

BMW (UK) Holdings Limited

Annual report and financial statements

Registered number 1213133

31 December 2020

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Strategic report

Principal activities

The main activities of BMW (UK) Holding Limited (the company) involve the holding of investments in other BMW UK companies, acting as the principal employer of a number of UK defined benefit pension schemes and providing centralised support functions for other BMW UK companies. As such, the results of the company are dependent on the results of the pension fund (see Note 16, Employee Benefits) and the administration activities arising out of the management of the company's investments.

Business review

As the company holds a number of investments in subsidiaries, it is exposed to carrying value impairment risk. The company mitigates this risk by performing annual impairment reviews. As a result of the completion of a members voluntary liquidation and subsequent strike off, a full impairment of £5,819,000 was made in respect of the carrying value of Alphabet (UK) Limited.

The company is the sponsoring employer of a group wide defined benefit pension plan and has a significant pension liability on the balance sheet, the company is exposed to risk of uncertainty of the estimation of their assumptions, specifically the discount rate and mortality rates. The company mitigates this risk by using actuaries in estimating the assumptions used for the calculations.

There is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is the company. The company then recognises a cost equal to its contribution payable for the period. Any contributions payable by the participating entities are determined on a specific, event based basis. Special contributions payable by the company are recognised both in the profit and loss account or charged against the pension liability when the payments are made.

The company has been paid an historical VAT claim and negotiations with a third party were successfully concluded in respect additional settlement on 21st May, 2021 (Note 14).

Given the non-trading nature of the business, with the majority of the transactions arising in relation to the defined benefit pension schemes and transactions with other Group companies, the directors are of the opinion that analysis of financial key performance indicators is not useful for an understanding of the development, performance or position of the business. However regular reviews are conducted to ensure plan assumptions are validated against actual performance and where differences exist that are clearly understood, transparent and accepted.

The position of the company is presented on page 8.

Covid-19

The impacts of the Coronavirus outbreak, which was characterised as a pandemic by the World Health Organisation in March 2020, have been observable across the BMW UK subsidiaries. The effects of the pandemic reached virtually all the areas of risk. UK Government-led lockdown resulted in an unprecedented period of business interruption. The Company's risk mitigation measures has led to an agile response in all relevant topics. Production and sales volumes, within the company's subsidiaries, in despite of the COVID-19 pandemic are forecasted to develop positively overall, with an upward trend compared to the previous year.

On behalf of the board



M Dennett
Director

Summit ONE, Summit Avenue
Farnborough
Hampshire
GU14 0FB
England

8 July 2021

Directors' report

The directors present their report and financial statements for the year ended 31 December 2020.

Directors and directors' interests

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

Mr N C Wharton
Dr A Liepe (Resigned 16th March, 2020)
Dr S Schroecker (Appointed 16th March, 2020)
Mrs K R Delvai
Mr M Dennett

Financial

The profit for the year is shown in the Statement of Comprehensive Income on page 7.

Proposed dividends

Dividends were paid in 2020 totalling £476,500,000 (2019: £754,900,000). A dividend of £476,500,000 was paid to the immediate parent company BMW Holding BV on 12 May 2020. Subsequent to the year end a dividend of £350,800,000 was proposed and paid to BMW Holding BV on 11 May 2021.

Risk

The company has an internal control system which follows a BMW Group Internal Control System methodology ("ICS") to ensure it has appropriate and effective internal controls integrated and applied in its processes so as to maintain correct and reliable financial and accounting records and to comply with legal requirements. The board is responsible for ensuring the operation of the ICS including, but not limited to, ICS training, control measures, key control indicators, management reporting and roles and authorisation concepts.

Pension risks (actuarial) are monitored and managed in partnership with the relevant trustee board (see note 16) at an operational level through the risk and compliance committee.

The Trustee board reduce exposure to these risks by careful structuring of their funding and investment management arrangements including asset liability matching and through their contracts with the Schemes' investment managers. The Trustee board also closely monitor these risks and receive formal quarterly reports on funding, risk, investment managers (including performance) and diversification.

