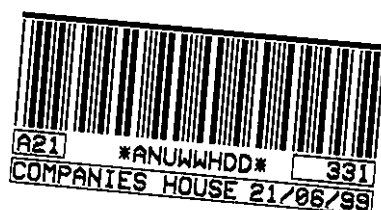


**BMW (UK) Capital plc**  
**DIRECTORS' REPORT AND**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 1998**

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 1998.

#### **Activities**

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 6.

No dividends were paid in 1998 and none are proposed (1997 - £nil). A reconciliation of the movements in shareholders' funds is given in note 12.

#### **Directors**

The directors who served during the year were as follows:

W Stofer (Chairman)  
AL Burns

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

#### **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.

#### **Year 2000**

Computer programs or technical systems operating with two-digit year numbers can cause errors as soon as the year 2000 arrives. Synchronisation or sorting of dates as they are generated, processed, stored or read can then lead to system failures.

BMW Group began to address this problem as early as 1996, identifying, successively testing and subsequently correcting all relevant systems and products of the Group.

The final date for conversion and adaptation measures is 30 June 1999. These measures ensure that any residual constraints posed by the 'millennium bug' can be overcome.

#### **The Euro**

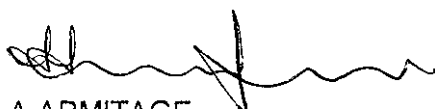
On 1 January 1999, the Euro became legal currency in 11 European countries. These countries form the European Monetary Union or EMU. The UK has exercised its right to opt out and is, therefore, not included in the EMU member states but may join at a later date.

The capability of the BMW Group to transact business in Euros with outside partners was already successfully implemented by the end of 1998, so that the new currency could be fully accepted in transactions with them from the very beginning of the new year.

#### **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.

By order of the Board



A ARMITAGE  
Secretary

27 April 1999

International Headquarters  
Warwick Technology Park  
Warwick  
Warwickshire

## **BMW (UK) Capital plc**

### **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 5 to 12.

**Respective responsibilities of directors and auditors**

As described on page 3 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG  
Chartered Accountants  
Registered Auditors  
Birmingham

27 April 1999

## **BMW (UK) Capital plc**

### **ACCOUNTING POLICIES**

**For the year ended 31 December 1998**

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.

#### **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.

#### **Depreciation**

Depreciation of tangible fixed assets is provided on a straight line basis at the following rate so as to write off their cost less estimated residual value over their estimated useful lives.

Plant and machinery - 33 1/3%

**BMW (UK) Capital plc**

**PROFIT AND LOSS ACCOUNT**

**For the year ended 31 December 1998**

	<u>Notes</u>	<u>Year ended</u> <u>31 December 1998</u>		<u>Year ended</u> <u>31 December 1997</u>	
		£'000	£'000	£'000	£'000
Interest receivable	1		134,220		60,467
Interest payable	2		<u>(130,527)</u>		<u>(58,501)</u>
Gross profit			3,693		1,966
Administrative expenses		(382)		(70)	
Other operating income		606		564	
Other operating expenses		<u>(34)</u>		<u>0</u>	
			<u>190</u>		<u>494</u>
Operating profit and profit on ordinary activities before taxation	3		3,883		2,460
Tax on profit on ordinary activities	6		<u>(1,200)</u>		<u>(775)</u>
Profit for the financial year	12		<u><u>2,683</u></u>		<u><u>1,685</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.

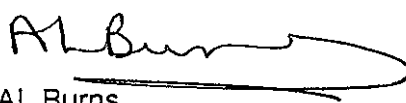
BMW (UK) Capital plc

BALANCE SHEET

As at 31 December 1998

	Notes	1998 £'000	1997 £'000
<b>FIXED ASSETS</b>			
Tangible assets	7	3	-
<b>CURRENT ASSETS</b>			
Debtors	8	2,164,401	1,089,019
Cash and short term deposits		<u>57,527</u>	<u>10</u>
		2,221,928	1,089,029
<b>CREDITORS: Amounts falling due within one year</b>	9	<u>(855,111)</u>	<u>(225,445)</u>
<b>NET CURRENT ASSETS:</b>			
Due within one year		30,877	29,774
Debtors due after one year	8	<u>1,335,940</u>	<u>833,810</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,366,820	863,584
<b>CREDITORS: Amounts falling due after more than one year</b>	10	<u>(1,337,247)</u>	<u>(836,694)</u>
<b>NET ASSETS</b>		<u>29,573</u>	<u>26,890</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	150	150
Share premium account	12	24,900	24,900
Profit and loss account	12	<u>4,523</u>	<u>1,840</u>
<b>SHAREHOLDERS' FUNDS</b>	12	<u>29,573</u>	<u>26,890</u>

The financial statements were approved by the Board of directors on 27 April 1999 and were signed on their behalf by:

  
AL Burns  
Director



# BMW (UK) Capital plc

## Notes to the Financial Statements

<b>1</b>	<b>INTEREST RECEIVABLE</b>	<u>1998</u> £'000	<u>1997</u> £'000
	Interest from short-term deposits	224	264
	Interest receivable from group undertakings	133,996	60,203
		<u>134,220</u>	<u>60,467</u>
<b>2</b>	<b>INTEREST PAYABLE</b>	<u>1998</u> £'000	<u>1997</u> £'000
	Interest on bank loans	81,762	25,271
	Interest payable to group undertakings	48,765	33,230
		<u>130,527</u>	<u>58,501</u>
<b>3</b>	<b>OPERATING PROFIT</b>	<u>1998</u> £'000	<u>1997</u> £'000
	Operating profit is stated after charging:		
	Auditors' remuneration - audit	2	2
	- other	-	4
<b>4</b>	<b>DIRECTORS' EMOLUMENTS</b>		
	Neither of the Directors were entitled to or received any emoluments in respect of their services to the company during the period (1997 - £nil).		
<b>5</b>	<b>STAFF COSTS</b>		
	Employee Costs	<u>1998</u> £'000	<u>1997</u> £'000
	Payroll Costs	<u>216</u>	<u>4</u>
	Payroll costs are borne by another group company and recharged to BMW (UK) Capital plc.		
		<u>1998</u> number	<u>1997</u> number
	Average number of employees involved in:-		
	Financing activities	<u>5</u>	<u>-</u>

BMW (UK) Capital plc

Notes to the Financial Statements

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1998</u>	<u>1997</u>
	£'000	£'000
Group relief payable	<u>1200</u>	<u>775</u>

7 TANGIBLE ASSETS

	Plant & Machinery £'000
<u>Cost</u>	
Additions	<u>5</u>
At 31 December 1998	<u>5</u>
<u>Accumulated Depreciation</u>	
Charge for year	<u>2</u>
At 31 December 1998	<u>2</u>
Net book value at:	
31 December 1998	3
31 December 1997	-

8 DEBTORS

	<u>1998</u>	<u>1997</u>
	£'000	£'000
Amounts owed by group undertakings		
Due within one year	828,038	255,209
Due after one year	1,333,542	833,810
Other debtors		
Due within one year	423	-
Due after one year	<u>2,398</u>	<u>-</u>
	<u>2,164,401</u>	<u>1,089,019</u>

# BMW (UK) Capital plc

## Notes to the Financial Statements

### 9 CREDITORS: Amounts falling due within one year

	<u>1998</u>	<u>1997</u>
	£'000	£'000
Amounts owed to group undertakings	522,373	218,982
Other loans	321,928	-
Accruals and deferred income	10,810	6,463
	<u>855,111</u>	<u>225,445</u>

### 10 CREDITORS: Amounts falling due after more than one year

	<u>1998</u>	<u>1997</u>
	£'000	£'000
Bank loans - amounts falling due:		
Between one and five years	293,700	-
In five years or more	450,000	393,700
Other loans - amounts falling due:		
Between one and five years	439,842	337,103
In five years or more	150,000	103,008
Deferred income - amounts falling due:		
Between one and five years	3,487	2,883
In five years or more	218	-
	<u>1,337,247</u>	<u>836,694</u>

Details of loans repayable in five years or more:

	<u>1998</u>	<u>1997</u>
	£'000	£'000
Year of Maturity		
2003	-	296,708
2004	200,000	200,000
2005	300,000	
2008	100,000	
	<u>600,000</u>	<u>496,708</u>

The above loans are all unsecured, but £600m (1997 £303.0m) are guaranteed by BMW AG. Fixed rates of interest are payable on £350m (1997 £193.7m) at rates ranging from 5.81% to 6.13% (1997 7.66%). Variable rates of interest at the year end ranged from 6.03% to 6.16% (1997 7.36% to 7.45%).

## BMW (UK) Capital plc

### Notes to the Financial Statements

#### 11 CALLED UP SHARE CAPITAL

	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>
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>

#### 12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital	Share Premium	Profit and Loss	Total
	£'000	£'000	£'000	£'000
At 1 January 1998	150	24,900	1,840	26,890
Profit for the financial year	-	-	2,683	2,683
At 31 December 1998	<u>150</u>	<u>24,900</u>	<u>4,523</u>	<u>29,573</u>

#### 13 CAPITAL COMMITMENTS

No capital commitments existed as at 31 December 1998 (1997 - nil).

#### 14 CONTINGENT LIABILITIES AND COMMITMENTS

The Company enters into interest and currency swaps as part of its ordinary course of business.

#### 15 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.

## **BMW (UK) Capital plc**

### **Notes to the Financial Statements**

#### **16 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.