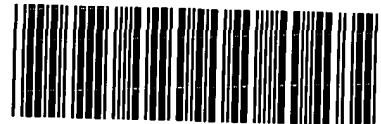


Company Registration number 2346109

# **BORGWARNER LIMITED**

**Annual Report and Financial Statements  
for the year ended 31 December 2022**

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# **BORGWARNER LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2022**

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# **BORGWARNER LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2022**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

B Koester  
M Turke  
M Uhrig  
D Bate

#### **COMPANY SECRETARY**

Bird and Bird Company Secretaries Ltd

#### **REGISTERED OFFICE**

Roydsdale Way  
Euroway Industrial Estate  
Bradford  
West Yorkshire  
BD4 6SE

#### **BANKERS**

Deutsche Bank AG  
Winchester House  
1 Great Winchester Street  
London  
EC2N 2DB

#### **SOLICITORS**

Pinsent Masons  
1 Park Row  
Leeds  
LS1 5AB

#### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

## **BORGWARNER LIMITED**

### **STRATEGIC REPORT**

#### **For the year ended 31 December 2022**

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

#### **Principal activities**

The principal activity of the Company is the manufacture and sale of turbochargers and components.

#### **Review of the business**

The profit for the financial year is £17,370,000 (2021: £18,889,000). No dividend was paid during the year ended 31 December 2022 (2021: £nil).

As indicated in the income statement, the Company's sales have increased by 21.4% (2021: increased by 24.7%) compared to the financial year ended 31 December 2021, with the Company's profit for the year being lower by £1,519,000 to £17,370,000, as a result of higher Corporation Tax charge partially offset by an improved operating margin. The increase in turnover was due to an increase in the Passenger car market and start of production for a new customer.

The balance sheet shows that the Company's financial position of net assets at the year-end has improved and includes cash balances of £16,503,000 (2021: £3,850,000). The improvement in the balance sheet is a result of increased turnover, which has led to higher trade debtor balances offset by a lesser increase in trade creditor balances. BorgWarner Limited has continued to fund some of the working capital of BorgWarner Gateshead Limited with an Intercompany interest-bearing loan of £29,441,000. BorgWarner Limited has no investment in BorgWarner Gateshead Limited.

#### **Principal risks and uncertainties**

Competitive world pressures in the automotive industry is a continuing risk, which the Company manages by providing a high quality cost competitive product while maintaining strong relationships with its customers' technical functions. Electrification, which has affected the Passenger Car Market, has not yet had a significant impact on the Commercial Vehicle Market.

The Company is reliant on a global supply chain which it continually manages to ensure steady supply of materials. Supply chain risks are carefully managed but there continues to be the possibility of financial distress amongst Suppliers outside of the control of the Company. The company continues to assess and manage the risk, working closely with the supply chain.

The ongoing Russia – Ukraine conflict and the Global response has led to the Company to cease trading with Russian market indefinitely from March 2022. The impact on the Company was not significant enough to seriously affect either profitability or cashflow. No assets are held within Russia or Ukraine.

Regulatory Health, Safety and Environmental requirements and compliance are overseen on an ongoing basis by specific individuals within the Company, reporting on continuously to the Company's Management Team.

#### **Future developments**

The directors consider that the Company is well positioned in the market and has a strong customer order book. The Company is engaged in development activities on significant new customer projects and feels positive that these will provide profitable future turnover.

**STRATEGIC REPORT**

**For the year ended 31 December 2022**

**S172 statement**

The directors consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and having due regard to the requirements of section 172 of the Companies Act 2006, in the decisions taken during the period ended 31 December 2022. In doing so, the directors have regard (amongst other matters) to the likely consequences of any decision in the long term; the interests of employees; the need to foster relationships with suppliers, customers and others; the impact of its operations on the community and the environment; the maintaining of a reputation for high standards of business conduct; and the need to act fairly between members of the Company.

The details of how S172 of the Companies Act 2006 have been addressed is summarized as follows:

a) The likely consequences of any decision in the long term

The Board annually approves a five-year business plan and monitors its implementation throughout the year by way of ongoing monthly forecasting and specific targets; incorporating the current month year to date actual performance projected to the financial year end.

b) The interests of the company's employees

The Directors understand the importance of the company's employees to the long term success of the business. Communication with the employees through a communication council with a mixture of management and employees from all sectors of the business occur regularly and the business strategy and financial performance is conveyed to all employees on a quarterly basis. The employees are invited to provide feedback by way of an anonymous survey on how they perceive the company's attitude and performance over a range of criteria, adheres to the company's corporate beliefs. Learning and development continues to be an important area of support to employees through various mediums. The company actively supports the inclusion and diversity of employees regardless of race, colour, religious beliefs, gender, gender identity, disability or any other minority interests or beliefs not already mentioned.

c) The need to foster the company's business relationships with suppliers, customers and others

The Directors understand the importance of the company's supply chain in delivering the long-term plans of the company. The company's suppliers of production and non-production goods and services play an integral role in the business and help the company operate within its marketplace. The company has key objectives and principles set out in the Global Supplier Management policy ensuring consistency and best practices in the relationships with the suppliers in their ethical behaviour, sustainability and health and safety, all being considered critical to the success of the company's business relationships.

The directors monitor the company's engagement with its customers by way of various customer dashboard tools, which are compared against the company's internal scorecard enabling the company to react to any adverse performance, with particular attention being given to quality and delivery.

d) The impact of the company's operations on the community and environment

The company aims to establish responsible business practices and is committed to managing the wider environmental impacts of its operations. Further information on the company's initiatives and commitment to the environment are set out within the Director's Report.

e) The desirability of the company to maintain a reputation for high standards of business conduct.

The company is committed to fostering a more diverse, inclusive and unified culture where each and every one of its employees can bring their authentic self to work and feel empowered to reach their full potential. The strategic pillars to achieve this goal are:

- Shape a culture of unity, belonging, inclusion and respect through increased engagement.
- Implement progressive policies, practices, benefits and support to attract and retain a diverse employment pool.

## BORGWARNER LIMITED

### STRATEGIC REPORT

For the year ended 31 December 2022

- f) The need to act fairly between members of the company.