The Company expects to contribute approximately £49.2m in contributions to the BMW (UK) Operations Pension Scheme in 2021. This includes a deficit reduction contribution (DRC) of £32.3m, which was triggered at the start of 2021 based on the funding position of the Scheme as at the end of 2020.

Employees

The company is an equal opportunities employer and is opposed to any form of discrimination being practised against employees or applicants for employment. Applications for employment from disabled people are studied with care, and every effort is made to find them appropriate work with training where it is required. Employees who become disabled during their working life will be retrained in employment wherever possible and will be given the required assistance.

Political and charitable contributions

The company made no political or charitable contributions during the year (2019: £-).

Outlook 2021

The company expects to continue as principle employer of the relevant UK defined benefit pension scheme.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP ("PwC") will therefore continue in office.

Directors' report (continued)

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

The directors are responsible for preparing the Annual report 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 101 "Reduced Disclosure Framework", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, 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 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.

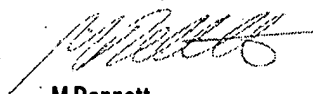
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

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.

On behalf of the board



M Dennett
Director

Summit ONE, Summit Avenue
Farnborough
Hampshire
GU14 0FB
England

8 July 2021

Independent auditors' report to the members of BMW (UK) Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, BMW (UK) Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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, comprising FRS 101 "Reduced Disclosure Framework", 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, which comprise: the Balance Sheet as at 31 December 2020; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover 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 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statement

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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 journal entries posted to improve revenue and profit performance, journals posted to potentially hide a fraudulent extraction of cash from the company; and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing meeting minutes with the board and those charged with governance;
- Consideration of any changes to the control environment, including as a result of the impact of the COVID-19 pandemic;
- Identifying and testing journal entries with unusual account combinations in relation to revenue, profits and cash; and
- Challenging assumptions and judgements made by management in determining their accounting estimates, in particular in relation to assumptions used in the valuation of the pension liability.

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.

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.

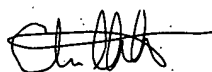
Other required reporting

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.



Christopher Hibbs (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
8 July 2021

Statement of Comprehensive Income
for year ended 31 December 2020

	Note	2020 £000	2019 £000
Administrative expenses	2	(18,695)	(8,961)
Other operating income	3	13,037	53,405
Other operating expense	4	—	(25,927)
Operating (loss)/profit		(5,658)	18,517
Amounts written off investments	9	(5,819)	(52,129)
Income from shares in group undertakings		458,480	481,978
Interest receivable and similar income	5	931	4,320
Interest payable and similar expenses	6	(226)	—
Profit before taxation		447,708	452,686
Tax on profit	8	(12,036)	(4,921)
Profit for the financial year		435,672	447,765
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit liability		(17,696)	(213,065)
Income tax on remeasurement of defined benefit liability		22,503	36,222
Total other comprehensive income/(expense) for the year, net of income tax		4,807	(176,843)
Total comprehensive income for the year		440,479	270,922

The above results relate to continuing operations.

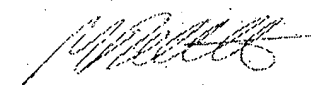
The accompanying notes form an integral part of the financial statements.

Balance Sheet
at 31 December 2020

	Note	2020 £000	2019 £000
Fixed Assets			
Intangible assets	10	834	834
Investments	9	722,645	728,464
		<u>723,479</u>	<u>729,298</u>
Current assets			
Debtors (including £61,359k (2019: £53,566k) due after more than one year)	11,12	709,848	795,071
Cash at bank and in hand		51,684	20,449
		<u>761,532</u>	<u>815,520</u>
Creditors: amounts falling due within one year	13	<u>(1,175)</u>	<u>(753)</u>
Net current assets		<u>760,357</u>	<u>814,767</u>
Total assets less current liabilities		<u>1,483,836</u>	<u>1,544,065</u>
Provisions for liabilities	14	<u>(15,603)</u>	<u>(25,920)</u>
Pension liability	16	<u>(301,204)</u>	<u>(315,095)</u>
Net assets		<u>1,167,029</u>	<u>1,203,050</u>
Capital and Reserves			
Called up share capital	15	1,000	1,000
Retained earnings		1,166,029	1,202,050
Total Shareholders' Funds		<u>1,167,029</u>	<u>1,203,050</u>

The accompanying notes form an integral part of the financial statements.

