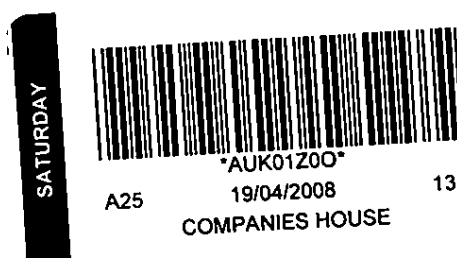


BMW (UK) Capital plc

Directors' report and financial statements

Registered number 3114356

31 December 2007



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Directors' report

The directors present their report and financial statements for the year ended 31 December 2007

Principal activities

The principal activity of the company is to raise funds in the financial markets for use by BMW Group companies, principally but not exclusively BMW Group companies in the United Kingdom. The company manages UK BMW Group companies' financial risks, primarily by entering into derivatives. The company acts as a guarantor for UK BMW Group companies and provides all treasury services as required.

Business review

The main purpose of the company is to provide financing for BMW Group companies, principally in the United Kingdom. The company also provides other treasury services as required.

Management believes that the key performance indicator of the company is profit before taxation. The profit before taxation for the year ended 31 December 2007 amounted to £896,000 (2006: £24,690,000). The result for the year ended 31 December 2006 included significant fair value gains relating to the interest rate derivatives into which the company had entered. These derivatives are entered into in order to hedge the interest rate risk to which the company is exposed as a result of making deposits to BMW group companies that pay a fixed rate of interest. As a result of falling expected interest rate yields during 2007, the company experienced significant fair value losses from this class of derivatives in the current year. The underlying performance of the company after allowing for the growth in overall business was consistent with the previous year.

The company's profit arises principally from the net interest margin charged on intragroup deposits and borrowings and the fair value gain or loss on financial instruments. Since a number of these financial instruments do not qualify for hedge accounting under International Financial Reporting Standards, the company is exposed to the volatility of changes in the fair values of such instruments in its income statement, as noted above. The management of the company believes that the instruments entered into nevertheless constitute an economic hedge of the company's risks.

A detailed description of the main risks facing the company and the instruments used to manage these risks is set out in note 18. The level of these risks at 31 December 2007 was acceptable and in line with BMW Group guidelines. The company's financial position at 31 December 2007 was satisfactory.

Outlook

The current economic and capital market environment has increased the level of uncertainty about the development of interest rates, exchange rates and credit spreads as well as to the availability of liquidity. Widening of credit spreads, changes in the yield curve as well as dislocations in the availability of short term and long term debt might lead to higher funding costs as well as volatility in the fair market values of derivative instruments and thus negatively impact the profit of the company.

In the light of the environment discussed above, the company believes that it will continue its recent performance in the financial year 2008. The company's funding activities on the capital markets depend on the liquidity need of the BMW Group and its affiliates. The company will continue its current activities and no major changes in the organisation are expected.

Research and development

The company does not carry out any research and development.

Acquisition of own shares

The company had not acquired any of its own shares in either 2006 or 2007. A reconciliation of the movements in capital and reserves is given in note 16.

Directors' report (*continued*)

Financial instruments

The company provides a treasury service to the BMW UK Group. As part of this service, the company enters into financial derivatives directly with the financial market. Opposite instruments are then entered into with group counterparties, without taking any margin. The company also uses financial instruments for its own purposes, in order to secure a matched funding position on its receivables and liabilities and to hedge against interest rate risk and future cash flow risk on recognised assets and liabilities. The instruments used have predominantly been interest rate swaps, cross currency swaps, foreign exchange contracts and foreign exchange option contracts. These instruments are used on an on going basis, in order to reduce, to an acceptable level, the majority of risk.

Credit risk is managed according to BMW Group guidelines. The company continually monitors its position to ensure it stays within the credit exposure limits set by BMW AG. Liquidity risk is also managed according to BMW Group guidelines. The company maintains credit line facilities with various banks, both directly and through its participation in a multi-currency committed credit facility guaranteed by BMW AG.

Proposed dividend

No dividends were paid in 2007 (2006: £nil) and none are proposed. A reconciliation of the movements in capital and reserves is given in note 16.

Policy and practice 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. The company does not follow any code or standard on payment practice. The company had no non-group trade creditors at the year end (2006: nil).

Directors and directors' interests

The directors who held office during the year or subsequently were as follows:

Erich Ebner von Eschenbach
Ansgar Kreuzer (appointed 8 April 2008)
Matthew Todd (resigned 8 April 2008)
Neil C Wharton

According to the register of directors' interests, no director held either any beneficial interest in the shares or debentures of BMW Group companies during the year, or had any right to subscribe for shares or debentures of BMW Group companies.

Employees

The company's staff have contracts of employment with BMW (UK) Holdings Ltd and therefore are not included as employees within these accounts.

Political and charitable contributions

The company made no political or charitable contributions during the year (2006: nil).

Disclosure of information to auditors

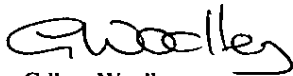
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' report (*continued*)

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



Gillian Woolley
Secretary

Ellesfield Avenue Bracknell, Berkshire, RG12 8TA England

8 April 2008

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the company and the performance for that period. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

Under applicable law, the directors are also responsible for preparing a Directors' Report that complies with that law.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement by the company's legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the Directors' report and financial statements include a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.



