

BMW Motorsport Limited

**Directors' report and financial
statements**

31 December 1998

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
Notes	6

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

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	German
KH Kalbfell	German

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 year 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 a 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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Berkshire RG7 4SD

Report of the auditors to the members of BMW Motorsport Limited

We have audited the financial statements on pages 4 to 11.

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, on 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG 14/5/99

KPMG
Chartered Accountants
Registered Auditors

Profit and loss account

for the year ended 31 December 1998

	<i>Note</i>	1998 £'000	1997 £'000
Turnover	<i>1</i>	14,698	4,648
Cost of sales		(11,023)	(3,981)
		<hr/>	<hr/>
Gross profit		3,675	667
Administrative expenses		(2,680)	(305)
		<hr/>	<hr/>
Operating profit		995	362
Interest receivable and similar income	<i>5</i>	26	17
Interest payable and similar charges	<i>6</i>	-	(1)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>2</i>	1,021	378
Tax on profit on ordinary activities	<i>7</i>	(333)	(115)
		<hr/>	<hr/>
Retained profit for the year	<i>13</i>	688	263
		<hr/> <hr/>	<hr/> <hr/>

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 1998

	Note	1998	1997
		£'000	£'000
Fixed assets			
Tangible assets	8	7	5
Current assets			
Debtors	9	2,244	770
Cash at bank and in hand		98	867
		<u>2,342</u>	<u>1,637</u>
Creditors: amounts falling due within one year	10	<u>(1,342)</u>	<u>(1,323)</u>
Net current assets		<u>1,000</u>	<u>314</u>
Net assets		<u>1,007</u>	<u>319</u>
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account	13	1,006	318
Shareholders' funds	13	<u>1,007</u>	<u>319</u>

These financial statements were approved by the board of directors on 20th April 1999 and were signed on its behalf by:


KH Kalbfell
Director

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
Plant & machinery	-	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)

1 Accounting policies (continued)

Cashflow

The company takes advantage of FRS 1 (revised) and does not prepare a cashflow statement as it is a consolidated subsidiary of BMW AG.

Related parties

The company does not disclose related party transactions with group companies as it is a wholly owned subsidiary of BMW AG.

2 Operating profit

	1998 £'000	1997 £'000
Operating profit is stated after charging:		
Auditors' remuneration		
- audit	6	6
- other	2	2
Depreciation	4	2
Operating leases:		
Hire of land and buildings	960	38
Hire of plant and machinery	699	-
	<u> </u>	<u> </u>

3 Remuneration of directors

	1998 £	1997 £
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:

	1998 £'000	1997 £'000
Wages and salaries	197	129
	<u> </u>	<u> </u>

Notes *(continued)*

5 Interest receivable and similar income

	1998 £'000	1997 £'000
Bank interest received	26	17
	<u>26</u>	<u>17</u>

6 Interest payable and similar charges

	1998 £'000	1997 £'000
Other interest payable	-	1
	<u>-</u>	<u>1</u>

7 Taxation

	1998 £'000	1997 £'000
UK corporation tax at 31% (1997: 31.5%)	314	100
Under-provision in prior year	19	15
	<u>333</u>	<u>115</u>

Notes (continued)

8 Tangible fixed assets

	Plant and machinery £'000	Computer and office equipment £'000	Total £'000
<i>Cost</i>			
At 1 January 1998	-	7	7
Additions	6	-	6
	<hr/>	<hr/>	<hr/>
At 31 December 1998	6	7	13
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 1998	-	2	2
Charge for the year	2	2	4
	<hr/>	<hr/>	<hr/>
At 31 December 1998	2	4	6
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 1998	4	3	7
	<hr/>	<hr/>	<hr/>
At 31 December 1997	-	5	5
	<hr/>	<hr/>	<hr/>

9 Debtors

	1998 £'000	1997 £'000
Amounts owed by group undertakings	1,921	-
Other debtors	323	270
Prepayments and accrued income	-	500
	<hr/>	<hr/>
	2,244	770
	<hr/>	<hr/>

10 Creditors: amounts falling due within one year

	1998 £'000	1997 £'000
Trade creditors	1	675
Amounts owed to group undertakings	-	535
Other creditors including taxation and social security:		
Corporation tax	314	100
Accruals and deferred income	1,027	13
	<hr/>	<hr/>
	1,342	1,323
	<hr/>	<hr/>

Notes (continued)

1 Commitments

i. Capital commitments

There were no capital commitments at 31 December 1998(1997 £nil)

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

	1998		1997	
	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000	Plant and machinery £'000
Operating leases which expire:				
Within one year	-	-	25	-
Between two and five years	-	700	-	-
Over five years	394	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	394	700	25	-
	<hr/>	<hr/>	<hr/>	<hr/>

iii. Other commitments

The company is contractually committed to make certain payments to Williams Motorsport Limited for the joint development of racing cars. These payments have been capped at £7,616,000 for the current development, amounts totalling £4,720,000 have been paid during the year ended 31 December 1998.

12 Called up share capital

	1998 £'000	1997 £'000
<i>Authorised</i>		
100,000 ordinary shares @ £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
1,000 ordinary shares @ £1 each	1	1
	<hr/>	<hr/>

13 Movements in shareholders' funds

	Share capital £'000	Retained profit £'000	Total £'000
At 1 January 1997	1	318	319
Profit for the year	-	688	688
	<hr/>	<hr/>	<hr/>
At 31 December 1998	1	1,006	1,007
	<hr/>	<hr/>	<hr/>

Notes *(continued)*

14 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.