These financial statements on pages 7 to 26 were approved by the board of directors on 8 July 2021 and were signed on its behalf by:


M Dennett
Director

Registered company number 01213133

Statement of changes in equity
For the year ended 31 December 2020

	Called up share capital £000	Retained earnings £000	Total Shareholders' Funds £000
Balance at 1 January 2019	1,000	1,686,028	1,687,028
Total comprehensive income for the year			
Profit for the year	-	447,765	447,765
Other comprehensive expense	-	(176,843)	(176,843)
Total comprehensive income for the year	-	270,922	270,922
Transactions with owners recorded directly in equity			
Dividends	-	(754,900)	(754,900)
Total distribution to owners*	-	(754,900)	(754,900)
Balance at 31 December 2019	1,000	1,202,050	1,203,050
Balance at 1 January 2020	1,000	1,202,050	1,203,050
Total comprehensive income for the year			
Profit for the year	-	435,672	435,672
Other comprehensive income	-	4,807	4,807
Total comprehensive income for the year	-	440,479	440,479
Transactions with owners recorded directly in equity			
Dividends	-	(476,500)	(476,500)
Total distribution to owners	-	(476,500)	(476,500)
Balance at 31 December 2020	1,000	1,166,029	1,167,029

Details of share capital are disclosed in note 15. Retained earnings represent the total accumulated net gains and losses at the balance sheet date.

Notes (forming part of the financial statements)

1 Accounting policies

BMW (UK) Holdings Limited (the "company") is a private company limited by shares which is incorporated and domiciled in the UK.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Accounting Standards in conformity with the requirements of the Companies Act 2006 ("IFRS"), but makes amendments where necessary in order to comply the Act and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company's ultimate parent undertaking, Bayerische Motoren Werke Aktiengesellschaft (BMW AG) includes the company in its consolidated financial statements. The consolidated financial statements of BMW AG are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Petuelring 130, D-80788 Munich, Germany.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.
- Requirement to prepare a restated 3rd Balance Sheet under FRS101 IAS 1 paragraph 40A-D.

As the consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft (BMW AG) include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

Notes (continued)

1 Accounting policies (continued)

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, pension scheme assets and financial instruments. The financial statements are presented in pounds sterling.

Going concern

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the group can continue in operational existence for a period no shorter than 12 months from the date of approval of the financial statements.

The company meets its day-to-day working capital requirements through access to funds as part of the BMW AG group's cash pooling arrangement that is administered through BMW International Investment BV, a BMW subsidiary company registered in the Netherlands, who manage the external banking relationships and act as an internal bank for BMW subsidiaries. These amounts are presented within Other receivables due from related parties and are detailed in note 12.

In light of the current external factors (such as COVID-19) robust scenarios have been reviewed and it has been concluded that the company will have sufficient cash to meet its liabilities as they fall due for the foreseeable future. After making enquiries, the directors have a reasonable expectation that the company has access to adequate financial and other resources to continue in operational existence for the foreseeable future and at least 12 months from the date of approval of the financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Interest receivable and interest payable

Interest payable and similar charges include interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested. Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

Investments

Investments are held at cost net of impairment provisions.

Impairment

The carrying amounts of the company's assets other than, stocks and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of the company's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (that is, the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes (continued)

1 Accounting policies (continued)

Calculation of recoverable amount (continued)

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Intangible assets

Intangible assets acquired by the company are stated at cost less accumulated amortisation and impairment losses.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Employee benefits

Defined benefit plans

The company is the sponsoring company for a UK pension schemes operated by the BMW group. This scheme is held in a separate administered plan, the assets of which are held in separate trustee board-administered funds.

