

BMW (UK) Capital plc
DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
31 DECEMBER 1997
Registered in England and Wales
No 3114356



BMW (UK) Capital plc

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 December 1997.

Activities

The first annual report and audited accounts were prepared for the period from 16 October 1995 to 31 December 1996.

The principal activity of the company is to raise funds in the financial markets for use by BMW Group companies.

Financial

The profit for the year and appropriations are shown in the profit and loss account on page 5.

No dividends were paid in 1997 and none are proposed (1996 - £nil). A reconciliation of the movements in shareholders' funds is given in note 11.

Directors

The directors who served during the year were as follows:

W Stofer (Chairman)
A L Burns

No director held any beneficial interest in the share capital of the company during the year.

Registered Office

During the year the company's registered office was moved from Ellesfield Avenue, Bracknell, Berkshire to the address shown at the end of this report.

Policy on Payment of Creditors

The company agrees terms and conditions for business transactions with all its suppliers. Payment is made on these terms provided the supplier meets its obligations.

Auditors

In accordance with S385 of the Companies Act 1985 a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General meeting.

International Headquarters
Warwick Technology Park
Warwick
Warwickshire

By order of the Board


A ARMITAGE
Secretary

17 April 1998

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 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.

BMW (UK) Capital plc

AUDITORS' REPORT TO THE MEMBERS OF BMW (UK) Capital plc

We have audited the financial statements on pages 4 to 10.

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 the company's affairs 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 14/4/98

KPMG
Chartered Accountants
Registered Auditors
Reading
Berkshire

BMW (UK) Capital plc

ACCOUNTING POLICIES

For the year ended 31 December 1997

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cashflow statement as it is wholly owned by BMW AG and its cash flows are included within the consolidated cashflow statement of that company.

Interest

Interest payable/receivable is accrued over the term of the related borrowing/loan so as to recognise the total cost/income evenly over the life of the loan.

Leases

All leases are 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.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision for deferred taxation is made if there is reasonable evidence that such deferred taxation will be payable in the foreseeable future.

BMW (UK) Capital plc**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 1997**

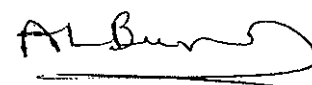
	<u>Notes</u>	<u>Year ended</u> <u>31 December 1997</u> £'000	<u>Period ended</u> <u>31 December 1996</u> £'000
		£'000	£'000
Interest receivable	1	60,467	20,905
Interest payable	2	<u>(58,501)</u>	<u>(20,576)</u>
Gross profit		1,966	329
Administrative expenses		(70)	(97)
Other operating income		<u>564</u>	<u>-</u>
		<u>494</u>	<u>(97)</u>
Operating profit and profit on ordinary activities before taxation	3-5	2,460	232
Tax on profit on ordinary activities	6	<u>(775)</u>	<u>(77)</u>
Profit for the financial year		<u><u>1,685</u></u>	<u><u>155</u></u>

There are no gains or losses other than those shown in the above profit and loss account. All gains and losses derive from continuing operations.

BMW (UK) Capital plc**BALANCE SHEET****As at 31 December 1997**

	<u>Notes</u>	<u>1997</u>	<u>1996</u>
		£'000	£'000
CURRENT ASSETS			
Debtors	7	1,089,019	685,720
Cash and short term deposits		<u>10</u>	<u>25,138</u>
		1,089,029	710,858
CREDITORS: Amounts falling due within one year	8	(225,445)	(456,369)
NET CURRENT ASSETS:			
due within one year		29,774	25,205
debtors due after one year	7	<u>833,810</u>	<u>229,284</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		863,584	254,489
CREDITORS: Amounts falling due after more than one year	9	<u>(836,694)</u>	<u>(229,284)</u>
NET ASSETS		<u>26,890</u>	<u>25,205</u>
CAPITAL AND RESERVES			
Called up share capital	10	150	150
Share premium account	11	24,900	24,900
Profit and loss account	11	<u>1,840</u>	<u>155</u>
SHAREHOLDERS' FUNDS	11	<u>26,890</u>	<u>25,205</u>

The financial statements were approved by the Board on 17 April 1998 and signed on their behalf by:



A L Burns
Director

BMW (UK) Capital plc

Notes to the Financial Statements for the year ended 31 December 1997

1 OTHER INTEREST RECEIVABLE

	<u>1997</u> £'000	<u>1996</u> £'000
Interest from short-term deposits	264	127
Interest receivable from group companies	<u>60,203</u>	<u>20,778</u>
	<u>60,467</u>	<u>20,905</u>

2 INTEREST PAYABLE

	<u>1997</u> £'000	<u>1996</u> £'000
Interest on bank loans	25,271	274
Interest payable to group companies	<u>33,230</u>	<u>20,302</u>
	<u>58,501</u>	<u>20,576</u>

3 OPERATING PROFIT

	<u>1997</u> £'000	<u>1996</u> £'000
Operating profit is stated after charging:		
Auditors' remuneration - audit	2	2
- other	<u>4</u>	<u>1</u>

4 STAFF COSTS

Employee Costs	<u>1997</u> £'000	<u>1996</u> £'000
Wages and salaries	<u>4</u>	<u>34</u>
	<u>1997</u> number	<u>1996</u> number
Average number of employees involved in:-		
Financing activities	<u>-</u>	<u>1</u>

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Notes to the Financial Statements for the year ended 31 December 1997

5 DIRECTORS' EMOLUMENTS

None of the Directors were entitled to or received any emoluments in respect of their services to the company during the period (1996 - £nil).

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1997</u> £'000	<u>1996</u> £'000
Group relief payable	<u>775</u>	<u>77</u>

7 DEBTORS

	<u>1997</u> £'000	<u>1996</u> £'000
Amounts owed by group undertakings		
Due within one year	255,209	456,354
Due after one year	833,810	229,284
Other debtors due within one year	<u>-</u>	<u>82</u>
	<u>1,089,019</u>	<u>685,720</u>

8 CREDITORS: Amounts falling due within one year

	<u>1997</u> £'000	<u>1996</u> £'000
Amounts owed to group undertakings	218,982	456,137
Other creditors	1,714	-
Accruals and deferred income	<u>4,749</u>	<u>232</u>
	<u>225,445</u>	<u>456,369</u>

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Notes to the Financial Statements for the year ended 31 December 1997

9 CREDITORS: Amounts falling due after more than one year

	<u>1997</u> £'000	<u>1996</u> £'000
Bank loans - amounts falling due:		
Between one and two years	-	35,584
In five years or more	393,700	193,700
Other creditors - amounts falling due:		
Between one and five years	337,103	-
In five years or more	103,008	-
Deferred income due within five years	<u>2,883</u>	<u>-</u>
	<u>836,694</u>	<u>229,284</u>
Details of loans repayable in five years or more:		
	<u>1997</u> £'000	<u>1996</u> £'000
Fixed rate loan repayable in 2003	193,700	193,700
Variable rate loan repayable in 2004	<u>200,000</u>	<u>-</u>
	<u>393,700</u>	<u>193,700</u>

10 CALLED UP SHARE CAPITAL

	<u>1997</u> £'000	<u>1996</u> £'000
Authorised, 10,000,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid 150,000 Ordinary shares of £1 each	<u>150</u>	<u>150</u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital £'000	Share Premium £'000	Profit and Loss £'000	Total £'000
At 1 January 1997	150	24,900	155	25,205
Profit for the financial year	-	-	1,685	1,685
At 31 December 1997	<u>150</u>	<u>24,900</u>	<u>1,840</u>	<u>26,890</u>

BMW (UK) Capital plc

Notes to the Financial Statements for the year ended 31 December 1997

12 CAPITAL COMMITMENTS

No capital commitments existed as at 31 December 1997 (1996 - nil).

13 CONTINGENT LIABILITIES & COMMITMENTS

- a) The Directors are not aware of any contingent liabilities as at 31 December 1997.
- b) The Company enters into interest and currency swaps as part of its ordinary course of business.

14 RELATED PARTY DISCLOSURES

In accordance with Financial Reporting Standard 8, transactions between group companies where there is a controlling interest of more than 90% have not been disclosed.

There have been no other related party transactions during the period.

15 ULTIMATE HOLDING COMPANY

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