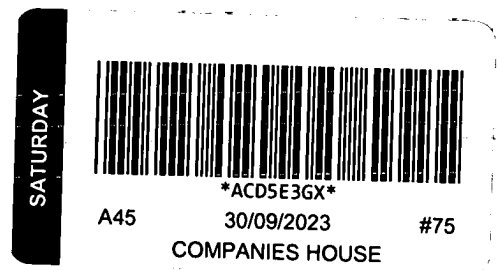


Company registration number 12331705 (England and Wales)

BORGWARNER UK FINANCING LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



BORGWARNER UK FINANCING LTD

COMPANY INFORMATION

Directors	Mr J Charters Jr Mr B Koester Mr M E Turke Mr M T Uhrig Mr P V Seshadri
Secretary	Bird & Bird Company Secretaries Limited
Company number	12331705
Registered office	245 Hammersmith Road London W6 8PW
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square 29 Wellington Street Leeds LS1 4DL
Bankers	Deutsche Bank AG 1 Great Winchester Street London EC2N 2DB
Solicitors	Bird and Bird 12 New Fetter Lane London United Kingdom EC4A 1JP

BORGWARNER UK FINANCING LTD

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 3
Independent auditors' report	4 - 7
Profit and loss account	8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12 - 20

BORGWARNER UK FINANCING LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Principal Activities

The principal activity of the Company is to provide administrative, office support and other business support activities to the head office as well as provide financing for operations.

Review of the Business

The Company's key measurement during the period is its profit before tax figure which amounted to \$16,582k (Year ended 31 December 2021: \$20,323k). The variance to 2021 is mainly driven by movement in foreign exchange rates, which has resulted in foreign exchange losses as well as reduced interest income. The Balance Sheet on page 9 shows the Company's financial position at the year end. The Directors remain optimistic regarding the long term prospects of the Company.

Principal risks and uncertainties

Given that the Company's principal activity is to provide administrative, office support and other business support activities to the head office, the principal risks and uncertainties affecting the company are managed as part of the wider strategy of BorgWarner Inc.. Full explanation of these risks is contained within the consolidated financial statements of BorgWarner Inc. Copies of the consolidated financial statements are available publicly at <https://www.borgwarner.com/home>.

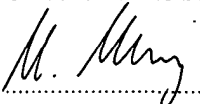
Future Developments

The Directors believe that the Company will continue to perform activities in its capacity to provide support as a holding company to its subsidiary undertakings.

Going Concern

After making enquiries, the directors have a reasonable expectation that the Company and the Group have 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 and the directors have assessed the future cash flows of the company and have concluded that there is sufficient funds to be a going concern.

On behalf of the board



Mr M T Uhrig
Director

Date: 28.09.23

BORGWARNER UK FINANCING LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Going concern, future development and principal activities

The following information is not shown in the Directors' report because it is shown in the strategic report instead as per S414C(11) of the Companies Act 2006:

- the reasoning for the adoption of the going concern basis in preparing the annual report and Financial Statements for the Company;
- future development; and
- principal activities

Results and dividends

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to \$40,000k. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr J Charters Jr
Mr B Koester
Mr M E Turke
Mr M T Uhrig
Mr P V Seshadri

Political donations

There were no donations made to political parties.

Independent Auditors

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

BORGWARNER UK FINANCING LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Statement of directors' responsibilities

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

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

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

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

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

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

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

Financial risk management

As a subsidiary of BorgWarner Global Holding LLC, further details of Group policies in relation to external financial risks, can be found in the Annual Report and Financial Statements of BorgWarner Inc. Copies of its financial statements can be obtained from BorgWarner Inc's website at www.borgwarner.com.

On behalf of the board



Mr M T Uhrig

Director

Date: 28.09.23

BORGWARNER UK FINANCING LTD

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BORGWARNER UK FINANCING LTD

Report on the audit of the financial statements

Opinion

In our opinion, BorgWarner UK Financing Ltd's financial statements:

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

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

BORGWARNER UK FINANCING LTD

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF BORGWARNER UK FINANCING LTD

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

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

Strategic report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

BORGWARNER UK FINANCING LTD

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF BORGWARNER UK FINANCING LTD

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting journal entries to manipulate financial performance and management bias in accounting estimates and judgements in the financial statements. Audit procedures performed by the engagement team included:

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

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

BORGWARNER UK FINANCING LTD

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF BORGWARNER UK FINANCING LTD

Use of this report

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

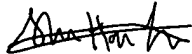
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Shi-Han Li (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
28 September 2023

BORGWARNER UK FINANCING LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	2021
	Notes	\$'000	as restated \$'000
Administrative expenses		(2,168)	(858)
Operating loss	3	(2,168)	(858)
Interest receivable and similar income	5	18,750	21,181
Profit before taxation		16,582	20,323
Tax on profit	6	50	-
Profit for the financial year		16,632	20,323

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Prior restatement details are in Note 14.