The company's net obligation in respect of defined benefit pension is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit and loss account on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Employee benefits (continued)

Where the calculation results in a benefit to the company, the asset recognised is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The company is the sponsoring employer of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is the company. The company then recognises a cost equal to its contribution payable for the period. The contributions payable by the participating entities are determined on a pro-rata basis. Special contributions payable by the company are recognised in the profit and loss account when the payments are made.

2 Administrative expenses

Includes the following items:

	2020 £000	2019 £000
Audit remuneration:		
Audit services in connection with the audit of this company	51	52

Employee benefits expense (related to the defined benefit pensions scheme)

	2020 £000	2019 £000
Current service cost	-	-
Past service cost	7,315	951
Scheme administration expenses	4,794	5,058
Net interest cost	5,482	2,834

3 Other operating income

	2020 £000	2019 £000
Pension contributions from related parties	2,813	1,744
Other operating income (See note 14)	10,224	51,661
	13,037	53,405

4 Other operating expense

	2020 £000	2019 £000
Other operating expenses (See note 14)	-	25,927
	-	25,927

Notes (continued)

5 Interest receivable and similar income

	2020 £000	2019 £000
Interest receivable from related parties	<u>931</u>	<u>4,320</u>

6 Interest payable and similar expenses

	2020 £000	2019 £000
Interest payable to related parties	<u>226</u>	<u>-</u>

7 Staff numbers and costs

The monthly average number of persons employed by the company during the year was as follows:

	Number of employees	
	2020	2019
Administration	<u>5</u>	<u>5</u>
	2020 £000	2019 £000
Wages and salaries	606	406
Social security costs	62	51
Other pension costs	55	53
	<u>723</u>	<u>510</u>

The emoluments of the directors are paid by either BMW AG, BMW (UK) Limited or BMW Financial Services (GB) Limited and no recharge is made to the company. Given the non-trading nature of BMW (UK) Holdings Limited, the services provided to the company are deemed to be an insignificant part of each director's responsibilities and are thus wholly attributable to the other BMW Group entities. Accordingly, the amounts above do not include any emoluments in respect of these Directors.

Notes (continued)

8 Tax on profit

Recognised in the profit and loss account

	2020 £000	2019 £000
UK corporation tax		
Current tax on profit for the year	(3,630)	2,530
Prior year adjustment	956	36
Total current tax	(2,674)	2,566
Deferred tax (see note 11)		
Reversal of timing differences	14,710	2,355
Total deferred tax	14,710	2,355
Total tax charge on profit	12,036	4,921

Reconciliation of tax charge to standard rate of corporation tax in the UK

The tax charge for the year is lower (2019: lower) than the standard rate of corporation tax in the UK (19%) (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before taxation	447,708	452,686
Tax using the UK corporation tax rate of 19% (2019: 19%)	85,065	86,010
Effects of:		
Non taxable income	(86,824)	(91,575)
Non deductible expenses	-	9,905
Effect of difference between expected and applicable tax rate	12,839	545
Adjustment in respect of prior years	956	36
Total tax in the profit and loss account	12,036	4,921

Factors that may affect future current and total tax charges

The UK Chancellor of the Exchequer announced on 3 March 2021 as part of the 2021 Budget that the UK Government would be increasing the rate of UK Corporation Tax to 25% from 1 April 2023.

The deferred tax assets and liabilities of the Group have been calculated based on these assets and liabilities reversing at 19% as this rate has been substantively enacted at the Balance Sheet Date.

Had the 25% been substantively enacted on or before 31 December 2020 it would have had the effect of increasing the deferred tax liability by £39,107k

Notes (continued)

9 Investments

The company has investments in the following subsidiaries, and the ordinary share capital of each company is wholly owned. All the companies are incorporated in England and Wales, with the exception of Alphabet (GB) Limited which is incorporated in Scotland.

