Registration number: 05048767

HARTRIDGE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

HARTRIDGE LIMITED

Contents

HARTRIDGE LIMITED

Company Information

Directors	C J Bird J I Oakenfull
Company secretary	Pinsent Masons Secretarial Limited
Registered office	The Hartridge Building Network 421 Radclive Road Gawcott Buckingham Buckinghamshire MK18 4FD
Solicitors	Pinsent Masons LLP 1 Park Row Leeds LS1 5AB
Auditors	Hazlewoods LLP Staverton Court Staverton Cheltenham Gloucestershire United Kingdom GL51 0UX

HARTRIDGE LIMITED

Strategic Report for the Year Ended 31 December 2022

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

Principal activity

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

Fair review of the business

Hartridge Limited (the "Company") was a wholly owned subsidiary of BorgWarner Inc.. On 3 July BorgWarner Inc. executed a spin-off of its Fuel Systems and Aftermarket segments into a separate, publicly traded company – Phinia Inc ("Phinia"). As of 3 July 2023 the Company is a wholly owned subsidiary of Phinia Inc.
The results for the year which are set out in the profit and loss account show turnover of £7,611,000 (2021: £7,562,000) and an operating loss of £362,000 (2021: operating profit of £268,000). At 31 December 2022 the company had net assets of £9,843,000 (2021: £10,149,000). The directors consider the performance for the year and the financial position at the year end to be satisfactory.

Principal and financial 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.
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 Phinia (and previously for the BorgWarner) Group is managed by the central treasury function on a portfolio basis across all of its subsidiaries, mainly through cash pooling.
Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge the obligation. The company offers credit to certain of its customers. Before credit terms are agreed, as assessment of the customer's credit rating is undertaken to ensure that the customer does not represent a major credit risk to the company. Credit limits are set accordingly.
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.

Key performance indicators

The Company's key performance indicator during the year is turnover.
Turnover in the year was level with 2021. Gross profit was impacted by high inflation and supply chain constraints resulting in an operating loss of £362,000. Price increase in 2023 has recovered the losses suffered in previous years, along with increased efficiencies in production.
The launch of a new generation machine in 2022 is anticipated to be a significant development which should grow turnover back to £8.5m and improve profitability.

Future prospects

Phinia continues to invest in next generation technology to support the growth of the business. Price recovery in the market has positively impacted margins during 2023. Whilst there is political unrest following the war in Ukraine and increasing cost of living, the Company is managing to adjust price in the market and control costs through efficiency programs in order to maintain profitability.

Approved by the Board on 7 February 2024 and signed on its behalf by:

C J Bird
Director

Directors' Report for the Year Ended 31 December 2022

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

Director of the company

The director who held office during the year was as follows:

W B J Allen (ceased 8 June 2023)

The following directors were appointed after the year end:

C J Bird (appointed 8 June 2023)

J I Oakenfull (appointed 3 August 2023)

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 of the financial statements.
No ordinary dividends were paid. The director does not recommend payment of a final dividend.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

In accordance with the company's articles, a resolution proposing that Hazlewoods LLP be reappointed as auditor of the company will be put at a General Meeting.

Approved by the Board on 7 February 2024 and signed on its behalf by:

C J Bird
Director

HARTRIDGE LIMITED

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, 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 (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 these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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. 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 (the 'company') for the year ended 31 December 2022, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 state of the company's affairs as at 31 December 2022 and of its loss 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 responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

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

Other information

The director are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 this other information, we are required to report that fact.

We have nothing to report in this regard.

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

HARTRIDGE LIMITED

Independent Auditor's Report to the Members of Hartridge Limited

Matters on which we are required to report by exception

In the light of our 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 and the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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 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.

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:
We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.
We obtained an understanding of the legal and regulatory framework that the company operates in and identified the key laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements, including the UK Companies Act and tax legislation, and, those that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.
We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.
In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatements due to fraud;
- enquiring of management concerning actual and potential litigation and claims and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this 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

Staverton Court

Staverton

Cheltenham

Gloucestershire

United Kingdom

GL51 0UX

7 February 2024

HARTRIDGE LIMITED

Profit and Loss Account for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Turnover	3	7,611	7,562
Cost of sales		(6,534)	(5,826)
Gross profit		1,077	1,736
Distribution costs		(286)	(245)
Administrative expenses		(1,153)	(1,223)
Operating (loss)/profit	4	(362)	268
Other interest receivable and similar income	5	81	60
(Loss)/profit before tax		(281)	328
Taxation	8	(25)	(38)
(Loss)/profit for the financial year		(306)	290

The above results were derived from continuing operations.