The company is ultimately owned by BorgWarner Inc who are involved in the strategic decision making and business planning process. The company also fosters close collaboration and knowledge sharing with other BorgWarner companies.

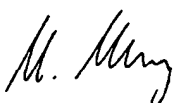
#### Key performance indicators ("KPIs")

The Company's strategy is one of growth with improved profitability. The directors monitor progress against this strategy by reference to a number of KPIs.

Performance for the year, together with comparative data for the previous year is set out in the table below:

	2022	2021	Definition, method of calculation and analysis
Growth in sales	21.4%	24.7%	Year on year sales growth expressed as a percentage. The year-on-year increase results from the increase in sales of Passenger Car products and the commencement of sales of Ball Bearing products into the Commercial Vehicle market.
Return on sales	12.6%	10.9%	Return on sales is the ratio of profit on ordinary activities before taxation to sales expressed as a percentage. Return on sales has increased year on year due to careful management of expenditure against the increase in sales.
Working capital turns	4.3	4.9	Working capital turns is the ratio of sales to stocks plus trade debtors less trade creditors. The reduction is due to the increase in Turnover and increase in Trade Debtors and Creditors. Stock has been managed carefully throughout the year and has resulted in a year on year reduction.
Current Ratio	4.57	6.14	The current ratio is a financial ratio that compares a firm's current assets to its current liabilities. The ratio has decreased due to refunds of Corporation tax recognised in 2021 and received in 2022.

On behalf of the board



Matthias Uhrig  
Director  
28.09.2023

## **BORGWARNER LIMITED**

### **DIRECTORS' REPORT**

#### **For the year ended 31 December 2022**

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

#### **Future developments**

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

#### **Political donations**

There were no political donations during the financial year (2021: £nil).

#### **Dividends**

An interim dividend of £Nil was paid during the year (2021: £nil). The directors have proposed the payment of a final dividend of £30,000,000 (2021: £Nil).

#### **Financial risk management**

The UK business is exposed to supplier inflationary pressures; which are managed through a progressive cost reduction strategy and contractual arrangements with the customer base.

A large proportion of the Company's European sales are made in Euros and there are therefore risks associated with the Euro to Pound Sterling exchange rates. The treasury function actively manages these risks through forward exchange contracts and other mechanisms.

As a subsidiary of BorgWarner Europe GmbH, further details of Company policies in relation to external financial risks can be found in the Annual Report and Financial Statements of BorgWarner Europe GmbH. Copies of its financial statements can be obtained from Augustaanlage 54-56, 68165 Mannheim, Germany.

The Company actively monitors the performance and financial strength of its customers and suppliers and has procedures in place to minimise risks associated with adverse information as it may arise.

#### **Directors**

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

B Koester

A McMaken - resigned 3<sup>rd</sup> July 2023

D Sidlow – resigned 8<sup>th</sup> February 2022

M Turke

M Uhrig

D Bate – appointed 16<sup>th</sup> November 2022

Bird and Bird Company Secretaries Ltd – appointed 17<sup>th</sup> March 2023

#### **Directors' indemnities**

The Company maintained throughout the year, and up to the date of approval of the financial statements, liability insurance for its directors and officers. This is a qualifying provision for the purposes of the Companies Act 2006.

## BORGWARNER LIMITED

### DIRECTORS' REPORT (CONTINUED) For the year ended 31 December 2022

#### Streamlined Energy & Carbon Reporting

This report pertains to BorgWarner Limited's annual energy and carbon footprint activities, as mandated by the streamlined Energy and Carbon Reporting "SECR" Government policy. It covers the period spanning from January 1, 2022, to December 31, 2022, and aims to provide an overview of BorgWarner's energy consumption and greenhouse gas emissions.

This report will also summarise the methodology for all calculations related to elements reported under Energy and Carbon and focus on energy usage, associated emissions, energy efficiency actions, and energy performance of BorgWarner's activities.

#### Consumption (kWh) and Greenhouse Gas emissions (tCO<sub>2</sub>e) totals

BorgWarner has categorized their data on consumption and greenhouse gas emissions into three distinct categories.

The first category, Scope 1, includes consumption and emissions resulting from the direct combustion of natural gas and fuels used for the purpose of day-to-day business operations, such as Fork Lift Trucks.

The second category, Scope 2, encompasses consumption and emissions related to indirect sources, specifically the use of purchased electricity during day-to-day business operations.

Finally, Scope 3 includes consumption and emissions resulting from sources not owned by the reporting company, which in BorgWarner's case, includes emissions from leased and rental cars.

To ensure visibility of carbon reductions across each stream of transportation operations within the company, BorgWarner has examined each stream of transportation emissions in 2022.

The following are the total consumption (kWh) data for energy supplies reported by BorgWarner:

Utility and Scope	2021 Consumption (kWh)	2022 Consumption (kWh)
Grid-supplied electricity (Scope 2)	5060382	5078000
Gaseous fuels (Scope 1)	2211736	1752000
Transportation: Pool Vehicles (Scope 3)	18250	27087
Transportation: Forklift Trucks (Scope 1)	85094	78842
<b>Total</b>	<b>7375462</b>	<b>6935929</b>

The total Greenhouse Gas ("GHG") emission figures (tCO<sub>2</sub>e) for energy supplies reportable by Post Office Limited are as follows. Conversion factors utilised in these calculations are detailed in the reporting methodology section:

Utility and Scope	2021 Consumption (tCO <sub>2</sub> e)	2022 Consumption (tCO <sub>2</sub> e)
Grid-supplied electricity (Scope 2)	976.65	980.05
Gaseous fuels (Scope 1)	426.87	338.14
Transportation: Pool Vehicles (Scope 3)*	3.52	5.23
Transportation: Forklift Trucks (Scope 1)	16.42	15.22
<b>Total</b>	<b>1423.46</b>	<b>1338.63</b>

## BORGWARNER LIMITED

### DIRECTORS' REPORT (CONTINUED) For the year ended 31 December 2022

#### Intensity Metric

An intensity metric of tCO<sub>2</sub>e per worker has been applied for the annual total emissions of BorgWarner Limited. The methodology of the intensity metric calculations is detailed in the Reporting Methodology, and results of this analysis is as follows

Intensity Metric	2021 Intensity Metric	2022 Intensity Metric
tCO <sub>2</sub> e/Worker	3.40	2.92

#### Energy efficiency improvements

At BorgWarner, we prioritize energy efficiency and strive for continuous improvement in our operations. To ensure progress, we establish yearly reduction targets based on energy consumption that are reviewed annually for further enhancements.

