

Registration number: 1378137

BMW (UK) Limited
Annual Report and Financial Statements
for the Year Ended 31 December 2022



BMW (UK) Limited

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BMW (UK) Limited

Company Information

Directors	Christopher Brownridge Tomas Valero Ribes Bernhard Kuhnt
Company Secretary	William Johnson
Registered office	Summit One Summit Avenue Farnborough Hampshire GU14 0FB
Independent Auditors	PricewaterhouseCoopers LLP One Chamberlain Square Birmingham B3 3AX

BMW (UK) Limited

Strategic Report for the Year Ended 31 December 2022

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

Principal activities

The principal activity of BMW (UK) Limited (the “company”) is the importation, storage, distribution, sale, repair and maintenance of BMW Group products in the United Kingdom.

Strategy

The company’s strategy is the sustainable and active management of vehicles and aftersales business through its retailer network and the automotive market. The continuing supply bottlenecks, reported in many markets in 2022, resulted in the car market and premium segment falling by 2% and 4.2%, respectively.

Principal risks and uncertainties

In the course of its business activities, the company is exposed to various types of risk. The directors worked closely with the management team to anticipate risks from a range of factors to be able to react and plan accordingly.

The directors consider the company’s financial risk profile to be relatively low. Liquidity and credit risks are low due to the cash-based nature of the business and the strong cash flows generated. Likewise, the directors do not consider the company to be at significant risk from adverse input price movements. Note 17 explains in detail the company’s position on liquidity, credit, foreign currency, and interest rate risk.

During 2022, the limited availability of semiconductor components led to adjustments in the production programme, and a number of factors associated with supply shortages continued to affect the performance of the company. The operational risks arising from business interruption and loss of production and sales were mitigated by monitoring the company’s production, sales and liquidity. Senior management continued to meet frequently to stay informed and develop key strategies to improve the company’s performance and to manage these risks. Additionally, the company continued to collaborate with the retailer network to manage the challenges.

The used car market and the exposure to residual value risk was continuously analysed together with BMW Financial Services (GB) Limited. The overall risk position was measured by comparing forecast market values and contractual values by model and market. The risks were identified by a common strategy of actively managing the supply of current models and optimising the resale processes.

Inventory levels and inventory aging are actively managed to prevent over-aged inventory.

Specific industry risks such as the increasingly stringent requirements to reduce fuel consumption as well as emissions, all continued to place high demands on the BMW Group’s engine and product development. Through the BMW Group Strategy, the company is continually striving for fuel consumption reductions with the aim of offering the most efficient vehicle in each relevant premium segment, whilst meeting all emission requirements. Electrifying the BMW Group is an area of increasing focus and is in line with government targets. In response to global concerns about the ecological state of the planet, the company has placed sustainability at the centre of its strategy and has committed to an ambitious set of targets for CO2 reduction across the whole value chain, from the extraction of raw materials, through manufacturing, on-road use of the car and its final recycling. Electrification of the fleet is at the heart of this and from as early as 2023, the Group will offer at least one fully electric model in virtually all key segments. From 2025 onwards, the BMW Group plans to increase its delivery share of all-electric vehicles to 50% with the Neue Klasse, while also further reducing its carbon footprint over the entire life cycle.

BMW (UK) Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Fair review of the business

Despite the global challenges driven by semiconductor supply shortages, the company can be satisfied with the course of business in the financial year 2022.

The company continued to focus on growth into the electric vehicles sector with new Battery Electric Vehicles (BEV). The company benefitted from the first full year of sales of the iX, iX3 and i4, and introduced the i7 as the Group's new flagship luxury electric vehicle. The new X1 was also launched in the year, available as a fully electric vehicle (iX1), Petrol Hybrid Electric Vehicle (PHEV), petrol or diesel model. Other new models included the 3 Series LCI Saloon and Touring as well as the M8 and 8 Series LCI Coupe, Gran Coupe and Convertible. The new M4 and 3.0 CSL were announced at the end of year as well as the initial communication of the BMW XM, the first electrified BMW M High Performance Drive.

The total number of BMW registrations decreased by 6.8% to 108,624 units in 2022 (2021: 116,577). In an overall car market that decreased by 2.0%, BMW market share in 2022 was 6.7% (2021: 7.1%). MINI saw an increase in registrations from 45,756 units in 2021 to 45,854 units in 2022, with a market share of 2.8% (2021: 2.8%). Within the premium segment, BMW market share was 22.6% (2021: 23.2%). The Motorcycle division had a market share of 18.1% (2021: 18.9%) with registrations of 8,679 units, down 3.8% from 9,019 units in 2021.

Despite the slight decrease in registration levels, positive price effects for new and used vehicles caused by the shortage of supply, and recovery of operational business from the consequences of the coronavirus pandemic, reflected in the company's performance. Overall revenue increased by 15.0% to £5,387,398,000 (2021: £4,682,659,000). Operating profit reduced by 16.9% in 2022 to £77,717,000 (2021: £93,467,000). Profit before income tax and preference share dividends was £99,648,000 compared to £91,460,000 in 2021. The net loss of £40,299,000 for the year ended 31 December 2022 is a result of an increased preference share dividend payment made in the year of £116,486,000.

Total assets increased by 13.6% to £2,473,339,000 (2021: £2,177,527,000), driven by the increase in trade and other receivables to £1,711,287,000 in 2022 from £1,585,070,000 in 2021. This includes short-term deposits held with other entities within the BMW Group of £1,537,569,000 (2021: £1,497,423,000). Inventories increased from £464,307,000 in 2021 to £665,576,000 in 2022. Proactive inventory management continued throughout 2022 to not only meet the demand, but also to maintain working capital discipline. Details of the financial results are set out in the Income Statement on page 21.

BMW's continued focus on fuel efficiency and emission reductions within the overall fleet, all support the company's strategy of sustainable and active management of its product portfolio. Electric mobility is among the major topics driving the ongoing transformation in the automotive industry. The BMW Group is systematically continuing to electrify its model range as a key component of its product strategy. Electrified vehicles are playing a major role in reducing fleet emissions and thus achieving BMW's ambitious strategic carbon reduction targets. The Neue Klasse has the potential to accelerate the market penetration of electric mobility and the MINI model range is set to be exclusively all electric by the early 2030s.

The company's key performance indicators during the year were as follows:

	Unit	2022	2021	Measure definition
Registrations – BMW	Number	108,624	116,577	Number of BMW cars registered in the UK.
Registrations – MINI	Number	45,854	45,756	Number of MINI cars registered in the UK.
Share of UK car market (BMW and MINI combined)	%	9.5	9.9	Number of cars registered in the UK as a percentage of the UK car market.
Registrations – Motorcycles	Number	8,679	9,019	Number of motorcycles registered in the UK.

BMW (UK) Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Section 172(1) Statement

Directors' Duties

Section 172 of The Companies Act 2006 states that a director of a company must act in the way it considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a. The likely consequences of any decision in the long term;
- b. The interests of the company's employees;
- c. The need to foster the company's business relationships with suppliers, customers and others;
- d. The impact of the company's operations on the community and the environment;
- e. The desirability of the company maintaining a reputation for high standards of business conduct; and
- f. The need to act fairly as between members of the company.

In 2022, the directors have received guidance and training from the company's in-house legal team on the role of being a director of a UK company to support the performance of their statutory duties, in particular the duty under section 172 of the Companies Act 2006.

Decision Making

The Board reviewed their current approach to corporate governance and decision making, engagement with stakeholders and our impact on the environment. The following summarises how the company's Board fulfils its duties under Section 172.

In the performance of its duty to promote the success of the company, the Board reviews and considers the various stakeholders referred to in the Directors' Report when arriving at recommended business decisions. The Board oversees the responsible management of the company's business working to ensure it operates to the high standards of business conduct and good governance expected from the company.

The Board fully understands the potential impacts of the decisions it makes for our stakeholders, the environment, and the communities in which we operate. Engagement with the company's main stakeholder groups, including customers, suppliers, employees, governmental bodies and our community are summarised in the company's Stakeholder Engagement Statement on pages 10 to 11.

Employee Engagement

Our employees are fundamental to the success of our business. We aim to be a responsible employer in our approach to the pay and benefits of employees. The health, safety and wellbeing of our employees is one of the primary considerations in the way we do business.

In 2022, the following activities have been performed:

- Employee Consultation Forums have been held to provide a two-way communication process.
- Quarterly business updates, where the company's directors present and are available to answer any questions.
- Regular video blogs updates presented by the CEO and different members of our management committee.

For further details on how the company engages with its workforce please see the Employee Engagement Statement in the Directors Report.

BMW (UK) Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Section 172(1) Statement (continued)

Business Relationships

We are fully committed to effectively engage with all our stakeholders. As we operate in a highly connected environment; the views, decisions and actions of our stakeholders have a considerable impact on our business. Therefore, our success depends on our ability to engage and work together effectively and constructively. In 2022 examples included:

- Quarterly National Franchise Board to facilitate open discussion with key representation of our Retailers' network.
- Periodic meetings between the main investors of Retailer partners and the Directors of the company to assist investors to understand the strategic direction of the company.
- Regular communication with the Retailer Network via Retailer HUB Portal to ensure alignment.
- Annual review of the Retailer Engagement Plan to ensure we provide appropriate support to our retailers.
- Ongoing communication with our suppliers to develop deeper relationships with companies in our supply chains as well as develop strategic relationships with our key suppliers.
- Regular exchange with HM Government and its various departments, UK and international NGOs, trade bodies and industry associations as well as other stakeholders to build trust, understand positions, identify trends as well as build on and consolidate partnerships.

For further details on how the company engages with its stakeholders please see the Stakeholder Engagement Statement in the Directors Report.

Community and Environment

Sustainability and taking care of the environment is firmly embedded in our culture and corporate strategy. It is therefore an integral part of every thought and action we take. We have adopted a holistic approach, implementing sustainability throughout the value chain. In addition to reducing CO2 emissions, our strategy also focuses on achieving continuous progress in areas such as corporate environmental protection, supply chain sustainability, employee orientation and social commitment. We remain committed to the principles of the United Nations Global Compact and have systematically implemented its Ten Principles worldwide since 2001. Our sustainability strategy also supports the Sustainable Development Goals adopted by the United Nations in autumn 2015.

We also recognise the relevance of leading our company in such a way that it contributes to wider society. In 2022, we are proud to continue our support of numerous charities and community projects as part of its Corporate Social Responsibility, an area that we take very seriously.

Culture and Values

Our culture is characterised by clear responsibility, mutual respect and trust. Lawful conduct and fair competition are integral to our business activities and an important condition for maintaining a reputation for high standards of business conduct securing long term success. We are focused on people, with customers being at the heart of our business. We embrace diversity, flexibility, sustainability and continuous improvement throughout the organisation. It has a customer centric philosophy with transparent, fair and simple processes. The Board and senior management have taken active steps to drive cultural change and to ensure corporate strategy and customer orientation principles and values are embraced across the organisation.