The Board of Directors
BMW (UK) Capital plc



KPMG LLP

Arlington Business Park
Theale
RG7 4SD
United Kingdom

Report of the independent auditors to the members of BMW (UK) Capital plc

We have audited the financial statements of BMW (UK) Capital plc for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

**Report of the independent auditors to the members of BMW (UK) Capital plc
(continued)**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG WP

KPMG LLP
Chartered Accountants
Registered Auditors

11/4/08

Income statement
for the year ended 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Interest receivable and similar income	2	201,314	131,430
Foreign exchange gains	2	68,918	40,981
Fair value gains on financial instruments and derivatives	2	308,206	129,260
Revenue		578,438	301,671
Interest payable	2	(178,994)	(115,209)
Foreign exchange losses	2	(76,670)	(45,193)
Fair value losses on financial instruments and derivatives	2	(321,495)	(116,182)
Finance costs		(577,159)	(276,584)
Financial income		1,279	25,087
Administrative expenses	3	(383)	(397)
Profit before taxation		896	24,690
Taxation	5	(379)	(7,407)
Profit for the year attributable to equity holders of the parent company		517	17,283

The above results relate wholly to continuing operations

Balance sheet
at 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Non-current assets			
Deferred tax	6	1,541	-
Receivables from BMW Group companies	7	1,158,474	1,016,500
Derivative assets	8	17,027	12,387
		<hr/>	<hr/>
		1,177,045	1,028,887
		<hr/>	<hr/>
Current assets			
Receivables from BMW Group companies	7	2,437,642	1,818,000
Derivative assets	8	181,743	31,372
Other financial assets	9	16,304	13,945
Cash and cash equivalents	10	82,361	84,345
		<hr/>	<hr/>
		2,718,050	1,947,662
		<hr/>	<hr/>
Total assets		3,895,095	2,976,549
		<hr/>	<hr/>
Current liabilities			
Bank overdraft	10	-	562
Commercial paper	11	268,438	248,845
Medium term notes	12	336,751	205,955
Loans from BMW Group companies	13	2,353,686	2,100,141
Derivative liabilities	14	164,368	38,483
Other financial liabilities	15	10,640	3,957
Tax payable		5,065	2,450
		<hr/>	<hr/>
		3,138,948	2,600,393
		<hr/>	<hr/>
Non-current liabilities			
Deferred tax	6	-	2,232
Medium term notes	12	527,602	152,222
Loans from BMW Group companies	13	100,000	100,000
Derivative liabilities	14	11,002	4,676
		<hr/>	<hr/>
		638,604	259,130
		<hr/>	<hr/>
Total liabilities		3,777,552	2,859,523
		<hr/>	<hr/>
Net assets		117,543	117,026
		<hr/>	<hr/>
Equity shareholder's funds			
Share capital	16	281	281
Share premium	16	57,568	57,568
Retained earnings	16	59,694	59,177
		<hr/>	<hr/>
Total equity		117,543	117,026
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 8 April 2008 and were signed on its behalf by.


Erich Ebner von Eschenbach
Director (Chairman)

Cash flow statement
for the year ended 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Cash flows from operating activities			
Profit for the year		517	17 283
Fair value gains on financial instruments and derivatives		(308,206)	(129 260)
Fair value losses on financial instruments and derivatives		321,495	116,182
Unrealised foreign exchange (gains)/losses		7,904	(5,104)
Current and deferred taxation		379	7,407
		<hr/>	<hr/>
		22,089	6 508
		<hr/>	<hr/>
Changes in operating assets and liabilities			
(Increase) in receivables from BMW Group companies		(759,696)	(504,270)
(Increase) in other financial assets		(2,359)	(1 755)
Net increase in fair value of derivatives		(36,089)	16,048
Increase/(decrease) in fair value of medium term notes		29,272	(10,940)
Increase/(decrease) in other financial liabilities		6,683	(2 531)
Income taxes paid		(1,539)	(4 100)
		<hr/>	<hr/>
Cash outflow from operating activities		(741,639)	(501,040)
		<hr/>	<hr/>
Cash flows from financing activities			
Increase/(decrease) in loans from BMW Group companies		243,721	456,817
Issuance of commercial paper		4,251,584	408 337
Redemption of commercial paper		(4,231,992)	(164,483)
Issuance of medium term notes and bonds		688,967	-
Redemption of medium term notes and bonds		(212,063)	(147,475)
		<hr/>	<hr/>
Net cash inflow from financing activities		740,217	553,196
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(1,422)	52 156
Cash and cash equivalents at 1 January		83,783	31,627
		<hr/>	<hr/>
Cash and cash equivalents at 31 December	<i>10</i>	82,361	83,783
		<hr/>	<hr/>

Statement of changes in equity
for the year ended 31 December 2007

	Share Capital £000	Share premium £000	Retained earnings £000	Total £000
At 1 January 2006	281	57,568	41,894	99,743
Profit for the year	-	-	17,283	17,283
At 31 December 2006	281	57,568	59,177	117,026
Balance at 1 January 2007	281	57,568	59,177	117,026
Profit for the year	-	-	517	517
At 31 December 2007	281	57,568	59,694	117,543

A reconciliation of the movement in capital and reserves is shown in note 16

Notes

(forming part of the financial statements)

1 Accounting policies

BMW (UK) Capital plc (the "Company") is a company incorporated in the UK

Statement of compliance

The Company has prepared its financial statements in accordance with International Financial Reporting Standards as adopted for use in the EU

Basis of preparation

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as fair value through profit or loss

In these financial statements the following Adopted IFRSs which are effective for the first time, have had a material effect on the financial statements and so comparatives have been restated accordingly

- IFRS 7 'Financial Instruments: Disclosures' and the related amendment to IAS 1 'Presentation of Financial Statements' in relation to capital disclosures

Adopted IFRS not yet applied

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The following Adopted IFRSs were available for early application but have not been applied by the Company in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated

- IFRS 8 'Operating Segments' (mandatory for the year commencing on or after 1 January 2009)
- Revised IAS 23 'Borrowing Costs' (mandatory for the year commencing on or after 1 January 2009)
- Revised IAS 1 'Presentation of Financial Statements' (mandatory for the year commencing on or after 1 January 2009)
- Revised IFRS 3 'Business Combinations' (mandatory for the year commencing on or after 1 July 2009)

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Financial instruments

Interest-bearing receivables from and loans from BMW Group companies, debt securities and other non-derivative financial assets and liabilities are initially recognised at cost. If hedge accounting is applied, subsequent to initial recognition, the financial instruments are measured at fair value. All financial assets are recorded on the settlement date.

