Company Registration number 2346109

BORGWARNER LIMITED

Report and Financial Statements
31 December 2013

BORGWARNER LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2
Strategic report	5
Independent auditors' report	7
Profit and loss account	9
Statement of total recognised gains and losses	10
Balance sheet	11
Notes to the financial statements	12

BORGWARNER LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS
A Allen
P Berry
M D Fischer
J Hohenadel
T McGill
A McMaken
C Polzin

COMPANY SECRETARY
P Berry

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
Benson House
33 Wellington Street
Leeds
LS1 4JP

DIRECTORS' REPORT
Year ended 31 December 2013

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2013.

Future developments

An indication of the likely future developments of the business is included in the Strategic Report on page 5.

Charitable and political donations

The Company made £6,022 (2012: £3,531) of donations to charity in 2013. There were no donations made in excess of £2,000.

There were no political donations during the financial year (2012: £nil).

Dividends

The directors do not recommend the payment of a dividend (2012: £nil).

Financial risk management

The UK business is exposed to metal commodity price risks, which are managed through a progressive cost reduction strategy and contractual arrangements with the customer base.

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

As a subsidiary of BorgWarner Holdings Limited further details of Company policies in relation to external financial risks, can be found in the Annual Report and Financial Statements of BorgWarner Holdings Limited.

The Company actively monitors the performance and financial strength of its customers 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:

A Allen	(appointed 16 September 2013)
P Berry	
M D Fischer	
J Hohenadel	
T McGill	
A McMaken	
C Polzin	
S Spencer	(resigned 16 September 2013)

Directors' indemnities

The Company maintained throughout the year, and at 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.

DIRECTORS' REPORT (CONTINUED)
Year ended 31 December 2013

Research and Development

The Company is engaged in Research and Development activities and is committed to innovation and technological developments for future business awards.

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.

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.

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 prepared 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

DIRECTORS' REPORT (CONTINUED)
Year ended 31 December 2013

Statement of disclosure of information to auditors

In the case of each of the persons who are directors at the time when the report is approved under section 418 of the Companies Act 2006 the following applies:

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

Independent auditors

The 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

P Berry
Director
9 September 2014

Registered number: 2346109

Roydsdale Way, Bradford, BD4 6SE

STRATEGIC REPORT
Year ended 31 December 2013

The directors present their strategic report on the company for the year ended 31 December 2013

Principal activities

The principal activity of the Company is the manufacture and sale of turbochargers and components. The principal activity of the parent company is that of a holding company.

Review of the business

The profit after taxation for the financial year is £17,556,000 (2012: £14,435,000). No dividend is proposed (2012: £nil), leaving a profit for the year of £17,556,000 to be transferred to reserves (2012: £14,435,000).

As indicated in the profit and loss account, the Company's sales have increased by £18,782,000 (20.0%) compared to the year ended December 2012, with the Company's profitability higher by £3,121,000 to £17,556,000. The increase in turnover was due to high sales experienced during the latter half of 2013 primarily in respect of the off-highway market which experienced higher demand in advance of the 2014 Tier4 final emission change.

The balance sheet shows that the Company's financial position at the year-end has further improved, and includes cash balances of £27,608,000, an increase of £10,469,000 since December 2012.

Net assets have increased due to the strong trading performance and are £14,092,000 higher than at December 2012. The pension scheme liability has reduced to £9,560,000, a favourable movement of £519,000, however whilst £4,296,000 of past service deficit contributions have been made by the Company, actuarial losses have continued. This is in part due to assumptions in respect of the reduced discount rate from 4.5% to 4.4%.

Non-financial risks

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.

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 revenues.

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 KPI's.

