

Swindon Pressings Limited

Annual report and financial statements

Registered number 3950873

For the year ended 31 December 2018



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Strategic report

Principal activities

Swindon Pressings Limited (the “company”) is engaged in the manufacture of steel pressings and sub-assembly components for the automotive industry.

Business review

The company is a production site within the BMW Group production network. The company currently produces parts and sub-assemblies for all MINI derivatives and other specific BMW derivatives in production.

The main corporate objectives are:

- to manufacture body pressings and sub-assemblies to BMW Group quality standards;
- to continuously implement operational efficiencies to reduce the cost of production; and
- to achieve targeted production volumes in support of BMW Group sales objectives.

Management consider the following to be the main strategic target areas:

Strategic target area	Performance indicator	Measure
Quality	Adherence to engineering and product standards	Number of quality defects
Production cost	Adherence to cost budget and investment framework	Cost per car set
Volume	Adherence to production programme	Number of car sets produced

Manufactured volume increased by 6.7% compared to 2017, driven by changing demand from the company’s main customers; BMW (UK) Manufacturing Ltd, VDL Nedcar B.V. and BMW AG.

Quality standards are maintained to BMW Group requirements with targets being agreed on an annual basis to satisfy engineering and product standards. External customer feedback and evaluations from organisations such as JD Power, the BMW & MINI dealer network and other sources within the automotive segment, are used to maintain the focus on quality of production.

Production costs represented by labour and overheads are targeted to achieve annual efficiency gains through improved process efficiency and productivity measures.

Risk management

The company participates in a comprehensive risk management system utilised by the BMW Group to identify, evaluate and document the main categories of risk. As part of the long term planning strategy and short term forecasting procedures, the risks and opportunities attached to specific business activities are evaluated and used as the basis for setting targets and implementing appropriate risk mitigation measures. At present, no risks have been identified which could threaten the existence of the company or which could have a materially adverse impact on the net assets, financial position or results of operation of the company.

In the course of its activities, the company is exposed to various categories of risk:

Strategic report (continued)

Risk management (continued)

Risks relating to the general economic environment

- Currency and interest rate risks, (due to all sales and the majority of cost of sales being in foreign currencies), are managed throughout the BMW Group at both a strategic and an operating level, utilising hedging strategies and financial markets, co-ordinated through treasury operations, managed by BMW Group.
- Changes in the international commodity markets for precious metals are closely monitored by the BMW Group and hedging strategies implemented, from which the company benefits.
- As a manufacturing enterprise, the company is also affected by changes in energy prices, caused by both market factors and tax legislation

Specific industry risks

- Changes in fuel prices, which may be either market induced or due to governmental tax policies, and increasingly stringent requirements to reduce fuel consumption as well as CO₂ and N₂O emissions, place high demands on engine and product development. Future strategies may lead into the development of alternative technologies. The corresponding developments in this area are conducted on BMW Group level.

Operating risks

- Risks arising from business interruption and loss of production are insured up to economically reasonable levels under group policies. The BMW Group's flexible production network and working time models also help to reduce operating risks.
- Close co-operation between manufacturers and suppliers is usual in the automotive sector and although this provides economic benefits, it also creates a degree of mutual dependence. Variable pricing, delivery delays, cancellations, strikes or poor quality can thus have a negative impact on profitability. These risks are mitigated by careful supplier selection procedures which assess the technical competence and financial strength of potential suppliers and combined with an ongoing monitoring of supplier performance.

Legal risks

- The company is not involved in any court or arbitration proceedings which would have a significant impact on the economic position of the company.
- The risks arising from warranty claims are mitigated by the high quality of products, ensured by regular quality audits and ongoing improvement measures.

Personnel risks

- As an attractive employer and as part of the BMW Group, the company has found itself in a favourable position in the intense competition for qualified technical and managerial staff. Employee satisfaction helps to minimise the risk of know-how drift.
- Demographic changes will give rise to risks and opportunities in the future and these are monitored for potential impacts on operations, focusing in particular on the creation of a working environment for the future, promotion and maintenance of the workforce's ability to perform with the appropriate set of skills, training, individual employee working life-time models and increasing employees' awareness of their responsibility for their future.

Information and IT risks

- As part of the BMW Group, the company protects data, business secrets and innovative developments against unauthorised access, damage and misuse using security measures appropriate to the risk involved. These measures encompass manual, process design and IT controls. The protection of information and data is an integral component of business processes and is achieved by applying international security standards. The technical data protection procedures include process-specific security measures as well as standard activities such as virus scanners, firewall systems and access controls at operating and application level.

