

Registered in England and Wales
Number 3950870

BMW SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2005



BMW SERVICES LIMITED**DIRECTORS**

M C Kreeft
J Maidl

REPORT OF THE DIRECTORS

The directors present the Annual Report of BMW Services Limited together with the Financial Statements for the year ended 31 December 2005, which are prepared under United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

Review of activities

The Company is engaged in providing services to other BMW group undertakings in the UK and certain former BMW Group undertakings in the UK. The main activities of the company ended in the first quarter of 2005, when operational leases on plant and machinery ended. During the year the company disposed of fully depreciated land and buildings, yielding a profit of £60,500. Since the balance sheet date the company has re-assigned an operating lease.

Financial

The profit and loss account for the year is shown on page 5.

Dividends

The directors recommend that no dividend should be paid for the year ended 31 December 2005 (2004: £nil).

Directors

The names of the present directors of the Company are listed above.

Mr M C Kreeft and Mr J Maidl served as directors throughout the year.

The directors have no disclosable interests in shares or rights to subscribe for shares in any group BMW AG company.

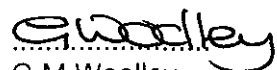
Political and charitable donations

The Company made no political donations in either period. The Company made no charitable donations. (2004: £Nil).

Auditors

The company has previously passed an elective resolution to dispense with the obligation to appoint the auditors KPMG LLP annually.

On behalf of the Board:



G M Woolley
SECRETARY
29th September 2006

BMW SERVICES LIMITED**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 UK Accounting Standards.

The financial statements are required to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these 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 ;
- 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 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.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BMW SERVICES LIMITED

We have audited the financial statements of BMW Services Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet 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

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company 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 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.


 KPMG LLP
 Chartered Accountants
 Registered Auditor

29 September 2006

BMW SERVICES LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005**

| | Notes | 2005 £000 | 2004 £000 |
|-----------------------------------------------------------------------------------------------------------|-------|--------------|----------------|
| Turnover | 2 | 148 | 4,607 |
| Cost of sales | | <u>(146)</u> | <u>(3,955)</u> |
| Gross profit | | 2 | 652 |
| Administrative expenses (2005 including £390,000 release of onerous lease provisions (2004 : £nil)) | | <u>180</u> | <u>(344)</u> |
| Operating profit | 3 | 182 | 308 |
| Net interest receivable and similar income | 5 | 1,365 | 1,228 |
| Profit on disposal of fixed assets | | <u>61</u> | <u>-</u> |
| Profit on ordinary activities before taxation | | 1,608 | 1,536 |
| Tax on profit on ordinary activities | 6 | <u>(202)</u> | <u>(96)</u> |
| Profit for financial year | | <u>1,406</u> | <u>1,440</u> |

DISCONTINUED OPERATIONS

All of the Company's reported profit for the financial periods relate to discontinued operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The Company has no recognised gains or losses other than the result for the above financial periods.

BMW SERVICES LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2005

| | Notes | 2005 £000 | 2004 £000 |
|----------------------------------------------------|-------|-----------------|-----------------|
| Fixed Assets | | | |
| Tangible assets | 7 | - | - |
| Intangible assets | 8 | - | - |
| | | <u>-</u> | <u>-</u> |
| Current Assets | | | |
| Debtors | 9 | 30,849 | 30,068 |
| | | <u>30,849</u> | <u>30,068</u> |
| Creditors – amounts falling due within one year | 10 | (1,714) | (2,339) |
| | | <u>(1,714)</u> | <u>(2,339)</u> |
| Net current assets | | <u>29,135</u> | <u>27,729</u> |
| Total assets less current liabilities | | <u>29,135</u> | <u>27,729</u> |
| Net assets | | <u>29,135</u> | <u>27,729</u> |
| Capital and reserves | | | |
| Called up share capital | 11 | 7,000 | 7,000 |
| Share premium | 12 | 63,000 | 63,000 |
| Profit and loss account | 12 | (40,865) | (42,271) |
| | | <u>(40,865)</u> | <u>(42,271)</u> |
| Total shareholders' funds | 13 | <u>29,135</u> | <u>27,729</u> |

These Financial Statements were approved by the Board of Directors on 29th September 2006 and were signed on its behalf by:



M C Kreeft

BMW SERVICES LIMITED

NOTES TO THE ACCOUNTS

1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 20 'Share-based payments';
- FRS 21 'Events after the balance sheet date';
- The presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

FRS's 20, 21 and 25 have no impact on adoption and accordingly the comparative balances have not been restated. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

Basis of preparation

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

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of BMW (UK) Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft, within which this Company is included, can be obtained from the address given in note 15.