BORGWARNER UK FINANCING LTD

STATEMENT OF COMPREHENSIVE INCOME **FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022	2021
	\$'000	\$'000
Profit for the financial year	16,632	20,323
Other comprehensive expense		
Currency translation differences	(60,750)	(75,420)
Total comprehensive expense for the year	<u>(44,118)</u>	<u>(55,097)</u>

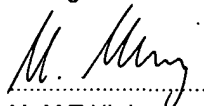
BORGWARNER UK FINANCING LTD

BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	2022 \$'000	2021 \$'000
Current assets			
Debtors falling due after more than one year	7	963,360	1,024,110
Debtors falling due within one year	7	1,629	20,355
		964,989	1,044,465
Creditors: amounts falling due within one year	8	(4,811)	(169)
Net current assets		960,178	1,044,296
Capital and reserves			
Called up share capital	9	1	1
Share premium account	10	733,167	733,167
Other reserves		(28,350)	32,400
Profit and loss reserves		255,360	278,728
Total equity		960,178	1,044,296

The financial statements were approved by the board of directors and authorised for issue on 28.09.23 and are signed on its behalf by:



Mr M T Uhrig
Director

Company Registration No. 12331705

BORGWARNER UK FINANCING LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital \$'000	Share premium account \$'000	Other reserves \$'000	Profit and loss reserves \$'000	Total \$'000
As restated for the period ended 31 December 2021:						
Balance at 1 January 2021		1	733,167	107,820	258,405	1,099,393
Year ended 31 December 2021:						
Profit for the year		-	-	-	20,323	20,323
Other comprehensive expense:						
Currency translation differences		-	-	(75,420)	-	(75,420)
Total comprehensive expense for the year		-	-	(75,420)	20,323	(55,097)
Balance at 31 December 2021		1	733,167	32,400	278,728	1,044,296
Year ended 31 December 2022:						
Profit for the year		-	-	-	16,632	16,632
Other comprehensive expense:						
Currency translation differences		-	-	(60,750)	-	(60,750)
Total comprehensive loss for the year		-	-	(60,750)	16,632	(44,118)
Dividends		-	-	-	(40,000)	(40,000)
Balance at 31 December 2022		1	733,167	(28,350)	255,360	960,178

- Called up share capital represents the nominal value of shares that have been issued.
- Share premium account represents the amount subscribed for share capital in excess of nominal value.
- Other reserve represents foreign currency translation difference arising on conversion of amounts from functional currency (Euro) to presentational currency (USD).
- Profit and loss reserves includes all current year and prior period accumulated profits and losses less dividends paid.

BORGWARNER UK FINANCING LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Borgwarner UK Financing Ltd is a private company limited by shares incorporated in England and Wales. The registered office is 245 Hammersmith Road, London W6 8PW.

1.1 Accounting convention

These financial statements are prepared on a going concern basis and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

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

Functional and presentation currency

The Company's functional currency is Euros (€) while the presentational currency is USD. All amounts in the financial statements have been rounded to the nearest thousands USD (\$'000).

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33.1A 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of BorgWarner Inc. These consolidated financial statements are publicly available.

1.2 Going concern

After making enquiries, the directors have a reasonable expectation that the Company and the Group have 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 and the directors have assessed the future cash flows of the company and have concluded that there is sufficient funds to be a going concern.

1.3 Cash and cash equivalents

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

BORGWARNER UK FINANCING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.4 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit and loss account.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

BORGWARNER UK FINANCING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

BORGWARNER UK FINANCING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Derecognition of financial liabilities

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

1.5 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.6 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.7 Foreign exchange

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except for differences arising on the retranslation of items which are fair valued with changes taken to other comprehensive income, which are recognised in other comprehensive income.

BORGWARNER UK FINANCING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.8 Capital and reserves

Ordinary shares

Represents the nominal value of shares issued.

Share premium account

Share premium account represents the excess of the issue price over the par value on shares issued less transaction costs arising on issue.

Retained earnings

Represents the reserves for net gains and losses recognised in the statement of comprehensive income.

1.9 Interest income and expense

Interest income and similar income include interest receivable on funds invested and are recognised in profit or loss as they accrue, using the effective interest method.