Approved by the Board on 28/07/2023 and signed on behalf of the Board by:



Christopher Brownridge (Chief Executive Officer)

BMW (UK) Limited

Directors' Report for the Year Ended 31 December 2022

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

Streamlined Energy and Carbon Reporting

UK Energy Use and Associated Greenhouse Gas Emissions

CO2 emissions:		2022	2021	conversion factors		
				2022	2021	
Natural gas (scope 1)	tCO2e	938.4	1,101.0	0.18254	0.18316	kg CO2e / kWh
Transport fuel - petrol (scope 1)	tCO2e	510.8	369.0	2.16185	2.19352	kg CO2e / litre
Transport fuel - diesel (scope 1)	tCO2e	190.0	293.1	2.55784	2.51233	kg CO2e / litre
Transport fuel - mileage (scope 3)	tCO2e	70.6	36.2	0.27492	0.27108	kg CO2e / mile
Electricity (scope 2)	tCO2e	989.4	1,126.2	0.19121	0.21233	kg CO2e / kWh
Total (scope 1 + 2 + 3)	tCO2e	2,699.2	2,925.5			
Energy consumption used to calculate emissions:	units	2022	2021			
Electricity (grid)	kWh	5,174,282	5,304,210			
Natural gas	kWh	5,141,007	6,011,059			
Transport fuel - petrol (scope 1)	litres	236,296	168,213			
Transport fuel - diesel (scope 1)	litres	74,291	116,645			
Transport fuel - mileage (scope 3)	miles	256,925	133,585			

Intensity Ratio

	2022	2021
TOTAL (scope 1 + 2 + 3) tCO2e	2,699.3	2,925.5
Sales revenue (£m)	5,387	4,683
tCO2e/ £m Sales Revenue	0.5011	0.6247

Methodology

The company's CO2 emissions are calculated from activity data using published emission conversion factors. This approach is aligned with the annual period Government greenhouse gas conversion factors for company reporting and the 'Greenhouse Gas Protocol'.

The activity data for electricity (kWh) and natural gas (kWh) is taken from supplier invoices. The natural gas data is based on Gross Calorific Value. This activity data includes the sites where suppliers are paid directly by the company and not recharges within an overall service cost.

The company reports on transport based emissions resulting from employees' business mileage. Commercial-based transport associated with the company is operated wholly through third party contracts. The transport activity data under scope 1 is taken from fuel card reports specifying quantities (litres) and fuel type. The mileage claims covering business trips by means not controlled by the company have been classified as scope 3. The fuel card reports will cover both business and personal mileage and the company has no way of apportioning the fuel associated solely with business mileage, so it reports on all fuel quantities. The business mileage claims system does not differentiate between the type of vehicle or the fuel used and therefore the emission factor used is 'Average car' and 'Unknown' categories.

BMW (UK) Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Streamlined Energy and Carbon Reporting (continued)

Emission factors used are taken from the annual Government greenhouse gas conversion factors for company reporting. Emission factors for natural gas, diesel and petrol are taken from the 'Fuels' section of the 'Conversion Factors 2022 condensed set', electricity from the 'UK electricity' section and mileage from the 'Passenger vehicles' section. Emissions reported for electricity use the location-based grid average emissions factor as prescribed by the Streamlined Energy and Carbon Reporting guidance. As noted above, the business mileage claims system does not differentiate between the type of vehicle or the fuel used and therefore the emission factor used is 'Average car' and 'Unknown' categories.

Energy data for transport is derived from the reported CO₂e emissions using the published emissions factor expressed as kWh / kg CO₂e for each fuel. The same method is used for mileage derived CO₂ emissions by using the mathematical average of the two fuel emission factors (there is no published equivalent for mileage derived emissions).

[Calculation: tCO₂e x 1000 (conversion to kg) / emission conversion factor [kWh / kg CO₂e]]

Whilst the electricity (scope 2) emissions are reported as prescribed, 100% of the electricity supplied is REGO (Renewable Energy Guarantees Origin) certified. This satisfies the Scope 2 Quality criteria as published in Greenhouse Gas Protocol and enables us to provide alternative (optional) Scope 2 CO₂ emissions for electricity using a Market based emissions factor. With certification from our supplier that 100% of the quantified electricity is REGO backed and thus not subject to duplication the market based emissions factor is zero.

Energy Efficiency Action

The company has made efforts to improve its energy efficiency and reduce carbon emissions in recent years. Measures undertaken and ongoing up until the end of the year ended 31 December 2022 includes the installation of modern high efficiency LED lighting and the optimisation of plant and running schedule to reduce 'on' time.

There was significantly lower usage at sites such as the campus in Farnborough during the various COVID-19 lockdowns from the second quarter of 2021 until the first quarter of 2022. With the hybrid working practices now in place, the company's sites were used at fluctuating occupancy levels throughout 2022, which contributed to an overall reduction in the company's usage of both electricity and natural gas.

BMW (UK) Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Employee Engagement Statement

Workforce

Our workforce is our most valuable asset. We invest in training development, coaching and skills acquisition to ensure the required knowledge and behaviours are aligned with the company's strategy and values. Through quarterly Business Briefings conducted online and on the campus site in Farnborough ("Campus") we seek to ensure our purpose and the important role employees have is clearly communicated. The briefings give employees a platform to raise questions and put suggestions to the senior management team.

On a bi-annual basis, employees are invited to participate in an online Global All Employee Survey, which helps the company to assess employees concerns and aspirations. The key aspects of the survey, last performed in 2021, relate to leadership, team, strategy, processes, and culture and employer attractiveness. The company has an Employee Consultation Forum. The aim of the forum is to provide a two-way communication process, involving and engaging employees through consultation, enabling them to contribute to the success of the business.

The company and the other Group companies on the Campus have created "Campus Trust" whose purpose is to be the guardians of the continued cultural journey and seek synergies between the companies on Campus. It does this through living and breathing the five core values of Responsibility, Appreciation, Transparency, Trust and Openness and through the Employee Identity "What Moves You", which encourages everyone to be authentic, inspirational and collaborative.

Social responsibility towards employees

The BMW Group stands by its social responsibilities. Our corporate culture combines the drive for success with openness, trust and transparency. We are well aware of our responsibility towards society. Socially sustainable human resource policies and compliance with social standards are based on various internationally recognised guidelines. The BMW Group stated its position clearly back in 2005, with the Joint Declaration on Human Rights and Working Conditions at the BMW Group, which was updated in 2010. In 2018, for further clarification, the BMW Group published its Code on Human Rights and Working Conditions, which strengthens the company's commitment to human rights and outlines how it promotes human rights and implements the core labour standards of the International Labour Organization (ILO).

Diversity and Inclusion

The company has adopted a Diversity and Inclusion Policy and through the application of this Policy the company aims to ensure everyone is treated fairly and equitably and there are arrangements in place to prevent discrimination in the workplace. This is promoted through a number of in house network groups which cover a range of subject areas such as mental health and disability.

In the prior Financial Year, a Diversity and Inclusion Survey was carried out by the company. The survey raised awareness of the initiatives and the various Diversity and Inclusion focus groups there are across our Campus. The ethos of Diversity and Inclusion means the company is very supportive of individuals to achieve their full potential regardless of physical ability. Examples of initiatives that the company is working on include: supporting an accessible campus; promotion of quiet spaces; inclusive leadership; disability awareness and becoming a disability confident employer. Where reasonable and practical within existing legislation, all persons, including disabled persons, were treated in the same way regarding employment, training, career development and promotion.

There is a PRIDE network group which supports the company's LGBT community. Other campus groups include a group supporting working parents and part time workers called, "Timewise".

BMW (UK) Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Employee Engagement Statement (continued)

Diversity and Inclusion (continued)

The Survey also looked at culture and ethnicity. The company is looking to create more awareness around BAME and engages with external organisations to benchmark and see how their network groups are supporting this issue. The company has a focus group called "Minds Matter" which brings together passionate employees from the BMW community who seek to drive cultural change surrounding issues of mental health.

Recruitment

The company is an equal opportunities employer of around 400 staff. Recruitment decisions are based upon a due diligence process to match of the individual's competencies, skills and knowledge to the requirements of the role. A variety of selection methods are used for both internal and external recruitment including assessment centres, competency-based interviews and psychometric tests. Offers of employment are made subject to satisfactory completion of pre-employment checks, which include verification of reasons for leaving past employers, qualifications and honesty.

All roles are assessed and provided with job specifications. These detail the purpose of the role, key accountabilities, selection criteria and competencies required. The recruitment process is designed to ensure the most suitable candidate is selected and also to highlight any additional training required in order to ensure the person is competent and remains competent for that role.

Career Development

The company has a Performance Management Process in place, which appraises employee's performance by consideration of target achievement and leadership behaviour. In order to ensure all employees have a clear understanding of expectations, an individual target agreement is drawn up for every employee at the beginning of the year as part of the Performance Management Process. Achievement of the targets is appraised informally throughout the year in feedback meetings with the line manager and is formally assessed in the performance review process, which takes place at the end of the year. Succession planning is performed annually following the performance review process.

Training

It is the policy of the company that all employees are trained and developed in order to satisfy the statutory, regulatory and professional requirements expected of their role. The recruitment process described above highlights any additional training required to ensure the person is competent and remains competent for that role. Additionally, in the case of internal staff, the job specification can ensure that other employees are sufficiently trained to be competent in another role to ensure the company has adequate cover should there be peaks in the business or staff absence. The BMW Group Compliance Management System consists of a coordinated set of instruments and topics designed to ensure that the BMW Group, its representative bodies, its managers and staff act in a lawful manner. Particular emphasis is placed on measures to ensure compliance with antitrust legislation and avoid the risk of corruption or money laundering. BMW Group employees are required to complete anti-corruption and anti-bribery compliance training.

Training is planned to ensure that it is received at the appropriate times. Training on legal and regulatory requirements are provided to all relevant personnel. Records are retained of all training undertaken, future training required by an employee is captured as part of the portfolio process.

BMW (UK) Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Employee Engagement Statement (continued)

Remuneration

All employees receive a base salary, have access to a range of flexible benefits, and are eligible for a bonus payment on an annual basis to promote personal performance, collaboration and the assumption of entrepreneurial responsibility. The bonus is based on personal achievement and achievement of the targets of the company as a whole, 70% based on Company targets and 30% based on BMW Group targets.