The company has no other comprehensive income for the year.

HARTRIDGE LIMITED

(Registration number: 05048767)
Balance Sheet as at 31 December 2022

	Note	2022 £ 000	2021 £ 000
Fixed assets			
Tangible assets	9	1,070	1,182
Current assets			
Stocks	10	3,319	2,268
Debtors	11	8,529	9,463
Cash at bank and in hand		38	13
		11,886	11,744
Creditors: Amounts falling due within one year	13	(3,051)	(2,702)
Net current assets		8,835	9,042
Total assets less current liabilities		9,905	10,224
Provisions for liabilities	14	(62)	(75)
Net assets		9,843	10,149
Capital and reserves			
Called up share capital		30	30
Share premium reserve		1	1
Profit and loss reserves		9,812	10,118
Total equity		9,843	10,149

Approved and authorised by the Board on 7 February 2024 and signed on its behalf by:

C J Bird
Director

The notes on pages 11 to 19 form an integral part of these financial statements.

HARTRIDGE LIMITED

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2022	30	1	10,118	10,149
Loss for the year	-	-	(306)	(306)
At 31 December 2022	30	1	9,812	9,843

	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2021	30	1	9,828	9,859
Profit for the year	-	-	290	290
At 31 December 2021	30	1	10,118	10,149

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:
The Hartridge Building Network 421
Radclive Road
Gawcott
Buckingham
Buckinghamshire
MK18 4FD

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Companies Act 2006'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except for, where disclosed in these accounting policies, certain items that are shown at fair value.

The presentational currency of the financial statements is Pounds Sterling, being the functional currency of the primary economic environment in which the company operates. Monetary amounts in these financial statements are rounded to the nearest Pound.

Summary of disclosure exemptions

Hartridge Limited meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to financial instruments and presentation of a cash flow statement.

Name of parent of group

These financial statements are consolidated in the financial statements of Phinia Inc.

The financial statements of Phinia Inc may be obtained from Securities and Exchange Commission in the U.S.A.

Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Critical accounting 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 amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

No significant judgements have been made by management in preparing these financial statements.

Key sources of estimation uncertainty

No key sources of estimation uncertainty have been identified by management in preparing these financial statements other than those detailed in these accounting policies.

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 tax or duty. The following criteria must 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 on substantial completion. Revenues derived from variations on contracts are recognised only when they have been accepted by the buyer.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.
Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.
The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.
The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	**Depreciation method and rate**
Freehold land and buildings	Land indefinite, buildings 16 - 20 years
Plant and machinery	3 - 15 years

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade debtors are recognised initially at the transaction price. All trade debtors are repayable within one year and hence are included at the undiscounted cost of cash expected to be received. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.
The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.
Trade creditors are recognised initially at the transaction price and all are repayable within one year and hence are included at the undiscounted amount of cash expected to be paid.

Provisions

Provisions are recognised when the company has an obligation at the reporting date 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.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.
Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Notes to the Financial Statements for the Year Ended 31 December 2022

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 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 debtor 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.

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 rate method.

Derecognition of financial liabilities

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

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 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.

3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2022 £ 000	2021 £ 000
Sale of goods	6,880	6,852
Rendering of services	731	710
	7,611	7,562

The analysis of the company's turnover for the year by market is as follows:

	2022 £ 000	2021 £ 000
UK	3,414	3,171
Europe	1,481	1,083
Rest of world	2,716	3,308
	7,611	7,562

4 Operating profit

Arrived at after charging/(crediting)

	2022 £ 000	2021 £ 000
Depreciation expense	234	225
Research and development cost	758	842
Foreign exchange gains	(18)	(17)
Audit of the financial statements	13	11
Operating lease charges	21	20

5 Other interest receivable and similar income

	2022 £ 000	2021 £ 000
Interest income on investments	81	60

6 Staff costs

The aggregate payroll costs (including director's remuneration) were as follows:

	2022 £ 000	2021 £ 000
Wages and salaries	2,489	2,456
Social security costs	248	203
Pension costs, defined contribution scheme	154	158
Redundancy costs	-	99
	2,891	2,916