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions. Such expenses are recognised in profit or loss as they accrue, using the effective interest method.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

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

Loss allowances against amounts owed by Group undertakings

The company holds amounts owed by other BorgWarner Inc. entities. The carrying amounts of these receivables are disclosed at note 7. The decision whether to recognise a loss allowance against such receivables requires judgement in respect of the underlying operational performance and economic risks faced by other Group companies. If it is decided that the loss allowance should be computed, such computation involves estimation of the expected loss rate. The expected loss rates are based on the payment profiles of receivables over a period of at least 36 months before the end of the relevant reporting year and the corresponding historical credit losses experienced with the period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors that the company considers would affect the ability of the counterparty to settle the receivables.

BORGWARNER UK FINANCING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3 Operating loss

	2022 \$'000	2021 \$'000 as restated
Operating loss for the year is stated after crediting:		
Exchange losses	2,080	801
Fees payable to the company's auditor for the audit of the company's financial statements	9	14

A prior year restatement was made, please see note 14 for details.

4 Employees

There are no employees in the current year and prior period apart from the directors.

5 Interest receivable and similar income

	2022 \$'000	2021 \$'000 as restated
Interest income		
Interest receivable from group companies	18,750	21,181

6 Tax on profit

	2022 \$'000	2021 \$'000
Current tax		
Adjustments in respect of prior periods	(50)	-

Factors affecting tax credit for the year

	2022 \$'000	2021 \$'000
Profit before taxation	16,582	20,323
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	3,151	3,861
Adjustments in respect of prior years	55	-
Group relief	(3,256)	(3,861)
Taxation credit for the year	(50)	-

BORGWARNER UK FINANCING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

6 Tax on profit

(Continued)

Tax rate changes:

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

In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023.

7 Debtors

	2022 \$'000	2021 \$'000
Amounts falling due within one year:		
Amounts owed by group undertakings	1,629	20,355
Amounts falling due after more than one year:		
Amounts owed by group undertakings	963,360	1,024,110
Total debtors	964,989	1,044,465

The amounts owed by group undertakings includes an unsecured loan given to group companies of \$963,360k (2021 : \$1,024,110k) carrying an interest rate of 1.99% and repayment date of 20 December 2027.

All other amounts owed by group undertakings are interest-free, unsecured and repayable on demand.

8 Creditors: amounts falling due within one year

	Notes	2022 \$'000	2021 \$'000
Bank loans and overdrafts		1	1
Amounts owed to group undertakings		4,801	12
Corporation tax		-	105
Accruals and deferred income		9	51
		4,811	169

The amounts owed to group undertakings are interest-free, unsecured and repayable on demand.

BORGWARNER UK FINANCING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Called up share capital

	2022	2021	2022	2021
	Number	Number	\$'000	\$'000
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	1,000	1,000	1	1

The ordinary shares have full voting, dividend and capital distribution (including on winding up) rights; however they do not carry and rights of redemption.

10 Share premium account

The Company issued 999 shares on 20 December 2019 of par value £1 equivalent to \$1.29.

A special resolution was passed on 30 November 2020, reducing share premium account by £200,000k (\$258,542k) with a credit to retained earnings.

Share premium account value as at 31 December 2022 amounted to \$733,167k (2021 : \$733,167k).

11 Related party transactions

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

12 Events after the reporting date

There have been no events after the reporting date which would have a material effect on the Company's financial statements as at 31 December 2022.

13 Ultimate controlling party

At the year end, BorgWarner was the ultimate parent undertaking of the Company. BorgWarner Inc. is incorporated in the USA and is traded on the New York Stock Exchange. Its registered address is: Auburn Hills, Michigan, USA.

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

On 3rd July 2023, BorgWarner Inc. completed a separation of the Fuel Systems and Aftermarket businesses (the "Spin-Off") to PHINIA Inc. Post Spin-Off, the ultimate parent undertaking of the Company is PHINIA Inc. PHINIA Inc. is incorporated in the USA and is traded on the New York Stock Exchange. Its registered address is: Auburn Hills, Michigan, USA.

BORGWARNER UK FINANCING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2022**

14 Prior period adjustment

Reconciliation of changes in equity

The prior period adjustments do not give rise to any effect upon equity.

Reclassification of foreign exchange

The foreign exchange difference has been reclassified within administrative expenses rather than interest receivable. In prior year, the foreign exchange difference had been offset against interest receivable, as this exchange difference arose as a result of the interest receivable. It has been subsequently determined that although the foreign exchange difference arose from the interest receivable, foreign exchange differences are an administrative expense and this has been reclassified as such.