#### Measures ongoing and undertaken through 2022

##### Office Space Consolidation

Throughout the 2022 reporting year, office space requirements have been evaluated by BorgWarner Limited. As a result of a change to working habits following the pandemic, it has been determined that a smaller office space would be suitable to house the office operations of the business. To this end, in 2023, BorgWarner Limited will be relocating the operations of one of the larger office spaces to a smaller space. It is expected that this will positively impact on the resulting emissions from office operations.

#### Measures prioritised for implementation in 2023.

##### Compressed Air Improvements

The use of compressed air is a high user of energy and actions will be taken to reduce usage in 2023

##### Energy Policy

Creation of a BorgWarner Limited policy which reflects the aims of the parent company to become carbon neutral by 2035.

##### Smart meters

Smart meters will be installed for all BorgWarner Limited locations.

#### Reporting methodology

This report is created following the UK Government's environmental reporting guidelines. To gather the necessary data, bills and invoices were carefully reviewed, as well as other relevant information available online. To determine the carbon intensity for the relevant region (Yorkshire), the National Grid ESO app was utilized, although the estimate may have fluctuated due to changing values the reading taken on 4 July 2023 (193 gCO<sub>2</sub>e). When analysing grid-supplied electricity and gaseous fuel bills which also includes consumption for rental vehicles, they were submitted in unit kWh, while forklift truck bills were submitted in unit KGS, which were converted to kWh to match the required unit.

The data collected from scopes 1, 2, and 3 is converted into tCO<sub>2</sub>e units using a conversion formula. This involves multiplying the carbon intensity converted from gCO<sub>2</sub>e to gkCO<sub>2</sub>e with the total energy consumption and then dividing the final value by 1000 to obtain the unit of kgCO<sub>2</sub>e. Finally, the value is divided by another 1000 to convert it into tCO<sub>2</sub>e.

Intensity metrics have been calculated utilising the reportable figures for the following metrics, and tCO<sub>2</sub>e for both individual sources and total emissions were then divided by this figure to determine the tCO<sub>2</sub>e per metric: Employees and temporary workers as of 31 December of each year was 458 (2021: 419)

#### Research and Development

The Company is engaged in Research and Development activities relating to the improvement and development of turbochargers and is committed to innovation, environmental awareness and technological developments aiming at future business awards.

## **BORGWARNER LIMITED**

### **DIRECTORS' REPORT (CONTINUED)** **For the year ended 31 December 2022**

#### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and 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 with that of other employees.

#### **Inclusivity**

The Company undertakes to treat all employees with the same respect regardless of gender, sexual orientation, race, colour, religion, age or any other status protected by applicable law. This is applied under the Corporate Code of Ethical conduct.

#### **Employee consultation**

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through circulation of information to employees via notice boards, production of a quarterly newsletter and monthly staff committee meetings.

The Company consults employees on a regular basis so that the views of employees can be taken into account in making decisions that are likely to affect their interests. The Company encourages the involvement of employees in the Company's performance through bonuses linked to performance metrics. On a quarterly basis there is engagement with all employees providing a business update on the performance of the Company for that period.

#### **Customers**

The Company aims to maintain its position in the Turbocharger market using regular consultation with its customers. This also involves developing new customers by introducing alternative solutions or new turbocharger technology into the marketplace. Customers often retain score cards of the Company's performance and rate that performance against a range of criteria, enabling the Company to be aware of any shortcomings.

#### **Suppliers**

Suppliers are sourced at both local and global levels and all suppliers are requested to sign up to the code of conduct. Regular consultations with the suppliers occur, enabling the Company to be made aware of any manufacturing failings, commodity price changes, or any other concerns.

#### **Going concern**

Directors going concern assessment for the Company shows that it has adequate resources to continue in operational existence for the foreseeable future. The assessment also shows that the Company has sufficient cashflow forecast for at least 12 months from the date of signing. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The Company prepares a long range plan over a period of five years, in addition to an annual based current year forecast. The criteria for the preparation of the long-range plan revolves around turnover of the long term known contracts with the current customers, from which the Company gauges its margins and adjusts the labour requirement in line with the forecast.

The group meets its day-to-day working capital requirements through its bank facilities. The Company operates a cash pooling arrangement whereby the daily balance is swept into or from a Euro pool held by BorgWarner Europe GmbH. At the year-end 31 December 2022, the cash pooling balance was in favour of the Company. The current economic conditions continue to create uncertainty over (a) the level of demand for the group's products, and (b) the availability of bank finance for the foreseeable future. The group's forecasts and projections, taking account of a severe but plausible change in trading performance, show that the group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its financial statements.

## **BORGWARNER LIMITED**

### **DIRECTORS' REPORT (CONTINUED)** **For the year ended 31 December 2022**

#### **Post Balance Sheet events**

The Directors have proposed a £30,000,000 dividend be paid to BorgWarner Holdings Limited and then on to BorgWarner Europe GmbH.