Notes (continued)

1 Accounting policies (continued)

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below). The classification in the balance sheet of derivative assets and derivative liabilities into current or non-current assets or liabilities is determined according to the contractual maturity date of each instrument.

The fair value of interest rate swaps is the estimated amount that the company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current credit worthiness of the swap counterparties. This fair value is calculated using the company's treasury management system as described in note 18. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

'Day one' gains and losses

A 'day one' gain or loss is the difference between the amount received upon issuing a financial instrument and the fair value of the instrument at the date it is issued. By discounting the long-term liabilities, the market value and the nominal amount show a difference at the opening date. This 'day one' gain or loss is recognised in the financial statements.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately as fair value gains or losses on financial instruments in the income statement (even if those gains would normally be recognised directly in reserves).

On the discontinuance of hedge accounting, any adjustment made to the carrying amount of the hedged item as a consequence of the fair value hedge relationship, is recognised in the income statement over the remaining life of the hedged item.

Loans and other receivables

Loans and other receivables are recognised initially at fair value. Subsequent to initial recognition, any such instruments denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. If denominated in local currency, loans and receivables are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at cost less attributable transaction costs, which is equivalent to the fair value of the consideration given. Subsequent to initial recognition, interest-bearing borrowings, except for certain medium term notes, are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Medium term notes issued in a currency other than sterling are hedged in respect of interest rate risk and currency risk, the movement in fair value being recognised immediately in the income statement. Subsequent measurement is described under "Fair value hedges" above.

Notes (continued)

1 Accounting policies (continued)

Revenue

Revenue comprises interest receivable on loans to BMW Group companies and deposits with banks, fair value gains on financial instruments (including derivatives) and foreign exchange gains. Interest income is recognised in the income statement as it accrues, calculated on a daily basis on the amounts outstanding, using the effective interest rate for each transaction.

Interest

Interest payable and interest receivable are due to funds borrowed and invested. Interest income and interest payable are recognised in the income statement as they accrue, calculated on a daily basis on the amounts outstanding.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Segmental analysis

In accordance with IAS 14, the Company presents segmental information. Segment information is presented in respect of the Company's geographical segments, due to the fact that the Company's business consists only of financing and treasury activities. The customers of the Company are based in UK and Europe. Note 2 gives an overview of interest income and note 7 an overview of receivables by geographical segment. Finance costs are all incurred in the UK. The required segmental analysis is given in notes 2 and 7 and on the face of the income statement.

Notes (continued)

2 Finance income and expense recognised in profit or loss

The company's policy for income recognition is set out in note 1 above

Interest receivable

By geographical segment	2007 £000	2006 £000
UK	195,522	131,133
Rest of Europe	5,782	297
Rest of World	10	-
	<u>201,314</u>	<u>131,430</u>
	<u><u>201,314</u></u>	<u><u>131,430</u></u>
By instrument	2007 £000	2006 £000
Interest receivable from short-term deposits	4,400	926
Interest receivable from BMW Group companies	180,422	130,504
Interest receivable from held for trading derivative instruments	16,492	-
	<u>201,314</u>	<u>131,430</u>
	<u><u>201,314</u></u>	<u><u>131,430</u></u>

Foreign exchange gains

	2007 £000	2006 £000
Total foreign exchange gains	68,918	40,981
	<u><u>68,918</u></u>	<u><u>40,981</u></u>

Net fair value gains and losses

	2007 £000	2006 £000
Net fair value (losses)/gains on held for trading derivative instruments	(11,985)	12,627
Net fair value (losses)/gains from hedged items designated as part of a fair value hedge relationship	(29,272)	10,940
Net fair value gains/(losses) on hedging instruments designated as part of a fair value hedge relationship	27,968	(10,489)
	<u>(13,289)</u>	<u>13,078</u>
	<u><u>(13,289)</u></u>	<u><u>13,078</u></u>

Notes (continued)

2 Finance income and expense recognised in profit or loss (continued)

Finance expense

	2007 £000	2006 £000
Interest payable to BMW Group companies	130,100	90,507
Interest payable on bank loans/overdrafts	465	702
Interest payable on commercial paper	16,947	751
Interest payable on held for trading derivative instruments	-	382
Interest payable on medium term notes held at amortised cost	3,316	1,915
Interest payable on fair value medium term notes	23,361	16,207
Interest payable on fair value derivative instruments	4,805	4,745
	<hr/>	<hr/>
Total interest payable expense	178,994	115,209
	<hr/>	<hr/>

Foreign exchange losses

	2007 £000	2006 £000
Total foreign exchange losses	76,670	45,193
	<hr/>	<hr/>

3 Administration expenses

Administration expenses include auditors' remuneration

	2007 £000	2006 £000
Audit of these financial statements	22	21
	<hr/>	<hr/>

Notes (continued)

4 Staff numbers and costs

The staff working on behalf of the company have contracts of employment with BMW (UK) Holdings Ltd, and have therefore not been included as employees within these accounts. Payroll services for these staff are provided by BMW (UK) Ltd. The costs shown below represent recharges to the company.

