

ATTENTION :

ACCOUNTS FOR FILING

BORGWARNER LIMITED

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Company Registration number 2346109

BORGWARNER LIMITED

Report and Financial Statements

31 December 2014

BORGWARNER LIMITED

REPORT AND FINANCIAL STATEMENTS 2014

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BORGWARNER LIMITED

REPORT AND FINANCIAL STATEMENTS 2014

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A Allen
P Berry
M D Fischer
T McGill
A McMaken
R Nieves
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

BORGWARNER LIMITED

DIRECTORS' REPORT **Year ended 31 December 2014**

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2014.

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 £3,873 (2013: £6,022) of donations to charity in 2014. There were no donations made in excess of £2,000.

There were no political donations during the financial year (2013: £nil).

Dividends

The directors do not recommend the payment of a dividend (2013: £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.

A moderate proportion of the Company's European sales are 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
P Berry
M D Fischer
J Hohenadel (resigned 27 November 2014)
T McGill
A McMaken
R Nieves (appointed 27 November 2014)
C Polzin

There were no compensation payments to the resigning director in respect of loss of office.

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.

BORGWARNER LIMITED

DIRECTORS' REPORT (CONTINUED)

Year ended 31 December 2014

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.

BORGWARNER LIMITED

DIRECTORS' REPORT (CONTINUED)
Year ended 31 December 2014

Statement of disclosure of information to auditors

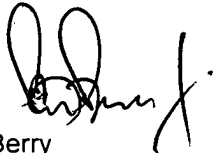
In the case of each of the persons who are directors at the time when the report is approved under section 418 of the Companies Act 2006 the following applies:

- 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
19 June 2015

Registered number: 2346109

Roydsdale Way, Bradford, BD4 6SE

BORGWARNER LIMITED

STRATEGIC REPORT Year ended 31 December 2014

The directors present their strategic report on the company for the year ended 31 December 2014

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 for the financial year is £11,291,000 (2013: £17,556,000). No dividend is proposed (2013: £nil), leaving a profit for the financial year of £11,291,000 to be transferred to reserves (2013: £17,556,000).

As indicated in the profit and loss account, the Company's sales have increased by £1,684,000 (1.5%) compared to the year ended December 2013, with the Company's profitability lower by £6,265,000 to £11,291,000. The increase in turnover was due to high sales experienced during the first half of 2014 primarily in respect of the off-highway market which experienced higher demand in advance of the 2015 Tier4 final emission change. The profitability has reduced due to costs incurred in developing applications for entry into the passenger car turbocharger market the business of which will commence in 2016.

The balance sheet shows that the Company's financial position at the year-end has further improved, and includes cash balances of £37,250,000, an increase of £9,642,000 since December 2013.

Net assets have increased due to the strong trading performance and are £17,075,000 higher than at December 2013. The pension scheme liability has reduced by £9,560,000 and is now fully funded in accordance with FRS17. This is principally due to the favourable fund returns that were 16.5% for the year, but offset by the impact of a reduction in the discount rate from 4.4% to 3.6%. The Company has however agreed with the Pension Trustees that the past service deficit contributions will continue until the deficit from the 2014 actuarial valuation is eliminated in full.

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 turnover.

Key performance indicators ("KPIs")

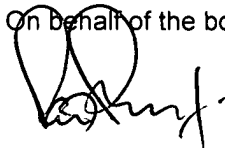
The Company's strategy is one of growth with improved profitability. The directors monitor progress against this strategy by reference to a number of KPI's.

BORGWARNER LIMITED**STRATEGIC REPORT (CONTINUED)****Year ended 31 December 2014**

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

	2014	2013	Definition, method of calculation and analysis
Growth in sales (%)	1.5%	20.1%	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 that broadly became effective during 2014 and 2015
Return on sales (%)	11.8%	19.4%	Return on sales is the ratio of profit on ordinary activities before taxation to sales expressed as a percentage. Return on sales has reduced due to costs incurred in developing applications for entry into the passenger car turbocharger market the business of which will commence in 2016
Working capital turns	51.7	12.2	Working capital turns is the ratio of sales to stocks plus trade debtors less trade creditors. The reason for the change is primarily due to the lower year end inventories and receivables
Current Ratio	2.94	3.06	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
19 June 2015

Report on the financial statements

Our opinion

In our opinion, BorgWarner Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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.