STRATEGIC REPORT (CONTINUED)
Year ended 31 December 2013

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

	2013	2012	Definition, method of calculation and analysis
Growth / (reduction) in sales (%)	20.1%	(7.2)%	Year on year sales growth expressed as a percentage. The year on year increase is a result of growth in product demand in advance of the new emission legislation of Tier4 final and Euro6 that broadly became effective from January 2014
Return on sales (%)	19.4%	19.2%	Return on sales is the ratio of profit on ordinary activities before taxation to sales expressed as a percentage. Return on sales has improved marginally due to greater efficiency of the Company's fixed cost base.
Working capital turns	12.2	11.8	Working capital turns is the ratio of sales to stocks plus trade debtors less trade creditors. The reason for the change is due to improved stock turns on the greater sales revenues
Current Ratio	3.06	2.48	The current ratio is a financial ratio that compares a firm's current assets to its current liabilities. The current ratio has improved due to the growth in the Company's cash balance that has not been required for working capital, investments or distributed by way of dividends.

On behalf of the board

P Berry
Director
9 September 2014

Independent auditors' report to the members of BorgWarner Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by BorgWarner Limited, comprise:

- the balance sheet as at 31 December 2013;
- the profit and loss account and statement of total recognised gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Randal Casson

Randal Casson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

9 September 2014

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Turnover	2	112,345	93,563
Cost of Sales	3	(78,677)	(66,112)
Gross Profit		33,668	27,451
Selling and distribution costs and administrative expenses	3	(12,651)	(10,485)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	4	21,017	16,966
Net interest receivable	5	73	5
Other finance income	19	750	1,030
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		21,840	18,001
Tax on profit on ordinary activities	7	(4,284)	(3,566)
PROFIT FOR THE FINANCIAL YEAR	16	17,556	14,435

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

All results derive from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Profit for the financial year		17,556	14,435
Gain on pension scheme assets	19	6,380	2,580
Loss on pension scheme liabilities	19	(1,220)	(1,820)
Loss on change of assumptions in relation to pension scheme liabilities	19	(9,490)	(6,080)
Deferred tax on actuarial gains and losses	19	866	1,224
Total recognised gains and losses relating to the year		14,092	10,339

BALANCE SHEET
As at 31 December 2013

	Note	2013 £'000	2012 £'000
FIXED ASSETS			
Tangible assets	8	20,468	17,634
Investments	9	2,833	2,833
		23,301	20,467
CURRENT ASSETS			
Stocks	10	12,043	10,093
Debtors: amounts falling due within one year	11	15,027	14,795
Cash at bank and in hand		27,608	17,139
		54,678	42,027
CREDITORS: amounts falling due within one year	12	(17,841)	(16,956)
NET CURRENT ASSETS		36,837	25,071
DEBTORS: amounts falling due after more than one year		1,591	1,591
TOTAL ASSETS LESS CURRENT LIABILITIES		61,729	47,129
CREDITORS: amounts falling due after more than one year	13	(12,930)	(12,930)
PROVISIONS FOR LIABILITIES	14	(1,425)	(398)
NET ASSETS BEFORE PENSION LIABILITY		47,374	33,801
Pension liability	19	(9,560)	(10,079)
NET ASSETS AFTER PENSION LIABILITY		37,814	23,722
CAPITAL AND RESERVES			
Called up share capital	15	10,190	10,190
Profit and loss account	16	27,624	13,532
TOTAL SHAREHOLDERS' FUNDS		37,814	23,722

These financial statements on pages 9 to 28 were approved by the Board of Directors on 9 September 2014 and were signed on its behalf by:

P Berry
Director
BorgWarner Limited, Company Registration number 2346109

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards and the Companies Act 2006. The particular accounting policies adopted are described below and have been applied consistently throughout the year and preceding year.

Accounting convention
The financial statements have been prepared under the historical cost convention.

Cash flow statement
A cash flow statement has not been prepared as the company has taken advantage of FRS 1 (Revised 1996) Cash Flow Statement, as this company's ultimate parent company, BorgWarner Inc., published consolidated financial statements which include a consolidated cash flow statement dealing with the cash flows of the group, including this company. The financial statements of BorgWarner Inc. are available from 3850 Hamlin Road, Auburn Hills, Michigan 48326, USA.