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2022 No.	2021 No.
Manufacturing	14	14
Administration	19	18
Development	14	15
Sales and marketing	5	7
	52	54

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £ 000	2021 £ 000
Remuneration	-	99
Contributions paid to money purchase schemes	-	19
	-	118

8 Taxation

Tax charged/(credited) in the profit and loss account

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	(17)	38
Deferred taxation		
Arising from origination and reversal of timing differences	42	-
Tax expense in the income statement	25	38

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2021 - the same as the standard rate of corporation tax in the UK) of 19% (2021 - 19%).
The differences are reconciled below:

	2022 £ 000	2021 £ 000
(Loss)/profit before tax	(281)	328
Corporation tax at standard rate	(53)	62
Tax effect of expenses that are not deductible	(6)	(38)
Tax effect of income not taxable in determining taxable profit	67	35
Under/(over) provided in prior years	17	2
Difference between standard rate and closing deferred tax rate on timing differences	-	(23)
Total tax charge	25	38

Deferred tax

Deferred tax assets and liabilities

2022	Asset £ 000
Fixed asset timing differences	13
Short term timing differences	38
Losses	7
	58

2021	Asset £ 000
Fixed asset timing differences	6
Short term timing differences	87
Losses	7
	100

Finance Act 2021 increased the main rate of UK corporation tax to 25%, effective from 1 April 2023. Therefore the substantively enacted rate at the balance sheet date of 31 December 2022 is 25%.

9 Tangible assets

	Land and buildings £ 000	Fixtures and fittings £ 000	Total £ 000
Cost or valuation			
At 1 January 2022	1,210	1,782	2,992
Additions	35	90	125
Disposals	-	(318)	(318)
At 31 December 2022	1,245	1,554	2,799
Depreciation			
At 1 January 2022	579	1,232	1,811
Charge for the year	88	148	236
Eliminated on disposal	-	(318)	(318)
At 31 December 2022	667	1,062	1,729
Carrying amount			
At 31 December 2022	578	492	1,070
At 31 December 2021	631	551	1,182

Included within the net book value of land and buildings above is £578,643 (2021 - £630,091) in respect of freehold land and buildings.

10 Stocks

	2022 £ 000	2021 £ 000

Work in progress	424	272
Finished goods and goods for resale	2,895	1,996
	3,319	2,268

11 Debtors

Current	2022 £ 000	2021 £ 000
Trade debtors	858	1,155
Amounts owed by related parties	7,153	7,758
Other debtors	330	348
Prepayments	130	102
Deferred tax assets	58	100
	8,529	9,463

12 Cash and cash equivalents

	2022 £ 000	2021 £ 000
Cash at bank	38	13

13 Creditors

	2022 £ 000	2021 £ 000
Due within one year		
Amounts due to related parties	1,606	1,393
Trade payables	953	863
Accrued expenses	378	180
Other payables	114	265
	3,051	2,702

14 Deferred tax and other provisions

	Warranty provision £ 000
At 1 January 2022	75
Increase (decrease) in existing provisions	(13)
At 31 December 2022	62

Provision is made for liabilities arising in respect of customer claims based on the prior 12 months experience.

15 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £154,564 (2021 - £158,000).

16 Share capital

Allotted, called up and fully paid shares

	2022		2021	
	No. 000	**£ 000**	**No. 000**	**£ 000**
Ordinary shares of £1 each of £1 each	30	30	30	30

17 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2022 £ 000	2021 £ 000
Not later than one year	21	21
Later than one year and not later than five years	12	33
	33	54

The amount of non-cancellable operating lease payments recognised as an expense during the year was £21,007 (2021 - £ 20,890).

18 Related party transactions

The Company was a wholly owned subsidiary of BorgWarner Inc. for the financial year ended 31 December 2022, whose consolidated accounts are publicly available. The company has taken advantage of the exemption within FRS102 section 33, not to disclose transactions directly or indirectly wholly owned group companies. During the year there were no transactions with associates that were not directly or indirectly wholly owned companies of the BorgWarner Group.

19 Parent and ultimate parent undertaking

BorgWarner Automotive Operations UK Limited was the immediate parent undertaking of the Company, with the registered address 1 Park Row, Leeds, United Kingdom, LS1 5AB.
BorgWarner Inc. was 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.
On 3 July BorgWarner Inc. 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 of both the smallest and the 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.