Strategic report *(continued)*

Financial

- Revenue increased by 1.3% mainly due to an increase in volume. Gross Profit expressed as a percentage per P&L figures 2018 is 13.5%. The profit for the year is shown in the Statement of Comprehensive Income on page 8.

Brexit

The result of the EU referendum creates uncertainty for the automotive and financial services sectors in general and for overseas investors in particular. This uncertainty increases the challenge in making long-term business decisions. As a major employer, exporter and investor, the BMW Group remains committed to the UK. With four plants producing vehicles, components and pressed parts for all three of our automotive brands, the UK also plays an important role in the BMW Group's production network. The BMW production system is designed to be highly flexible, so that we can respond quickly to changing market demand. This is especially important in a volatile, fast-changing environment. We are currently going to great lengths to prepare our production network for the impact of Brexit.

Outlook in 2019

A clear focus on the supply of components for premium vehicles and premium services for individual mobility remains the core of our business model. We will continue to refine this approach. We do so in light of changing customer demands, stringent regulations and the demands placed on automobile manufacturers by different industrial policies in different countries. Our clear focus is to maintain the supply of components for various derivatives, now in volume production across various production locations of the BMW Group and other production partner plants. In 2019 we continue to sustain a clear focus on process stability and on-going productivity improvements whilst supporting a positive sales momentum. No new major investments are planned but expenditure for optimisation of existing facilities will continue.

By order of the board



J P Stoyale
Director

Summit ONE, Summit Avenue, Farnborough, Hampshire,
GU14 0FB, England

25th March, 2019

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

Directors

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

F J Bachmann
J P Stoye

Proposed dividend

A dividend of £9,824,486 (2017: £4,995,000) was paid to BMW (UK) Holdings Limited (sole shareholder of Swindon Pressings Ltd) on 23rd April 2018. A reconciliation of the movements in shareholders' funds is given in the statement of changes in equity. Subsequent to the year end a proposed dividend of £6,900,000 was declared on 1st March 2019 and is due to be paid to BMW (UK) Holdings Limited (sole shareholder of BMW (UK) Manufacturing Ltd) on 7th May 2019.

Employees

All employees are regularly informed of the company's sales performance, comprehensive business information and other topics of general interest via a range of media including local and company-wide newspapers. Employees are encouraged to formulate ideas that will improve the efficiency of the company.

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. Employees who become disabled during their working life will be retrained in employment wherever possible and will be given the required assistance. The company is an equal opportunities employer and is opposed to any form of discrimination being practiced against employees or applicants for employment.

Political and charitable contributions

The company made charitable donations during the year amounting to £8,501 (2017: £3000).

The company made no political donations during the year (2017: nil).

Disclosure of information to auditor

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 auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will, therefore, continue in office.

By order of the board



J P Stoye
Director

Summit ONE, Summit Avenue, Farnborough, Hampshire,
GU14 0FB, England

25th March, 2019.

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

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they 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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Independent auditor's report to the members of Swindon Pressings Limited

Opinion

We have audited the financial statements of Swindon Pressings Limited for the year ended 31 December 2018 which comprise the Statement of Profit and Loss account and Other Comprehensive Income, Balance Sheet, Statement of changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework, FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of long-lived assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to the unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports that report and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.



Matthew Buckingham (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

1 April 2019

Statement of Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Turnover	2	193,810	191,331
Cost of Sales		(167,552)	(172,272)
Gross Profit		26,258	19,059
Other operating income	3	554	6,594
Administrative expenses		(16,571)	(16,330)
Other operating expenses	4	(1,834)	(1,095)
Operating profit		8,407	8,228
Interest receivable and similar income	6	159	37
Interest payable and similar charges	7	(7)	(3)
Profit before taxation		8,559	8,262
Tax on profit	9	(1,619)	(1,877)
Profit for the financial year, being total comprehensive income for the year		6,940	6,385

The above results relate to continuing operations.

The notes on pages 11 to 28 are an integral part of these financial statements.

The company has no other comprehensive income other than the result above and as such no separate other comprehensive income statement has been provided.