Investment held in:	Address:	Company No.	Class of shares	% Shareholding
Alphabet (GB) Limited	Summit One, Summit Avenue, Farnborough, Hampshire, GU14 0FB	03282075	Ordinary	100
BMW (UK) Limited	Summit One, Summit Avenue, Farnborough, Hampshire, GU14 0FB	01378137	Ordinary	100
BMW Financial Services (GB) Limited	Summit One, Summit Avenue, Farnborough, Hampshire, GU14 0FB	01288537	Ordinary	100
Rolls Royce Motor Cars Limited	Summit One, Summit Avenue, Farnborough, Hampshire, GU14 0FB	03532544	Ordinary	100
BMW (UK) Investments Limited	Summit One, Summit Avenue, Farnborough, Hampshire, GU14 0FB	01663911	Ordinary	100
BLMC Limited	Summit One, Summit Avenue, Farnborough, Hampshire, GU14 0FB	00927060	Ordinary	100
BMW (UK) Pensions Services Limited	BMW Plant Hams Hall Canton Lane, Hams Hall, Coleshill, North Warwickshire, B46 1GB	01652339	Ordinary	100
Swindon Pressings Limited	Summit One, Summit Avenue, Farnborough, Hampshire, GU14 0FB	03950873	Ordinary	100
BMW Services Limited	Summit One, Summit Avenue, Farnborough, Hampshire, GU14 0FB	03950870	Ordinary	100
BMW (UK) Manufacturing Limited	Summit One, Summit Avenue, Farnborough, Hampshire, GU14 0FB	03950868	Ordinary	100
BMW (UK) Capital plc	Summit One, Summit Avenue, Farnborough, Hampshire, GU14 0FB	03114356	Ordinary	100
John Cooper Garages Limited	Summit One, Summit Avenue, Farnborough, Hampshire, GU14 0FB	00841609	Ordinary	100
BMW Group Benefit Trust Limited	Summit One, Summit Avenue, Farnborough, Hampshire, GU14 0FB	01754328	Ordinary	100
BMW Motorsport Limited	Summit One, Summit Avenue, Farnborough, Hampshire, GU14 0FB	03114332	Ordinary	100
Riley Motors Limited	Summit One, Summit Avenue, Farnborough, Hampshire, GU14 0FB	01596706	Ordinary	100
Triumph Motor Company Limited	Summit One, Summit Avenue, Farnborough, Hampshire, GU14 0FB	00439079	Ordinary	100
BMW Central Pension Trustees Limited	Summit One, Summit Avenue, Farnborough, Hampshire, GU14 0FB	01623440	Ordinary	100

Notes (continued)

9 Investments (continued)

	Equity investments £'000
Cost	
At beginning of year	900,087
Disposal	(57,948)
	<hr/>
At end of year	842,139
	<hr/>
Provisions	
At beginning of year	171,623
Current year impairment charges	5,819
Disposal	(57,948)
	<hr/>
At end of year	119,494
	<hr/>
Net book value	
At 31 December 2020	722,645
	<hr/>
At 31 December 2019	728,464
	<hr/>

The directors have performed an impairment review of the carrying values of the investments held. As a result of this review an impairment was made of £5,819,000 in respect of the carrying value of Alphabet (UK) Limited. The basis of the directors' assessment was a comparison of the investment carrying value to the net assets of each subsidiary. In addition, the directors have performed a sensitivity analysis and concluded that no reasonable changes in the net assets would cause the recoverable amount to be less than the carrying value.

10 Intangible assets

	Trademarks £000
Cost	
At beginning and end of year 2019 and 2020 (no amortisation as indefinite lived assets)	834
	<hr/>
Net book value	
At 31 December 2020	834
	<hr/>
At 31 December 2019	834
	<hr/>

Notes (continued)

11 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Employee benefits	61,359	53,566	-	-	61,359	53,566

Movement in temporary differences during the current and prior year:

	Pensions £000
Balance at January 2019	19,699
Recognised in income	(2,355)
Recognised in equity	36,222
Balance at 31 December 2019	53,566
Balance at 1 January 2019	53,566
Recognised in income	(14,710)
Recognised in equity	22,503
Balance at 31 December 2020	61,359

The UK Chancellor of the Exchequer announced on 3 March 2021 as part of the 2021 Budget that the UK Government would be increasing the rate of UK Corporation Tax to 25% from 1 April 2023. Should this rate have been substantively enacted at 31 December 2020, it would have increased the recognised deferred tax asset by £19,376k.