Group financial statements
The directors have not presented consolidated financial statements in accordance with Section 400 of the Companies At 2006 because the company is a wholly owned subsidiary undertaking of BorgWarner Holdings Limited, a company registered in England and Wales, which prepares consolidated financial statements. Further information relating to the company's parent undertakings is given in note 21 to the financial statements. These financial statements therefore present information about the company and not its group.

Going concern
After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.
Further details regarding the adoption of the going concern basis can be found in the Directors' report.

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

Foreign currency
Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Pension costs
The cost of providing pensions under the defined benefit schemes is determined using actuarial valuations carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the profit and loss account and presented in the statement of total recognised gains and losses.

1. ACCOUNTING POLICIES (CONTINUED)

Pension costs (Continued)
Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The pension liability recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and the pension asset represents the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

The Company operates a defined contribution retirement benefit scheme for all qualifying employees. Associated pension costs are expensed in the profit and loss account when incurred.

Fixed asset investments
Fixed asset investments are stated at cost less provision for permanent impairment in value.

Tangible fixed assets and depreciation
Tangible fixed assets are stated at historic cost or re-valued amount less accumulated depreciation. 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 or re-valued amount 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.

Taxation
Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are re-valued unless by the balance sheet date there is a binding agreement to sell the re-valued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

1. ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)
Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leases
Rentals under operating leases and lease incentives received are charged on a straight-line basis to the profit and loss account over the term of the lease even if the payments are not made on such a basis.

Stocks
Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis.

Cost represents expenses incurred in bringing each product to its present location and condition and includes materials, direct labour and a share of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Provisions
Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are recorded for restructuring, retirements, onerous contracts, and other obligations. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Balance Sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability. Provisions for onerous contracts are recorded when the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to arise from that contract, taking into account impairment of fixed assets first.

2. TURNOVER

Turnover, which relates entirely to the supply of components to the automotive industry, comprised:

	2013 £'000	2012 £'000
Sales to third parties	101,787	80,298
Sales to fellow group undertakings	10,558	13,265
	112,345	93,563

Contributions to turnover by geographical destination were as follows:	2013 £'000	2012 £'000
United Kingdom	13,739	5,808
Rest of Europe	87,348	78,394
Rest of the World	11,258	9,361
	112,345	93,563

All turnover arises in the United Kingdom.

3. ANALYSIS OF PROFIT AND LOSS ACCOUNT

	2013 £'000	2012 £'000
Cost of sales	78,677	66,112
Operating expenses, net		
Distribution costs	965	934
Administrative expenses:		
General	11,686	9,551
Total administrative expenses	12,651	10,485

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2013

4. OPERATING PROFIT

	2013 £'000	2012 £'000
Operating profit is stated after charging / (crediting):		
Depreciation of tangible fixed assets		
-owned assets	2,983	2,519
Operating lease rentals		
- plant and machinery	81	81
- other	230	306
Loss / (Profit) on disposal of fixed assets	6	(2)

	2013 £'000	2012 £'000
Auditors' remuneration:		
- Fees payable to the company's auditors for the audit of the company's annual financial statements	78	78
- Fees payable for tax compliance services	9	12
- Fees payable for tax advisory services	1	15
	88	105

5. NET INTEREST RECEIVABLE

	2013 £'000	2012 £'000
Bank loans and overdrafts	-	(3)
Interest receivable	72	-
Intercompany loans	1	8
	73	5

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2013 £'000	2012 £'000
Employee costs during the year amounted to:		
Wages and salaries	14,077	14,798
Social security costs	1,258	1,364
Other pension costs (note 19)	1,347	895
	16,682	17,057

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

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

	2013 Number	2012 Number
Production and engineering	348	347
Sales	5	5
Administration	92	90
	445	442

	2013 £'000	2012 £'000
Directors' remuneration		
Aggregate emoluments	298	314
Company Pension contribution to money purchase scheme	22	23

Retirement benefits are accruing to two directors under the company's money purchase pension scheme (2012: two).

	2013 £'000	2012 £'000
Highest Paid Director		
Aggregate emoluments	148	194
Company Pension contributions to money purchase scheme	11	14

During the year five 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 to BorgWarner Inc. that are not controlled by either BorgWarner Holdings Limited or BorgWarner Limited.