Stakeholder Engagement Statement

Stakeholder engagement is important to the company and the BMW Group as a whole. The BMW Group operates in a highly connected environment. Our products and services are used extensively throughout the UK and we attract interest from, and are interested in a diverse group of stakeholders. The views, decisions and actions of our stakeholders have a considerable impact on our business. Our Stakeholder Engagement Policy can be read at <https://www.bmwgroup.com/en/sustainability/our-engagement.html> on the BMW Group website.

Customers

The company's customers are BMW, MINI and BMW Motorrad franchised retailers, corporate customers, fleet businesses, government as well as both direct and indirect consumers. The company recognises that the fair treatment of customers is central to its strategy and the continuing success of its business.

The company operates with a franchised retailer network in the UK ("The Retailer Network"). The Retailer Network are key customers of the company and engagement with the network is vital to the success of the company. The company engages with the National Franchise Board, the body that represents the Retailer Network in the UK. There are periodic meetings between the main investors of Retailer partners and the Directors of the company to assist investors to understand the strategic direction of the company. A key part of communication with the Retailer Network is through what is known as the "Retailer HUB Portal", which is a communication platform used by the company to communicate with the Retailer Network.

The company's strategy is based on sustainable business relationships with our customers. The company seeks to re-invest for growth and innovation. The company is committed to continuous development of its processes to improve the overall customer experience and loyalty. For example, the company has a retailer incentive programme known as the Voice of the Customer which focusses on delivering customer needs. Additionally an e-Retail selling platform has been developed to allow customers to transact the entire vehicle purchase online. The company aims to become the natural choice for customers by providing personalised products and services. Emphasis is placed on developing the right customer service skills and attitudes, which are monitored and supported through training and also via a cultural change programme. The company measures customer satisfaction continually and reports on it to the Customer Committee.

Employees

Our employees are the foundation of our success. Their professional qualifications and commitment are outstanding. In return, we offer attractive jobs, comprehensive opportunities for personal development and the opportunity to gain further qualifications.

Further details on how the company engages with its workforce are contained in the Employee Engagement Statement in the Directors Report.

BMW (UK) Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Stakeholder Engagement Statement (continued)

Suppliers

The company and the BMW Group as a whole, perceive our global supplier network as a major contribution to value creation, quality and innovation and hence to our success. Our collaboration with our suppliers is based on a mutual understanding of product and production quality, security of supplies, competitive prices and innovation, as well as the continuous integration of our sustainability requirements. The BMW Group Policy "Antitrust Compliance", which establishes binding rules of conduct for all employees across the BMW Group aims to prevent unlawful restriction of competition.

Suppliers have a significant impact on our sustainability performance and the sustainable development of society. It is therefore essential that our partners fulfil the BMW Group Supplier Sustainability Standard, which requires compliance with internationally recognised human rights, as well as labour and social standards.

Further details on how the company engages with its suppliers can be found at <https://www.bmwgroup.com/en/sustainability/our-focus/environmental-and-social-standards/supply-chain.html> on the BMW Group website.

Government, Regulators and trade bodies

The company engages in regular exchange with HM Government and its various departments, UK and international NGOs, trade bodies and industry associations as well as universities and other stakeholders in academia. In dialogue with these stakeholders, the company wishes to build trust, understand positions, identify trends as well as build on and consolidate partnerships. The company engages with its regulators both at an industry level through trade associations for example the Society of Motor Manufacturers and Traders ("SMMT") and at an operational level.

The company is represented at the SMMT through working groups on various topics affecting the automotive industry for example on type approval and Worldwide Harmonised Light Vehicle Test Procedure ("WLTP"). At an operational level the company interacts with regulators such as the DVSA on vehicle safety and the recall process and with the VCA on topics such as vehicle standards, type approval and environmental labelling.

Community and Charity

Corporate Social Responsibility is important to the company and it undertakes many initiatives in this area. There is a food bank on Campus to donate to those in need in the local community. During 2022, the Campaign Against Living Miserably (CALM) charity was appointed as the new charity partner and we have a fundraising programme which is well supported by our employees.

We are proud to continue our support of numerous charities and community projects. We have encouraged our employees to volunteer in our communities through our Community Matters Partnership Project (CMPP). In 2022, our employees have completed approximately 700 hours of volunteering, supporting the local community, including painting projects in local schools, garden clearance and other local initiatives.

BMW (UK) Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Corporate Governance Statement

Financial Year 1 January to 31 December 2022

This report comprises the Corporate Governance Statement for BMW (UK) Limited ("the company") required under The Companies (Miscellaneous Reporting) Regulations 2018 for the financial year 1 January 2022 to 31 December 2022 ("Financial Year").

The company has not applied a specific corporate governance code during the Financial Year however, as a subsidiary of BMW AG, its ultimate German parent company, it operates in accordance with its parent company's corporate governance expectations. BMW AG adopted its own corporate governance code based on the German Corporate Governance Code ("Code") in 2002. The Code (updated in 2019) sets out how German listed companies should be organised and seeks to formulate recognised standards for good and responsible governance. The Code seeks to promote the trust of investors, customers, employees and the general public in the management and supervision of German listed companies. The Board of Directors of the company therefore manage the company in accordance BMW Group policies in relation to corporate governance, compliance and risk management.

Although the company has not adopted a UK specific corporate governance code, the company's Board of Directors ("Board") have considered The Wates Principles and in this statement the company has set out how the company has aligned itself to these governance principles during the Financial Year.

Purpose, Strategy, Values and Future Developments

The company is a premium car and motorcycle importer and distributor and its purpose and strategy is the sustainable and active management of vehicles and aftersales business through its distribution network and the automotive market.

The company's strategy is based on the BMW Group Strategy. As part of this strategic direction, the company will actively shape and define the transformation to a technology company for premium mobility and services. As a driver of innovation, BMW AG and the company is playing a leading role in the automotive industry of the future. Digitalisation opens up new opportunities to take individual mobility to the next level – electric, connected and autonomous.

The BMW Group Strategy means a vision to shape tomorrow's individual mobility with a strategic approach of leveraging innovative technologies, digitalisation and sustainability to deliver unique customer experiences and offer the best solutions to the individual customers' mobility needs. It also means having a competitive advantage by having the most emotional products, attractive services and having a corporate culture to create the future with operational excellence. The company's vision has been developed to provide a framework which engages employees to deliver the best outcomes for the company's shareholders, employees and customers.

Culture

The company's culture is characterised by clear responsibility, mutual respect and trust. Lawful conduct and fair competition are integral to the company's business activities and an important condition for securing long term success. The company's primary goal is to avoid risks which could jeopardize the trust which customers, shareholders, business partners and the general public place in the BMW Group. The company is focused on people, with customers being at the heart of the company's business. The company embraces diversity, flexibility, sustainability and continuous improvement throughout the organisation. It has a customer centric philosophy with transparent, fair and simple processes. The company's policies are designed to support the company culture with guidelines cascaded from the ultimate parent, BMW AG.

BMW (UK) Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Corporate Governance Statement (continued)

Culture (continued)

The company recognises that long term success is founded on the culture of the organisation. The aim is to be customer centric and select the best talent to ensure the longevity and success of the organisation and to be considered one of the top employers in the UK.

There are five core values which the whole of the BMW Group including the company adhere to and these are **Responsibility, Appreciation, Transparency, Trust and Openness**.

These five core values encompass principles of action which define the framework for cooperation within the BMW Group of companies. Based on these core values the company prides itself in an atmosphere of mutual trust and understanding. Employees are fully engaged with the business and there is a culture of openness and authenticity. The Board and senior management have taken active steps to drive cultural change and to ensure corporate strategy and customer orientation principles and values are embraced across the organisation. A brand new employee cultural identity was developed in recent years encouraging associates to be authentic, inspirational and creating an environment where people feel valued. At the heart of authenticity is the deep set of ethics, values and trust. All of these cultural and value based initiatives are reviewed by the Board of Directors of the company and the Management Committee and communicated to the business as a whole at regular business briefings.

Sustainability

Sustainability and responsibility for the environment is firmly embedded in the company's culture and corporate strategy. The company has implemented sustainability throughout its value chain. In addition to reducing CO2 emissions the strategy focuses on achieving continuous progress in areas such as environmental protection, supply chain sustainability, employee orientation and social commitment. Sustainability forms an important part of our BMW Group Strategy. Our product range will include 25 models which are either plug in hybrid electric vehicles or battery electric vehicles by 2023. The company is an active participant in HM Government "Go Ultra Low" campaign and in 2023 will appoint a local Sustainability Steering role to coordinate relevant local sustainability initiatives.

Board Composition

The Board of the company consists of three statutory directors, being Christopher Brownridge, the Chief Executive Officer (CEO), Tomas Valero Ribes, the Chief Financial Officer (CFO) (both based in the UK) and Bernhard Kuhn, the Chairman of the company based in Munich, Germany.

Committees of the Board

The company is managed by the Board and multiple Board Delegated Committees and Sub-Committees.

The Management Committee, one of the Board Delegated Committees, meets every two weeks and manages the company's business. The Management Committee is responsible for defining the strategic plan for the company, the definition of initiatives and the allocation of resources to achieve this plan, within the overall framework and processes established by the BMW Group, together with the supervision of operational functions to ensure the achievement of the company's objectives. The Management Committee is responsible for ensuring the company's values and culture align with its purpose, the creation of long-term sustainable value, consideration of the company's stakeholders and community and for compliance with laws and regulations.

BMW (UK) Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Corporate Governance Statement (continued)

Committees of the Board (continued)

The Board Delegated Committees include the following: the Management Committee; Marketing, Sales and Finance Committee; Retailer Committee; Governance Committee; and Campus, Culture and Leadership Committee.

The Management Committee have delegated appropriate matters to various Sub-Committees, including: a Customer Committee; Risk and Compliance Committee; Sales & Marketing Committee; IT Strategic Planning Committee; Used Car Committee; Future Sales Model Steering Committee; a Product Quality & Safety Committee; and a BMW and MINI Production Approval Circle. The Sub-Committees act to work on detailed topics and provide appropriate challenge to the Management Committee and the Board in their areas of expertise.

The CEO acts as Chairman of the Management Committee and with the support of the CFO and General Counsel, who oversee the efficient and effective operation of the company's Board and its Committees. This includes consideration of the size and structure of the Board, Management Committee and Sub-Committees so that they are appropriate to meet the strategic needs and challenges of the organisation and enable effective decision making. Consideration is given to the balance and diversity of the Board and all its Committees. Whilst the company does not have any independent non-executive directors, the Chairman of the Board acts in a capacity largely independent of the day to day management of the company's business. In addition the company frequently makes use of a large Corporate Audit function who audit different parts of the company's business to ensure operation in accordance with relevant company policies and procedures and laws and regulations.

