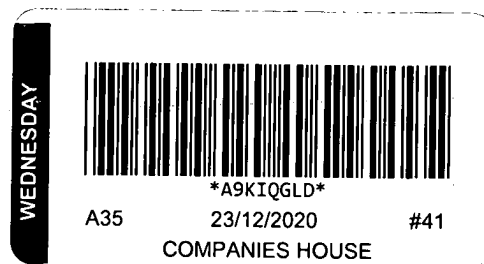


Registered number
05048767

Hartridge Limited
Report and Financial Statements
31 December 2019



Hartridge Limited
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Hartridge Limited
Company Information

Directors

W Allen

A Lee

Secretary

Pinsent Masons Secretarial Ltd

Auditors

Hazlewoods LLP

Windsor House

Bayshill Road

Cheltenham

GL50 3AT

Bankers

Citibank N.A.

Citigroup Centre

Canada Square

Canary Wharf

London

E14 5LB

Solicitor

Pinsent Masons LLP

1 Park Row

Leeds

LS1 5AB

Registered office

Brunel Way

Stroudwater Business Park

Stonehouse

GL10 3SX

Registered number

05048767

Hartridge Limited
Strategic Report
for the year ended 31 December 2019

Results and dividends

The report and audited financial statements of the Company are for the year ended 31 December 2019.

The profit for the year, after taxation, was £0.7m (2018: profit of £1.0m).

During the year no dividends have been paid or are proposed (2018: £5.1m).

Principal activities and review of the business

Hartridge Limited (the "Company") is a wholly owned subsidiary of BorgWarner Inc. (the "Parent").

The Company's principal activity is the design, manufacture and sale of test equipment for testing diesel fuel injection equipment mainly to the automotive market.

| Key Performance Indicators | 2019 | 2018 | Change |
|---|--------|--------|--------|
| The Company's key performance indicators during the year were as follows: | £000's | £000's | % |
| Turnover | 10,114 | 11,030 | (8)% |
| Profit on ordinary activities before taxation | 699 | 1,049 | (36)% |
| Average number of employees | 55 | 54 | 2 % |

Year-on-year turnover decreased by 8% in 2019. The decrease was due to a shift in product mix away from the sole sale of equipment and towards the sale of software credits.

Future prospects

On 2 October 2020 the Delphi Technologies PLC group was successfully acquired by BorgWarner Inc. During the COVID-19 pandemic, our focus has and continues to be on the safety of our staff, customers and suppliers and on adhering to government directives, while taking the necessary actions to navigate the significant shorter-term impacts to our industry.

Subject to uncertainties surrounding the COVID-19 pandemic, at the time of approving these financial statements, the directors are not aware of any significant changes that would impact the principal activities of the business or its ability to continue as a going concern in the 12 months following approval of these financial statements. Consequently, had the financial statements not been prepared on going concern basis, assets would have been impaired and share holder funds reduced accordingly.

The Parent, together with its subsidiaries and affiliates (collectively, "BorgWarner Inc") is a leader in the development, design and manufacture of integrated powertrain technologies that optimise engine performance, increase vehicle efficiency, reduce emissions, improve driving performance, and support increasing electrification of vehicles.

The Group continues to invest heavily in research and development (R&D) at its facilities in order to ensure that it continues to develop leading technology and to be positioned well for the future.

The unaudited interim results of Hartridge Limited show continued good performance in 2020 and the directors conclude that future prospects are good.

Hartridge Limited
Strategic Report (continued)
for the year ended 31 December 2019

Principal risks and uncertainties

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 and currency risk. Credit risk is mitigated by the Company's credit control policies.

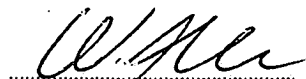
Currency risk management

The Company undertakes some trade in foreign currencies, primarily Euros, and is therefore exposed to a level of currency risk. Currency risk for the BorgWarner Group is managed by the central treasury function on a portfolio basis across all of its subsidiaries, mainly through cash pooling.

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.

Approved by the Board of Directors and signed on behalf of the Board on 18th December 2020.



W Allen
Director

Hartridge Limited

Directors' Report

for the year ended 31 December 2019

Registered number: 05048767

The directors submit their report and audited financial statements of Hartridge Limited (the "Company") for the year ended 31 December 2019.

Going concern

The financial statements have been prepared on a Going Concern basis which assumes the Company will continue in operational existence for the foreseeable future.

The directors have reviewed the forecasts for future trading and the forecast cash requirements and have confirmed that adequate financing is available to enable the Company to continue to meet its liabilities as they fall due for a period of at least 12 months from the date of signing the financial statements.

