cash and cash equivalents	26,941	48,188
	<u>627,371</u>	<u>647,436</u>

The Virgin Media Ltd v NTL Pension Trustees II Ltd legal case

On 16 June 2023, the High Court handed down its decision in The Virgin Media Ltd vs NTL Pension Trustees II Ltd legal case which concerned the implications of section 37 of the Pension Schemes Act 1993. Subsequently, Virgin Media Ltd filed an appeal, the hearing for which took place on 26 and 27 June 2024 and on 25 July 2024 it was announced that the Court of Appeal upheld the High Court's ruling. The Trustee and the Company will work with their advisers, to consider the implications of the case and what further actions (if any) need to be taken in relation to assessing whether there may be any potential impacts on the Scheme. As a result of this, no provision has been made in the financial statements.

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

20 Retirement benefit schemes

(Continued)

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 (previously BorgWarner Technologies 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 2023, the value of obligations owed by PHINIA Delphi UK Limited (previously BorgWarner Technologies Limited) was £2,509k (2022 - £2,708k). The charge for the year is recognised in the profit and loss account.

Contributions to the scheme were £nil in 2023 (2022: £nil). Of the two members related to PHINIA Delphi UK Limited (previously BorgWarner Technologies 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.

21 Called up share capital

	2023	2022	2023	2022
	Number	Number	£000's	£000's
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	13,100,000	133,100,000	133,100	133,100

22 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:

	2023	2022
	£000's	£000's
Within one year	4,025	3,741
Between two and five years	13,214	14,166
In over five years	-	1,603
	<u>17,239</u>	<u>19,510</u>

23 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2023	2022
	£000's	£000's
Acquisition of tangible fixed assets	6,709	11,660

PHINIA DELPHI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

24 Related party transactions

The Company is a wholly owned subsidiary of PHINIA 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. The credit facilities of the Company were extended during 2024, this is discussed in note 26.

25 Ultimate controlling party

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

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

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

26 Post balance sheet event

On 28 February 2024 the Company agreed a loan extension with PHINIA Delphi Luxembourg SARL for £110,000k with a maturity date of 28 February 2029. The loan will bear interest rate of SONIA plus 200 basis points. On 1 May 2024 the Company agreed a loan extension with PHINIA Management UK Limited for £60,000k and maturity date of 1 May 2029. The loan will bear interest of SONIA plus 250 basis points.

27 Restatement

During 2023 the Company reviewed the costs that had been reported as cost of sales, administrative expenses and distribution costs to bring the classification in line with the nature of the activities being performed. Following this review, some costs are now reported in cost of sales have been identified as being directly attributed to revenue generated and a portion of the transfer pricing recharge has been identified as administrative in nature. Therefore the accounts for the year ended 31 December 2022 figures have been restated to reflect the above changes as summarised below. There was no impact on 2022 Operating Profit or the Statement of Financial Position.

£000	Pre restatement 2022 position	Increase	Decrease	Post restatement 2022 position
Cost of Sales	439,366	37,792		477,158
Distribution costs	22,163		(16,543)	5,620
Administrative expenses	43,938		(21,249)	22,689