The Management Committee comprises the CEO, CFO, and the most senior managers in the areas of Customer Support, Marketing, Ireland, BMW Sales, Legal, Communications, MINI, Motorrad (Motorcycles), Human Resources and Used Cars. The effectiveness of Management Committee members and members of the Sub-Committees is measured via the company's annual appraisal process (known as "Portfolio") where all employees are reviewed against their objectives which include continuous professional development. Strengths and weaknesses are discussed against a backdrop of feedback from key stakeholders.

Each Committee has its own terms of reference and a formalised approach with an agenda circulated in advance, minutes taken, voting and quorum rules and escalating processes. Each Committee has a Secretary who ensures the timely distribution of materials prior to meetings and works to ensure the accuracy of documents submitted to the Committees for consideration and approval. The Chairperson of a Committee reports key matters to the Management Committee who also reviews minutes of all Sub-Committees' minutes.

Opportunity and Risk

Opportunity

The Board considers and assesses how the company creates and preserves value over the long term by assessment of opportunities presented by the changes in consumer behaviours, regulation, buying patterns, opportunities and challenges presented by new technologies introduced in our product offering, such as battery electric vehicles and plug in hybrid vehicles.

BMW (UK) Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Corporate Governance Statement (continued)

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 company seeks to promote an effective control environment in which control measures are accepted as necessary process steps, along with the notification of errors, weaknesses and deficiencies in order to manage the risks associated with internal processes.

The CFO is ultimately 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, however, all employees are actively encouraged to identify and report errors, additional risks or potential improvements and take ownership for ICS within their business area.

The company has a Risk function which focuses on managing day-to-day risks impacting the business and is responsible for defining risk management methodology. Risks are monitored and managed at an operational level through the Risk and Compliance Committee. There are clear roles and responsibilities within this Risk management system set out in the company's Risk Management Policy.

The company's policies are drafted by, or under the supervision of, the Management Committee member with responsibility for the business area covered by the policy. All policies are reviewed and approved by the Risk and Compliance Committee and Management Committee.

The BMW Group operates a four-eye principle throughout the Group. Under this requirement all documents with binding content must be reviewed and signed by two signatories with appropriate levels of authority to bind the relevant company delegated to them by the board of that company.

Information about the company's exposure and managing of credit, liquidity and interest risks is presented in Note 16.

Remuneration

It is a stated aim of the company to reinforce the connection between performance and reward and this makes the merit principle a fundamental value in our corporate culture. Remuneration is intended to promote the personal performance of every employee including members of the Board and its Committees. Market benchmarking data is used every year and determines the salary ranges for different roles.

Further details on how the company remunerate its workforce are contained in the Employee Engagement Statement in the Directors Report.

Stakeholder relationship and engagement

The company works closely with our stakeholders including our franchised retailer network, retail and corporate customers, fleet businesses, our suppliers, regulators, Government and trade bodies; the local community; charities and more particularly our workforce. The company recognises that the fair treatment of all our stakeholders is central to our strategy and the continuing success of its business.

Further details on how the company engages with its workforce are contained in the Employee Engagement Statement in the Directors Report and with regard to its other stakeholders in the Stakeholder Statement in the Directors Report.

BMW (UK) Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Dividends

Total dividends of £132,800,000 were paid during the year (2021: £28,000,000), relating to both the ordinary and preference shares, to BMW (UK) Holdings Limited. The split of the dividends between ordinary and preference shares is shown in Note 15. The directors recommend a final total dividend for 2022 of £51,200,000 which was paid on 10 May 2023. These financial statements do not reflect this dividend payable as the amount was determined, approved and announced post year-end.

Market value of land and buildings

In the opinion of the directors, the market value of the land and buildings of the company exceeded the net book values of these assets at 31 December 2022.

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:

Christopher Brownridge

Tomas Valero Ribes

Bernhard Kuhnt (appointed 1 April 2022)

Jean-Philippe Parain (resigned 1 April 2022)

None of the directors who held office at the end of the financial year had any interest in the shares of the company (2021: nil).

According to the register of directors' interests, no rights to subscribe for shares in the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Political and Charitable donations

During the year the company made charitable donations of £172,000 (2021: £228,000). No political donations were made in the year (2021: £nil). Donations over £2,000 made in the year were:

	£000
BEN – Motor and Allied Trades Benevolent Fund registered charity number 297877	128
CALM registered charity number 1110621	40
Step by Step registered charity number 900308	3

Disclosure of information to the auditors

Each director has taken 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. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Independent Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

BMW (UK) Limited

Statement of 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 UK-adopted international accounting standards.

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 UK-adopted international accounting standards 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.

Approved by the Board on 28/07/2023 and signed on behalf of the Board by:



Christopher Brownridge (Chief Executive Officer)

BMW (UK) Limited

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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: Statement of Financial Position as at 31 December 2022; Income Statement, Statement of Comprehensive Income, Statement of Cash Flows and 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided. We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and reviewing management's going concern assessment paper and challenging them on their assumptions;
- reviewing the forecasted profit and cash flows for a period of at least 12 months from the signing of the financial statements, including consideration of plausible downsides; and
- discussing the going concern assessment of the global BMW group with PwC Germany, the BMW group auditors, as BMW (UK) Limited is dependent on the group for access to funds as part of the BMW AG Group's cash pooling arrangements and all of the inventory that generates the company's revenue.

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.

BMW (UK) Limited

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

BMW (UK) Limited

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Health and Safety regulations, Employment Law, Anti Bribery Act and Data Protection, 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 UK tax legislation and 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 posting of non-standard journals to the income statement, including to revenue or manipulating accounting estimates which could be subject to management bias. Audit procedures performed by the engagement team included:

- identifying and testing journal entries, in particular journal entries posted with unusual account combinations;
- assessing significant judgements and estimates in particular those relating to the warranty provision, bonuses and sales incentives provision, net realisable value of inventory and the defined benefit pension scheme and the disclosures included on these balances within the financial statements;
- reviewing the minutes of the board meetings to identify any non-compliance with laws and regulations;
- enquiring with management of known or suspected instances of non-compliance with laws and regulations and fraud;
- review details of correspondence and discussions held with legal advisors; and
- incorporating elements of unpredictability in our procedures.

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.

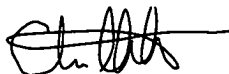
Other required reporting

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
31 July 2023

BMW (UK) Limited

Income Statement for the Year Ended 31 December 2022

	Note(s)	2022 £ 000	2021 £ 000
Revenue	2	5,387,398	4,682,659
Cost of sales		<u>(5,131,098)</u>	<u>(4,430,266)</u>
Gross profit		256,300	252,393
Administrative expenses		<u>(178,583)</u>	<u>(158,926)</u>
Operating profit		77,717	93,467
Net finance income / (expense) – other	6	21,931	(2,007)
Finance expense – Preference share dividends	6, 15.1	<u>(116,486)</u>	<u>(24,560)</u>
Net finance expense	6	(94,555)	(26,567)
(Loss)/Profit before income tax		(16,838)	66,900
Income tax expense	7	<u>(23,461)</u>	<u>(22,609)</u>
(Loss)/Profit for the year		(40,299)	44,291

The above results were derived from continuing operations.

The notes on pages 27 to 56 form an integral part of these financial statements.

BMW (UK) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2022

	2022 £ 000	2021 £ 000
(Loss)/Profit for the year	<u>(40,299)</u>	<u>44,291</u>
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains on defined benefit pension plans (net of deferred tax)	<u>663</u>	<u>47,657</u>
Total other comprehensive income	<u>663</u>	<u>47,657</u>
Total comprehensive (expense)/income for the year	<u>(39,636)</u>	<u>91,948</u>

The notes on pages 27 to 56 form an integral part of these financial statements.

BMW (UK) Limited

(Registration number: 1378137)

Statement of Financial Position as at 31 December 2022

	Note	31 December 2022 £ 000	31 December 2021 £ 000
Assets			
Non-current assets			
Property, plant and equipment	8	29,286	30,214
Right of use assets	17	15,475	22,121
Intercompany lease receivables	17	4,279	5,344
Investments in subsidiaries	9	5,137	28,384
Employee benefits	13	40,062	38,623
		<u>94,239</u>	<u>124,686</u>
Current assets			
Inventories	10	665,576	464,307
Trade and other receivables	11	1,711,287	1,585,070
Intercompany lease receivables	17	1,130	2,662
Income tax asset		1,107	802
		<u>2,379,100</u>	<u>2,052,841</u>
Total assets		<u>2,473,339</u>	<u>2,177,527</u>
Equity and liabilities			
Equity			
Share capital	15	(5,000)	(5,000)
Share premium		(7,000)	(7,000)
Retained earnings		(201,276)	(257,226)
Total equity		<u>(213,276)</u>	<u>(269,226)</u>
Non-current liabilities			
Lease liabilities	17	(16,309)	(21,892)
Provisions	14	(41,788)	(64,024)
Deferred tax liabilities	7	(10,237)	(9,683)
Trade and other payables	12	-	(562)
		<u>(68,334)</u>	<u>(96,161)</u>
Current liabilities			
Lease liabilities	17	(6,073)	(10,178)
Trade and other payables	12	(2,057,951)	(1,668,596)
Provisions	14	(92,705)	(98,366)
Other current financial liabilities	15	(35,000)	(35,000)
		<u>(2,191,729)</u>	<u>(1,812,140)</u>

BMW (UK) Limited

(Registration number: 1378137)

Statement of Financial Position as at 31 December 2022 (continued)

	31 December 2022 £ 000	31 December 2021 £ 000
Total liabilities	(2,260,063)	(1,908,301)
Total equity and liabilities	(2,473,339)	(2,177,527)

The financial statements and notes on pages 21 to 56 were approved by the Board of Directors on 28 July 2023 and signed on its behalf by:



Tomas Valero Ribes
Chief Financial Officer

The notes on pages 27 to 56 form an integral part of these financial statements.

BMW (UK) Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2021	5,000	7,000	168,718	180,718
Profit for the year	-	-	44,291	44,291
Other comprehensive income	-	-	47,657	47,657
Total comprehensive income	-	-	91,948	91,948
Dividends	-	-	(3,440)	(3,440)
At 31 December 2021	5,000	7,000	257,226	269,226
	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2022	5,000	7,000	257,226	269,226
Loss for the year	-	-	(40,299)	(40,299)
Other comprehensive income	-	-	663	663
Total comprehensive loss	-	-	(39,636)	(39,636)
Dividends	-	-	(16,314)	(16,314)
At 31 December 2022	5,000	7,000	201,276	213,276

The notes on pages 27 to 56 form an integral part of these financial statements.