The staff working on behalf of the company belong to the BMW (UK) Operations Pension Scheme or to the BMW (GB) Ltd Employee Benefits Plan and the costs are included in the recharges to the company. All appropriate accounting disclosures are made within the accounts of BMW (UK) Holdings Ltd or of BMW (UK) Ltd.

Costs for the services of one director were recharged to the company during the year, only this director is included in the disclosure below. The aggregate amount charged to the company in respect of this director's services was £76,000 (2006: £64,000).

The average number of persons working on behalf of the company during the year was as follows:

	Number of employees	
	2007	2006
Staff numbers	6	5

The aggregate recharges for these persons were as follows:

	2007 £000	2006 £000
Wages and salaries	242	255
Social security costs and pension recharges	64	66
	<u>306</u>	<u>321</u>

5 Taxation

Recognised in the income statement

	2007 £000	2006 £000
<i>Current tax expense</i>		
Current year	4,155	3,588
Adjustments for prior years	-	910
	<u>4,155</u>	<u>3,588</u>
<i>Deferred tax expense</i>		
Deferred tax (income)/expense	(3,776)	3,819
Adjustments for prior years	-	(910)
	<u>(3,776)</u>	<u>3,819</u>
<i>Total tax in income statement</i>	<u>379</u>	<u>7,407</u>

Notes (continued)

5 Taxation (continued)

Reconciliation of tax charge to standard rate of corporation tax in the UK

	2007 £000	2006 £000
Profit before taxation	896	24,690
Tax using the UK corporation tax rate of 30% (2006: 30%)	269	7,407
Effect of reduction in future rate to 28% on deferred tax asset	110	-
Total tax in income statement	379	7,407

6 Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	2007 £000	2006 £000
Temporary differences on market values of financial instruments and derivatives	1,544	(2,232)
Net deferred tax assets/(liabilities)	1,544	(2,232)

Notes (continued)

6 Deferred tax (continued)

Movement in deferred tax during the year

	1 January 2007 £000	Recognised in income £000	31 December 2007 £000
Temporary differences on market values of financial instruments and derivatives	(2,232)	3,776	1,544
	<u>(2,232)</u>	<u>3,776</u>	<u>1,544</u>

Movement in deferred tax during the prior year

	1 January 2006 £000	Recognised in income £000	31 December 2006 £000
Temporary differences on market values of financial instruments and derivatives	677	(2 909)	(2 232)
	<u>677</u>	<u>(2,909)</u>	<u>(2,232)</u>

Deferred tax assets and liabilities are measured at average tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been acted or substantially enacted at the balance sheet date.

The rate of corporation tax in the UK is to be reduced from 30% to 28% with effect from 1 April 2008. The change in rate was substantially enacted by the House of Commons on 26 June 2007 by the passing of a bill to approve the Finance Act 2007. The deferred tax asset has reduced by £110,000 as a result of this change.

Notes (continued)

7 Receivables from BMW Group companies

Financial receivables from related parties at the year end included £3,596,116,000 (2006 £2,834,500,000) of unsecured interest bearing loans, which the company expects to be settled in cash, which may be analysed as follows

	2007 Carrying amount Currency '000	2007 Fair value Currency '000	2006 Carrying amount Currency '000	2006 Fair value Currency '000
<i>Non current</i>				
Receivables from fellow subsidiaries (1-5 years)	GBP 1,140,150	GBP 1,153,146	GBP 1,016,500	GBP 1,012,842
Receivables from fellow subsidiaries (1-5 years)	EUR 25,000	EUR 25,230	EUR -	EUR -
<i>Current</i>				
Receivables from fellow subsidiaries	GBP 2,349,319	GBP 2,348,249	GBP 1,787,091	GBP 1,785,952
Receivables from fellow subsidiaries	EUR 120,500	EUR 132,050	EUR 45,952	EUR 46,514

The fair values of these receivables are calculated using the company's treasury management system as described in note 18

The sterling equivalents of the carrying amounts of these financial receivables analysed by geographical segment are as follows

	2007 £000	2006 £000
UK	3,510,701	2,803,591
Rest of Europe	85,415	30,909
	<u>3,596,116</u>	<u>2,834,500</u>

The following details apply to the receivables from BMW Group companies at 31 December 2007

Interest	Volume in relevant currency	Weighted average maturity period	Weighted average effective interest rate (in %)
Fixed	GBP 3,489 million	19 months	5.8
Fixed	EUR 145 million	7 months	4.6

Notes (continued)

8 Derivative assets

The following derivative assets are carried in the balance sheet at their fair values. These fair values are calculated using the company's treasury management system as described in note 18.

	2007 £000	2006 £000
Non-current		
<i>Held for trading</i>		
Interest derivatives with fellow subsidiaries (1-5 years)	1,718	-
Interest derivatives with fellow subsidiaries (greater than 5 years)	310	-
Interest derivatives with non-related parties (1-5 years)	2,106	10,344
Currency derivatives with fellow subsidiaries (1-5 years)	-	688
Currency derivatives with non-related parties (1-5 years)	-	177
<i>Fair value through Income Statement</i>		
Interest derivatives with non-related parties (1-5 years)	5,175	1,178
Currency derivatives with non-related parties (1-5 years)	7,718	-
	<u>17,027</u>	<u>12,387</u>
Current		
<i>Held for trading</i>		
Interest derivatives with non-related parties	3,287	2,574
Currency derivatives with fellow subsidiaries	240	26,681
Currency derivatives with non-related parties	169,157	1,865
<i>Fair value through Income Statement</i>		
Currency derivatives with non-related parties	9,059	252
	<u>181,743</u>	<u>31,372</u>

Derivative contracts are entered into with related parties in order to manage their financial risks and without taking a margin, as described in note 18. The non-related parties described above comprise international financial institutions.