#### **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and Financial Statements and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

#### **Directors' confirmations**

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

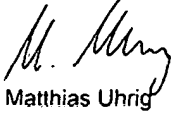
**BORGWARNER LIMITED**

**DIRECTORS' REPORT (CONTINUED)**  
**For the year ended 31 December 2022**

**Independent auditors**

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the board



Matthias Uhrig

Director

28.09.2023

Registered number: 2346109

Roydsdale Way, Bradford,

BD4 6SE

**For the year ended 31 December 2022**

# **Independent auditors' report to the members of BorgWarner Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, BorgWarner Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2022; the income statement, the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

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

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

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

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

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover

## **BORGWARNER LIMITED**

### **For the year ended 31 December 2022**

the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

#### **Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditors' responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, 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 entries to manipulate the financial statements and management bias in accounting estimates and judgements in the financial statements. Audit procedures performed by the engagement team included:

**For the year ended 31 December 2022**

- Discussions throughout the audit with management and the Directors, including considerations of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Identifying and testing journal entries using a risk-based targeting approach for unexpected account combinations; and
- Challenging assumptions and judgements made by management in determining significant accounting estimates.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

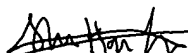
## Other required reporting

**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Shi-Han Li (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
28.09.2023

# BORGWARNER LIMITED

## INCOME STATEMENT

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000 as restated
Turnover*	4	166,264	136,969
Cost of Sales**		(137,613)	(113,323)
<b>GROSS PROFIT</b>		<b>28,651</b>	<b>23,646</b>
Selling costs		(1,404)	(1,608)
Distribution costs		(1,343)	(1,069)
Administrative expenses**		(6,154)	(8,343)
Other Income		-	2
Profit on sale of assets		-	25
<b>OPERATING PROFIT</b>	5	<b>19,750</b>	<b>12,653</b>
Other interest receivable and similar income	7	1,122	365
Income from shares in group undertakings		-	1,797
<b>PROFIT BEFORE TAXATION</b>		<b>20,872</b>	<b>14,815</b>
Tax on profit	8	(3,502)	4,074
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>17,370</b>	<b>18,889</b>

All results derive from continuing operations.

\*2021 Turnover and Administrative expenses have been restated for Prototype sales. The value of the restatement from Administrative expenses to Turnover is £1,150,000 see note 20 for details.

\*\*2021 Cost of Sales and Administrative expenses have been restated for royalty expenses. The value of the restatement from Administrative expenses to Cost of sales is £6,156,000 see Note 20 for details.

# **BORGWARNER LIMITED**

## **STATEMENT OF COMPREHENSIVE INCOME** **For the year ended 31 December 2022**

	<b>Note</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
Profit for the financial year		17,370	18,889
Contributions refunded from BorgWarner Gateshead Limited in excess of service costs		-	500
Deferred tax on contributions received from BorgWarner Gateshead Limited in excess of service costs		-	(125)
Net gain from change in financial assumptions	18	1,226	-
Deferred tax on change in financial assumptions	18	(307)	-
Actuarial (loss)/gain on defined benefit pension scheme	18	(14,460)	7,768
Deferred tax movement on net defined benefit asset	18	<u>3,615</u>	<u>(1,942)</u>
Other comprehensive (expense)/income for the year, net of tax		<u>(9,926)</u>	<u>6,201</u>
Total comprehensive income for the year		<u>7,444</u>	<u>25,090</u>

# BORGWARNER LIMITED

## BALANCE SHEET As at 31 December 2022

	Note	2022 £'000	2021 £'000 as restated
<b>FIXED ASSETS</b>			
Tangible assets	9	21,764	24,542
Investments	10	<u>743</u>	<u>743</u>
		22,507	25,285
<b>CURRENT ASSETS</b>			
Stocks	11	17,276	18,656
Debtors (amounts falling due after more than one year: £1,043k (2021: £1,483k))	12	85,805	66,659
Pension asset***	18	3,247	16,932
Cash at bank and in hand		<u>16,503</u>	<u>3,850</u>
		122,831	106,097
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(26,878)</u>	<u>(14,527)</u>
<b>NET CURRENT ASSETS</b>		<u>95,953</u>	<u>91,570</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		118,460	116,855
<b>CREDITORS : amounts falling due after more than one year</b>	14	(8,299)	(8,299)
<b>PROVISIONS FOR LIABILITIES</b>	15	(1,642)	(5,383)
Pension Liability***	18	-	(7,941)
<b>NET ASSETS</b>		<u>108,519</u>	<u>95,232</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	10,190	10,190
Retained earnings		<u>98,329</u>	<u>85,042</u>
<b>TOTAL EQUITY</b>		<u>108,519</u>	<u>95,232</u>

\*\*\*2021 net pension asset has been restated to show a split of pension asset of £16,932,000 and pension liability of £7,941,000 see note 20 for details.

The financial statements on pages 14 to 38 were approved by the Board of Directors on and were signed on its behalf by:



Matthias Uhrig  
Director  
BorgWarner Limited  
Company Registration number 2346109  
28 September 2023

# **BORGWARNER LIMITED**

## **STATEMENT OF CHANGES IN EQUITY** **For the year ended 31 December 2022**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
Balance as at 1 January 2021	10,190	59,952	70,142
Profit for the financial year	-	18,889	18,889
Other comprehensive income for the year	-	6,201	6,201
Total comprehensive income for the year	-	25,090	25,090
Balance as at 31 December 2021	10,190	85,042	95,232
Balance as at 1 January 2022	10,190	85,042	95,232
Profit for the financial year	-	17,370	17,370
Other comprehensive expense for the year	-	(9,926)	(9,926)
Total comprehensive income for the year	-	7,444	7,444
Release of pension scheme liability on transfer to BorgWarner Technologies Ltd	-	5,843	5,843
Balance as at 31 December 2022	10,190	98,329	108,519

## **BORGWARNER LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2022**

#### **1. GENERAL INFORMATION**

BorgWarner Limited is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Roydsdale way, Euroway Industrial Estate, Bradford, West Yorkshire, BD4 6SE.

The principal activity of the Company is the manufacture and sale of turbochargers and components.

#### **2. STATEMENT OF COMPLIANCE**

The Company and individual financial statements of BorgWarner 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **Basis of preparation**

The financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the later sections of accounting policies.

##### **Going concern**

The Directors going concern assessment for the Company shows that it has adequate resources to continue in operational existence for the foreseeable future, which includes a supported cashflow projection for the 12 months from date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The Company prepares a long-range forecast over a period of five years, in addition to an annual based current year forecast. The criteria for the preparation of the long-range forecast revolves around turnover of the long term known contracts with the current customers, around which the Company gauges its margins and adjusts the labour requirement in line with the forecast.

As part of the going concern principle, the Company has taken into account the contracts with the Customers that allow the Company to demand compensation in the event of any shortfall in volumes.