Two directors (2012: 1) exercised share options during the year and shares were received or receivable in respect of qualifying services for two directors (2012: 2) under a long-term incentive scheme.

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Current taxation charge is based on the profit for the year and comprises:	2013 £'000	2012 £'000
United Kingdom corporation tax charge at 23.25% (2012: 24.5%)	4,120	3,168
Adjustments in respect of prior year corporation tax	(526)	(977)
Total current taxation	3,594	2,191
Deferred taxation:		
- Origination and reversal of timing differences	389	1,088
- Deferred tax rate difference	301	287
- Adjustment in respect of prior years	-	-
Total taxation charge	4,284	3,566

The tax assessed for the year is lower (2012: lower) than that resulting from applying the standard effective rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation	21,840	18,001
Profit on ordinary activities multiplied by standard rate in the UK 23.25% (2012: 24.5%).	5,078	4,410
Effects of:		
Expenses not deductible for tax purposes	36	33
Capital allowances in excess of depreciation / accelerated capital allowances	42	(130)
Movement in short term timing differences	(970)	(1,076)
Losses carried forward	(66)	(69)
Adjustments in respect of prior year corporation tax	(526)	(977)
Current tax charge for the year	3,594	2,191

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

The Finance Act 2012 included legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013. Further reductions were included in the Finance Act 2013, which was substantively enacted on 2 July 2013, to reduce the rate to 21% from 2014 and 20% from 1 April 2015. The deferred tax asset at 31 December 2012 has been re-measured accordingly.

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost or valuation			
At 1 January 2013	3,672	26,847	30,519
Additions	234	6,116	6,350
Disposals	-	(2,187)	(2,187)
At 31 December 2013	3,906	30,776	34,682
Accumulated depreciation			
At 1 January 2013	1,792	11,093	12,885
Charge for the year	137	2,846	2,983
Disposals	-	(1,654)	(1,654)
At 31 December 2013	1,929	12,285	14,214
Net book value			
At 31 December 2013	1,977	18,491	20,468
At 31 December 2012	1,880	15,754	17,634

Freehold land amounting to £207,547 (2012: £207,547) has not been depreciated.

The transitional arrangements of FRS 15 'Tangible Fixed Assets' have been adopted in the case of freehold land and buildings and plant and machinery where the valuations of £1,522,000 and £9,847,000 respectively have not been updated since the September 1999 review. The company is not continuing the valuation policy relating to these classes of asset and the assets have been frozen at modified historic cost.

At 31 December 2013, under the historical cost convention, freehold land a9 September 2014nd buildings and plant and machinery would have been stated at a net book value of £1,782,000 (2012: £1,685.000) and £16,034,000 (2012: £13,297,000) respectively.

The directors do not believe that there is a material difference between the net book value and the market valuation of the Company's Land and Buildings.

9. INVESTMENTS

Subsidiary undertakings	**£'000**
Cost and net book value	
At 31 December 2013 and 31 December 2012	2,833

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 subsidiary undertaking:

	Country of incorporation/ registration	**Principal activity**	**Description of shares held**	**Proportions of shares held**
Kysor (Europe) Limited	England and Wales	Dormant	£1 ordinary shares	100%

10. STOCKS

	2013 £'000	**2012 £'000**
Raw materials and consumables	6,661	5,760
Work-in-progress	3,440	3,578
Finished goods and goods for resale	1,942	755
	12,043	10,093

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

11. DEBTORS

	2013 £'000	**2012 £'000**
Amounts falling due within one year:		
Trade debtors	14,114	12,856
Amounts owed by group undertakings	233	123
Value added tax	579	1,014
Deferred taxation (note 14)	-	429
UK corporation tax receivable	-	355
Prepayments and accrued income	101	18
	15,027	14,795

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Trade creditors	11,560	12,547
Amounts owed to other group undertakings	2,899	2,485
Other creditors:		
- Corporation Tax payable	868	-
- Other taxation and social security	337	366
Accruals and deferred income	2,177	1,558
	17,841	16,956

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 £'000	2012 £'000
Amounts owed to group undertakings	12,930	12,930

Creditors falling due after more than one year are all repayable within 2-5 years and are interest free.

