

Registered in England and Wales  
Number 3950870

# **BMW SERVICES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2002**



**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 2002.

**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.

**Financial**

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

**Dividends**

The directors recommend that no dividend should be paid for the year ended 31 December 2002 (2001: £nil).

**Directors**

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

Mr M C Kreeft served throughout the year. Mr J Maidl was appointed as a director on 18 April 2002.

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

**Disabled People**

Applications for employment from disabled people are studied with care, and every effort is made to find them appropriate work with training where it is required.

**Employee involvement**

All employees are regularly informed of the company's sales performance against targets and other topics of general interest.

Employees are encouraged to formulate ideas that will improve the efficiency of the company.

**Political and charitable donations**

The Company made no political donations. The Company made no Charitable donations (2001: £47,888).

**BMW SERVICES LIMITED****REPORT OF THE DIRECTORS - continued****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 the profit or loss for that period. In preparing those financial statements, the directors are required to:

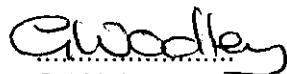
- select suitable accounting policies and then apply them consistently ;
- make judgements and estimates that are reasonable and prudent ;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements ;
- prepare 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.

**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

22 September 2003

**BMW SERVICES LIMITED****INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
BMW SERVICES LIMITED**

We have audited the financial statements on pages 5 to 16.

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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

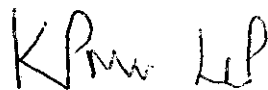
**Basis of audit opinion**

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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KPMG LLP  
Chartered Accountants  
Registered Auditor

22 September 2003

**BMW SERVICES LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2002**

	Notes	2002 £000	2001 £000
<b>Turnover</b>	1	27,748	75,919
Cost of sales		<u>(18,692)</u>	<u>(63,955)</u>
<b>Gross profit</b>		9,056	11,964
<b>Administrative expenses</b>			
Includes operating exceptional expense of £2,501,000 (2001: £1,540,000)			
	2	<u>(3,009)</u>	<u>(13,630)</u>
<b>Operating profit / (loss)</b>	3	6,047	(1,666)
Loss on sale of fixed assets		(911)	-
Net interest receivable / (payable) and similar charges	7	<u>909</u>	<u>(3,300)</u>
<b>Profit / (loss) on ordinary activities before taxation</b>		6,045	(4,966)
Tax on profit / loss on ordinary activities	8	<u>-</u>	<u>-</u>
<b>Profit / (loss) for financial year</b>		<u>6,045</u>	<u>(4,966)</u>

**CONTINUING OPERATIONS**

All of the Company's reported profit / (loss) for the financial periods relate to continuing operations.

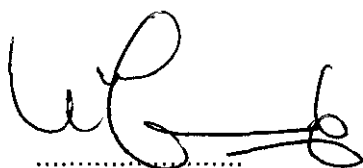
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

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 2002**

	Notes	2002 £000	2001 £000
<b>Fixed Assets</b>			
Tangible assets	9	219	6,045
Intangible assets	10	-	-
		<u>219</u>	<u>6,045</u>
<b>Current Assets</b>			
Debtors	11	31,547	91,155
Cash at bank and in hand		<u>177</u>	<u>85</u>
		31,724	91,240
<b>Creditors – amounts falling due within one year</b>	12	<u>(6,514)</u>	<u>(77,901)</u>
<b>Net current assets/(liabilities)</b>		<u>25,210</u>	<u>13,339</u>
<b>Total assets less current liabilities</b>		25,429	19,384
<b>Deferred Taxation</b>	13	<u>-</u>	<u>-</u>
<b>Net assets/(liabilities)</b>		<u>25,429</u>	<u>19,384</u>
<b>Capital and reserves</b>			
Called up share capital	14	7,000	7,000
Share premium	15	63,000	63,000
Profit and loss account	15	<u>(44,571)</u>	<u>(50,616)</u>
<b>Total shareholders' funds</b>	16	<u>25,429</u>	<u>19,384</u>

These Financial Statements were approved by the Board of Directors on 22nd September 2003 and were signed on its behalf by:



M C Kreeft

**BMW SERVICES LIMITED****ACCOUNTING POLICIES****Accounting convention**

These financial statements are prepared in accordance with applicable accounting standards under the historical cost convention. The company has adopted the transitional arrangements of FRS 17 "Retirement Benefits". The company has adopted FRS 19 'Deferred Tax' in these financial statements. This has no effect on the current or preceding years results.

**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%

**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.

**Pensions**

Pension costs have been charged to the profit and loss account based on contributions payable to the scheme in the year, (see note 6).

**Interest**

Interest is accounted for on an accruals basis.