##### **Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemption. A qualifying entity is defined as a member of a group where the parent of that group prepares publicly available consolidated financial statements which are intended to give a true and fair view, and that member is included in the consolidation. The Company is a qualifying entity as its results are consolidated into the consolidated financial statements of BorgWarner Inc. which are publicly available.

As a qualifying entity, the Company has taken advantage of the exemptions:

- i) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102;
- ii) from preparing a cash flow statement, on the basis that the consolidated statement of cash flows, included in BorgWarner Holdings Limited's financial statements, includes the company's cash flows.

## **BORGWARNER LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **For the year ended 31 December 2022 (continued)**

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Foreign currency**

###### **i) Functional and presentation currency**

The Company financial statements are presented in Pound Sterling and rounded to thousands.

The Company's functional and presentation currency is the Pound Sterling.

###### **ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

##### **Turnover**

Turnover comprises the sale (excluding value added tax and trade discounts) of turbochargers to the automotive industry in the normal course of business. Turnover is recognised at the point of shipment or at the point of withdrawal from consignment stock.

Tooling sales to Customers comprise of Tooling used for the manufacture of specific material parts for individual customers, paid in part or in full by the Customer. The aim is to protect the parts from being utilised by other third parties and as such Tooling turnover is not recognised within gross turnover but is treated as profit on income less any expenditure incurred.

##### **Royalties**

Royalties are accounted for in cost of sales. The basis of the cost is 5% of all sales (including Intercompany sales) less all intercompany purchases of parts utilised for the manufacture of finished turbochargers. Prototype sales produced at the company are included in revenue but are excluded from the royalty charge.

##### **Employee benefits**

The Company provides a range of benefits to employees, including paid holiday arrangements, defined benefit and defined contribution pension plans.

###### **i) Short term benefits**

Short term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the service is received.

###### **ii) Defined contribution pension plans**

The Company operates a defined contribution retirement benefit scheme for all qualifying employees. Associated pension costs are expensed in the income statement when incurred.

###### **iii) Defined benefit pension plan**

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

## BORGWARNER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 (continued)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Employee benefits (continued)

The defined benefit obligation is calculated using the projected unit credit method. Once in three years, the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan recognised in profit or loss as employee costs comprises:

- (a) the increase in pension benefit liability arising from employee service during the period; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Finance expense'.

Past service cost is recognised immediately in profit or loss in the period in which it occurs.

##### iv) Share-based payments

BorgWarner Inc, the ultimate parent company, issues restricted share units to a minority of BorgWarner Limited employees. The shares are issued net of withholding tax to the employees by way of selling the required number of shares at source. The gross value of the shares is processed through the payroll and the taxes are refunded to BorgWarner Limited by BorgWarner Inc. There is no cost to BorgWarner Limited in this arrangement.

##### Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

##### i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

##### ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

## **BORGWARNER LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2022 (continued)**

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Tangible assets and depreciation**

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at rates calculated to write off the cost of each asset on a straight-line basis over its estimated useful life as follows:

Freehold land and buildings	25 years
Plant and machinery	3 to 12 years

There is no depreciation on freehold land.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

##### **Leases**

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases and lease incentives received are charged on a straight-line basis to the income statement over the term of the lease.

##### **Impairment of non-financial assets**

At each year end non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of tangible assets and note 3 above for the useful economic lives for each class of asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

##### **Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to sell (net realisable value). Stocks are recognised as an expense in the period in which the related revenue is recognised.

## **BORGWARNER LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **For the year ended 31 December 2022 (continued)**

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cost is determined on the weighted average price method, some of which represent the most recent purchase price. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stocks to their present location and condition.

At the end of each reporting period stocks are assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the income statement. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

#### **Cash and Cash equivalents**

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

#### **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation because of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

Provisions are recorded for warranties, restructuring, retirements, onerous contracts, and other obligations.

#### **iii) Offsetting**

Financial assets and liabilities are offset and 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.

#### **Critical judgements and estimates in applying the accounting policies**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, turnover and expenses. The warranty provision provides the Company with its largest critical judgement and is based on any known specific failures in the field together with a percentage of sales depending on the market that the turbochargers reside in. Where the Company engages in new technology, the provision is increased to cover any failures that have not materialised during the testing phase. Prior years claims history is also taken into account in arriving at the required provision. Actual results may differ from these estimates.

The treatment of tooling sales in the Financial Statements is judged to be where the Company is acting as agent rather than principal. Section 23A paragraph 38 of FRS 102 states

An entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Features that indicate that an entity is acting as principal include:

(a) the entity has the primary responsibility for providing the goods or services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the products or services ordered or purchased by the customer.

(b) the entity has inventory risk before or after the customer order, during shipping or on return.

(c) the entity has latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services; and

## BORGWARNER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022 (continued)

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) the entity bears the customer's credit risk for the amount receivable from the customer

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

#### 4. TURNOVER

Turnover, which relates entirely to the supply of turbochargers, comprised:

	2022 £'000	2021 £'000
Sales to third parties	151,350	123,349
Sales to Group Companies	14,914	13,620
	<u>166,264</u>	<u>136,969</u>
Contributions to turnover by geographical destination were as follows:	2022 £'000	2021 £'000
United Kingdom	58,634	60,763
Rest of Europe	90,206	59,780
Rest of the World	17,424	16,426
	<u>166,264</u>	<u>136,969</u>

All turnover originates in the United Kingdom.

**BORGWARNER LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022 (continued)****5. OPERATING PROFIT**

	<b>Note</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
Operating profit is stated after charging/(crediting) :			
Coronavirus Job Retention Scheme income		-	(2)
Impairment of Inventory		28	(21)
Depreciation of tangible assets (owned)	9	4,610	4,151
Gain of sale of fixed assets	9	-	(25)
Operating lease charges		137	198
Net foreign currency (gains)/ losses		<u>(1,478)</u>	<u>911</u>

	<b>2022 £'000</b>	<b>2021 £'000</b>
Auditors' remuneration:		
- Fees payable to the Company's auditors for the audit of the Company's annual financial statements	96	62
- Fees payable for tax advisory services	-	135
	<u>96</u>	<u>197</u>

**6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>Note</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
Employee costs during the year amounted to:			
Wages and salaries		14,969	13,873
Social security costs		1,548	1,448
Other pension costs	18	2,613	2,572
		<u>19,130</u>	<u>17,893</u>

The average monthly number of persons employed by the Company (excluding executive directors) during the year was as follows:

	<b>2022 Number</b>	<b>2021 Number</b>
Production and Engineering	287	298
Sales	9	10
Administration	64	69
	<u>360</u>	<u>377</u>

**BORGWARNER LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022 (continued)****6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

	2022 £'000	2021 £'000
<b>Directors' remuneration</b>		
Aggregate remuneration	26	220
Company Pension Contribution to defined contribution scheme	1	12

Retirement benefits are accruing to one director under the Company's money purchase pension scheme (2021: one).