Directors and their interests

The following persons served as directors during the year and up to the date of signing the financial statements:

W Allen

A Lee

M Compton (Resigned 14 January 2019)

L Esse (Resigned 14 January 2019)

O Lequeue (Appointed 14 January 2019, resigned 14 July 2020)

S Quantrell (Resigned 31 December 2019)

None of the directors had any interests in any shares of the Company. No director was or is materially interested in any contract subsisting during, or at the end of, the accounting period.

Charitable and political donations

No charitable or political donations were made during the period presented.

Disabled employees

The Company gives full consideration to the possibility of employing disabled persons wherever suitable opportunities exist.

Employee involvement

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.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the annual general meeting for reappointment of Hazlewoods LLP as auditor of the Company.

Approved by the Board of Directors and signed on behalf of the Board on 18th December 2020.



W Allen

Director

Hartridge Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 (FRS 102), (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Hartridge Limited

Opinion

We have audited the financial statements of Hartridge Limited for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, it is difficult to evaluate all of the potential implications of the current COVID-19 outbreak on the company's trade, employees, customers, suppliers and the wider economy.

Other Information

The other information comprises the information included in the Directors' Report and the Strategic Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Hartridge Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Directors' Report and the Strategic Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

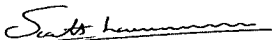
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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



Scott Lawrence (Senior Statutory Auditor)

for and on behalf of Hazlewoods LLP, Statutory Auditor

.....18 December 2020

Hartridge Limited
Income Statement
for the year ended 31 December 2019

| | Note | 2019 £000's | 2018 £000's |
|--|------|----------------|----------------|
| Turnover | 4 | 10,114 | 11,030 |
| Cost of sales | | <u>(7,134)</u> | <u>(7,893)</u> |
| Gross profit | | 2,980 | 3,137 |
| Distribution costs | | (231) | (189) |
| Administrative expenses | | <u>(2,130)</u> | <u>(2,071)</u> |
| Operating profit | 5 | 619 | 877 |
| Interest receivable | 8 | <u>80</u> | <u>172</u> |
| Profit on ordinary activities before taxation | | 699 | 1,049 |
| Tax on profit on ordinary activities | 9 | <u>(30)</u> | <u>(8)</u> |
| Profit on ordinary activities | | <u>669</u> | <u>1,041</u> |

All of the activities of the Company are classified as continuing.

The Company has no other comprehensive income other than the profit for the year.

The notes 1 to 21 form part of these financial statements.

Hartridge Limited
Statement of Financial Position
as at 31 December 2019

| | | | (Restated) |
|---|------|----------------|----------------|
| | | 2019 | 2018 |
| | Note | £000's | £000's |
| Fixed assets | | | |
| Tangible assets | 10 | 1,359 | 1,310 |
| Current assets | | | |
| Stocks | 11 | 2,335 | 3,299 |
| Debtors | 12 | 9,192 | 7,619 |
| Cash at bank and in hand | | 67 | 95 |
| | | <u>11,594</u> | <u>11,013</u> |
| Creditors: amounts falling due within one year | 13 | <u>(2,955)</u> | <u>(2,963)</u> |
| Net current assets | | <u>8,639</u> | <u>8,050</u> |
| Total assets less current liabilities | | <u>9,998</u> | <u>9,360</u> |
| Provisions for liabilities | 14 | (152) | (183) |
| Net assets | | <u>9,846</u> | <u>9,177</u> |
| Capital and reserves | | | |
| Called up share capital | 15 | 30 | 30 |
| Share premium | | 1 | 1 |
| Profit and loss account | | 9,815 | 9,146 |
| Shareholders' funds | | <u>9,846</u> | <u>9,177</u> |

Approved by the Board of Directors and signed on behalf of the Board on 18th December 2020.



W Allen

Director

Registered number: 05048767

Hartridge Limited
Statement of Changes in Equity
as at 31 December 2019

| | Share capital £000's | Share premium £000's | Profit and loss account £000's | Total equity £000's |
|---|----------------------------|----------------------------|--------------------------------------|---------------------------|
| At 1 January 2018 | 30 | 1 | 13,353 | 13,384 |
| Prior period adjustment | — | — | (184) | (184) |
| At 1 January 2018 (Restated) | 30 | 1 | 13,169 | 13,200 |
| Profit for the financial year | — | — | 1,041 | 1,041 |
| Total comprehensive loss for the period | 30 | 1 | 14,210 | 14,241 |
| Dividends | — | — | (5,064) | (5,064) |
| At 31 December 2018 | 30 | 1 | 9,146 | 9,177 |

| | Share capital £000's | Share premium £000's | Profit and loss account £000's | Total equity £000's |
|-------------------------------|----------------------------|----------------------------|--------------------------------------|---------------------------|
| At 1 January 2019 | 30 | 1 | 9,146 | 9,177 |
| Profit for the financial year | — | — | 669 | 669 |
| At 31 December 2019 | 30 | 1 | 9,815 | 9,846 |

Hartridge Limited
Notes to the Financial Statements
for the year ended 31 December 2019

1 General information

The Company's principal activity is the design, manufacture and sale of test equipment for testing diesel fuel injection equipment mainly to the automotive market.