BMW (UK) Limited

Statement of Cash Flows for the Year Ended 31 December 2022

	Note(s)	2022 £ 000	2021 £ 000
Cash flows from operating activities			
(Loss)/profit for the year		(40,299)	44,291
Adjustments for:			
Depreciation	8, 3	3,043	3,474
Depreciation on right of use assets	17, 3	6,646	6,884
(Profit)/loss on disposal of property plant and equipment	3	(1,743)	25
Net finance (income)/expense – other	6	(21,931)	2,007
Income tax expense	7	23,461	22,609
Finance expense – Preference share dividends	15.1	116,486	24,560
Impairment in investment	9	23,247	-
		<u>108,910</u>	<u>103,850</u>
Working capital adjustments:			
(Increase)/decrease in inventories	10	(201,269)	130,805
Increase in trade and other receivables	11	(126,217)	(277,897)
Increase in trade and other payables	12	388,793	94,695
Decrease in provisions and employee benefits		(25,589)	(21,993)
Cash generated from operations		<u>144,628</u>	<u>29,460</u>
Income taxes (paid)/received		<u>(23,432)</u>	<u>10,148</u>
Net cash flow generated from operating activities		<u>121,196</u>	<u>39,608</u>
Cash flows from investing activities			
Interest received	6	20,371	6
Acquisitions of property plant and equipment	8	(2,135)	(2,186)
Receipts on sub-leases during the year	17	2,773	4,651
Proceeds from the sale of property, plant and equipment		1,763	-
Net cash flows generated from investing activities		<u>22,772</u>	<u>2,471</u>
Cash flows from financing activities			
Interest paid	6, 17	(1,368)	(3,022)
Lease payments – principle	17	(9,800)	(11,057)
Preference share dividends	15.1	(116,486)	(24,560)
Dividends paid	15.1	(16,314)	(3,440)
Net cash flows used in financing activities		<u>(143,968)</u>	<u>(42,079)</u>
Net change in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-

The notes on pages 27 to 56 form an integral part of these financial statements.

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 Accounting policies

Reporting entity

BMW (UK) Limited is a private company limited by shares, domiciled and incorporated in England, United Kingdom.

Basis of preparation and statement of compliance

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The company transitioned to UK-adopted International Accounting Standards in its company financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The financial statements of the company have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The financial statements were approved by the Board of Directors on 28 July 2023. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Exemption from preparing group accounts

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.

Basis of measurement

The financial statements have been prepared in accordance with adopted IFRSs and on the historical cost basis except that certain financial assets and liabilities are stated at their fair value. The methods used to measure fair values are further discussed in Note 16.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimations. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have a significant effect on the amount recognised in the financial statements are in relation to the warranty provision and the defined benefit pension plan.

The expected costs of fulfilling warranty obligations are reviewed on a constant basis by the company. Management estimates the related provision based on historic warranty claims, volume of vehicle registrations, and recent trends that might suggest that past cost information might differ, in order to forecast the expected liability over the future warranty period. The assumptions made in relation to the current period are consistent with those in the prior year. The total amount of provisions created in respect of these costs is disclosed in Note 14. As at 31 December 2022, this particular provision had a carrying amount of £71,706,000 (2021: £102,368,000). If claims costs were to differ by 10% from management's estimates, the warranty provisions would be an estimated £7,171,000 higher or lower (2021: £10,237,000 higher or lower).

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 and any future periods.

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Critical accounting estimates and judgements (continued)

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 13.

Functional and presentation currency

These financial statements are presented in pound sterling, which is the company's functional currency. All financial information presented has been rounded to the nearest thousand.

Summary of significant accounting policies and key accounting estimates

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

Going concern

The financial statements have been prepared on a going concern basis.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report. The financial position of the company, and its cash flows, are presented in the primary statements. In addition, Note 16 to the financial statements include the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The company meets its day-to-day working capital requirements through access to funds as part of the BMW AG Group's cash pooling arrangements that are administered through BMW Finance N.V., 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 11.

The company is closely monitoring and managing the on-going disruptive market conditions impacting production and supply chains through the preparation, analysis, and review of various market scenarios. The company has considerable financial resources together with an established distribution network, global marketing strategies, and group-based supply chain network across different geographic areas. Consequently, the directors believe that the company is in a robust position to successfully manage its business risks, despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Changes in accounting policy

In these financial statements no Adopted IFRSs which have been effective for the first time have had a material effect on the financial statements.

None of the other standards, interpretations and amendments effective for the first time from 1 January 2022 have had a material effect on the financial statements.

None of the standards, interpretations and amendments which are effective for periods beginning after 1 January 2022 and which have not been adopted early, are expected to have a material effect on the financial statements.

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Finance income and costs policy

Net financing income and expenses comprise interest payable, finance subsidies, interest cost on the unwinding of provision discounts, finance charges on finance leases, interest receivable on funds invested, dividend income and fair value of financial instrument gains and losses that are recognised in the Income Statement. These are shown net in the Income Statement with further details being disclosed in note 6.

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

Foreign currency transactions and balances

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are retranslated to the functional currency using the rate of exchange ruling at that date. Non-monetary assets and liabilities that are measured at historic cost in a foreign currency are translated using the exchange rate at the date of the transaction. Gains or losses on translation are included in the Income Statement.

Tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position 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 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 Statement of Financial Position 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 asset can be utilised.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and assets under construction are not depreciated. It is calculated at the following rates:

Asset class

Plant, machinery and motor vehicles
Freehold buildings

Depreciation method and rate

over 3 to 15 years
over 20 to 25 years

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment.

Inventories

Inventories are stated at the lower of cost and net realisable value. For non-vehicle items cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Impairment

The carrying amounts of the company's assets other than inventories and deferred tax assets are reviewed at each Statement of Financial Position 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 the Income Statement.

Calculation of recoverable amount

The recoverable amount of the company's assets is the greater of their net selling price 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. 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 is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

Statement of Cash Flows

In accordance with IAS 7 only expenditure that results initially in the recognition of an asset is classified as a cash flow from investing activities. The company's current account balances are deposited with the Group's In-House Bank (IHB) and are shown within trade and other receivables (Note 11).

Revenue

IFRS 15 has established a comprehensive framework for determining whether, how much and when revenue is recognised. In accordance with IFRS 15, costs relating to sales promotion measures, such as sales support or residual value subsidies are treated as variable components of consideration and are therefore recognised as revenue deductions.

Revenue from the sale of goods and services is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the invoice is generated. This is when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Revenue represents sales to customers at invoiced amounts less value added tax. In the case of vehicles sold to a customer that are expected to be repurchased in a subsequent period, revenues are not recognised at the time of the sale of the vehicle. Instead, assets and liabilities relating to the right of return vehicles are recognised.

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Revenue (continued)

Consideration for the rendering of services to customers usually falls due for payment at the beginning of a contract and is therefore deferred as a contract liability. The deferred amount is released over the service period and recognised as revenue in the income statement.

If the sale of products includes a determinable amount for services (multiple-component contracts), the related revenues are deferred and recognised as income in the same way. Variable consideration components, such as bonuses, are measured at the expected value, and in the case of multi-component contracts, allocated to all performance obligations unless directly attributable to the sale of a vehicle.

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

- Obtain substantially all the economic benefits from the use of the underlying asset, and;
- Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g. commissions) and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

After the commencement date, the company measures the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance costs in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment.

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:

- (a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g. reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

Short term and low value leases

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e. short-term leases). The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in administrative expenses in the income statements.

Subleases

If an underlying asset is re-leased by the company to a third party and the company retains the primary obligation under the original lease, the transaction is deemed to be a sublease. The company continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as a lessor (intermediate lessor). When the head lease is a short term lease, the sublease is classified as an operating lease. Otherwise, the sublease is classified using the classification criteria applicable to Lessor Accounting in IFRS 16 by reference to the right-of-use asset in the head lease (and not the underlying asset of the head lease).

After classification lessor accounting is applied to the sublease.

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Financial instruments

Classification of financial instruments issued by the company

Financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in the Income Statement.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Non-derivative financial instruments

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. The company applies the simplified approach described in IFRS 9 to trade receivables, whereby the amount of the loss allowance is measured subsequent to the initial recognition of the receivable on the basis of lifetime expected credit losses (stage 2 – simplified approach).

Other receivables due from related parties comprise deposits held in In-House Bank (IHB) current accounts held with other entities within the BMW Group. Short-term deposits are held with BMW International Investment B.V. where maturity is less than three months. The deposits held with BMW International Investment B.V. and other group entities are interest bearing and are subject to an insignificant risk of change in value. The company has on demand access to these funds to meet its day-to-day working capital requirements.

Trade payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment.

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Provisions

A provision is recognised in the Statement of Financial Position when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Defined benefit pension obligation

BMW (GB) Limited Employee Benefits Plan

The company operates a defined benefit pension schemes providing benefits based on final pensionable pay. The BMW (GB) Limited Employee Benefits Plan is accounted for fully on the Statement of Financial Position of BMW (UK) Limited. The assets of the scheme are held separately from those of the company.

The expected cost of pensions in respect of the company's defined benefit pension scheme is charged to the Income Statement so as to spread the cost of pensions over the service lives of the employees in the scheme.

The BMW (GB) Limited Scheme is a multi-employer defined benefit plan accounted for solely within the BMW (UK) Limited financial statements including the proportion applicable to BMW Financial Services (GB) Limited, Rolls-Royce Motor Cars Limited, Alphabet (GB) Limited and Park Lane Limited. The proportions applicable to each are not split out.

The company's net defined benefit provision in respect of defined benefit pension plans is calculated 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 Statement of Financial Position 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. Under the rules of the defined benefit scheme, the company has an unconditional right to a refund of any surplus, and therefore, a net defined benefit asset may be recognised.

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 Income Statement 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 Income Statement. Under IAS 19, actuarial gains and losses arising in conjunction with defined benefit pension obligations are permitted to be recognised directly in equity. The deferred tax arising on these actuarial gains and losses has also been taken directly through equity.

The Plan 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. Employees not participating in the defined benefit scheme are eligible to join a group personal pension plan (defined contribution scheme) offered by the BMW Group in the UK.

BMW (UK) Operations Pension Scheme

BMW (UK) Holdings Limited is the holding company of this company and other companies which participate in the schemes. BMW (UK) Holdings Limited is also the Principal Employer under the rules of the schemes. The pension costs arising from the schemes are accounted for in accordance with IAS 19 (Revised) in the accounts of the holding company, with BMW (UK) Limited accounting for contributions to this scheme only. The BMW (UK) Operations Pension 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.

