

## **BMW Motorsport Limited**

### **Directors' report and financial statements**

31 December 1997

Registered number 3114332



## **Directors' report and financial statements**

### **Contents**

Directors' report	1
Statement of directors' responsibilities	2
Report of the auditors to the members of BMW Motorsport Limited	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Notes	7

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

### **Principal activities**

The principal activity of the company is to perform the international motorsport activities of BMW.

### **Business Review**

The results for the year are set out in the profit and loss account on page 4. The directors do not recommend the payment of a dividend.

### **Directors**

The directors who served during the year were as follows:

P Rosche  
KH Kalbfell (Appointed 31 July 1997)

None of the directors held any beneficial interest in the share capital of the company during the year.

### **Auditors**

In accordance with s385 of the Companies Act 1985 a resolution for the reappointment of KPMG as auditors to the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

  
**J Gaines**

Secretary

Ellesfield Avenue  
Bracknell  
Berkshire  
RG12 8TA

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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Theale  
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## **Report of the auditors to the members of BMW Motorsport Limited**

We have audited the financial statements on pages 4 to 12

### ***Respective responsibilities of directors and auditors***

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit of those statements and to report our opinion to you.

### ***Basis of opinion***

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### ***Opinion***

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG 22/4/98

**KPMG**

*Chartered Accountants*

*Registered Auditors*

## Profit and loss account

*for the year ended 31 December 1997*

	Note	1997 £	For the period from 16 October 1995 to 31 December 1996 £
<b>Turnover</b>			
Cost of sales	1	4,647,721 (3,981,172)	2,212,290 (1,968,824)
<b>Gross profit</b>			
Administrative expenses		666,549 (305,460)	243,466 (122,405)
<b>Operating profit</b>			
Interest receivable and similar income	5	361,089 17,199	121,061 4,838
Interest payable and similar charges	6	(534)	(675)
<b>Profit on ordinary activities before taxation</b>	2	377,754	125,224
Tax on profit on ordinary activities	7	(114,675)	(69,950)
<b>Retained profit for the year</b>	13	263,079	55,274

The company has no recognised gains and losses other than those passing through the profit and loss account. All gains and losses derive from continuing operations.

## Balance sheet


at 31 December 1997

		1997		1996	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	8		4,909		5,782
<b>Current assets</b>					
Debtors	9	770,127		130,469	
Cash at bank and in hand		867,101		390,970	
		<u>1,637,228</u>		<u>521,439</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(1,322,784)</u>		<u>(470,947)</u>	
<b>Net current assets</b>			314,444		50,492
<b>Net assets</b>			<u>319,353</u>		<u>56,274</u>
<b>Capital and reserves</b>					
Called up share capital	12		1,000		1,000
Profit and loss account	13		318,353		55,274
<b>Shareholders' funds</b>	13		<u>319,353</u>		<u>56,274</u>

These financial statements were approved by the board of directors on  
and were signed on its behalf by:

**KH Kalbfell**  
Director

17/3/98



## **Cash flow statement**

*for the year ended 31 December 1997*

	<i>Note</i>	<b>1997</b>	For the period from 16 October 1995 to 31 December 1996
		£	£
Net cash inflow from operating activities	14	545,263	391,589
Returns on investments and servicing of finance	15	16,665	4,163
Taxation		(84,625)	-
Capital expenditure	15	(1,172)	(5,782)
<b>Cash inflow before financing</b>		<b>476,131</b>	<b>389,970</b>
Financing	15	-	1,000
<b>Increase in cash in the period</b>		<b>476,131</b>	<b>390,970</b>



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared on an historical cost basis, in accordance with applicable accounting standards.

#### *Fixed assets and depreciation*

Fixed tangible assets are depreciated on a straight line basis, commencing in the month of acquisition, so as to write them down to their anticipated realisable value at the end of their estimated useful lives, using rates as follows:

Fixtures, fittings and computer equipment - 20-33% per annum

#### *Taxation*

The charge for taxation takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Leases*

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

#### *Turnover*

Turnover represents amounts (excluding value added tax) derived from the company's principal activity which is carried out in the United Kingdom.

## Notes (continued)

### 2 Operating profit

	1997	For the period from 16 October 1995 to 31 December 1996
	£	£
Operating profit is stated after charging:		
Auditors' remuneration		
- audit	5,600	5,400
- other	1,750	1,250
Depreciation	2,045	-
Hire of land and buildings under operating leases	38,400	16,550
	<u>          </u>	<u>          </u>

### 3 Remuneration of directors

	1997	For the period from 16 October 1995 to 31 December 1996
	£	£
Directors' emoluments	nil	nil
	<u>          </u>	<u>          </u>

The directors received no emoluments from the company. The current directors perform their duties mainly outside the UK.

### 4 Staff numbers and costs

The company has no employees, however it is recharged for some of the wages and salaries of personnel in the UK by the BMW Group.