Hartridge Limited is a limited liability company incorporated in England, registration number 05048767. The principal place of business is Hartridge Building, Network 421, Radclive Road, Gawcott, Buckinghamshire, MK18 4FD, England. The registered office is Brunel Way, Stroudwater Business Park, Stonehouse, GL10 3SX.

The financial statements are prepared in Sterling which is the functional currency of the Company and rounded to the nearest £000.

2 Statement of compliance

The individual financial statements of Hartridge Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Accounting policies

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

Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. As permitted by FRS 102, the Company has taken advantage of the following disclosure exemptions on the basis that it is a qualifying entity and its ultimate parent company included such disclosures in its own consolidated financial statements:

- (a) The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);
- (b) The requirements of Section 11 Basic Financial Instruments paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c) and Section 12 Other Financial Instruments Issues paragraphs 12.26 (as far as is available), 12.27, 12.29(a), 12.29(b) and 12.29A; and
- (c) The requirement of Section 33 Related Party Disclosures paragraph 33.7.

Restatement

At 31 December 2018 £184k of R&D tax benefit was incorrectly accrued within current assets on the statement of financial position. It was subsequently discovered that such amounts had been utilized in prior years, thus the amount has been released to the profit and loss account in the form of a prior year adjustment.

Judgements and estimation

The financial statements do not contain any significant judgements or estimates.

Going concern

Having reviewed the forecasts for future trading and the forecast cash requirements the directors are of the view that the Company has adequate resources to be able to meet its debts and commitments as and when they fall due for a period of at least 12 months from the date of signing the financial statements.

Accordingly they have concluded that the financial statements should be prepared on a going concern basis which assumes the Company will continue in operational existence for the foreseeable future. The financial statements do not include any adjustments that would be necessary if the Company was no longer a going concern.

Revenue recognition

Revenue 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, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

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

Short term contracts: Short term contracts are accounted using the completed contract method under which revenue is recognised upon substantial completion. Revenues derived from variations on contracts are recognised only when they have been accepted by the buyer.

Interest income: Revenue is recognised as interest accrues using the effective interest method.

Research and development

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

Hartridge Limited

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

3 Accounting policies (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists the company estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the company estimates, the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets, including investments, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. The cost of tangible fixed assets is depreciated at rates calculated to write off the cost less estimated residual value over its expected useful life. The estimated useful lives of assets are as follows:

| | |
|-------------------|-------------|
| Land | Indefinite |
| Buildings | 16-20 years |
| Plant & Machinery | 3-15 years |

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

| | |
|---|--|
| Raw materials, consumables and goods for resale | Purchase cost on a first-in, first-out basis |
| Work in progress and finished goods | Cost of direct materials and labour plus attributable overheads based on a normal activity level |

Deferred taxation

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 periods in which the timing differences reverse, based on tax rates and laws enacted at the balance sheet date.

Warranty provision

Provision is made for liabilities arising in respect of expected customer claims based on the prior twelve months experience. Historically the warranty provision has been between 1% and 2% of sales. See note 14 for additional information.

Termination benefits

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 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.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Hartridge Limited

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

3 Accounting policies (continued)

Operating 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.

Pensions

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.

4 Turnover

Turnover arises from the Company's principal activities.

| | 2019 | 2018 |
|-------------------------|---------------|---------------|
| | £000's | £000's |
| By geographical market: | | |
| UK | 936 | 1,417 |
| Europe | 4,503 | 3,931 |
| Rest of world | 4,675 | 5,682 |
| | <u>10,114</u> | <u>11,030</u> |

5 Operating profit

| | 2019 | 2018 |
|---|--------|--------|
| | £000's | £000's |
| This is stated after charging: | | |
| Research and development expenditure | 833 | 1,166 |
| Depreciation of tangible fixed assets | 194 | 179 |
| Operating lease rentals - plant & machinery | 42 | 32 |
| Auditor's remuneration for audit services | 11 | 11 |
| Foreign currency exchange loss / (gain) | 11 | (1) |