9 Other financial assets

Other financial assets comprise

	2007 £000	2006 £000
Accrued interest receivable	14,820	13,912
'Day One' initial valuation gains	1,484	33
	<u>16,304</u>	<u>13,945</u>

Notes (continued)

9 Other financial assets (continued)

The fair value of accrued interest receivable is estimated as its carrying amount given the receivable should be settled within three months. The fair value of the 'Day One' initial valuation gains is estimated as its carrying amount.

The reconciliation of 'Day One' gains is as follows:

	2007 £000	2006 £000
Opening balance at 1 January	33	72
Day One initial valuation gains during the year	1,582	-
Amortisation of gains during the year	(131)	(39)
	<hr/>	<hr/>
Closing balance at 31 December	1,484	33
	<hr/>	<hr/>

10 Cash and cash equivalents/bank overdrafts

	2007 £000	2006 £000
Cash and cash equivalents per balance sheet	82,361	84,345
Bank overdrafts	-	(562)
	<hr/>	<hr/>
Cash and cash equivalents per cash flow statement	82,361	83,783
	<hr/>	<hr/>

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand.

11 Commercial paper

The following details apply to commercial paper:

	2007 £000	2006 £000
Issue volume	270,000	250,000
Carrying amount	268,438	248,845
Fair value	268,449	248,809
Weighted average maturity period	32 days	27 days
Weighted average nominal interest rate	6.7%	5.2%

The fair value of the commercial paper has been calculated using the company's treasury management system as described in note 18.

Notes (continued)

12 Medium term notes

	2007 £000	2006 £000
Non current		
Medium term notes recognised at fair value through Income Statement	527,602	152,222
Current		
Medium term notes recognised at fair value through Income Statement	150,751	205,955
Medium term notes held at amortised cost	186,000	-
	336,751	205,955

The fair value of medium term notes has been calculated using the company's treasury management system as described in note 18

The carrying amounts and fair values of medium term notes not carried at fair value are as follows

	2007 Carrying amount £000	2007 Fair Value £000	2006 Carrying amount £000	2006 Fair Value £000
Medium term notes not carried at fair value	186,000	186,216	-	-

The schedule below classifies the medium term notes in issue at the balance sheet date by issue currency, interest rate basis and by maturity

Security	Currency	Issue volume in local currency '000	Interest	Rate basis	Listed	Maturity
EMTN	JPY	5,000,000	Fixed	1.05%	No	2008
EMTN	GBP	100,000	Fixed	6.38%	London	2009
EMTN	GBP	200,000	Fixed	6.38%	Luxembourg	2010
EMTN	EUR	175,000	Variable	3M EURIBOR	Luxembourg	2008
EMTN	GBP	186,000	Variable	3M GBP LIBOR	Luxembourg	2008
EMTN	EUR	100,000	Variable	3M EURIBOR	Luxembourg	2009
EMTN	JPY	20,000,000	Variable	3M JPY LIBOR	Luxembourg	2009
EMTN	JPY	6,700,000	Variable	3M JPY LIBOR	Luxembourg	2010
EMTN	JPY	6,500,000	Variable	3M JPY LIBOR	Luxembourg	2010

Notes (continued)

13 Loans from BMW Group companies

Loans from BMW Group companies at the year end included £2,453,686,000 (2006 £2,200,141,000) of unsecured interest bearing loans, which the company expects to be settled in cash may be analysed as follows

	2007 Carrying amount Currency '000		2007 Fair value Currency '000		2006 Carrying amount Currency '000		2006 Fair value Currency '000	
<i>Non current</i>								
Loans from fellow subsidiaries (1-5 years)	GBP	100,000	GBP	100,215	GBP	100,000	GBP	100,351
<i>Current</i>								
Loans from ultimate parent company	EUR	75,000	EUR	75,017	EUR	-	EUR	-
Loans from immediate parent company	GBP	9,051	GBP	9,051	GBP	4,680	GBP	4,680
Loans from fellow subsidiaries	GBP	1,743,499	GBP	1,743,955	GBP	1,458,773	GBP	1,458,459
Loans from fellow subsidiaries	EUR	745,139	EUR	756,743	EUR	946,577	EUR	946,989

The fair value of loans from BMW Group companies has been calculated using the company's treasury management system as described in note 18

The following details apply to the loans from BMW Group companies at 31 December 2007

Interest	Volume in relevant currency	Weighted average maturity period (in days)	Weighted average effective interest rate (in %)
Fixed	EUR 820 million	39	4.6
Fixed	GBP 1,453 million	43	6.0
Variable	GBP 400 million	708	3M GBP LIBOR

Notes (continued)

14 Derivative liabilities

The following derivative liabilities are carried in the balance sheet at their fair values. These fair values are calculated using the company's treasury management system as described in note 18.

	2007 £000	2006 £000
<i>Non-current</i>		
<i>Held for trading</i>		
Interest derivatives with fellow subsidiaries (1-5 years)	209	2,577
Interest derivatives with fellow subsidiaries (greater than 5 years)	-	147
Interest derivatives with non-related parties (1-5 years)	10,483	39
Interest derivatives with non-related parties (greater than 5 years)	310	-
Currency derivatives with fellow subsidiaries (1-5 years)	-	177
Currency derivatives with non-related parties (1-5 years)	-	688
<i>Fair value through Income Statement</i>		
Currency derivatives with non-related parties (1-5 years)	-	1,048
	<u>11,002</u>	<u>4,676</u>
<i>Current</i>		
<i>Held for trading</i>		
Interest derivatives with fellow subsidiaries	484	1,254
Interest derivatives with non-related parties	18	27
Currency derivatives with ultimate parent	-	69
Currency derivatives with fellow subsidiaries	161,587	1,701
Currency derivatives with non-related parties	2,279	29,005
<i>Fair value through Income Statement</i>		
Interest derivatives with non-related parties	-	28
Currency derivatives with non-related parties	-	6,399
	<u>164,368</u>	<u>38,483</u>

Derivative contracts are entered into with these parties in order to manage their financial risks and without taking a margin, as described in note 18. The non-related parties described above comprise international financial institutions.