During the year, four (2021: four) of the Directors consider that their services to the Company were incidental to their other duties and accordingly no remuneration, fees or other benefits were paid to the Directors by the Company or costs allocated to it. These directors are either employed by BorgWarner Inc. or other non-UK subsidiaries of BorgWarner Inc. that are not controlled by BorgWarner Limited.

No directors (2021: one) exercised share options during the year, and shares were received or receivable in respect of qualifying services for no directors (2021: one) under a long-term incentive scheme.

**7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	2022 £'000	2021 £'000
Intercompany loans	692	361
Other interest received	430	4
	<u>1,122</u>	<u>365</u>

**BORGWARNER LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022 (continued)****8. TAX ON PROFIT****(a) Tax charge/(credit) included in profit or loss**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Current taxation charge/(credit) is based on the profit for the financial year and comprises:		
United Kingdom corporation tax charge at 19% (2021: 19%)	4,131	3,070
Adjustments in respect of prior years	-	(7,947)
Total current taxation charge/(credit)	<u>4,131</u>	<u>(4,877)</u>
Deferred taxation:		
- on differences between depreciation and capital allowances	(715)	530
- on other timing differences	86	(205)
- rate difference	-	478
Total deferred taxation (credit)/charge	<u>(629)</u>	<u>803</u>
Total tax charge/(credit)	<u>3,502</u>	<u>(4,074)</u>

**(b) Tax (credit)/expense included in other comprehensive (expense)/income**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Deferred tax		
- on actuarial gains and losses	(3,615)	1,942
- Loss on change in financial assumptions	307	-
- on contributions received from BorgWarner Gateshead Ltd in excess of service cost	-	125
Total tax (credit)/charge included in other comprehensive income	<u>(3,308)</u>	<u>2,067</u>

**BORGWARNER LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022 (continued)****8. TAX ON PROFIT (continued)****(c) Reconciliation of tax charge/(credit)**

The tax assessed for the year is lower (2021: lower) than that resulting from applying the standard effective rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Profit before taxation	20,872	14,815
Profit before tax multiplied by standard rate in the UK of 19% (2021: 19%).	3,983	2,815
Effects of:		
Expenses not deductible for tax purposes	604	796
Movement in short term timing differences	-	-
Pension contributions	(456)	(540)
Timing differences between capital allowances and depreciation and other timing differences	(629)	324
Rate difference	-	478
Adjustments in respect of prior year	-	(7,947)
Total tax charge/(credit) for the year	<u>3,502</u>	<u>(4,074)</u>

**(d) Tax rate changes**

In the Budget 2020, the government announced that the corporation tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023 will go ahead.

**BORGWARNER LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022 (continued)****9. TANGIBLE ASSETS**

	<b>Freehold land and buildings £'000</b>	<b>Plant and machinery £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2022	7,301	55,998	63,299
Additions	45	1,787	1,832
Disposals	-	(44)	(44)
At 31 December 2022	<u>7,346</u>	<u>57,741</u>	<u>65,087</u>
<b>Accumulated depreciation</b>			
At 1 January 2022	3,979	34,778	38,757
Charge for the year	304	4,306	4,610
Disposals	-	(44)	(44)
At 31 December 2022	<u>4,283</u>	<u>39,040</u>	<u>43,323</u>
<b>Net book value</b>			
At 31 December 2022	<u>3,063</u>	<u>18,701</u>	<u>21,764</u>
At 31 December 2021	<u>3,322</u>	<u>21,220</u>	<u>24,542</u>

Freehold land amounting to £207,547 (2021: £207,547) has not been depreciated.

At 31 December 2022, under the historical cost convention, freehold land and buildings and plant and machinery would have been stated at a net book value of £2,868,000 (2021: £3,127,000) and £12,166,000 (2021: £14,749,000) respectively.

**10. INVESTMENTS**

	<b>2022 £'000</b>	<b>2021 £'000</b>
Cost	743	3,577
Disposal of Investment	-	(2,834)
Net book value	<u>743</u>	<u>743</u>

The directors believe that the carrying value of the investments is supported by their underlying net assets. The Company holds an investment in the equity (but no other share capital or capital loan) of the following Group undertakings:

# BORGWARNER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022 (continued)

### 10. INVESTMENTS (continued)

	Country of incorporation registration	Registered office	Principal activity	Description of shares held	Proportion of shares held
BorgWarner PDS (Indiana) Inc	USA	600 Corporation Dr Pendleton, In 46064 USA	Holding Company	Common Stock	0.1777%

### 11. STOCKS

	2022 £'000	2021 £'000
Raw materials and consumables	10,524	10,456
Work-in-progress	5,488	7,508
Finished goods and goods for resale	1,264	692
	<u>17,276</u>	<u>18,656</u>

In the opinion of the directors there is no material difference between the balance sheet value of stocks and their replacement cost.

### 12. DEBTORS

This comprises:

	2022 £'000	2021 £'000
Amounts falling due within one year	84,762	65,176
Amounts falling due after more than one year	1,043	1,483
	<u>85,805</u>	<u>66,659</u>

	2022 £'000	2021 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	38,453	20,722
Amounts owed by group undertakings	40,677	38,921
Value added tax	776	1,618
Corporation tax receivable	-	3,396
Prepayments and accrued income	4,856	519
	<u>84,762</u>	<u>65,176</u>

Amounts owed by group undertakings are repayable on demand, incur no interest, with the exception of the BorgWarner Gateshead Limited loan of £29,441,000 (2021: £28,751,000) and carry no security. Interest was charged on the loan with BorgWarner Gateshead Limited at 1.27% to May 31<sup>st</sup> and 3.24% (2021 1.27%) from June 1<sup>st</sup> for the remainder of the financial year.