6 Staff costs

| | 2019 | 2018 |
|-------------------------------|--------------|--------------|
| | £000's | £000's |
| Wages and salaries | 2,681 | 2,722 |
| Social security costs | 218 | 223 |
| Other pension costs (note 19) | 168 | 160 |
| | <u>3,067</u> | <u>3,105</u> |

Average number of employees during the period

| | Number | Number |
|---------------------|-----------|-----------|
| Development | 11 | 10 |
| Manufacturing | 14 | 16 |
| Sales and marketing | 9 | 10 |
| Administration | 21 | 18 |
| | <u>55</u> | <u>54</u> |

Hartridge Limited

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

7 Directors' remuneration

| | 2019 | 2018 |
|---|---------------|---------------|
| | £000's | £000's |
| Emoluments | 116 | 22 |
| Company contributions to money purchase pension schemes | 17 | 4 |
| | <u>133</u> | <u>26</u> |

Number of directors in company pension schemes:

| | | |
|------------------------|----------|----------|
| Money purchase schemes | <u>1</u> | <u>1</u> |
|------------------------|----------|----------|

Directors' remuneration

With the exception of one director who is engaged solely to provide services to Hartridge Limited, the directors consider that due to the nature of their roles in both the company and the wider group, it is not reasonably practicable to allocate their remuneration pertaining to Hartridge Limited. Costs relating to these directors are borne by fellow group undertakings.

8 Interest receivable

| | 2019 | 2018 |
|--|---------------|---------------|
| | £000's | £000's |
| Interest on amounts owed by group undertakings | <u>80</u> | <u>172</u> |

9 Taxation

| | 2019 | 2018 |
|--|---------------|---------------|
| | £000's | £000's |
| (a) Tax on ordinary activities | | |
| The tax charge is made up as follows: | | |
| Total current tax | — | — |
| Deferred tax: | | |
| Origination and reversal of timing differences | 11 | 8 |
| Prior year movements | <u>19</u> | <u>—</u> |
| | <u>30</u> | <u>8</u> |
| Tax charge on ordinary activities | <u>30</u> | <u>8</u> |

Hartridge Limited
Notes to the Financial Statements (continued)
for the year ended 31 December 2019

9 Taxation (continued)

(b) Reconciliation of tax charge

The tax assessed on the profit for the period is lower than the standard rate of corporation tax in the UK of 19%. The differences are reconciled below:

| | 2019 £000's | 2018 £000's |
|--|----------------|----------------|
| Profit on ordinary activities before taxation | 699 | 1,049 |
| Standard rate of corporation tax in the UK | 19 % | 19 % |
| | £000's | £000's |
| Profit on ordinary activities multiplied by the standard rate of corporation tax | 133 | 199 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 19 | — |
| Group relief received for nil consideration | (139) | (199) |
| Difference between standard rate and closing deferred tax rate on timing differences | (5) | 8 |
| Adjustments to prior year provisions | 22 | — |
| Total tax charge for the period | 30 | 8 |

Deferred tax asset

| | Note | 2019 £000's | 2018 £000's |
|--|------|----------------|----------------|
| Movement on deferred taxation balance in the period: | | | |
| Opening balance | | 78 | 86 |
| Origination and reversal of timing differences | | (11) | (8) |
| Prior period movement | | (20) | — |
| Closing balance | 12 | 43 | 78 |
| Deferred taxation comprises the following amounts: | | | |
| Fixed asset timing difference | | 17 | 109 |
| Other short term differences | | 26 | (31) |
| | 12 | 43 | 78 |

There were no unused tax losses or tax credits.

Factors that may affect future tax charges

The Finance Act in September 2016 enacted a further reduction in the corporation tax rate to 17% from 1 April 2020. Deferred tax items above have been calculated at a rate of 17%. The Finance Act 2020 received Royal Assent on 22 July 2020. Within the Finance Act 2020 the Corporate tax rate was determined to remain at 19%, not falling to 17% as previously proposed.

Hartridge Limited
Notes to the Financial Statements (continued)
for the year ended 31 December 2019

10 Tangible fixed assets

| | Land £000's | Buildings £000's | Plant & Machinery £000's | Total £000's |
|------------------------|----------------|---------------------|--------------------------------|-----------------|
| Cost | | | | |
| At 1 January 2019 | 106 | 1,063 | 1,308 | 2,477 |
| Additions | — | 17 | 231 | 248 |
| Disposals | — | — | (6) | (6) |
| At 31 December 2019 | 106 | 1,080 | 1,533 | 2,719 |
| Depreciation | | | | |
| At 1 January 2019 | — | 270 | 897 | 1,167 |
| Charge for the period | — | 134 | 60 | 194 |
| Eliminated on disposal | — | — | (1) | (1) |
| At 31 December 2019 | — | 404 | 956 | 1,360 |
| Net book value | | | | |
| At 31 December 2019 | 106 | 676 | 577 | 1,359 |
| At 31 December 2018 | 106 | 793 | 411 | 1,310 |