Foreign currencies

Transactions in foreign currencies are converted at the rates prevailing at the date of transaction or, where forward cover contracts have been arranged, at the average contracted rates.

Depreciation

Depreciation is provided on a straight-line basis on the cost or valuation of each tangible fixed asset less estimated residual value, except freehold land and assets in the course of construction, at the following annual rates:

| | |
|------------------------------|-----------------------------------------------------------------------------------------------|
| Freehold buildings | - 2.5% |
| Leasehold land and buildings | - 2.5% or by equal annual instalments over the period of the lease, whichever is the shorter. |
| Plant and machinery | - 10% to 25% |

BMW SERVICES LIMITED**NOTES TO THE ACCOUNTS****1. Accounting Policies (continued)****Goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired is capitalised and written off on a straight line basis over its useful economic life. Provision is made for any impairment.

Leasing

Payments under operating leases are included in the profit and loss account as they fall due.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred (or accelerated) because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse and is provided in respect of all timing differences which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19 "Deferred Tax".

BMW SERVICES LIMITED**NOTES TO THE ACCOUNTS****2. Turnover**

Turnover excludes VAT and other sales taxes and arose out of sales made to former BMW group companies.

Turnover is derived from the provision of support services to former BMW group undertakings.

The Company has a single class of business, and all turnover originated in and was destined for the UK.

3. Operating profit

| | 2005 £000 | 2004 £000 |
|--------------------------------------------------|--------------|--------------|
| Operating profit is after charging/(crediting): | | |
| Depreciation and amortisation of tangible assets | | |
| - owned | - | 1 |
| Provision for impairment | - | 215 |
| Auditors remuneration | | |
| - audit services | 4 | 11 |
| Hire of tangible assets under operating leases | | |
| - plant and machinery | 146 | 3,955 |
| - other | 212 | 244 |
| Other operating income | (390) | - |

Other operating income is made up of sub-letting of leased properties and the reduction of a provision for onerous property leases.

BMW SERVICES LIMITED**NOTES TO THE ACCOUNTS - continued****4. Staff numbers and costs**

With the exception of the directors, the Company has no employees (2004 : none). The directors receive no remuneration (2004 : £nil) for their services to this Company and no pension contributions were made in the current or preceding year.

5. Net interest receivable and similar income

| | 2005 £000 | 2004 £000 |
|-------------------------------------------|--------------|--------------|
| Interest payable | | |
| External interest payable | - | (8) |
| Interest on loans from Group undertakings | <u>(1)</u> | <u>(9)</u> |
| | <u>(1)</u> | <u>(17)</u> |
| Interest receivable | | |
| On loans to Group undertakings | <u>1,366</u> | <u>1,245</u> |
| Net interest receivable | <u>1,365</u> | <u>1,228</u> |

BMW SERVICES LIMITED**NOTES TO THE ACCOUNTS – continued****6. Tax on profit on ordinary activities****Analysis of charge in period****Current Tax**

| | 2005 £000 | 2004 £000 |
|--------------------------------------|--------------|--------------|
| Current tax on income for the period | 202 | 96 |
| Adjustment in respect of prior years | - | - |
| Total current tax | <u>202</u> | <u>96</u> |
| Deferred tax | - | - |
| Total tax | <u>202</u> | <u>96</u> |

Current Tax reconciliation

| | 2005 £000 | 2004 £000 |
|------------------------------------------|--------------|--------------|
| Profit on ordinary activities before tax | 1,608 | 1,536 |
| Current tax at 30% (2004: 30%) | <u>482</u> | <u>461</u> |

Effects of:

| | | |
|------------------------------------------------------------------------------------------|------------|-----------|
| Capital allowances for the period in excess of depreciation and other timing differences | (280) | (309) |
| Expenses not deductible for tax purposes | - | (56) |
| Total Current tax charge | <u>202</u> | <u>96</u> |

Factors that may affect future tax charges

Deferred tax assets of £0.8m (2004: £1.1m) in respect of capital allowances and £1.4m (2004 : £1.4m) in respect of tax losses, have not been recognised on the basis that it is more likely than not there will be insufficient taxable profits arising in the future from which the reversal of the underlying asset could be deducted.