What we have audited

BorgWarner Limited's financial statements comprise:

- the profit and loss account for the year then ended;
- the statement of total recognised gains and losses for the year then ended;
- the balance sheet as at 31 December 2014; 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 the preparation of the financial statements 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.

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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BORGWARNER LIMITED
(CONTINUED)**

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 International Standards on Auditing (UK and Ireland) ("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.

What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



Randal Casson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

19 June 2015

BORGWARNER LIMITED**PROFIT AND LOSS ACCOUNT**

Year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Turnover	2	114,049	112,345
Cost of Sales		<u>(84,959)</u>	<u>(77,959)</u>
GROSS PROFIT		29,090	34,386
Selling costs		(2,355)	(965)
Distribution costs		(767)	(718)
Administrative expenses		<u>(12,579)</u>	<u>(11,686)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	3	13,389	21,017
Interest receivable and similar income	4	74	73
Other finance income	18	<u>-</u>	<u>750</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		13,463	21,840
Tax on profit on ordinary activities	6	<u>(2,172)</u>	<u>(4,284)</u>
PROFIT FOR THE FINANCIAL YEAR	15	<u><u>11,291</u></u>	<u><u>17,556</u></u>

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

All results derive from continuing operations.

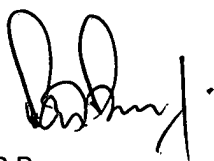
BORGWARNER LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**
Year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Profit for the financial year		11,291	17,556
Gain on pension scheme assets	18	11,550	6,380
Gain / (loss) on pension scheme liabilities	18	8,340	(1,220)
Loss on change of assumptions in relation to pension scheme liabilities	18	(13,180)	(9,490)
Deferred tax on actuarial gains and losses	18	(1,446)	866
Effect on the restriction to pension scheme assets	18	<u>520</u>	<u>-</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		<u><u>17,075</u></u>	<u><u>14,092</u></u>

BORGWARNER LIMITED**BALANCE SHEET
As at 31 December 2014**

	Note	2014 £'000	2013 £'000
FIXED ASSETS			
Tangible assets	7	27,196	20,468
Investments	8	2,833	2,833
		<u>30,029</u>	<u>23,301</u>
CURRENT ASSETS			
Stocks	9	8,923	12,043
Debtors: amounts falling due within one year	10	13,644	15,027
Cash at bank and in hand		37,250	27,608
		<u>59,817</u>	<u>54,678</u>
CREDITORS: amounts falling due within one year	11	<u>(20,362)</u>	<u>(17,841)</u>
NET CURRENT ASSETS		39,455	36,837
DEBTORS: amounts falling due after more than one year		-	1,591
TOTAL ASSETS LESS CURRENT LIABILITIES		69,484	61,729
CREDITORS: amounts falling due after more than one year	12	(12,930)	(12,930)
PROVISIONS FOR LIABILITIES	13	<u>(1,665)</u>	<u>(1,425)</u>
NET ASSETS BEFORE PENSION LIABILITY		54,889	47,374
Pension liability	18	-	(9,560)
NET ASSETS AFTER PENSION LIABILITY		<u>54,889</u>	<u>37,814</u>
CAPITAL AND RESERVES			
Called up share capital	14	10,190	10,190
Profit and loss account	15	44,699	27,624
TOTAL SHAREHOLDERS' FUNDS	16	<u>54,889</u>	<u>37,814</u>

These financial statements on pages 9 to 28 were approved by the Board of Directors on 19 June 2015 and were signed on its behalf by:



P Berry
Director
BorgWarner Limited, Company Registration number 2346109

BORGWARNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

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 Act 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 19 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. Turnover 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2014

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.

BORGWARNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2014

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 an average cost method.

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.

BORGWARNER LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
Year ended 31 December 2014**2. TURNOVER**

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

	2014 £'000	2013 £'000
Sales to third parties	101,332	101,787
Sales to fellow group undertakings	12,717	10,558
	<u>114,049</u>	<u>112,345</u>

Contributions to turnover by geographical destination were as follows:	2014 £'000	2013 £'000
United Kingdom	17,491	13,739
Rest of Europe	92,148	87,348
Rest of the World	4,410	11,258
	<u>114,049</u>	<u>112,345</u>

All turnover arises in the United Kingdom.