Notes (continued)

15 Other financial liabilities

Other financial liabilities comprise

	2007 £000	2006 £000
Accrued interest payable	9,054	3,844
Trade payables due to fellow subsidiary	4	39
Other accruals	176	-
Day One' initial valuation losses	1,406	74
	<u>10,640</u>	<u>3,957</u>

The fair values of accrued interest payable, trade payables to any fellow subsidiary and other accruals payable to external counterparties are estimated as their respective carrying amounts given the company's liabilities should be settled within three months. The fair value of the 'Day One' initial valuation losses is estimated as its carrying amount.

The reconciliation of 'Day one' losses is as follows

	2007 £000	2006 £000
Opening balance at 1 January	74	117
Day One' initial valuation losses during the year	2,062	-
Amortisation of losses during the year	(730)	(43)
	<u>1,406</u>	<u>74</u>

16 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
Balance at 1 January 2006	281	57,568	41,894	99,743
Profit for the year	-	-	17,283	17,283
	<u>281</u>	<u>57,568</u>	<u>59,177</u>	<u>117,026</u>
Balance at 31 December 2006	281	57,568	59,177	117,026
	<u>281</u>	<u>57,568</u>	<u>59,177</u>	<u>117,026</u>
Balance at 1 January 2007	281	57,568	59,177	117,026
Profit for the year	-	-	517	517
	<u>281</u>	<u>57,568</u>	<u>59,694</u>	<u>117,543</u>
Balance at 31 December 2007	281	57,568	59,694	117,543

Notes (continued)

17 Share capital

	2007 £000	2006 £000
<i>Authorised</i>		
Ordinary shares of £1 each	10 000	10,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	281	281
	<hr/>	<hr/>
Shares classified in shareholders' funds	281	281
	<hr/>	<hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally.

No shares were issued during the year (2006: nil).

18 Financial instruments

The company provides a treasury service to the BMW UK Group. As part of this service, the company enters into financial derivatives directly with the financial market. Opposite instruments are then entered into with Group counterparties, without taking any margin. The company also uses financial instruments for its own purposes, in order to secure a matched funding position on its receivables and liabilities and to hedge against interest rate risk. The instruments used have predominantly been Interest Rate Swaps, Foreign Exchange Contracts and Foreign Exchange Option Contracts. These instruments are used on an ongoing basis, in order to reduce, to an acceptable level, the majority of risk.

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

Credit risk is the risk of financial loss to the company where a counterparty to a financial instrument fails to perform its contractual obligations. Credit risk is managed according to BMW Group guidelines. The company continually monitors its position to ensure that it stays within the credit exposure limits set by BMW AG. For both the current and prior years at the respective balance sheet dates, the company did not provide for any impairment allowances. Furthermore, for both the current and prior years at the respective balance sheet dates the company had no financial receivables that were past due but not impaired. No financial assets were past due as at 31 December 2007.

Receivables from BMW Group companies represent over 90% of the company's assets by value. These receivables are predominantly sterling-denominated deposits to UK-based group companies, where deposits are made, without any collateral as security, to other BMW Group companies.

Derivative assets comprised both interest rate derivatives and currency derivatives. The counterparts to these derivative assets are major international financial institutions and other BMW Group companies. Foreign exchange contracts with such financial institutions entered into as a service for other BMW Group companies represent 80% of these derivatives assets by value. In the event of failure of one of those financial institutions, the company would have a risk on the cost of replacing any such derivatives. As at 31 December 2007 this risk was not considered significant.

Other financial assets comprised mainly accrued interest receivable from other BMW Group companies. This accrued interest receivable is due within three months of 31 December 2007.

Notes *(continued)*

18 Financial instruments (continued)

Credit risk (continued)

The balance of cash and cash equivalents as at 31 December 2007 comprised principally of a sterling money market deposit repayable on 2 January 2008. A range of major international financial institutions are counterparties to money market deposits transacted by the company through the year.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Liquidity risk is managed in accordance with BMW Group guidelines. In addition to its participation in the BMW Group Medium Term Note (MTN) and Commercial Paper (CP) programmes, the company maintains uncommitted money market facilities with a number of international banks to support its activities. The company is also party to a committed USD 8 billion multi-currency revolving credit facility guaranteed by BMW AG. No drawings had been made under this facility as at 31 December 2007 (2006: nil).

Both foreign currency and interest rate transactions are entered into as a service for BMW Group counterparties. The company enters into financial derivatives directly with the financial market and opposite instruments are then entered into with group counterparties. These are transacted back-to-back without margin.

The derivative liabilities shown on the balance sheet include these back-to-back transactions classified as held for trading.