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2022 £ 000	2021 £ 000
Vehicle and motorcycles	4,964,172	4,325,269
Parts	423,226	357,390
	<u>5,387,398</u>	<u>4,682,659</u>

3 Expenses and Auditors' remuneration

(Credited)/charged against the (loss)/profit for the year are the following:

	2022 £ 000	2021 £ 000
Decrease in warranty provisions (Note 14)	(30,662)	(31,113)
Depreciation of right-of-use assets (Note 17)	6,646	6,884
Depreciation (Note 8)	3,043	3,474
(Profit)/Loss on disposal of property plant and equipment	<u>(1,763)</u>	<u>25</u>

Auditors' remuneration:

	2022 £ 000	2021 £ 000
Audit of the financial statements	<u>165</u>	<u>103</u>

There were no fees paid during the year for non-audit services (2021: £nil).

4 Staff numbers and costs

The average number of employees per month, including directors, during the year was 419 (2021: 412). All were employed for the wholesale of vehicles and parts.

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022 £ 000	2021 £ 000
Wages and salaries	27,152	25,033
Social security costs	3,304	3,413
Other pension costs	3,846	3,468
	<u>34,302</u>	<u>31,914</u>

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

5 Directors' remuneration

	2022 £ 000	2021 £ 000
Directors' emoluments	1,121	836
Company contributions to pension schemes	43	42
The aggregate emoluments of the highest paid Director	<u>626</u>	<u>436</u>

There were no (2021: none) directors in the company's defined benefit pension scheme during the year.

The highest paid director was a member of the company's defined contribution pension scheme during the year (2021: defined contribution scheme). Pension contributions for the highest paid director were £27,000 (2021: £21,000).

6 Finance income and finance costs

	2022 £ 000	2021 £ 000
Finance income		
Interest income from cash deposits	20,371	6
Interest income from defined benefit pension funds	712	-
Interest income on sub-leases	65	101
Warranty provision discounting	<u>2,151</u>	<u>1,117</u>
Finance income – other	<u>23,299</u>	<u>1,224</u>
Finance expense		
Interest expense	(1,054)	(2,497)
Pension fund interest expense	-	(209)
Interest expense on leases - Property	<u>(314)</u>	<u>(525)</u>
Finance expense – other	<u>(1,368)</u>	<u>(3,231)</u>
Net finance income / (expense) – other	<u>21,931</u>	<u>(2,007)</u>
Finance expense – Preference share dividends	<u>(116,486)</u>	<u>(24,560)</u>
Net finance expense	<u>(94,555)</u>	<u>(26,567)</u>

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7 Income tax expense

Tax charged in the income statement

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	23,457	17,766
Adjustment in respect of prior periods	(329)	549
	<u>23,128</u>	<u>18,315</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	121	(210)
Effect of change in enacted tax rate	-	4,486
Adjustment in respect of prior periods	212	18
Total deferred taxation	<u>333</u>	<u>4,294</u>
Tax expense in the income statement	<u>23,461</u>	<u>22,609</u>

The tax on (loss)/profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021: higher than the standard rate of corporation tax in the UK) of 19% (2021: 19%).

The differences are reconciled below:

	2022 £ 000	2021 £ 000
(Loss)/profit before tax	(16,838)	66,900
Tax using the UK corporation tax rate of 19% (2021: 19%)	(3,199)	12,711
Adjustment in respect of prior periods	(117)	567
Non-deductible expenses	26,748	4,895
Remeasurement of deferred tax – change in the UK tax rate	29	4,436
Total tax charge	<u>23,461</u>	<u>22,609</u>

An increase in the UK corporation tax rate from 19% to 25%, effective from 1 April 2023, was substantively enacted on 24 May 2021. The effect of this is that profits arising in 2022 are taxable at a rate of 19% (2021: 19%). Deferred tax has been calculated based on the rate of 25% (2021: 25%) which is the rate expected to apply when the asset/liability will unwind.

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7 Income tax expense (continued)

Deferred tax

Deferred tax liabilities

	Liability £ 000
2022	
Property, plant and equipment	(221)
Employee benefits	(10,016)
	<u>(10,237)</u>
2021	
Property, plant and equipment	(27)
Employee benefits	(9,656)
	<u>(9,683)</u>

Deferred tax movement during the year:

	At 1 January 2022 £ 000	Recognised in income £ 000	Recognised in equity £ 000	At 31 December 2022 £ 000
Property, plant and equipment	(27)	(194)	-	(221)
Employee benefits	(9,656)	(139)	(221)	(10,016)
Net tax (liabilities)	<u>(9,683)</u>	<u>(333)</u>	<u>(221)</u>	<u>(10,237)</u>

Unrecognised deferred tax

There is an unused capital loss of £115,000 for which a deferred tax asset has not been recognised in the Statement of Financial Position. This is on the basis that it is more likely than not that there will be insufficient taxable profits arising in the future against which the underlying asset could be utilised.

Deferred tax movement during the prior year:

	At 1 January 2021 £ 000	Recognised in income £ 000	Recognised in equity £ 000	At 31 December 2021 £ 000
Property, plant and equipment	(147)	120	-	(27)
Employee benefits	3,324	(4,414)	(8,566)	(9,656)
Net tax assets/(liabilities)	<u>3,177</u>	<u>(4,294)</u>	<u>(8,566)</u>	<u>(9,683)</u>

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

8 Property, plant and equipment

	Freehold land and buildings £ 000	Plant, machinery and motor vehicles £ 000	Assets under construction £ 000	Total £ 000
Cost				
At 1 January 2021	35,373	26,704	-	62,077
Additions	110	1,660	416	2,186
Disposals	(20)	(1,319)	-	(1,339)
At 31 December 2021	35,463	27,045	416	62,924
At 1 January 2022	35,463	27,045	416	62,924
Additions	130	2,005	-	2,135
Disposals	(132)	(5,832)	-	(5,964)
Transfers	64	352	(416)	-
At 31 December 2022	35,525	23,570	-	59,095
Accumulated Depreciation				
At 1 January 2021	11,443	19,107	-	30,550
Charge for year	1,071	2,403	-	3,474
Eliminated on disposal	(20)	(1,294)	-	(1,314)
At 31 December 2021	12,494	20,216	-	32,710
At 1 January 2022	12,494	20,216	-	32,710
Charge for the year	1,079	1,964	-	3,043
Eliminated on disposal	(131)	(5,813)	-	(5,944)
At 31 December 2022	13,442	16,367	-	29,809
Carrying amount				
At 31 December 2022	22,083	7,203	-	29,286
At 31 December 2021	22,969	6,829	416	30,214

9 Investments in subsidiaries

	Shares in Group undertakings £ 000
Cost and net book value at 1 January 2021	13,010
Investment in Park Lane Limited	15,374
Cost and net book value at 31 December 2021	28,384
Impairment in Park Lane Limited	(23,247)
Net book value at 31 December 2022	5,137

The company has reduced its investment in Park Lane Limited to its net book value, following an impairment review triggered by a number of impairment indicators. The directors believe that the carrying value of the investments in subsidiaries are supported by their underlying net assets.

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

9 Investments in subsidiaries (continued)

Details of the subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Share class	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
Park Lane Limited	Ordinary £1 shares	Hampshire, United Kingdom	100%	100%
BMW Drivers Club Limited	Ordinary £1 shares	Hampshire, United Kingdom	100%	100%
BMW Car Club Limited	Ordinary £1 shares	Hampshire, United Kingdom	100%	100%
BMW (GB) Limited	Ordinary £1 shares	Hampshire, United Kingdom	100%	100%

The registered office address for these subsidiaries is Summit One, Summit Avenue, Farnborough, Hampshire, GU14 0FB.

Park Lane Limited, registered in England and Wales, is involved in the distribution and sales of motor vehicles and parts manufactured by its ultimate parent company, and the provision of aftersales and other ancillary services.

BMW Drivers Club Limited, BMW Car Club Limited and BMW (GB) Limited, registered in England and Wales, were dormant (within the meaning of Section 1169(2) of the Companies Act 2006) throughout the financial year ending as at the date of this Statement of Financial Position.

10 Inventories

	31 December 2022 £ 000	31 December 2021 £ 000
Motor vehicles	612,875	412,669
Parts	52,701	51,638
	<u>665,576</u>	<u>464,307</u>

An obsolescence provision of £41,262,000 has been provided as at 31 December 2022 (2021: £15,605,000).

The replacement cost of inventories as at 31 December 2022 would be £706,838,000 (2021: £479,912,000).

The cost of inventories recognised as an expense in the year amounted to £4,865,045,000 (2021: £4,258,641,000). This is included within cost of sales.

The amount of write-down of inventories recognised as an expense in the year is £1,070,000 (2021: £1,005,000). This is included within cost of sales.

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Trade and other receivables

The trade and other receivables classified as financial instruments are disclosed below. The company's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in the financial risk review note.

	31 December 2022 £ 000	31 December 2021 £ 000
Trade receivables	128,483	55,338
Provision for impairment of trade receivables	(302)	(127)
Net trade receivables	<u>128,181</u>	<u>55,211</u>
Trade receivables due from related parties	41,136	28,834
Other receivables due from related parties	1,537,569	1,497,423
Prepayments	<u>4,401</u>	<u>3,602</u>
	<u>1,711,287</u>	<u>1,585,070</u>

Included in other receivables due from related parties are deposits held with BMW International Investment B.V. of £1,400,382,000 (2021: £1,300,031,000). 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 £137,187,000 (2021: £197,392,000). The deposits held with BMW International Investment B.V. and other group entities are interest bearing and subject to an insignificant risk of change in value.

12 Trade and other payables

The fair value of the trade and other payables classified as financial instruments are disclosed below.

The company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk review note.

	31 December 2022 £ 000	31 December 2021 £ 000
Current financial instrument trade and other payables:		
Trade payables	69,763	53,107
Accrued expenses	127,264	152,845
Amounts due to related parties	1,291,425	1,064,001
Consignment payables	401,951	221,801
Current non-financial instrument trade and other payables:		
Other payables and accrued expenses	167,548	176,842
Non-current non-financial instrument trade and other payables:		
Other payables and accrued expenses	-	562
	<u>2,057,951</u>	<u>1,669,158</u>

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

13 Employee Benefits

Pension plans

The information disclosed below is in respect of the whole of the plans for which the company is the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

BMW (GB) Limited Employee Benefits Plan

BMW (UK) Limited is the principal employer for the BMW (GB) Limited Employee Benefits Plan (the "Plan"). The Plan is a defined benefit pension scheme and its assets are held within a legally separate trust fund administered by a Trustee. The last signed actuarial valuation was carried out by independent qualified actuaries using the projected unit method as at 31 December 2019.

The Plan is a final salary arrangement which provides benefits to members in the UK 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 Plan has been funded by contributions received from BMW (UK) Limited and other BMW participating employers. Contributions have also been received from employees who are members of the Plan. Contributions are determined by a separate actuarial valuation based on the funding policies detailed in the Plan documents.

The Plan 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. All employees are now eligible to join a group personal pension plan (defined contribution scheme) offered by the BMW Group in the UK.