3. OPERATING PROFIT

	2014 £'000	2013 £'000
Operating profit is stated after charging :		
Depreciation of tangible fixed assets		
- owned assets	3,454	2,983
Operating lease rentals		
- plant and machinery	88	81
- other	230	230
Loss on disposal of fixed assets	6	6
	<u>6</u>	<u>6</u>

	2014 £'000	2013 £'000
Auditors' remuneration:		
- Fees payable to the Company's auditors for the audit of the Company's annual financial statements	76	76
- Fees payable for tax compliance services	16	9
- Fees payable for tax advisory services	30	1
	<u>122</u>	<u>86</u>

BORGWARNER LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
Year ended 31 December 2014**4. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2014 £'000	2013 £'000
Interest receivable	70	72
Intercompany loans	4	1
	<u>74</u>	<u>73</u>

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2014 £'000	2013 £'000
Employee costs during the year amounted to:		
Wages and salaries	13,060	14,077
Social security costs	1,248	1,258
Other pension costs (note 19)	1,325	1,347
	<u>15,633</u>	<u>16,682</u>

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

	2014 Number	2013 Number
Production and engineering	314	348
Sales	5	5
Administration	91	92
	<u>410</u>	<u>445</u>

	2014 £'000	2013 £'000
Directors' remuneration		
Aggregate emoluments	<u>274</u>	<u>298</u>
Company Pension contribution to defined contribution scheme	<u>20</u>	<u>22</u>

During the year no compensation for loss of office was paid (2013 : nil).

BORGWARNER LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Year ended 31 December 2014

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

Retirement benefits are accruing to two directors under the company's money purchase pension scheme (2013: two).

	2014 £'000	2013 £'000
Highest Paid Director		
Aggregate emoluments	149	148
Company Pension contributions to money purchase scheme	11	11

During the year six 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 (2013: one) exercised share options during the year and shares were received or receivable in respect of qualifying services for two directors (2013: two) under a long-term incentive scheme.

During the year no compensation for loss of office was paid (2013: nil).

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Current taxation charge is based on the profit for the year and comprises:	2014 £'000	2013 £'000
United Kingdom corporation tax charge at 21.5% (2013: 23.25%)	2,672	4,120
Adjustments in respect of prior year corporation tax	(463)	(526)
Total current taxation	2,209	3,594
Deferred taxation:		
- Origination and reversal of timing differences	(37)	389
- Deferred tax rate difference	-	301
- Adjustment in respect of prior years	-	-
Total taxation charge	2,172	4,284

BORGWARNER LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****Year ended 31 December 2014****6. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)**

The tax assessed for the year is lower (2013: lower) than that resulting from applying the standard effective rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below:

	2014	2013
	£'000	£'000
Profit on ordinary activities before taxation	13,463	21,840
Profit on ordinary activities multiplied by standard rate in the UK 21.5% (2013: 23.25%).	2,894	5,078
Effects of:		
Expenses not deductible for tax purposes	37	36
Capital allowances in excess of depreciation / accelerated capital allowances	53	42
Movement in short term timing differences	(312)	(970)
Losses carried forward	-	(66)
Adjustments in respect of prior year corporation tax	(463)	(526)
Current tax charge for the year	<u>2,209</u>	<u>3,594</u>

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.

BORGWARNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2014

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost or valuation			
At 1 January 2014	3,906	30,776	34,682
Additions	244	9,969	10,213
Disposals	-	(1,046)	(1,046)
At 31 December 2014	<u>4,150</u>	<u>39,699</u>	<u>43,849</u>
Accumulated depreciation			
At 1 January 2014	1,929	12,285	14,214
Charge for the year	152	3,302	3,454
Disposals	-	(1,015)	(1,015)
At 31 December 2014	<u>2,081</u>	<u>14,572</u>	<u>16,653</u>
Net book value			
At 31 December 2014	<u>2,069</u>	<u>25,127</u>	<u>27,196</u>
At 31 December 2013	<u>1,977</u>	<u>18,491</u>	<u>20,468</u>

Freehold land amounting to £207,547 (2013: £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 2014, under the historical cost convention, freehold land and buildings and plant and machinery would have been stated at a net book value of £1,874,000 (2013: £1,782,000) and £22,670,000 (2013: £16,034,000) 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.

BORGWARNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2014

8. INVESTMENTS

Subsidiary undertakings	£'000
Cost and net book value	
At 31 December 2014 and 31 December 2013	<u>2,833</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 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%

9. STOCKS

	2014 £'000	2013 £'000
Raw materials and consumables	4,792	6,661
Work-in-progress	3,063	3,440
Finished goods and goods for resale	1,068	1,942
	<u>8,923</u>	<u>12,043</u>

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

10. DEBTORS

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Trade debtors	12,652	14,114
Amounts owed by group undertakings	4	233
Value added tax	831	579
Prepayments and accrued income	157	101
	<u>13,644</u>	<u>15,027</u>

BORGWARNER LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Year ended 31 December 2014

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£'000	£'000
Trade creditors	12,155	11,560
Amounts owed to other group undertakings	5,104	2,899
Other creditors:		
- Corporation Tax payable	397	868
- Other taxation and social security	512	337
Accruals and deferred income	2,194	2,177
	<u>20,362</u>	<u>17,841</u>

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

	2014	2013
	£'000	£'000
Amounts owed to group undertakings	<u>12,930</u>	<u>12,930</u>

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

13. PROVISIONS FOR LIABILITIES

	Deferred tax	Product warranties	Total
	£'000	£'000	£'000
Provisions for liabilities comprise:			
At 1 January 2014	931	494	1,425
Charged to profit and loss	136	254	390
Utilised in year	-	(150)	(150)
At 31 December 2014	<u>1,067</u>	<u>598</u>	<u>1,665</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 balance sheet date.

BORGWARNER LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
Year ended 31 December 2014**13. PROVISIONS FOR LIABILITIES (CONTINUED)**

	2014 £'000	2013 £'000
Deferred tax (liability) / asset		
Accelerated capital allowances	(1,007)	(820)
Other timing differences	(60)	(111)
Total deferred tax	<u>(1,067)</u>	<u>(931)</u>
At start of year	(931)	
Deferred tax charge in profit and loss account for the year (note 6)	(136)	
At end of year	<u>(1,067)</u>	

14. CALLED UP SHARE CAPITAL

	2014 £'000	2013 £'000
Authorised		
20,000,000 ordinary shares of £1 each (2013 : 20,000,000)	<u>20,000</u>	<u>20,000</u>
Allotted and fully paid		
10,190,002 ordinary shares of £1 each (2013: 10,190,002)	<u>10,190</u>	<u>10,190</u>

15. RESERVES

	Profit and loss account £'000
At 1 January 2014	27,624
Actuarial gain for current year under FRS17	7,230
Deferred tax under FRS17	(1,446)
Profit for the financial year	11,291
At 31 December 2014	<u>44,699</u>

BORGWARNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2014

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014	2013
	£'000	£'000
Profit for the financial year	11,291	17,556
Actuarial gain / (loss)	7,230	(4,330)
Deferred tax on actuarial gain / (loss)	(1,446)	866
Net increase in shareholders' funds	<u>17,075</u>	<u>14,092</u>
Opening shareholders' funds	37,814	23,722
Closing shareholders' funds	<u><u>54,889</u></u>	<u><u>37,814</u></u>

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

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

	2014	2013
	£'000	£'000
Contracted for but not provided for	<u>8,559</u>	<u>8,631</u>

(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.

	2014		2013	
	Land and Buildings	Plant and Machinery	Land and Buildings	Plant and Machinery
Operating leases which expire:	£'000	£'000	£'000	£'000
Within one year	-	-	-	-
Within 2 – 5 years	-	66	-	154
After 5 years	1,470	-	1,701	-
	<u>1,470</u>	<u>66</u>	<u>1,701</u>	<u>154</u>

BORGWARNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2014

18. 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 administered 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 2014 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:

	2014	2013
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment and deferment (LPI 5%)	2.95% p.a.	3.25% p.a.
Rate of increase of pensions in payment and deferment (LPI 2.5%)	1.95% p.a.	2.05% p.a.
Discount rate	3.60% p.a.	4.40% p.a.
Inflation assumption	3.20% p.a.	3.60% p.a.

	2014 Years	2013 Years
Mortality assumptions:		
Retiring today:		
Males	21.6	21.5
Females	24.0	23.7
Retiring in 20 years:		
Males	23.8	24.1
Females	26.3	26.5

BORGWARNER LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****Year ended 31 December 2014****18. PENSION SCHEME (CONTINUED)**

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

	2014	2013
	£'000	£'000
Analysis of the amount to be credited to other finance income:		
Expected return on pension scheme assets	6,020	5,650
Interest on pension scheme liabilities	(5,280)	(4,900)
Restriction of expected return set out in paragraph 67	(740)	-
Net income	<u>-</u>	<u>750</u>

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 £22,880,000 (2013: loss of £36,690,000).