**Leasing**

Plant and machinery acquired under finance leasing are recorded in the balance sheet as tangible fixed assets and are depreciated in accordance with the accounting policy set out above. Future instalments under such leases, net of finance charges, are included in creditors.

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

**BMW SERVICES LIMITED****ACCOUNTING POLICIES - continued****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". FRS 19 has been adopted for the first time in these financial statements however there is no effect on the preceding years results (see note 8).

**Cash flow statement**

Under Financial Reporting Standard 1 (revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking and the ultimate parent undertaking includes the company's cashflow in its own consolidated financial statements which are publicly available (see note 19).

**Related party disclosures**

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose transactions with entities that are part of the Group on the grounds that it is wholly owned by a parent undertaking which includes the Company in its own published consolidated financial statements.



**BMW SERVICES LIMITED****NOTES TO THE ACCOUNTS****1. Turnover**

Turnover excludes VAT and other sales taxes and is analysed as follows:-

	2002 £000	2001 £000
External Customers	15,737	68,870
Other BMW AG Companies	<u>12,011</u>	<u>7,049</u>
	<u>27,748</u>	<u>75,919</u>

The value of export sales for the year was £nil (2001: £nil).

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

The Company has a single class of business.

**2. Administrative expenses**

Administrative expenses includes the following operating exceptional items:

	2002 £000	2001 £000
Redundancy costs	<u>(2,501)</u>	<u>(1,540)</u>
	<u>(2,501)</u>	<u>(1,540)</u>

**3. Operating profit / (loss)**

	2002 £000	2001 £000
Operating loss is after charging/(crediting):		
Depreciation and amortisation of tangible assets		
- owned	975	1,820
Auditors remuneration		
- audit services	14	50
Hire of tangible assets under operating leases		
- plant and machinery	20,008	19,708
- other	328	1,705
Foreign exchange (gains)/losses	(2)	241

**BMW SERVICES LIMITED****NOTES TO THE ACCOUNTS - continued****4. Directors****Emoluments**

The directors receive no remuneration for their services to this Company.

**5. Employees**

	2002	2001
Average number of employees during the year	<u>44</u>	<u>209</u>
Number of employees at end of year	<u>4</u>	<u>118</u>
	£000	£000
Employment costs		
Wages and salaries	1,134	9,617
Social security costs	160	1,083
Pension costs (note 6)	<u>85</u>	<u>1,011</u>
	<u>1,379</u>	<u>11,711</u>

**6. Pensions**

The Company participates in pensions schemes operated by BMW Group. These are defined benefit schemes, the assets of which are held in separate trustee administered funds. The major pension arrangement is the BMW (UK) Operations Pension Scheme of which the latest actuarial valuation was carried out by independent, qualified actuaries using the projected unit method as at 5 April 2001.

The actuarial assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions in payment. In the 2001 actuarial valuation it was assumed that the discount rate for pre-retirement liabilities would be 2% above fixed interest gilt yields and that the discount rate for post retirement liabilities would be in line with fixed interest gilt yields. The assumed rate of salary increase was 1.0% per annum above the rate of inflation and the assumed rate at which pensions increase was between 0.01% and 1.1% per annum above the rate of inflation. The market value of the scheme assets at that date was £4,024 million. Following adjustment for bulk transfers due to MG Rover Group and Land Rover pension schemes the market value of the assets was restated in the actuarial valuation report as £3,177 million. This represented 96% of the benefits which had been accrued to members, after allowing for future assumed increases in earnings.

**BMW SERVICES LIMITED****NOTES TO THE ACCOUNTS – continued**

The pension scheme deficit, which is detailed in the accounts of the holding company, BMW (UK) Holdings Limited, is guaranteed by that company and is, therefore, accounted by it in accordance with SSAP24. The accounts of BMW (UK) Holdings Limited are available from Ellesfield Avenue, Bracknell, Berkshire, RG12 8TA.

BMW Services Limited has accounted for the scheme on the basis of contributions payable in the year. The contributions payable for the year were £85k and the contributions outstanding at the year end were nil.

**7. Net interest payable and similar charges**

	2002 £000	2001 £000
Interest payable		
External charges	-	8
Interest on loans from Group undertakings	<u>49</u>	<u>4,547</u>
	<u>49</u>	<u>4,555</u>
Interest receivable		
On employee loans and bank deposits	(185)	(858)
On loans to Group undertakings	<u>(773)</u>	<u>(397)</u>
	<u>(958)</u>	<u>(1,255)</u>
Net interest (receivable) / payable	<u>(909)</u>	<u>3,300</u>

**BMW SERVICES LIMITED****NOTES TO THE ACCOUNTS – continued****8. Tax on profit/(loss) on ordinary activities**

Based on the results for the year no provision for UK Corporation Tax or deferred taxation is required in either 2002 or 2001.