Unrecognised tax losses (gross)	2019 £000	2018 £000
Balance at 1 January and 31 December	4,436	4,436

A deferred tax asset has not been recognised in respect of the closing balance because it is not probable that the company will generate appropriate taxable profits in the future against which to utilise the benefits from the losses.

Notes (continued)

12 Debtors

	2020 £000	2019 £000
Interest receivable from related party	-	75
VAT Recoverable	20,339	15,937
Deferred tax assets (see note 11)	61,359	53,566
Other receivables due from related parties	556,663	628,074
Amounts owed by related parties (group taxation relief)	71,487	66,213
Sundry debtors	-	31,206
	<u>709,848</u>	<u>795,071</u>
Due within one year	648,489	741,505
Due after more than one year	<u>61,359</u>	<u>53,566</u>
	<u>709,848</u>	<u>795,071</u>

Debtors include deferred tax assets of £61,359k (2019: £53,566k) due after more than one year. The amounts owed by related parties are repayable on demand.

Included in Other receivables due from related parties are the deposits held with BMW International Investment B.V. of £512,000,000 (2018: £591,000,000). In addition, included in Other receivables due from related parties are deposits held in In-House Bank (IHB) current accounts held with other entities within the BMW Group of £43,449,724 (2019: £36,981,398). These deposits held with BMW group entities are unsecured, interest bearing, and repayable on demand.

13 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade payables to related parties	1,098	691
Other trade payables	65	62
Interest payable to related party	12	-
	<u>1,175</u>	<u>753</u>

The amounts included in trade payables to related parties are unsecured, interest bearing, and repayable on demand.

Notes (continued)

14 Provisions for liabilities

	2020 £000	2019 £000
At beginning of year	25,920	
Additions		25,920
Disposals	(10,317)	
At end of year	<u>15,603</u>	<u>25,920</u>

During the year, the company has been paid an historical VAT claim. The claim and resultant income has been subject to additional and successful negotiation with a third party, concluding on 21st May, 2021. The final negotiation has resulted in a re-assessment of the provision required to meet the agreed amounts formalised in the settlement agreement.

15 Called up share capital

In thousands of shares	Ordinary shares of £1	
	2020	2019
On issue at 31 December	<u>1,000</u>	<u>1,000</u>
	2020 £'000	2019 £'000
Allotted, called up and fully paid up Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
	<u>1,000</u>	<u>1,000</u>
	<u>1,000</u>	<u>1,000</u>
Shares classified in shareholders' funds	<u>1,000</u>	<u>1,000</u>

Notes (continued)

16 Pension liability

BMW (UK) Holdings Limited is the principal employer for various United Kingdom pension arrangements for past and present employees of certain present and former subsidiaries. These are defined benefit schemes, the assets of which are held in legally separate trust funds administered by the respective Trustees. The major pension arrangements are the BMW (UK) Operations Pension Scheme ("the Scheme"). The latest actuarial valuation for the Scheme was carried out by independent, qualified actuaries using the projected unit method as at 31 December 2017.

The Scheme is a final salary pension plan which provides benefits to members primarily in the form of a guaranteed level of pension payable for life. Surviving dependents' pensions and certain death benefits are also provided. The level of benefits earned is determined by reference to a member's length of service and their salary in the final years leading up to retirement. Once in payment, pensions are generally updated in line with the Retail Prices Index.

The BMW (UK) Operations Pension Scheme has been funded by contributions received from BMW (UK) Holdings Limited, its subsidiaries and those of their employees who are members of the Scheme. Contributions are determined by a separate actuarial valuation based on the funding policies detailed in the Scheme documents.

The Scheme was closed to future accrual of benefits with effect from 1 October 2017 and all active members were transferred to deferred status. No regular employer and employee contributions are due after September 2017.

Following the Lloyds Bank court judgement in November 2018, the defined benefit obligation of the Scheme has been adjusted to take into account the additional liability associated with guaranteed minimum pension (GMP) equalisation.