BMW SERVICES LIMITED**NOTES TO THE ACCOUNTS - continued****7. Tangible fixed assets**

| | Land and buildings | Plant and machinery | Total |
|--------------------------|--------------------|---------------------|--------------|
| | £000 | £000 | £000 |
| Cost or valuation | | | |
| At 1 January 2005 | 639 | 3 | 642 |
| Disposal | <u>(639)</u> | <u>-</u> | <u>(639)</u> |
| 31 December 2005 | <u>-</u> | <u>3</u> | <u>3</u> |
| Accumulated depreciation | | | |
| At 1 January 2005 | (639) | (3) | (642) |
| Disposal | <u>639</u> | <u>-</u> | <u>639</u> |
| At 31 December 2005 | <u>-</u> | <u>(3)</u> | <u>(3)</u> |
| Net book value at: | | | |
| 31 December 2005 | - | - | - |
| 31 December 2004 | <u>-</u> | <u>-</u> | <u>-</u> |

During the year the company sold land and buildings with a net book value of £nil for £66,000.

8. Intangible fixed assets

| | Goodwill |
|------------------------------|-----------------|
| | £000 |
| Cost | |
| At 31 December 2005 and 2004 | <u>23,273</u> |
| Amortisation | |
| At 31 December 2005 and 2004 | <u>(23,273)</u> |
| Net book value at: | |
| 31 December 2005 and 2004 | <u>-</u> |

BMW SERVICES LIMITED**NOTES TO THE ACCOUNTS - continued****9. Debtors**

| | 2005 £000 | 2004 £000 |
|------------------------------------|---------------|---------------|
| Trade debtors | 27 | 4 |
| Amounts owed by group undertakings | 30,483 | 29,947 |
| Other debtors | 12 | 117 |
| Other taxes | <u>327</u> | <u>-</u> |
| | <u>30,849</u> | <u>30,068</u> |

10. Creditors - amounts falling due within one year

| | 2005 £000 | 2004 £000 |
|---------------------------------------|--------------|--------------|
| Trade creditors | 91 | 96 |
| Amounts due to group undertakings | 19 | 96 |
| VAT | 10 | 392 |
| Other taxes and social security costs | 184 | 96 |
| Accruals | <u>1,410</u> | <u>1,659</u> |
| | <u>1,714</u> | <u>2,339</u> |

BMW SERVICES LIMITED**NOTES TO THE ACCOUNTS – continued****11. Share Capital**

Ordinary Shares of £1 each

| | 2005 £ | 2004 £ |
|------------------------------------|-------------------|-------------------|
| Authorised | <u>10,001,000</u> | <u>10,001,000</u> |
| Allotted, called up and fully paid | <u>7,000,001</u> | <u>7,000,001</u> |

12. Reserves

| | Share premium Account £000 | Profit and loss account £000 |
|---------------------------|----------------------------------|------------------------------------|
| At beginning of year | 63,000 | (42,271) |
| Profit for financial year | <u>-</u> | <u>1,406</u> |
| At end of year | <u>63,000</u> | <u>(40,865)</u> |

13. Reconciliation of movements in shareholders' funds

| | 2005 £000 |
|-------------------------------------|---------------|
| Profit for financial year | <u>1,406</u> |
| Net increase in shareholders' funds | 1,406 |
| Opening shareholders' funds | <u>27,729</u> |
| Closing shareholders' funds | <u>29,135</u> |

BMW SERVICES LIMITED**NOTES TO THE ACCOUNTS – continued****14. Operating lease commitments**

Payments totalling £217,500 were committed at the end of the year to be made during the following year in respect of operating leases, analysed as follows:-

| | 2005 £000 | 2004 £000 |
|-----------------------|--------------|--------------|
| Land and buildings | | |
| Agreements expiring: | | |
| Beyond five years | <u>218</u> | <u>213</u> |
| | <u>218</u> | <u>213</u> |
| Other tangible assets | | |
| Agreements expiring: | | |
| Within one year | <u>-</u> | <u>128</u> |
| | <u>-</u> | <u>128</u> |

15. Ultimate parent company

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

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

The address where Bayerische Motoren Werke Aktiengesellschaft's accounts can be obtained is Petuelring 130, D-80809 Munich, Germany. No other group accounts include the results of the Company.