The current tax charge is lower (2001: higher) than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained below

	2002 £000	2001 £000
<b>Current Tax reconciliation</b>		
Profit/(loss) on ordinary activities before tax	6,045	(4,966)
Current tax at 30% (2001: 30%)	<u>1,814</u>	<u>(1,490)</u>
<b>Effects of:</b>		
Capital allowances for the period in excess of depreciation and other timing differences	1,258	(844)
Group relief surrendered for no payment		2,333
Tax losses utilised	(3,079)	-
Expenses not deductible for tax purposes	7	1
<b>Total Current tax charge</b>	<u>-</u>	<u>-</u>

**Factors that may affect future tax charges**

A deferred tax asset of £3.4m (2001: £2.1m) in respect of capital allowances and £0.5m (2001: £3.6m) 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****9. Tangible fixed assets**

	Land and buildings Owned £000	Plant and machinery Owned £000	Total £000
Cost or valuation			
At 1 January 2002	2,149	6,235	8,384
Disposals	(1,507)	(6,235)	(7,742)
Re-classification	(3)	3	
At 31 December 2002	<u>639</u>	<u>3</u>	<u>642</u>
Accumulated depreciation and amortisation			
At 1 January 2002	(170)	(2,169)	(2,339)
Charge for period	(405)	(570)	(975)
Disposals	153	2,738	2,891
At 31 December 2002	<u>(422)</u>	<u>(1)</u>	<u>(423)</u>
Net book value at:			
31 December 2002	217	2	219
31 December 2001	1,979	4,066	6,045

**10. Intangible fixed assets**

	£000
Cost	
At 31 December 2002 and 2001	<u>23,273</u>
Amortisation	
At 31 December 2002 and 2001	<u>(23,273)</u>
Net book value at:	
31 December 2002 and 2001	<u>-</u>

**BMW SERVICES LIMITED****NOTES TO THE ACCOUNTS - continued****11. Debtors**

	2002 £000	2001 £000
Trade debtors	572	24,110
Interest bearing deposit from Group undertakings	22,300	45,740
Amounts owed by group undertakings	7,779	14,981
Other debtors	896	6,324
	<u>31,547</u>	<u>91,155</u>

**12. Creditors - amounts falling due within one year**

	2002 £000	2001 £000
Trade creditors	463	34,300
Amounts due to group undertakings	23	33,284
VAT	-	2,931
Other taxes and social security costs	45	744
Accruals	5,983	6,642
	<u>6,514</u>	<u>77,901</u>

**13. Deferred Taxation**

There is no potential liability for deferred taxation arising from accelerated capital allowances or other short term timing differences. Details of the unprovided tax asset are set out in note 8.

**14. Share Capital**

Ordinary Shares of £1 each

	2002 £	2001 £
Authorised	<u>10,001,000</u>	<u>10,0001,000</u>
Allotted, called up and fully paid	<u>7,000,001</u>	<u>7,000,001</u>

**BMW SERVICES LIMITED****NOTES TO THE ACCOUNTS – continued****15. Reserves**

	Share premium Account £000	Profit and loss account £000
At beginning of year	63,000	(50,616)
Profit for financial year	<u>-</u>	<u>6,045</u>
At end of year	<u>63,000</u>	<u>(44,571)</u>

**16. Reconciliation of movements in shareholders' funds**

	2002 £000
Profit for financial year	<u>6,045</u>
Net increase in shareholders' funds	6,045
Opening shareholders' funds	<u>19,384</u>
Closing shareholders' funds	<u>25,429</u>

**17. Capital commitments**

Capital expenditure not provided for but for which contracts to purchase had been placed amounted to £nil.

**18. Operating lease commitments**

Payments totalling £14,922,000 were committed at the end of the year to be made during the following year in respect of operating leases, analysed as follows:-

	2002 £000	2001 £000
Land and buildings		
Agreements expiring:		
Within one year	21	22
Between one and five years	62	105
Beyond five years	<u>213</u>	<u>213</u>
	<u>296</u>	<u>340</u>

**BMW SERVICES LIMITED****NOTES TO THE ACCOUNTS – continued**

	2002 £000	2001 £000
Other tangible assets		
Agreements expiring:		
Within one year	4,076	5,556
Between one and five years	10,550	13,251
	<hr/>	<hr/>
	14,626	18,807

Other tangible assets includes amounts held under operating leases recharged to fellow group undertakings, recharged as follows:

	2002 £000	2001 £000
Agreements expiring:		
Within one year	1,113	431
Between one and five years	-	958
	<hr/>	<hr/>
	1,113	1,389

**19. 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.