BMW (UK) Trustees Limited acted as Trustee of the BMW (UK) Operations Pension Scheme for the year ended **31 December 2020**. The full Board of the Trustee Company is made up of a **maximum of 12 Directors** nominated in equal numbers by the Principal Employer and the membership.

The Trustee is a legally independent company which is not part of the BMW Group.

The principal functions of the Trustee are:

- to administer the Scheme in accordance with the Trust Deed and Rules, and
- to invest the Scheme's assets with an appropriate degree of security to provide income and capital appreciation such that the Scheme is able to meet pension and other benefit liabilities, both now and in the future.

The Scheme exposes the Company to a number of actuarial risks, including:

Investment risk: the risk of the actual return from assets differing to that assumed for actuarial and funding purposes.

Interest rate & inflation risk: decreases/increases in the financial assumptions used will increase/decrease the defined benefit obligation. Some of the pension obligations are linked to inflation. Higher inflation will lead to higher liabilities although, in most cases, there are caps in place on the level of inflationary increases to protect the Scheme against extreme inflation.

Longevity risk: the majority of the scheme obligations are to provide benefits for the life of the member. Increases in life expectancy will result in an increase in the scheme liabilities.

The Trustees reduce exposure to these risks by careful structuring of their funding and investment management arrangements including asset liability matching and through their contracts with the Schemes' investment managers. The Trustees also closely monitor these risks and receive formal quarterly reports on funding, risk, investment managers (including performance) and diversification.

The Company expects to contribute approximately **£49.2m** in contributions to the BMW (UK) Operations Pension Scheme in **2021**. This includes a deficit reduction contribution (DRC) of £32.3m, which was triggered at the start of 2021 based on the funding position of the Scheme as at the end of 2020.

Since the Scheme was closed, employees are eligible to join a group personal pension plan (defined contribution scheme) offered by BMW in the UK.

Notes (continued)

16 Pension liability (continued)

The following information is presented for the Schemes as a whole and has been updated to **31 December 2020** in accordance with IAS 19R.

Recognised liability for defined benefit obligations

	2020 £000	2019 £000
Defined benefit obligation	(8,524,493)	(7,720,279)
Fair Value of plan assets	8,223,289	7,405,184
Total employee benefits	(301,204)	(315,095)

Notes (continued)

16 Pension liability (continued)

Reconciliation of defined benefit obligation and fair value of scheme assets

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2020	2019	2020	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January	7,720,279	7,085,260	(7,405,184)	(6,973,712)	315,095	111,548
Past service cost	7,315	951	-	-	7,315	951
Interest cost/(income)	146,049	185,222	(140,567)	(182,388)	5,482	2,834
Administrative expenses	-	-	4,794	5,058	4,794	5,058
Included in profit or loss	153,364	186,173	(135,773)	(177,330)	17,591	8,843
Remeasurements loss/(gain):						
Actuarial loss (gain) arising from:						
Changes in demographic assumptions	(176,224)	-	-	-	(176,224)	-
Changes in financial assumptions	1,164,543	902,321	-	-	1,164,543	902,321
Experience adjustment	(66,511)	(67,292)	-	-	(66,511)	(67,292)
Return on plan assets (excluding interest income)	-	-	(904,112)	(621,964)	(904,112)	(621,964)
Included in other comprehensive income	921,808	835,029	(904,112)	(621,964)	17,696	213,065
Employer contributions	-	-	(49,178)	(18,361)	(49,178)	(18,361)
Benefits paid	(270,958)	(271,319)	270,958	271,319	-	-
Settlements	-	(114,864)	-	114,864	-	-
Other movements	(270,958)	(386,183)	221,780	367,822	(49,178)	(18,361)
Balance at 31 December	8,524,493	7,720,279	(8,223,289)	(7,405,184)	301,204	315,095

Notes (continued)