11 Inventories

| | 2019 £000's | 2018 £000's |
|-------------------------------------|----------------|----------------|
| Work in progress | 304 | 356 |
| Finished goods and goods for resale | 2,031 | 2,943 |
| | <u>2,335</u> | <u>3,299</u> |

12 Debtors

| | 2019 £000's | (Restated) 2018 £000's |
|-------------------------------------|----------------|------------------------------|
| Trade debtors | 1,585 | 1,689 |
| Amounts due from group undertakings | 7,272 | 5,502 |
| VAT recoverable | 25 | 204 |
| Deferred tax asset | 43 | 78 |
| Other debtors | 160 | 65 |
| Prepayments and accrued income | 107 | 81 |
| | <u>9,192</u> | <u>7,619</u> |

£5.6m (2018: £3.5m) included in the Amounts due from group undertakings represents cash balances held in a group treasury function that are readily accessible by the Company.

£1.7m (2018: £1.9m) included in the amounts due from group undertakings represents trade balances with other Delphi Group companies.

Hartridge Limited
Notes to the Financial Statements (continued)
for the year ended 31 December 2019

13 Creditors: amounts falling due within one year

| | 2019 | 2018 |
|------------------------------------|--------------|--------------|
| | £000's | £000's |
| Trade creditors | 889 | 987 |
| Amounts owed to group undertakings | 1,487 | 1,558 |
| Other creditors | 375 | 384 |
| Accruals and deferred income | 204 | 34 |
| | <u>2,955</u> | <u>2,963</u> |

Nil (2018: £nil) included in the Amounts owed to group undertakings represents cash pool payables and £1.5m (2018: £1.6m) represents trade balances with other Delphi Group companies. Delphi Group payment terms are net 60 days from receipt of invoice.

14 Other provisions

| | Warranty £000's |
|---|--------------------|
| At 1 January 2019 | 183 |
| Additional provision made during the period | 112 |
| Amounts used | (106) |
| Amounts reversed unused | (37) |
| At 31 December 2019 | <u>152</u> |

Provision is made for liabilities arising in respect of expected customer claims based on the prior twelve months experience. Historically the warranty provision has been between 1% and 2% of sales. See note 14 for additional information.

Hartridge continues to support the distributor in the Turkish market with a 24-month warranty. As the failure rate on a product older than 12 months is likely to be higher, a further 3% of provision has been made.

15 Share capital

| | 2019 Number | 2019 £000's | 2018 £000's |
|--|----------------|----------------|----------------|
| <i>Allotted, called up and fully paid:</i> | | | |
| Ordinary shares of £1 each | 30,000 | 30 | 30 |

16 Other financial commitments

At the period end the Company had total commitments under non-cancellable operating leases as set out below:

| | 2019 £000's | 2018 £000's |
|--------------------------------|----------------|----------------|
| Operating leases which expire: | | |
| within one year | 17 | 7 |
| within two to five years | 14 | 18 |
| | <u>31</u> | <u>25</u> |

17 Related Parties

The Company is a wholly owned subsidiary of BorgWamer Inc, whose consolidated accounts are publicly available. The Company has taken advantage of the exemption within FRS102 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 Delphi Group.

Hartridge Limited

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

18 Dividends

In 2019 the Directors have proposed and paid a dividend totaling £nil (2018 - £5,064k).

19 Pension

The Company operates a defined contribution pension scheme. There were outstanding contributions of £nil at the year end (2018: £nil). The expense for the year was £167,700 (2018: £162,546).

20 Events after the reporting date

The worldwide outbreak of COVID-19 represents a significant event since the end of the financial period. The Directors have reviewed the cash flow forecasts and considered the impact on going concern, in light of the potential impact of the virus, concluding that the going concern basis remains an appropriate basis of preparation for these financial statements. Please refer to the Directors' Report for further detail on the Company's going concern basis of preparation and the Strategic Report for further information on future prospects. COVID-19 is considered to be a non-adjusting post balance sheet event and therefore has not been taken into account in preparing the statement of financial position as at 31 December 2019.

21 Controlling Party

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

BorgWarner Inc. is the ultimate parent undertaking of the Company. BorgWarner Inc. is incorporated in the United States of America and is traded on the New York Stock Exchange. Its registered address is: 3850 Hamlin Road, Michigan, 48326, USA.

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