Notes (continued)

18 Financial instruments (continued)

Liquidity risk (continued)

The following are the contractual maturities of the financial liabilities, including estimated interest payments and excluding the effect of netting agreements

31 December 2007

	Expected cashflows (total) £000	Maturity within one year £000	Maturity between one and five years £000	Maturity later than five years £000
<i>Non-derivative financial liabilities</i>				
Commercial paper	270,000	270,000	-	-
Medium term notes	933,028	375,736	557,292	-
Loans from BMW Group companies	2,469,309	2,366,709	102,600	-
Other financial liabilities	9,233	9,233	-	-
Tax payable	5,065	5,065	-	-
	<u>3,686,635</u>	<u>3,026,743</u>	<u>659,892</u>	<u>-</u>
<i>Derivative financial liabilities</i>				
Interest and currency derivatives	2,551,246	2,532,318	18,644	284
	<u>2,551,246</u>	<u>2,532,318</u>	<u>18,644</u>	<u>284</u>

31 December 2006

	Expected cashflows (total) £000	Maturity within one year £000	Maturity between one and five years £000	Maturity later than five years £000
<i>Non-derivative financial liabilities</i>				
Bank overdraft	562	562	-	-
Commercial paper	250,000	250,000	-	-
Medium term notes	386,991	221,683	165,308	-
Loans from BMW Group companies	2,225,729	2,117,288	108,441	-
Other financial liabilities	3,844	3,844	-	-
Tax payable	2,450	2,450	-	-
	<u>2,869,576</u>	<u>2,595,827</u>	<u>273,749</u>	<u>-</u>
<i>Derivative financial liabilities</i>				
Interest and currency derivatives	2,284,283	2,072,608	211,228	447
	<u>2,284,283</u>	<u>2,072,608</u>	<u>211,228</u>	<u>447</u>

Notes (continued)

18 Financial instruments (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holdings of financial instruments. The objectives of market risk management is to manage and control market risk exposures within acceptable parameters. The principal market risk to which the company is exposed is interest rate risk.

Market risk - Interest rate risk

The company manages BMW UK Group companies' interest rate risks primarily through utilising interest rate swaps. The company also utilises interest rate swaps to manage its own interest rate risk. Management believes that the interest rate swaps entered into by the company constitute an economic hedge against interest rate risk, but one that does not qualify for hedge accounting treatment under IAS 39. The company is therefore exposed to risks resulting from changes in interest rates.

The company manages its interest rate risk exposure on a portfolio basis due to the nature of the company's business. With the exception of the interest rate derivatives entered into to synthesise the fixed rate income from deposits into BMW Group companies into floating rate income, all interest rate derivative transactions are entered into as a service transaction, and not entered into on a separate basis. For this reason, management has opted to disclose on a portfolio approach, netting the interest rate derivative assets with the interest rate derivative liabilities.

The company's portfolio of interest bearing instruments at the balance sheet date is as follows

	2007	2006
	£000	£000
Fair Market Value		
GBP	130,000	148,000

The company applies a value-at-risk approach for internal reporting purposes and to manage interest rate risks. This is based on a state-of-the-art historical simulation, in which the potential future fair value losses of the interest rate portfolio is compared with expected amounts on the basis of a holding period of three months and a confidence level of 99%.

A one basis point movement in interest rates would have increased or decreased this valuation of the company's net position by £24,000. The calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

In the following table the potential volume of fair value fluctuations - measured on the basis of the value-at-risk approach - is compared with the expected value for the interest rate relevant position of the company.

	2007	2006
	£000	£000
Value-at-risk		
GBP	2,500	1,900

The calculation of the fair values of interest rate swaps is described overleaf.

Notes (continued)

18 Financial instruments (continued)

Foreign currency risk

The company manages BMW UK Group companies' currency risks primarily through utilising forward contracts and foreign exchange swaps. The company utilises foreign exchange swaps and cross-currency swaps to hedge its own exposures on foreign currency loans and receivables. All foreign currency-denominated positions are fully hedged and any foreign currency transactions entered into as a service for BMW Group companies are transacted back-to-back without margin. The foreign currency denominated medium term notes (see note 12) are fully hedged by cross-currency derivatives exchanging interest payable in a foreign currency for a sterling floating rate payable. The foreign currency positions entered into with BMW Group companies are fully hedged using foreign by equal and opposite positions entered into with external counterparts. These economically effective hedges result in there being no significant net foreign currency exposure for the company.

Calculation of fair values

Fair values of financial instruments (derivatives and non-derivative instruments) are determined by using the company's Treasury Management System. This system incorporates relevant and current external market information. Specifically, fair market values are calculated by using a discounted cash flow method. Each future cash flow is discounted by a factor based on the zero yield curve. The zero yield curve is calculated by the system using current market data.

The carrying amounts and fair values of receivables from and loans from BMW Group companies are shown in the table below.

	2007		2006	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Receivables from BMW Group companies				
Non current	1,158,474	1,171,639	1,016,500	1,012,842
Current	2,437,642	2,436,627	1,818,000	1,816,866
	<u>3,596,116</u>	<u>3,608,266</u>	<u>2,834,500</u>	<u>2,829,708</u>
Loans from BMW Group companies				
Non current	100,000	100,231	100,000	100,351
Current	2,353,686	2,354,248	2,100,141	2,099,729
	<u>2,453,686</u>	<u>2,454,479</u>	<u>2,200,141</u>	<u>2,200,080</u>

The interest rates used to discount estimated cash flows where applicable are based on the following interest rates for the respective currencies,

%	GBP	EUR	JPY
Interest rate for 3 months	5.99	4.25	0.90
Interest rate for 6 months	5.94	4.27	0.98
Interest rate for one year	5.74	4.31	1.05
Interest rate for five years	5.14	4.56	1.20

Notes (continued)

18 Financial instruments (continued)

The nominal amounts, fair values and maturities of financial derivative instruments, which the company expects to be settled in cash, shown in the balance sheet are as follows

Ageing of fair values

31 December 2007	Nominal amount	Fair values			
		Total	Due within one year	Due between one and five years	Due later than five years
	Currency '000	£000	£000	£000	£000
<i>Assets</i>					
Interest rate contracts	GBP 1,710,450	12,595	3,287	8,998	310
Currency hedge contracts	EUR 4,249,490	183,955	178,405	5,550	-
Currency hedge contracts	JPY 38,200,000	2,220	52	2,168	-
<i>Liabilities</i>					
Interest rate contracts	GBP 1,314,150	11,504	502	10,692	310
Currency hedge contracts	EUR 3,352,000	163,866	163,866	-	-
Net asset/(liability)		23,400	17,376	6,024	-