**BORGWARNER LIMITED****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2022 (continued)****12. DEBTORS (continued)**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due after more than one year</b>		
Other debtors	<u>1,043</u>	<u>1,483</u>
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Later than one year and not later than five years	1,043	922
Later than five years	<u>-</u>	<u>561</u>
	<u>1,043</u>	<u>1,483</u>

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	17,039	11,530
Amounts owed to group undertakings	1,983	1,493
UK corporation tax payable	3,331	-
Other taxation and social security	385	705
Accruals and deferred income	<u>4,140</u>	<u>799</u>
	<u>26,878</u>	<u>14,527</u>

Amounts owed to group undertakings are repayable on demand, incur no interest and are unsecured.

**14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to Group undertakings	<u>8,299</u>	<u>8,299</u>

Amounts owed to group undertakings are repayable on demand, incur no interest and are unsecured.

**BORGWARNER LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022 (continued)****15. PROVISIONS FOR LIABILITIES**

	Deferred tax £'000	Product warranties £'000	Total £'000
Provisions for liabilities comprise:			
At 1 January 2022	4,373	1,010	5,383
Charged to income statement	(629)	1,202	573
Charged to other comprehensive income	(3,308)	-	(3,308)
Utilised in year	-	(1,006)	(1,006)
At 31 December 2022	<u>436</u>	<u>1,206</u>	<u>1,642</u>

Best estimates have been made in respect of warranty costs arising in situations where products, having been sold, are known or likely to have a future liability to the Company. Provisions for significant product returns are only made when knowledge of specific events are known. Payments are generally expected to occur within a period of three years from the reporting date.

	2022 £'000	2021 £'000
The deferred tax liability is made up as follows:		
Accelerated capital allowances	629	2,261
Other timing differences	(193)	2,112
Total deferred tax	<u>436</u>	<u>4,373</u>

**16. CALLED UP SHARE CAPITAL**

	2022 £'000	2021 £'000
<b>Authorised</b>		
10,190,000 (2021: same) ordinary shares of £1 each (2021: same)	<u>10,190</u>	<u>10,190</u>
<b>Issued, allotted and fully paid</b>		
10,190,000 (2021: same) ordinary shares of £1 each (2021: same)	<u>10,190</u>	<u>10,190</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of capital and the repayment of capital.

## BORGWARNER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022 (continued)

#### 17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

##### (a) Capital commitments at the end of the year were:

	2022 £'000	2021 £'000
Contracted for but not provided for	3,871	5,081

##### (b) Lease commitments:

The Company leases certain assets under operating leases. The lease agreements provide that the Company will pay all insurance, maintenance and repairs. The lease of land and buildings are not subject to rent reviews at specified periods.

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2022 £'000	2021 £'000
Payments due:		
Not later than one year	121	116
Later than one year and not later than five years	56	84
Later than five years	2	-
	179	200

#### 18. PENSION ASSET

The Company participates in an approved pension plan (the "Plan") of which the Company is a part. The Plan consists of two defined benefit sections, referred to as the Bradford and Margam sections, and a defined contribution section that was introduced with effect from October 2003. In addition, during 2018 BorgWarner Limited became the sponsoring party of the Sevcon (now known as BorgWarner Gateshead Limited) pension fund. The liability of the Sevcon scheme was transferred in 2022 to BorgWarner Technologies Limited resulting in a profit to BorgWarner Limited of £1,226,000. The gain on transfer from the change in financial assumptions of the scheme was transferred through the Statement of Other Comprehensive Income. The transfer of the liability at the 29 April 2022 has been treated as a movement in equity. The funds of the BorgWarner plan is administered by trustees and are separate from the Company. The pension asset is all held within BorgWarner Limited and relates to schemes that are closed to future accruals.

##### Defined benefit schemes

The most recent actuarial valuation of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2020 and updated to 31 December 2022 for the purposes of section 28 "Employee Benefits" of FRS 102. The present values of defined benefit obligations and related current service cost and past service cost was measured using the projected unit credit cost method.

The projected unit credit cost method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

**BORGWARNER LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022 (continued)****18. PENSION ASSET (continued)**

The amount recognised in the balance sheet is as follows:

	<b>2022</b>	<b>2022</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Sevcon	BorgWarner	Total
Defined benefit scheme asset as shown below	-	3,247	3,247

	<b>2021</b>	<b>2021</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Sevcon	BorgWarner	Total
Defined benefit scheme (liability)/asset as shown below	(7,941)	16,932	8,991

The amounts recognised in the statement of other comprehensive income are as follows:

	<b>2022</b>	<b>2022</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Sevcon	BorgWarner	Total
Remeasurement of the DBO (loss)	-	(55,370)	(55,370)
Return on plan assets less interest income	-	40,910	40,910
Gain on change of financial assumptions	1,226	-	1,226
Deferred tax movement	(307)	3,615	3,308
	919	(10,845)	(9,926)

# **BORGWARNER LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **For the year ended 31 December 2022 (continued)**

### **18. PENSION ASSET (continued)**

	<b>2021</b>	<b>2021</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Sevcon</b>	<b>BorgWarner</b>	<b>Total</b>
Remeasurement of the DBO gain	40	287	327
Return on plan assets less interest income	1,577	5,864	7,441
Contributions on behalf of BorgWarner Gateshead	500	-	500
	<u>2,117</u>	<u>6,151</u>	<u>8,268</u>
Deferred tax movement	(529)	(1,538)	(2,067)
	<u>1,588</u>	<u>4,613</u>	<u>6,201</u>

The amounts recognised in the income statement are as follows:

	<b>2022</b>	<b>2022</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Sevcon</b>	<b>BorgWarner</b>	<b>Total</b>
Net interest income	-	327	327
Administration costs	-	(1,082)	(1,082)
Total charge	-	<u>(755)</u>	<u>(755)</u>

The principal actuarial assumptions used at 31 December are shown below:

	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>Sevcon</b>	<b>BorgWarner</b>	<b>Sevcon</b>	<b>BorgWarner</b>
Rate of increase in salaries	n/a	n/a	n/a	n/a
Rate of increase of pensions in payment and deferment (LPI 5%)	-	3.17%	3.75%	3.25%
Rate of increase of pensions in payment and deferment (LPI 2.5%)	-	2.32%	2.15%	2.35%
Discount rate	-	4.80%	1.85%	1.85%
Inflation assumption	-	3.36%	3.35%	3.45%

# BORGWARNER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022 (continued)

### 18. PENSION ASSET (continued)

	2022 Sevcon	2022 BorgWarner	2021 Sevcon	2021 BorgWarner
Mortality assumptions:				
Retiring today:				
Males	-	20.2	21.6	20.2
Females	-	23.1	22.4	23.1
Retiring in 20 years:				
Males	-	21.6	22.0	21.6
Females	-	24.6	23.9	24.6

	Sevcon		BorgWarner		Total
	Assets	Liabilities	Assets	Liabilities	
Reconciliation of scheme assets and liabilities	£'000		£'000		£'000
At 1 January 2022	19,898	(27,839)	152,471	(135,539)	8,991
Benefits paid	-	-	(7,438)	7,438	-
Employer contributions	872	-	1,530	-	2,402
Interest income/(expense)	-	-	2,791	(2,464)	327
Administration costs	-	-	(1,082)	-	(1,082)
Transfer to BorgWarner Technologies Ltd	(20,770)	27,839	-	-	7,069
Remeasurement gains					
- Return on plan assets excluding interest income	-	-	(55,370)	-	(55,370)
- Actuarial gains	-	-	-	40,910	40,910
At 31 December 2022	-	-	92,902	(89,655)	3,247

The analysis of the fair value of the scheme assets at the reporting date were as follows:

	2022 £'000	2022 £'000	2022 £'000
	Sevcon	BorgWarner	Total
Equity instruments	-	-	-
Bonds	-	27,632	27,632
Buy-in policy	-	49,185	49,185
Other assets	-	621	621
Diversified growth fund	-	15,464	15,464
	-	92,902	92,902

**BORGWARNER LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022 (continued)**

**18. PENSION ASSET (continued)**

	<b>2021</b>	<b>2021</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Sevcon	BorgWarner	Total
Equity instruments	-	5,420	5,420
Bonds	-	34,333	34,333
Buy-in policy	-	68,592	68,592
Other assets	19,898	860	20,758
Diversified growth fund	-	43,266	43,266
	<u>19,898</u>	<u>152,471</u>	<u>172,369</u>

Other assets are represented by cash deposits and a fiduciary platform.

The Company estimates that there will be contributions to the scheme of £1,530,000 during the accounting year 1 January to 31 December 2023

The return on the plan assets was:

	<b>2022</b>	<b>2022</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Sevcon	BorgWarner	Total
Interest income	-	327	327
Return on plan assets less interest income	-	(55,370)	(55,370)
Total return on plan assets	<u>-</u>	<u>(55,043)</u>	<u>(55,043)</u>

	<b>2021</b>	<b>2021</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Sevcon	BorgWarner	Total
Interest income	266	1,943	2,209
Return on plan assets less interest income	40	287	327
Total return on plan assets	<u>306</u>	<u>2,230</u>	<u>2,536</u>

## **BORGWARNER LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **For the year ended 31 December 2022 (continued)**

#### **18. PENSION ASSET (continued)**

##### **Defined contribution scheme**

The Company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees.

The total cost charged to income in 2022 amounted to £1,083,000 (2021: £1,861,000) and represents contributions payable to the scheme by the Company at rates specified in the rules of the plans. As at 31 December 2022, there was no amount (2021: £nil) due in respect of the current reporting year that had not been paid over to the scheme.

The Sevcon pension scheme was transferred to BorgWarner Technologies Limited at a valuation of £5,843,000 for nil consideration. The transfer is shown within the equity of the company but is non distributable.

#### **19. RELATED PARTY TRANSACTIONS**

The Company has taken exemption as provided in FRS 102 and does not disclose transactions with members of the same group that are wholly owned.

See note 6 for disclosure of the directors' remuneration.

#### **20. RESTATEMENT OF 2021 FINANCIAL STATEMENTS.**

The Financial Statements for 2021 have been restated as follows:

- Prototype sales have been correctly reclassified from Administrative expenses to Turnover as these are core trade sales transactions. This has resulted in a restatement in 2021 of an increase in Turnover and an increase of Administrative expenses of £1,150,000.
- Royalty expense has been correctly reclassified from Administrative expenses to Cost of sales as these costs are considered to be directly attributable costs to the business. This has resulted in a restatement in 2021 of an increase in Cost of sales and a decrease of Administrative expenses of £6,156,000.
- The pension asset of £8,991,000 has been restated to reflect a gross up of the pension asset and pension liability of BorgWarner and Sevcon pension schemes. As there is no right of offset between the pension asset of BorgWarner scheme and pension liability of Sevcon scheme. The restated pension asset of £16,932,000 has been recognised as a current asset and the restated pension liability of £7,941,000 has been recognised under liabilities.

#### **21. ULTIMATE PARENT COMPANY**

At 31 December 2022, the ultimate parent undertaking and largest group for which consolidated financial statements are prepared was BorgWarner Inc., which is incorporated in the State of Delaware, USA. Copies of its financial statements can be obtained from 3850 Hamlin Road, Auburn Hills, Michigan 48326, USA.

The directors regard BorgWarner Inc. to be the ultimate controlling party.

The Company's immediate parent company is BorgWarner Holdings Limited. The smallest group for which consolidated financial statements are prepared is BorgWarner Europe GmbH.

**BORGWARNER LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2022 (continued)**

**22. POST BALANCE SHEET EVENTS**

The directors have proposed a £30,000,000 dividend in 2023; the dividend will be paid up to BorgWarner Holdings Limited and then on to BorgWarner Europe GmbH. The dividend will not affect the cashflow of the Company in that a loan of £30,000,000 was agreed to BorgWarner Europe GmbH in 2023.