16 Pension liability (continued)

Plan assets

	2020	2019
	£'000	£'000
Equity instruments		
- quoted	290,320	475,191
- unquoted	-	-
	<u>290,320</u>	<u>475,191</u>
Debt instruments		
- quoted	5,976,895	5,429,902
- unquoted	-	-
	<u>5,976,895</u>	<u>5,429,902</u>
Property (unquoted)	588,673	608,029
Cash and cash equivalents		
- quoted	74,790	63,063
- unquoted	-	-
	<u>74,790</u>	<u>63,063</u>
Absolute return funds		
- quoted	-	-
- unquoted	577,182	543,425
	<u>577,182</u>	<u>543,425</u>
Mixed income funds		
- unquoted	495,902	100,069
Other investment funds		
- unquoted	219,527	185,505
	<u>8,223,289</u>	<u>7,405,184</u>

Notes (continued)

16 Pension liability (continued)

Asset liability matching studies are routinely undertaken on a triennial basis in order to support analysis of the risks and returns from plan assets against strategic investment objectives.

Key aspects of the BMW (UK) Operations Pension Scheme's current investment strategy include:

- strategic asset mix benchmark consisting of **77%** of risk reducing assets (government and high quality corporate bonds) and **23%** of risk reducing assets (mainly invested in equities, property and alternative assets (predominantly hedge funds, infrastructure and venture capital)). The allocation to risk reducing assets will be increased as the Scheme's funding level increases in line with an agreed de-risking strategy.
- management of interest rate risk and inflation risk through the use of government and high quality bonds and derivatives (interest rate and inflation swaps).
- management of currency risk through the use of forward foreign currency contracts

These policies are consistent with those in the prior year.

Principal actuarial assumptions (expressed as weighted averages):

The principal actuarial assumptions used in determining the present value of the defined benefit obligation of the Scheme include:

	2020	2019
	%	%
Discount rate	1.19	1.92
Retail price inflation	3.01	3.06
Rate of pension increases	2.20	2.17
Interest rate for calculating interest income on plan assets	1.92	2.69

The mortality assumptions, based on actuarial advice in accordance with published statistics and the recent actual mortality experience of the members within the Scheme, allow for future mortality improvements. The assumptions are that:

- A deferred member currently aged 45 retiring at age 65 will live on average for a further **24.7 years** (2019: 24.6) after retirement if they are male and for a further **26.6 years** (2019: 26.5) after retirement if they are female.
- A current pensioner aged 70 will live on average for a further **18.1 years** (2019: 18.0) if male and **19.7 years** (2019: 19.3) if female.
- The weighted average duration of the defined benefit obligation at the end of the reporting period is **19.6 years** (2019: 19.3 years).

Notes (continued)

16 Pension liability (continued)

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions:

	Change	Defined benefit obligation	
		Increase £'000	Decrease £'000
Discount rate	(+ / - 0.75%)	(1,133,056)	1,418,184
Retail price inflation	(+ / - 0.75%)	745,984	(682,017)
Rate of pension increases	(+ / - 0.25%)	330,308	(308,957)

As permitted in IAS19.173(b), disclosures for the comparative period are not provided.

In valuing the liabilities of the pension fund at 31 December 2020, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2020 would have increased by **£436,863,000** before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at **31 December 2017** and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

17 Ultimate parent company

The ultimate parent company and controlling party is Bayerische Motoren Werke Aktiengesellschaft, which is incorporated in Germany.

The address where Bayerische Motoren Werke Aktiengesellschaft's accounts, which include the results of the company, can be obtained is Petuelring 130, D-80788 Munich, Germany. No other group accounts include the results of the company.

The immediate parent company is BMW Holding BV, Einsteinlaan 5 Rijswijk, 2289 CC Netherlands.

18 Accounting estimates and judgements

The directors have applied the following accounting estimates and judgements that are critical to the financial statements.

During the year, the company has been paid an historical VAT claim. The claim and resultant income has been subject to additional and successful negotiation with a third party, concluding on 21st May, 2021. The final negotiation has resulted in a re-assessment of the provision disclosed in Note 14 to meet the agreed amounts formalised in the settlement agreement.

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these schemes, such estimates are subject to significant uncertainty and are disclosed in Note 1.