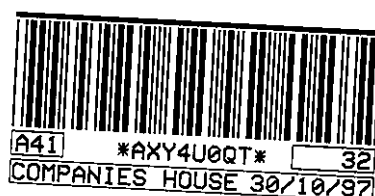


BMW Motorsport Limited

Director's report and financial statements

31 December 1996

Registered number 3114332



Director's report and financial statements

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Director's report

The director presents his annual report and the audited financial statements for the period from 16 October 1995 to 31 December 1996.

Principal activities

The company was incorporated on 16 October 1995 under the name of Dirtrade Limited. On 24 November 1995 the company's name was changed to BMW Motorsport Limited.

The company commenced trading on 1 February 1996, and the principal activity of the company is to perform the international motorsport activities of BMW.

Business Review

The results for the period are set out in the profit and loss account on page 4. The director does not recommend the payment of a dividend.

Directors

The Directors who served during the period were as follows:

Norose Limited	(Appointed 16 October 1995; resigned 15 November 1995)
Norton Rose Limited	(Appointed 16 October 1995; resigned 15 November 1995)
RG Brooks	(Appointed 15 November 1995; resigned 21 December 1995)
NJ Hirst	(Appointed 15 November 1995; resigned 21 December 1995)
PA Rosche	(Appointed 21 December 1995)

NJ Hirst owned one share for the period 15 to 29 November 1995. No other directors held any beneficial interest in the share capital of the company during the period.

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 director's responsibilities

Company law requires the director 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 director is 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Arlington Business Park
Theale
Reading
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 director is 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 director 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 1996 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG 28/10/97

KPMG

Chartered Accountants

Registered Auditors

Profit and loss account

for the period ended 31 December 1996

	<i>Note</i>	1996 £
Turnover	<i>1</i>	2,212,290
Cost of sales		(1,968,824)
Gross profit		243,466
Administrative expenses		(122,405)
Operating profit		121,061
Interest receivable and similar income	<i>5</i>	4,838
Interest payable and similar charges	<i>6</i>	(675)
Profit on ordinary activities before taxation	<i>2</i>	125,224
Tax on profit on ordinary activities	<i>7</i>	(69,950)
Retained profit for the period	<i>13</i>	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 1996

	<i>Note</i>	1996 £	1996 £
Fixed assets			
Tangible assets	8		5,782
Current assets			
Debtors	9	130,469	
Cash at bank and in hand		390,970	
		<hr/> 521,439	
Creditors: amounts falling due within one year	10	(470,947)	
		<hr/>	
Net current assets			50,492
Net assets			<hr/> 56,274 <hr/>
Capital and reserves			
Called up share capital	12		1,000
Profit and loss account	13		55,274
			<hr/>
Shareholders' funds	13		56,274 <hr/>

These financial statements were approved by the director on 16/9/97 .

PA Rosche
 Director

PA Rosche

Cash flow statement
for the period ended 31 December 1996

	<i>Notes</i>	1996	
		£	£
Cash inflow from operating activities	14		391,589
Returns on investment and servicing of finance			
Interest received		4,838	
Interest paid		(675)	
		<hr/>	
Net cash inflow from returns on investment and servicing of finance			4,163
Taxation			-
Investing activities			
Purchase of tangible fixed assets		(5,782)	
		<hr/>	
Cash outflow from investing			(5,782)
			<hr/>
Net cash inflow before financing			389,970
Financing			
Issue of share capital		1,000	
		<hr/>	
Net cash inflow from financing			1,000
			<hr/>
Increase in cash and cash equivalents			390,970
			<hr/> <hr/>

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.

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

	1996 £
Operating profit is stated after charging:	
Auditors' remuneration	
- audit	5,400
- other	1,250
	<u> </u>

3 Remuneration of directors

	1996 £
Directors' emoluments	nil
	<u> </u>

The directors received no emoluments from the company. The current director performs his 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 BMW AG, its ultimate parent company.

The aggregate recharge for these persons was as follows:

	1996 £
Wages and salaries	39,390
	<u> </u>

5 Interest receivable and similar income

	1996 £
Bank interest received	4,838
	<u> </u>

Notes (continued)

6 Interest payable and similar charges

	1996 £
Other interest payable	675
	<u>675</u>

7 Taxation

	1996 £
UK corporation tax at 33%	69,950
	<u>69,950</u>

8 Tangible fixed assets

	Computer equipment £	Total £
<i>Cost</i>		
Additions	5,782	5,782
	<u>5,782</u>	<u>5,782</u>
At 31 December 1996	5,782	5,782
	<u>5,782</u>	<u>5,782</u>
<i>Depreciation</i>		
Charge for period	-	-
	<u>-</u>	<u>-</u>
At 31 December 1996	-	-
	<u>-</u>	<u>-</u>
<i>Net book value</i>		
At 31 December 1996	5,782	5,782
	<u>5,782</u>	<u>5,782</u>

Notes (continued)

9 Debtors

	1996 £
Amounts owed by parent undertaking	130,469
	<u> </u>

10 Creditors: amounts falling due within one year

	1996 £
Amounts owed to fellow subsidiary undertaking	265,174
Other creditors and accruals	135,823
Corporation tax	69,950
	<u> </u>
	470,947
	<u> </u>

11 Commitments

i. Capital commitments

There were no capital commitments at 31 December 1996.

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

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

12 Called up share capital

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

One subscriber share was issued for cash on 16 October 1995 at par. The remaining shares were issued on 22 November 1995, also at par and for cash, to provide funding for the company's activities.

Notes (continued)

13 Movements in shareholders' funds

	Share capital £	Retained profit £	Total £
Share capital subscribed	1,000	-	1,000
Profit for the period	-	55,274	55,274
	<hr/>	<hr/>	<hr/>
At 31 December 1996	1,000	55,274	56,274
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

14 Reconciliation of operating profit to net cash flow from operating activities

	1996 £
Operating profit	121,061
Depreciation charges	-
Profit on sale of fixed assets	-
(Increase)/decrease in debtors	(130,469)
Increase/(decrease) in creditors	400,997
	<hr/>
Net cash inflow from operating activities	391,589
	<hr/> <hr/>

15 Ultimate holding company, related party transactions

The director regards 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, a certain amount of 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.