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

	2014	2013
	£'000	£'000
Present value of defined benefit obligations	(127,910)	(122,320)
Fair value of scheme assets	128,130	110,370
Surplus / (deficit) in scheme	<u>220</u>	<u>(11,950)</u>
Amount not recognised due to paragraph 37 restriction	(220)	-
Related deferred tax	-	2,390
Liability recognised in balance sheet	<u>-</u>	<u>(9,560)</u>

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

	2014	2013
	£'000	£'000
At 1 January	122,320	111,160
Interest cost	5,280	4,900
Actuarial loss	4,840	10,710
Benefits paid	(4,530)	(4,450)
At 31 December	<u>127,910</u>	<u>122,320</u>

BORGWARNER LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
Year ended 31 December 2014**18. PENSION SCHEME (CONTINUED)**

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

	2014	2013
	£'000	£'000
At 1 January	110,370	98,070
Expected return on scheme assets	6,020	5,650
Actuarial gain	11,550	6,380
Employer contributions	4,720	4,720
Benefits paid	(4,530)	(4,450)
At 31 December	<u>128,130</u>	<u>110,370</u>

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

	2014		2013	
	Expected rate of return	Fair value of assets £'000	Expected rate of return	Fair value of assets £'000
Equity instruments	6.7%	52,470	7.4%	57,138
Bonds	2.9%	73,008	3.2%	50,914
Other assets	4.8%	2,652	5.3%	2,318
		<u>128,130</u>		<u>110,370</u>

Other assets are represented by cash deposits and property.

The actual rate of return achieved on scheme assets for the year to 31 December 2014 was 16.5% (2013: 12.8%).

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.

BORGWARNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2014

18. PENSION SCHEME (CONTINUED)

The five-year history of experience adjustments, obligations and assets is as follows:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Difference between expected and actual return on scheme assets:					
Amount	11,550	6,380	2,580	(3,560)	2,850
Percentage of scheme assets	9.01%	5.78%	2.63%	(3.97%)	3.25%
Experience losses on scheme liabilities:					
Amount	8,340	(1,220)	(1,820)	(2,970)	(460)
Percentage of scheme liabilities	6.52%	(1.00%)	(1.64%)	(2.90%)	(0.49%)
Changes in assumptions underlying present value of scheme liabilities:					
Amount	(13,180)	(9,490)	(6,080)	(4,840)	(2,210)
Percentage of scheme assets	(10.29%)	(8.60%)	(6.20%)	(5.40%)	(2.52%)
Change in assumption regarding effect of the limit in paragraph 37:					
Amount	(52)	-	-	-	-
Percentage of scheme assets	(0.41%)	0.0%	0.0%	0.0%	0.0%
Total amount recognised in statement of total recognised gains and losses:					
Amount	7,230	(4,330)	(5,320)	(11,370)	(180)
Percentage of present value of scheme liabilities	5.65%	(3.54%)	(4.79%)	(11.09%)	(0.19%)
Present value of pension obligations	127,910	122,320	111,160	102,520	94,560
Fair value of pension scheme assets	127,910	110,370	98,070	89,680	87,570
Deficit in the scheme	<u>-</u>	<u>(11,950)</u>	<u>(13,090)</u>	<u>(12,840)</u>	<u>(6,990)</u>

BORGWARNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2014

18. PENSION SCHEME (CONTINUED)

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

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

	2014	2013
	£'000	£'000
Gain on pension scheme assets	11,550	6,380
Gain / (loss) on pension scheme liabilities	8,340	(1,220)
Loss on change of assumptions in relation to pension scheme liabilities	(13,180)	(9,490)
Effect of the limit in paragraph 37	520	-
	<u>7,230</u>	<u>(4,330)</u>
Deferred tax on actuarial gains and losses	(1,446)	866
	<u>5,784</u>	<u>(3,464)</u>

Paragraph 37 of FRS17 states that the surplus/deficit in a defined benefit scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme liabilities. The Company is of the opinion that it is unable to recover this surplus either through reduced contributions in the future or through refunds from the scheme and has made the adjustment accordingly.

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 2014 of £1,325,000 (2013: £1,347,000) represents contributions payable to the scheme by the group at rates specified in the rules of the plans. As at 31 December 2014, there was no amount (2013: £nil) due in respect of the current reporting year that had not been paid over to the scheme.

19. 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 2014, 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 parent company of the smallest group to consolidate the company's financial statements is BorgWarner Holdings Limited. Copies of its financial statements can be obtained from Roydsdale Way, Euroway Industrial Estate, Bradford, BD4 6SE.

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.