31 December 2006	Nominal amount	Fair values			
		Total	Due within one year	Due between one and five years	Due later than five years
	Currency '000	£000	£000	£000	£000
<i>Assets</i>					
Interest rate contracts	GBP 2,007,400	14,096	2,574	11,375	147
Currency hedge contracts	EUR 3,500,581	29,663	28,798	865	-
<i>Liabilities</i>					
Interest rate contracts	GBP 680,000	4,073	1,309	2,617	147
Currency hedge contracts	EUR 4,357,872	35,028	33,116	1,912	-
Currency hedge contracts	JPY 5,000,000	4,058	4,058	-	-
Net asset/(liability)		600	(7,111)	7,711	-

Notes (continued)

18 Financial instruments (continued)

Ageing of nominal amounts

31 December 2007

	Currency	Nominal amount			
		Total	Due within one year	Due between one and five years	Due later than five years
		'000	'000	'000	'000
<i>Assets</i>					
Interest rate contracts	GBP	1,710,450	749,450	941,000	20,000
Currency hedge contracts	EUR	4,249,490	4,149,490	100,000	-
Currency hedge contracts	JPY	38,200,000	5,000,000	33,200,000	-
<i>Liabilities</i>					
Interest rate contracts	GBP	1,314,150	95,000	1,199,150	20,000
Currency hedge contracts	EUR	3,352,000	3,352,000	-	-

31 December 2006

	Currency	Nominal amount			
		Total	Due within one year	Due between one and five years	Due later than five years
		'000	'000	'000	'000
<i>Assets</i>					
Interest rate contracts	GBP	2 007 400	663,900	1 263 500	80,000
Currency hedge contracts	EUR	3 500 581	3 197 581	303 000	-
<i>Liabilities</i>					
Interest rate contracts	GBP	680 000	355,000	245 000	80 000
Currency hedge contracts	EUR	4 357 872	3,979 872	378 000	-
Currency hedge contracts	JPY	5,000,000	5 000 000	-	-

19 Capital commitments

No capital commitments existed as at 31 December 2007 (2006 £nil)

20 Contingencies and commitments

The company acts as guarantor for commitments, predominantly lease commitments, totalling £243 million (2006 £275 million) which have been entered into by BMW Group companies. Of this, £240 million (2006 £272 million) is re-guaranteed by BMW AG.

The company provides a EUR 200 million committed credit facility to BMW Austria Bank GmbH, Athens Branch (2006 EUR 100 million). BMW Austria Bank GmbH, Athens Branch has the right to terminate this facility with 1 months' notice. The company has the right to terminate this facility with 37 months' notice. Drawings of EUR 114 million were outstanding as at 31 December 2007 (2006 EUR 39 million).

Notes *(continued)*

21 Related parties

The company provides treasury services to other subsidiaries of BMW AG. All transactions are carried out on an arm's length basis, with interest rates being set in line with market rates prevailing at the time at which the parties enter into each transaction.

As disclosed in note 20, the company has provided guarantees for related parties, of which the majority have been re-guaranteed by BMW AG. BMW AG has provided guarantees in relation to debt issued to third parties, for which the company pays guarantee fees to BMW AG.

The related parties with which the company traded during the year or with whom there were outstanding assets or liabilities (including financial derivatives) at the year end were

Parent undertakings

BMW AG

BMW Holding BV

BMW (UK) Holdings Ltd

Fellow subsidiaries

BMW Finance NV

BMW (UK) Ltd

BMW (P&A) Ltd

Park Lane Ltd

BMW Financial Services (GB) Ltd

BMW Financial Services (Ireland) Ltd

BMW Leasing (GB) Ltd

Alphabet (GB) Ltd

BMW (UK) Manufacturing Ltd

BMW Services Ltd

BMW (UK) Investments Ltd

BMW (UK) Pensions Services Ltd

Midland Gears Ltd

Rolls-Royce Motor Cars Ltd

Rolls-Royce Motor Cars GmbH

BMW Hams Hall Motoren GmbH, UK Branch

BMW Automotive (Ireland) Ltd

Cirquent Ltd (formerly Softlab Ltd)

BMW Austria Bank GmbH, Athens Branch

Notes *(continued)*

21 Related parties (continued)

Interest receivable within the year from the ultimate parent company was £84,000 (2006 £nil), interest payable within the year to the ultimate parent company was £872,000 (2006 £2,510,000). As at 31 December 2007, there was a loan due to the ultimate parent company of EUR 75,000,000 (2006 EUR nil).

The charge for guarantee fees payable to the ultimate parent company in relation to guarantees on external debt and finance leases was £126,000 (2006 £127,000).

As at 31 December 2007 no asset or liability (2006 £69,000 liability) is shown within the balance sheet for a foreign currency derivative with the ultimate parent company.

Interest receivable within the year from the immediate parent company was £nil (2006 £57,000), interest payable within the year to the immediate parent company was £415,000 (2006 £332,000). As at 31 December 2007, there was a loan due to the immediate parent company of £9,051,000 (2006 £4,680,000).

22 Ultimate parent company and parent company of larger group

The company is a wholly owned subsidiary undertaking of BMW (UK) Holdings Limited which is incorporated in England and Wales.

The ultimate parent company and controlling party is Bayerische Motoren Werke Aktiengesellschaft, which is incorporated in Germany.

The address where Bayerische Motoren Werke Aktiengesellschaft's accounts, which include the results of the company, can be obtained is Petuelring 130, D-80788 Munich, Germany. No other group accounts include the results of the company.