14. PROVISIONS FOR LIABILITES

	Deferred tax £'000	Product warranties £'000	Total £'000
Provisions for liabilities comprise:			
At 1 January 2013	-	398	398
Charged to profit and loss	931	262	1,193
Utilised in year	-	(166)	(166)
At 31 December 2013	931	494	1,425

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 balance sheet date.

14. PROVISIONS FOR LIABILITES (CONTINUED)

Deferred tax (liability) / asset	2013 £'000	2012 £'000
Accelerated capital allowances	(820)	480
Other timing differences	(111)	(51)
Total deferred tax	(931)	429

	2013 £'000
At start of period	429
Deferred tax charge in profit and loss account for period (note 7)	(1,360)
At end of period	(931)

15. CALLED UP SHARE CAPITAL

	2013 £'000	2012 £'000
Authorised		
20,000,000 ordinary shares of £1 each (2012 : 20,000,000)	20,000	20,000
Allotted and fully paid		
10,190,002 ordinary shares of £1 each (2012: 10,190,002)	10,190	10,190

16. RESERVES

	Profit and loss account £'000
At 1 January 2013	13,532
Actuarial loss for current year under FRS17	(4,330)
Deferred tax under FRS17	866
Profit for the financial year	17,556
At 31 December 2013	27,624

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £'000	2012 £'000
Profit for the financial year	17,556	14,435
Actuarial loss	(4,330)	(5,320)
Deferred tax on actuarial loss	866	1,224
Net increase in shareholders' funds	14,092	10,339
Opening shareholders' funds	23,722	13,383
Closing shareholders' funds	37,814	23,722

18. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

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

	2013 £'000	2012 £'000
Contracted for but not provided for	8,631	5,719

(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.

	2013		2012	
Operating leases which expire:	Land and Buildings £'000	Plant and Machinery £'000	Land and Buildings £'000	Plant and Machinery £'000
Within one year	-	-	-	-
Within 2 – 5 years	-	154	-	242
After 5 years	1,701	-	1,931	-
	1,701	154	1,931	242

19. PENSION SCHEME

The group 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. The funds of the plan are administrated by trustees and are separate from the group. The pension asset / (liability) is all held within BorgWarner Limited and is not a closed scheme. The asset / (liability) is accounted for in BorgWarner Limited financial statements and then consolidated into BorgWarner Holdings Limited financial statements.

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 2011 and updated to 31 December 2013 for the purposes of FRS17 'Retirement Benefits'. The present value 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.

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

	2013	**2012**
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment and deferment (LPI 5%)	3.25% p.a.	2.65% p.a.
Rate of increase of pensions in payment and deferment (LPI 2.5%)	2.05% p.a.	1.80% p.a.
Discount rate	4.40% p.a.	4.50% p.a.
Inflation assumption	3.60% p.a.	2.75% p.a.

Mortality assumptions:	**2013 Years**	**2012 Years**
Retiring today:		
Males	21.5	21.4
Females	23.7	23.6
Retiring in 20 years:		
Males	24.1	24.0
Females	26.5	26.4

19. PENSION SCHEME (CONTINUED)

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

Analysis of the amount to be credited to other finance income:	2013 £'000	2012 £'000
Expected return on pension scheme assets	5,650	6,050
Interest on pension scheme liabilities	(4,900)	(5,020)
Net income	750	1,030

Actuarial gains and losses have been reported in the statement of total recognised gains and losses. The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS17 'Retirement Benefits' is a loss of £36,690,000 (2012: loss of £33,226,000).