BMW Pension Trustees Limited acted as Trustee of the BMW (GB) Limited Employee Benefits Plan throughout the year ended 31 December 2022. The Board of the Trustee Company is made up of five Directors, three of whom are nominated by the Principal Employer and two nominated by the active and pensioner membership.

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

The principal functions of the Trustee are:

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

The Trustee has established a Business Plan setting out its objectives and targets. The Plan is formally reviewed annually and progress is monitored at each Board meeting.

The Trustee also has an integrated risk management process to assess risk and implement risk management strategies. This has involved identifying the type of risks the Plan faces, prioritising them in terms of potential impact and likelihood of occurrence and identifying means of mitigating the risks.

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

13 Employee Benefits (continued)

The Plan exposes the company to a number of risks, including:

- Investment risk: the risk of the actual return from assets differing to that assumed for actuarial and funding purposes
- Interest rate and 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 Schemes 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
- Salary risk: increases in future salaries increase the gross defined benefit obligation.

The Trustee reduces exposure to these risks by careful structuring of funding and investment management arrangements including asset liability matching and through contracts with the Plan's investment managers. The Trustee also closely monitors these risks and receives formal quarterly reports on funding, risk, investment managers (including performance) and diversification.

The company expects to contribute approximately £645,000 in contributions to the Plan in 2023.

BMW (UK) Limited pension costs for the defined contribution scheme in 2022 were £3,845,000 (2021: £3,468,000).

The following information is presented for the BMW (GB) Limited Employee Benefits Plan and has been updated to 31 December 2022 in accordance with IAS 19R.

Recognised asset for defined benefit obligations:

	2022 £ 000	2021 £ 000
Defined benefit obligation	201,195	345,776
Fair value of plan assets	(241,257)	(384,399)
Total employee benefits	(40,062)	(38,623)

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

13 Employee Benefits (continued)

Reconciliation of defined benefit obligation and fair value of scheme assets

	Defined benefit obligation 2022 £ 000	Defined benefit obligation 2021 £ 000	Fair value of plan assets 2022 £ 000	Fair value of plan assets 2021 £ 000	Net defined benefit assets 2022 £000	Net defined benefit assets 2021 £000
Balance at 1 January	345,776	404,114	(384,399)	(386,620)	(38,623)	17,494
Past service cost	-	49	-	-	-	49
Interest cost/(income)	6,288	4,755	(7,000)	(4,546)	(712)	209
Administrative expenses	-	-	782	525	782	525
Included in profit or loss	6,288	4,804	(6,218)	(4,021)	70	783
Re-measurement (gain)/loss:						
Actuarial (gain)/loss arising from						
- Changes in financial assumptions	(136,887)	(39,681)	-	-	(136,887)	(39,681)
- Experience adjustment	15,943	1,227	-	-	15,943	1,227
- Changes in demographic assumptions	(14,013)	(12,254)	-	-	(14,013)	(12,254)
Return on plan assets (excluding interest income)	-	-	134,073	(5,515)	134,073	(5,515)
Included in other comprehensive income	(134,957)	(50,708)	134,073	(5,515)	(884)	(56,223)
Employer contributions	-	-	(625)	(677)	(625)	(677)
Benefits paid	(15,912)	(12,434)	15,912	12,434	-	-
Balance at 31 December	201,195	345,776	(241,257)	(384,399)	(40,062)	(38,623)

Plan assets

	2022 £ 000	2021 £ 000
Equity instruments - quoted	12,521	27,310
Debt instruments – quoted	179,068	262,991
Mixed funds – unquoted	48,672	93,543
Cash and cash equivalents - quoted	996	555
	<u>241,257</u>	<u>384,399</u>

As a key aspect of investment strategy, the BMW (GB) Limited Employee Benefits Plan aims to invest approximately 5% of its funds in 'return seeking assets'. In order to limit risk and volatility, the balance of the funds (95%) are invested in assets which are designed to match the interest rate and inflation sensitivities of the Plan's liabilities. At the year end the scheme's weighting of return seeking assets was slightly above target.

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

13 Employee Benefits (continued)

This investment strategy is consistent with the previous year. At the end of 2022, the actual weighting of funds was close to the target.

Principal actuarial assumptions (expressed as weighted averages)

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

	2022 %	2021 %
Discount rate	4.73	1.84
Retail price inflation	3.17	3.38
Rate of pension increases	1.98	2.03
Interest rate for calculating interest income on plan assets	1.84	1.19

The mortality assumptions are based on the recent actual mortality experience of the members within the Plan and the assumptions also allow for future mortality improvements.

The assumptions are that:

- A deferred member currently aged 45 retiring at age 60 will live on average for a further 28.8 years after retirement if they are male and for a further 31.2 years after retirement if they are female.
- A current pensioner aged 60 will live on average for a further 27.9 years if male and 30.2 years if female.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 14.5 years (2021: 18.7 years).

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:

	Defined benefit obligation Increase 2022 £ 000	Defined benefit obligation Increase 2021 £ 000	Defined benefit obligation Decrease 2022 £ 000	Defined benefit obligation Decrease 2021 £ 000
Discount rate (+/- 0.75% Change)	(20,351)	(43,783)	24,055	53,644
Retail price inflation (+/- 0.75% Change)	10,671	25,059	(10,618)	(24,882)
Rate of pension increases (+/- 0.25% Change)	6,251	13,793	(6,018)	(12,965)

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

13 Employee Benefits (continued)

In valuing the liabilities of the pension fund at 31 December 2022, 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 2022 would have increased by £5,036,000 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 2019 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.

14 Provisions

Warranty provisions

The provision is estimated based on the historical average warranty expenditure per vehicle. It is expected that most of the above provision will be incurred as expenditure in the next three financial years, and all will be incurred within five years of the Statement of Financial Position date.

	2022 £ 000	2021 £ 000
Balance at 1 January	102,368	133,480
Additions made during the year	44,272	26,179
Releases during the year	(51,061)	(22,629)
Utilised during the year	(23,873)	(34,662)
Balance at 31 December	71,706	102,368

Included within warranty provisions is a movement in discounting of £2,151,000 (2021: £1,117,000).

Other provisions

There are other provisions totalling £58,089,000 (2021: £55,964,000) relating to bonuses and sale incentives, where there is uncertainty around the timing or amount of the payments as at 31 December 2022.

Included in non-current other provisions are dilapidation provisions totalling £2,031,000 (2021: £2,031,000).

The warranty and other provisions are shown on the face of the Statement of Financial Position as follows:

	Current 2022 £ 000	Current 2021 £ 000	Non-current 2022 £ 000	Non-current 2021 £ 000	Total 2022 £000	Total 2021 £000
Warranties	31,949	40,375	39,757	61,993	71,706	102,368
Other provisions	60,756	57,991	2,031	2,031	62,787	60,022
	92,705	98,366	41,788	64,024	134,493	162,390

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

14 Provisions (continued)

Inventory provisions

An obsolescence provision of £41,262,000 has been provided as at 31 December 2022 (2021: £15,605,000). The obsolescence provision is in place to cover the risk that due to obsolescence or movement in market value of vehicles, some inventories may be sold at less than their cost values. The calculation is based on the best estimate of the expenditure required for inventory items likely to be sold for less than their carrying value.

	2022 £ 000	2021 £ 000
Balance at 1 January	15,605	24,628
Releases during the year	-	(9,023)
Additions made during the year	25,657	-
Balance at 31 December	41,262	15,605

Trade receivables provisions

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2022 £ 000	2021 £ 000
Balance at 1 January	127	361
Movement during the year	175	(234)
Balance at 31 December	302	127

Note that both the inventory provision and trade receivable provision are booked against the gross balance of inventories and trade receivables.

15 Share capital

Allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No. 000	£ 000	No. 000	£ 000
Ordinary Shares of £1 each	5,000	5,000	5,000	5,000
Redeemable preference shares of £1 each	35,000	35,000	35,000	35,000
	40,000	40,000	40,000	40,000

Rights, preferences and restrictions

Ordinary Shares have the following rights, preferences and restrictions:

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Preference Shares have the following rights, preferences and restrictions:

Preference shares classified as liabilities are redeemable, at par, at the option of the holder having given the company minimum notice of 24 hours in writing. Preference share dividends are calculated on the ordinary share dividend plus 2%. If no ordinary dividend is declared, no preference share dividend is due.

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

15 Share capital (continued)

15.1 Dividends

Final dividends paid

	2022 £ 000	2021 £ 000
Final dividend of £3.2628 (2021: £0.6880) per ordinary share	16,314	3,440
Final dividend of £3.3282 (2021: £0.7017) per preference share	116,486	24,560
	<u>132,800</u>	<u>28,000</u>

There were no dividends declared in the year which were not paid as at 31 December 2022 (2021: £nil).

16 Financial instruments

Fair values

The fair values together with the carrying amounts shown in the Statement of Financial Position are as follows:

		Carrying amount 2022 £ 000	Fair value 2022 £ 000	Carrying amount 2021 £ 000	Fair value 2021 £ 000
	Note				
Trade and other receivables	11	1,706,886	1,706,886	1,581,468	1,581,468
Trade and other payables	12	(1,890,403)	(1,890,403)	(1,491,754)	(1,491,754)
Warranty provisions	14	(71,706)	(71,706)	(102,368)	(102,368)
Preference shares	15	(35,000)	(35,000)	(35,000)	(35,000)
		<u>(290,223)</u>	<u>(290,223)</u>	<u>(47,654)</u>	<u>(47,654)</u>

Estimation of fair values

The fair values of all of the company's financial instruments above are considered level 2 (2021: level 2 for all financial instruments) fair value measurements based on the following hierarchy which categorises measurements based on the nature of inputs in determining the fair value.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

16 Financial instruments (continued)

Trade and other receivables/payables

Receivables and payables are recognised at amortised cost.

Provisions

As described in Note 1, provisions are determined by discounting the expected future cash flows at a current market rate. The carrying amount is deemed to reflect the fair value.

Redeemable preference shares

As described in Note 15, preference shares are redeemable upon demand. The carrying amount is deemed to reflect the fair value.

Financial risk management

Overview

The company has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

Financial instruments that may subject the company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The company continually monitors its position with, and the credit quality of, the financial institutions, which are counterparts to its financial instruments, and does not anticipate non-performance.

It is the company's policy to monitor accounts receivable balances and chase late payments. The company regularly reviews the credit-worthiness of its customers in order to minimise credit risk.