The aggregate recharge for these persons was as follows:

	1997	For the period from 16 October 1995 to 31 December 1996
	£	£
Wages and salaries	128,960	39,390
	<u>          </u>	<u>          </u>

**Notes (continued)**

**5 Interest receivable and similar income**

	1997	For the period from 16 October 1995 to 31 December 1996
	£	£
Bank interest received	17,199	4,838
	<u>17,199</u>	<u>4,838</u>

**6 Interest payable and similar charges**

	1997	For the period from 16 October 1995 to 31 December 1996
	£	£
Other interest payable	534	675
	<u>534</u>	<u>675</u>

**7 Taxation**

	1997	For the period from 16 October 1995 to 31 December 1996
	£	£
UK corporation tax at 31.5% (1996: 33%)	100,000	69,950
Under-provision in prior year	14,675	-
	<u>114,675</u>	<u>69,950</u>

## Notes (continued)

### 8 Tangible fixed assets

	Computer and office equipment £	Total £
<i>Cost</i>		
At 1 January 1997	5,782	5,782
Additions	1,172	1,172
	<hr/>	<hr/>
At 31 December 1997	6,954	6,954
	<hr/>	<hr/>
<i>Depreciation</i>		
At 1 January 1997	-	-
Charge for period	2,045	2,045
	<hr/>	<hr/>
At 31 December 1997	2,045	2,045
	<hr/>	<hr/>
<i>Net book value</i>		
At 31 December 1997	4,909	4,909
	<hr/>	<hr/>
At 31 December 1996	5,782	5,782
	<hr/>	<hr/>

### 9 Debtors

	1997 £	1996 £
Amounts owed by group undertakings	-	130,469
Other debtors	270,127	-
Prepayments and accrued income	500,000	-
	<hr/>	<hr/>
	770,127	130,469
	<hr/>	<hr/>

### 10 Creditors: amounts falling due within one year

	1997 £	1996 £
Trade creditors	675,000	-
Amounts owed to group undertakings	535,193	265,174
Other creditors including taxation and social security:		
Corporation tax	100,000	69,950
Accruals and deferred income	12,591	135,823
	<hr/>	<hr/>
	1,322,784	470,947
	<hr/>	<hr/>

## Notes (continued)

### 11 Commitments

#### i. Capital commitments

There were no capital commitments at 31 December 1997 (1996: £nil).

#### ii. Annual commitments under non-cancellable operating leases are as follows:

	1997 Land and buildings £	1996 Land and buildings £
Operating leases which expire:		
Within one year	25,300	36,100
	<u>25,300</u>	<u>36,100</u>

#### iii. Other commitments

The company is contractually committed to make certain payments to Williams Motorsport Limited for the joint development of racing cars. The monetary amounts of these payments depend on actual costs incurred and progress of development being made and can therefore not be established with any certainty.

### 12 Called up share capital

	1997 £	1996 £
<i>Authorised</i>		
100,000 ordinary shares @ £1 each	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
<i>Allotted, called up and fully paid</i>		
1,000 ordinary shares @ £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

### 13 Movements in shareholders' funds

	Share capital £	Retained profit £	Total £
At 1 January 1997	1,000	55,274	56,274
Profit for the year	-	263,079	263,079
	<u>1,000</u>	<u>318,353</u>	<u>319,353</u>
At 31 December 1997	1,000	318,353	319,353

## Notes (continued)

### 14 Reconciliation of operating profit to net cash inflow from operating activities

	1997	For the period from 16 October 1995 to 31 December 1996
	£	£
Operating profit	361,089	121,061
Depreciation of tangible fixed assets	2,045	-
Increase in debtors	(639,658)	(130,469)
Increase in creditors	821,787	400,997
<b>Net cash inflow from operating activities</b>	<b>545,263</b>	<b>391,589</b>

### 15 Analysis of cash flows

	1997	For the period from 16 October 1995 to 31 December 1996
	£	£
<b>Returns on investment and servicing of finance</b>		
Interest received	17,199	4,838
Interest paid	(534)	(675)
	<u>16,665</u>	<u>4,163</u>
<b>Capital expenditure</b>		
Payments to acquire plant and machinery	(1,172)	(5,782)
	<u>(1,172)</u>	<u>(5,782)</u>
<b>Financing</b>		
Receipts from issue of ordinary share capital	-	1,000
	<u>-</u>	<u>1,000</u>

### 16 Ultimate holding company, related party transactions

The directors regard Bayerische Motoren Werke Aktiengesellschaft (BMW AG) a company incorporated in Germany, as the ultimate holding company. The statutory accounts of BMW AG can be obtained from BMW AG, D-80788 Munich. The immediate holding company is BMW (UK) Holdings Limited, a company incorporated in England, which does not produce group accounts.

As the company carries out international Motorsport activities for the BMW Group, the turnover of the company is derived from recharging the costs of these activities to BMW AG, on an arms-length basis. The company has also been charged for certain goods and services by BMW (GB) Limited in the period, again on an arms length basis.

**BMW Motorsport Limited**

**Director's Meeting**

**It was resolved:**

- 1      that the accounts and balance sheet and the report of the Directors for the accounting reference period ending 31 December 1997 be approved and presented to the Members.**
- 2      that K H Kalbfell be authorised to sign the balance sheet.**
- 3      that no dividend be paid.**

**Signed**

A handwritten signature in black ink, appearing to be 'K H Kalbfell', written over the printed name.

**K H Kalbfell**