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit schemes is as follows:

	2013 £'000	2012 £'000
Present value of defined benefit obligations	(122,320)	(111,160)
Fair value of scheme assets	(110,370)	(98,070)
Deficit in scheme	(11,950)	(13,090)
Related deferred tax	2,390	3,011
Liability recognised in balance sheet	(9,560)	(10,079)

Movements in the present value of defined benefit obligations were as follows:

	2013 £'000	2012 £'000
At 1 January	111,160	102,520
Interest cost	4,900	5,020
Actuarial loss	10,710	7,900
Benefits paid	(4,450)	(4,280)
At 31 December	122,320	111,160

19. PENSION SCHEME (CONTINUED)

Movements in the fair value of scheme assets were as follows:

	2013 £'000	2012 £'000
At 1 January	98,070	89,680
Expected return on scheme assets	5,650	6,050
Actuarial gain	6,380	2,580
Employer contributions	4,720	4,040
Benefits paid	(4,450)	(4,280)
At 31 December	110,370	98,070

The analysis of scheme assets and the expected rate of return at the balance sheet date were as follows:

	2013		2012	
	Expected rate of return	Fair value of assets £'000	Expected rate of return	Fair value of assets £'000
Equity instruments	7.4%	57,138	7.6%	56,685
Bonds	3.2%	50,914	4.5%	38,953
Other assets	5.3%	2,318	3.8%	2,432
		110,370		98,070

Other assets are represented by cash deposits and property.

The actual rate of return achieved on scheme assets for the year to 31 December 2013 was 12.8% (2012: 9.5%).

The overall expected return on asset assumptions is chosen having regard to the weighted average of the expected returns from each of the main asset classes in which the plan is invested at the start of the year. The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets as suggested by the yields available, and the views of the investment organisations. Consideration is also given to the rate of return expected to be available for reinvestment.

19. PENSION SCHEME (CONTINUED)

The five-year history of experience adjustments is as follows:

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Difference between expected and actual return on scheme assets:					
Amount	6,380	2,580	(3,560)	2,850	4,950
Percentage of scheme assets	5.78%	2.63%	(3.97%)	3.25%	6.24%
Experience losses on scheme liabilities:					
Amount	(1,220)	(1,820)	(2,970)	(460)	(120)
Percentage of scheme liabilities	(1.00%)	(1.64%)	(2.90%)	(0.49%)	(0.13%)
Changes in assumptions underlying present value of scheme liabilities:					
Amount	(9,490)	(6,080)	(4,840)	(2,210)	(14,100)
Percentage of scheme assets	(8.60%)	(6.20%)	(5.40%)	(2.52%)	(17.76%)
Total amount recognised in statement of total recognised gains and losses:					
Amount	(4,330)	(5,320)	(11,370)	(180)	(9,270)
Percentage of present value of scheme liabilities	(3.54%)	(4.79%)	(11.09%)	(0.19%)	(10.17%)

The company estimates that there will be contributions to the scheme of £4,296,000 during the accounting period 1 January 2014 to 31 December 2014.

The movements in the statement of total recognised gains and losses were as follows:

	2013 £'000	2012 £'000
Gain on pension scheme assets	6,380	2,580
Loss on pension scheme liabilities	(1,220)	(1,820)
Loss on change of assumptions in relation to pension scheme liabilities	(9,490)	(6,080)
	(4,330)	(5,320)
Deferred tax on actuarial gains and losses	866	1,224
	(3,464)	(4,096)

19. PENSION SCHEME (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 Group in funds under the control of trustees.

The total cost charged to income in 2013 of £1,347,400 (2012: £895,400) represents contributions payable to the scheme by the group at rates specified in the rules of the plans. As at 31 December 2013, there was no amount (2012: £nil) due in respect of the current reporting year that had not been paid over to the scheme.

20. DERIVATIVES NOT INCLUDED AT FAIR VALUE

The company has derivatives which are not included at fair value in the financial statements:

	Principal		Fair value	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Forward foreign exchange contracts	-	24,063	-	673

The company uses the derivative to hedge its exposures to changes in foreign currency exchange rates arising from foreign currency purchases.

21. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of BorgWarner Holdings Limited, which heads the smallest group into which the company is consolidated.

At 31 December 2013, 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 has taken advantage of the exemption contained in Financial Reporting Standard number 8, 'Related Party Disclosures' not to disclose related party transactions with other group companies as it is a wholly owned subsidiary.