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

16 Financial instruments (continued)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk, being the total of the carrying amount of financial assets excluding equity investments, at the reporting date was:

	2022 £ 000	2021 £ 000
Trade and other receivables	169,317	84,045
Other receivables due from related parties	1,537,569	1,497,423
Balance at 31 December	<u>1,706,886</u>	<u>1,581,468</u>

As described in Note 11, other receivables due from related parties include deposits in In-House Bank (IHB) current accounts held with other entities within the BMW Group of £137,187,000 (2021: £197,392,000). Short-term deposits are held with BMW International Investment B.V. of £1,400,382,000 (2021: £1,300,031,000). All deposits mature within 3 months of the Statement of Financial Position date.

There is not considered to be any credit risk in relation to cash and cash equivalents.

The exposure to credit risk for trade and other receivables at the reporting date by customer type was:

	2022 £ 000	2021 £ 000
Vehicle	127,983	54,965
Non vehicle	198	246
Trade receivables due from related parties	41,136	28,834
	<u>169,317</u>	<u>84,045</u>

All trade and other receivables due from third parties are due from UK companies.

Trade receivables due from related parties are mainly owed by a UK entity within the BMW Group. This related party has sufficient funds to meet the debt, and management consider the credit risk to be minimal.

The company's most significant single external customer, a non-retailer, accounts for £26,678,000 of the carrying amount of trade and other receivables at 31 December 2022 (2021: £2,451,000).

The aging of trade receivables at the reporting date was:

	Gross 2022 £ 000	Impairment 2022 £ 000	Gross 2021 £ 000	Impairment 2021 £ 000
Not past due	153,010	(76)	80,380	(25)
Past due 0 - 30 days	15,187	(157)	2,699	(32)
Past due 31 - 90 days	1,188	(67)	1,022	(58)
More than 90 days	234	(2)	71	(12)
	<u>169,619</u>	<u>(302)</u>	<u>84,172</u>	<u>(127)</u>

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

16 Financial instruments (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2022 £ 000	2021 £ 000
Balance at 1 January	127	361
Increase/(decrease) in trade receivables impairment allowance	175	(234)
Balance at 31 December	302	127

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company uses forecasting and budgeting procedures to carefully monitor cash flow requirements and maximise return on investments. The company has a large trade and other receivables balance at year end. This includes £1,537,569,000 (2021: £1,497,423,000) of deposits held with other entities within the BMW Group. Therefore, liquidity is not currently seen as a significant risk for the company.

As detailed in the business review, the company has been constantly monitoring supply challenges and updating cash flow forecasts based on latest assumptions. The directors have a reasonable expectation that the company has sufficient resources to continue in operational existence for the foreseeable future.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements:

2022	Carrying amount £ 000	Undiscounted contractual cash flows £ 000	Less than 1 year £ 000	2 – 5 years £ 000	5 years + £ 000
Non-derivative financial liabilities					
Redeemable preference shares	(35,000)	(35,000)	(35,000)	-	-
Trade and other payables	(1,890,403)	(1,890,403)	(1,890,403)	-	-
Lease liabilities	(22,382)	(23,012)	(6,114)	(15,790)	(1,108)
	(1,947,785)	(1,948,403)	(1,931,505)	(15,790)	(1,108)

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

16 Financial instruments (continued)

2021	Carrying amount £ 000	Undiscounted contractual cash flows £ 000	Less than 1 year £ 000	2 – 5 years £ 000	5 years + £ 000
Non-derivative financial liabilities					
Redeemable preference shares	(35,000)	(35,000)	(35,000)	-	-
Trade and other payables	(1,491,754)	(1,491,754)	(1,491,754)	-	-
Lease liabilities	(32,070)	(32,450)	(9,438)	(21,436)	(1,576)
	<u>(1,558,824)</u>	<u>(1,559,204)</u>	<u>(1,536,192)</u>	<u>(21,436)</u>	<u>(1,576)</u>

Financial risk management

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market prices

Currency risk was managed at a strategic and operational level. In the United Kingdom the BMW Group endeavoured to manage foreign exchange risks by "natural hedging", in other words by increasing the volume of purchases denominated in local currency or increasing the volume of local production. Currency risks, which were not covered by the natural hedge, were hedged in the short and medium term on the financial markets.

Capital management

The BMW Group's objectives with regard to capital management are to safeguard over the long-term the Group's ability to continue as a going concern and to provide an adequate return to shareholders. The capital structure is managed in order to meet needs arising from changes in economic conditions and the risks of the underlying assets.

The share capital of the company is presented in Note 15. This is reviewed by management when assessing the dividend potential. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes in the company's approach to capital management during the year.

Reconciliation of liabilities from financing activities

	2022			2021		
	Leases £ 000	Preference shares £ 000	Total £ 000	Leases £ 000	Preference shares £ 000	Total £ 000
As at 1 January	(32,070)	(35,000)	(67,070)	(35,936)	(35,000)	(70,936)
Lease additions	(106)	-	(106)	(7,191)	-	(7,191)
Lease payments	10,108	-	10,108	11,582	-	11,582
Lease interest	(314)	-	(314)	(525)	-	(525)
As at 31 December	<u>(22,382)</u>	<u>(35,000)</u>	<u>(57,382)</u>	<u>(32,070)</u>	<u>(35,000)</u>	<u>(67,070)</u>

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

17 Leases

Right of use assets

	Real estate £ 000	Total £ 000
Cost		
At 1 January 2021	36,520	36,520
Additions	6,394	6,394
At 31 December 2021	42,914	42,914
At 1 January 2022	42,914	42,914
At 31 December 2022	42,914	42,914
Accumulated Depreciation		
At 1 January 2021	13,909	13,909
Charge for year	6,884	6,884
At 31 December 2021	20,793	20,793
At 1 January 2022	20,793	20,793
Charge for the year	6,646	6,646
At 31 December 2022	27,439	27,439
Carrying amount		
At 31 December 2022	15,475	15,475
At 31 December 2021	22,121	22,121

A number of the leased properties are sublet by BMW (UK) Limited to subsidiary companies. During the year ended 31 December 2022, the total of payments to third party landlords was £10,114,000 (2021: £11,582,000), of this £2,773,000 was in respect of subleases to subsidiary companies (2021: £4,651,000) and £2,773,000 was received in respect of these sublease agreements (2021: £4,651,000). The remaining intercompany lease receivables as at 31 December 2022 are £5,409,000 (2021: £8,006,000).

There are no extension or termination options included within any of the lease contracts (2021: none).

Lease liabilities maturity analysis

A maturity analysis of lease liabilities is reported in the table below:

	31 December 2022 £ 000	31 December 2021 £ 000
Less than one year	6,073	10,178
2 - 5 years	15,291	20,455
5 years +	1,018	1,437
Total lease liabilities	22,382	32,070

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

17 Leases (continued)

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

	2022 £ 000	2021 £ 000
Payment		
Lease payments – interest	314	525
Lease payments – principle	9,800	11,057
Payments to property lease creditors	<u>10,114</u>	<u>11,582</u>

18 Commitments

Capital commitments

There were capital commitments for the year ended 31 December 2022 totalling £68,000 (2021: £nil). The total amount contracted for but not provided in the financial statements was £nil (2021: £nil).

19 Related party transactions

Income and receivables from related parties

	Parent £ 000	Subsidiary £ 000	Other related parties £ 000
2022			
Sale of goods	-	197,372	20,072
Rendering of services	3,052	4,628	15,373
	<u>3,052</u>	<u>202,000</u>	<u>35,445</u>
Amounts receivable from related party	<u>117,544</u>	<u>1,623</u>	<u>1,459,263</u>

	Parent £ 000	Subsidiary £ 000	Other related parties £ 000
2021			
Sale of goods	-	173,396	77,682
Rendering of services	-	5,500	16,405
	<u>-</u>	<u>178,896</u>	<u>94,087</u>
Amounts receivable from related party	<u>172,065</u>	<u>2,124</u>	<u>1,352,070</u>

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

19 Related party transactions (continued)

Expenditure with and payables to related parties

	Parent £ 000	Subsidiary £ 000	Other related parties £ 000
2022			
Purchase of goods	4,852,769	629	-
Receipt of services	3,789	399	1,052
	<u>4,856,558</u>	<u>1,028</u>	<u>1,052</u>
Amounts payable to related party	<u>1,222,042</u>	<u>-</u>	<u>69,383</u>

	Parent £ 000	Subsidiary £ 000	Other related parties £ 000
2021			
Purchase of goods	4,248,981	344	-
Receipt of services	9,628	365	2,589
	<u>4,258,609</u>	<u>709</u>	<u>2,589</u>
Amounts payable to related party	<u>965,361</u>	<u>-</u>	<u>98,640</u>

No guarantees were given or received on any of the transactions. Transactions with the parent company, subsidiaries and fellow subsidiaries are priced on an arm's length basis and are unsecured.

No dividends were received from subsidiaries in 2022 (2021: £nil).

Transactions with fellow subsidiaries

Deposits are held with BMW International Investment B.V. (2021: BMW International Investment B.V.) of £1,400,382,000 (2021: £1,300,031,000). Deposits are held in In-House Bank (IHB) current accounts held with other entities within the BMW Group of £137,187,000 (2021: £197,392,000). The deposits held with BMW International Investment B.V. and BMW AG are interest bearing and subject to an insignificant risk of change in value. These are included in trade and other receivables as detailed in Note 11.

As detailed in Note 17, £5,409,000 (2021: £8,006,000) relates to intercompany lease receivables from Park Lane Limited.

All transfer pricing between BMW (UK) Limited and other group companies occurs on an arm's length basis.

Transactions with key management personnel

Directors of the company and their immediate relatives do not control any of the voting shares of the company. Directors' emoluments are set out in Note 5 and there are no other director transactions during the period. There were no (2021: none) directors in the company's defined benefit pension scheme during the year.

BMW (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

20 Parent and ultimate parent undertaking

The company's immediate parent is BMW (UK) Holdings Limited.

The company's ultimate parent and ultimate controlling party is Bayerische Motoren Werke Aktiengesellschaft ("BMW AG").

The smallest and largest parent entity producing publicly available consolidated financial statements is BMW AG. These financial statements are available upon request from BMW AG, Petuelring 130, 80788 Munich, Germany.

21 Contingent Liabilities

The company is facing a number of diesel emissions-related court claims in the English High Court. The claimants intend to apply for a group litigation order. Given that the company has not yet received the particulars of claim, the probability, amount or timing of any liability is not practical to be estimated.

On 15 March 2022, the Competition and Markets Authority (CMA) launched an investigation into suspected breaches of competition law relating to the recycling of old or written-off vehicles, specifically cars and vans, which are known in the industry as 'end-of-life vehicles' or ELVs. The investigation concerns suspected infringements of Chapter I of the Competition Act 1998 involving a number of vehicle manufacturers and some industry bodies. The company is cooperating with the CMA in the course of its investigation. Given the early stage of the investigation, the probability, amount or timing of any financial implications for the company, is not practical to be estimated.