

BMW (UK) Capital plc  
(Formally Stohold Limited)

DIRECTORS' REPORT AND

FINANCIAL STATEMENTS

31 DECEMBER 1996

Registered No. 3114356



## DIRECTORS' REPORT

The directors have pleasure in submitting their first annual report and audited financial statements for the period from 16 October 1995 to 31 December 1996.

### Activities

The company was incorporated on 16 October 1995 under the name of Stohold Limited. On 6 December 1995 the company's name was changed to BMW (UK) Capital Limited. On 30 April 1996 the company was re-registered as a public company under the name of BMW (UK) Capital plc.

The company commenced trading on 18 December 1995 and the principal activity of the company is to raise funds in the financial markets for use by BMW Group companies.

### Financial

The results for the period are shown in the profit and loss account on page 5.

No dividends were paid in the period and none are proposed. A reconciliation of the movements in shareholders' funds is given in note 11.

### Directors

The directors who served during the period were as follows:

Norose Ltd	Appointed 16 October 1995, Resigned 16 November 1995
Norton Rose Ltd	Appointed 16 October 1995, Resigned 16 November 1995
R G Brooks	Appointed 16 November 1995, Resigned 11 January 1996
N J Hurst	Appointed 16 November 1995, Resigned 11 January 1996
W Stofer	Appointed 11 December 1995
A L Burns	Appointed 11 December 1995

No director 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 re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General meeting.

Ellesfield Avenue  
Bracknell  
Berks.

By order of the Board



J GAINES  
Secretary

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.

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, 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, 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 1996 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

hpmg 19/5/97

KPMG  
Chartered Accountants  
Registered Auditors  
Reading  
Berks.

ACCOUNTING POLICIES

For the period ended 31 December 1996

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. They have been prepared for the period 16 October 1995 to 31 December 1996.

The company is exempt from the requirement of Financial Reporting Standard No.1 to prepare a cashflow statement as it is a wholly owned subsidiary undertaking of 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.

PROFIT AND LOSS ACCOUNTFor the period ended 31 December 1996

	<u>Notes</u>	<u>1996</u> <u>£'000</u>
Interest receivable	1	20,905
Interest payable	2	<u>(20,576)</u>
Gross Profit		329
Administrative expenses		<u>(97)</u>
Operating profit and profit on ordinary activities before taxation	3-5	232
Tax on profit on ordinary activities	6	<u>(77)</u>
Profit for the financial year		<u><u>155</u></u>

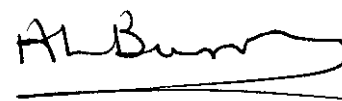
There are no gains or losses other than those shown in the above profit and loss account.  
All gains and losses derive from continuing operations.

BALANCE SHEETAs at 31 December 1996

	<u>Notes</u>		<u>1996</u>
		<u>£'000</u>	<u>£'000</u>
CURRENT ASSETS			
Debtors	7	685,720	
Cash and short-term deposits		<u>25,138</u>	
		710,858	
CREDITORS: Amounts falling due within one year	8	<u>(456,369)</u>	
NET CURRENT ASSETS:			
due within one year		25,205	
debtors due after one year	7	<u>229,284</u>	
TOTAL NET CURRENT ASSETS			254,489
CREDITORS: Amounts falling due after more than one year	9	<u>(229,284)</u>	
NET ASSETS			<u>25,205</u>
CAPITAL AND RESERVES			
Called up share capital	10		150
Share premium account	11		24,900
Profit and loss account	11		<u>155</u>
SHAREHOLDERS' FUNDS	11		<u>25,205</u>

The financial statements were approved by the Board on  
on their behalf by:

19 May 1997 and signed



A L Burns  
Director

Notes to the Financial Statements for the period ended 31 December 1996**1 OTHER INTEREST RECEIVABLE**

	<u>1996</u>
	£'000
Interest from short-term deposits	127
Interest received from group companies	<u>20,778</u>
	<u>20,905</u>

**2 INTEREST PAYABLE**

	<u>1996</u>
	£'000
Interest on bank loans	274
Interest paid to group companies	<u>20,302</u>
	<u>20,576</u>

**3 OPERATING PROFIT**

	<u>1996</u>
	£'000
Operating profit is stated after charging:	
Hire of other assets - operating leases	11
Auditors' remuneration - audit	2
- other	<u>1</u>

**4 STAFF COSTS**

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

**5 DIRECTORS' EMOLUMENTS**

No Directors received any emoluments from the company during the period.



**6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

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

**7 DEBTORS**

	<u>1996</u> £'000
Amounts owed by fellow subsidiaries	
Due within one year	456,354
Due after one year	229,284
Other debtors due within one year	<u><u>82</u></u> <u>685,720</u>

**8 CREDITORS: Amounts falling due within one year**

	<u>1996</u> £'000
Bank loans	228
Amounts owed to parent and fellow subsidiaries	456,060
Corporation tax	77
Other creditors	4
	<u><u>456,369</u></u>

**9 CREDITORS: Amounts falling due after more than one year**

	<u>1996</u> £'000
Bank loans	<u><u>229,284</u></u>

A bank loan amounting to £193,700,000 is repayable in the year 2003. Interest is payable at 3 months LIBOR.

**10 CALLED UP SHARE CAPITAL**

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

Share capital was issued during the period as shown below to provide funding for the company's operations.

Issues during the period:

Date	No. of £1 Ordinary shares	Consideration £'000
28 November 1995	1,000	1
25 April 1996	49,000	49
20 December 1996	100,000	25,000
		<u>25,050</u>

**11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Share Capital £'000	Share Premium £'000	Profit and loss £'000	Total £'000
Share capital subscribed	150	24,900	-	25,050
Profit for the period	-	-	155	155
	<u>150    24,900    155</u>			<u>25,205</u>
At the end of the period	150	24,900	155	<u>25,205</u>

**12 CAPITAL COMMITMENTS**

No capital commitments existed as at 31 December 1996.

**13 CONTINGENT LIABILITIES & COMMITMENTS**

- I) The Directors are not aware of any contingent liabilities as at 31 December 1996.  
 II) 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 related party transactions during the period.

#### **15 ULTIMATE HOLDING COMPANY**

The directors regard Bayerische Motoren Werke Aktiengesellschaft (BMW AG), a company incorporated in The Federal Republic of 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 the UK which does not produce group accounts.