Balance Sheet
at 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Fixed Assets			
Tangible Assets	<i>10</i>	26,097	27,644
Current assets			
Stock	<i>12</i>	7,849	7,135
Debtors	<i>13</i>	38,480	55,897
		46,329	63,032
Creditors: amounts falling due within one year	<i>14</i>	(25,302)	(36,270)
Net current assets		21,027	26,762
Total assets less current liabilities		47,124	54,406
Provisions for liabilities	<i>15</i>	(984)	(5,382)
Net assets		46,140	49,024
Capital and Reserves			
Called up share capital	<i>16</i>	1,500	1,500
Share premium		37,700	37,700
Profit and Loss account		6,940	9,824
Shareholders' Funds		46,140	49,024

The notes on pages 11 to 28 are an integral part of these financial statements

These financial statements were approved by the board of directors on 25th March 2019 and were signed on its behalf by:



J P Stoyale
Director

Registered No. 3950873

Statement of Changes in Equity

	CalledUp Share capital £000	Share premium £000	Retained earnings £000	Total £000
Balance at 1 January 2017	1,500	37,700	8,434	47,634
Total comprehensive income for the year				
Profit for the year	-	-	6,385	6,385
Total comprehensive income for the year	-	-	6,385	6,385
Transactions with owners recorded directly in equity: Dividends	-	-	(4,995)	(4,995)
Total contributions by and distributions to owners	-	-	(4,995)	(4,995)
Balance at 31 December 2017	1,500	37,700	9,824	49,024
Balance at 1 January 2018	1,500	37,700	9,824	49,024
Total comprehensive income for the year				
Profit for the year	-	-	6,940	6,940
Total comprehensive income for the year	-	-	6,940	6,940
Transactions with owners recorded directly in equity: Dividends	-	-	(9,824)	(9,824)
Total contributions by and distributions to owners	-	-	(9,824)	(9,824)
Balance at 31 December 2018	1,500	37,700	6,940	46,140

Details of share capital are disclosed in note 16. Share premium represents the additional capital received over the nominal value of new shares subscribed. Retained earnings represent the total accumulated net gains and losses at the balance sheet date.

Notes

(forming part of the financial statements)

1 Accounting policies

Swindon Pressings Limited (the “company”) is a company incorporated, domiciled and registered in England. The registered number is 3950873 and the registered address is Summit ONE, Summit Avenue, Farnborough, Hampshire GU14 0FB.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”).

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company’s ultimate parent undertaking, Bayerische Motoren Werke Aktiengesellschaft (BMW AG) includes the company in its consolidated financial statements. The consolidated financial statements of BMW AG are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Petuelring 130, D-80809 Munich, Germany.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with excess gap were wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the reclassification of items in the financial statements; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of BMW AG include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosure.

Statement of compliance

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Change in Accounting Policy

The company has adopted the following IFRSs in these financial statements:

- IFRS 15: Revenue from Contracts with Customers [See Note 21].
- IFRS 9: Financial Instruments [See Note 21]

Measurement convention

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, pension scheme assets and financial instruments. The financial statements are presented in pounds sterling.

Notes (continued)

1 Accounting policies (continued)

Going concern

The company has significant net assets, it is historically profitable and its order pipeline is healthy. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The company is currently going to great lengths to prepare its production network for the impact of Brexit.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

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 profit and loss account. 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.

Tangible fixed assets

All tangible fixed assets are considered to have finite useful lives. They are stated at acquisition or manufacturing cost less systematic depreciation based on the estimated useful lives of the assets. Depreciation on tangible fixed assets reflects the pattern of their usage and is generally computed using the straight-line method. Components of items of tangible fixed assets with different useful lives are depreciated separately.

A tangible fixed asset which is being constructed or developed is held within tangible fixed assets at cost without depreciation, until construction or development is complete. Where parts of an item of tangible fixed asset have different useful lives, they are accounted for as separate items of tangible fixed asset.

Depreciation is charged to the profit and loss account on a straight line basis over the estimated useful lives of each part of an item of tangible fixed asset. Land is not depreciated. The estimated useful lives are as follows:

Factory and office buildings and distribution facilities	10 to 50 years
Plant and machinery	5 to 10 years
Special tool, dies and jigs	3 to 10 years

Leases

Non-current assets also include assets relating to leases. IAS 17 (Leases) contains rules for determining, on the basis of risks and rewards, the economic owner of the assets. In the case of finance leases the assets are attributed to the lessee and in the case of operating leases the assets are attributed to the lessor. In accordance with IAS 17, assets leased under finance leases are measured at their fair value at the inception of the lease or at the present value of the lease payments, if lower. The assets are depreciated using the straight-line method over their estimated useful lives or over the lease period, if shorter. The obligations for future lease instalments are recognised as other financial liabilities. Payments made under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Impairment (excluding stocks and deferred tax assets)

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Notes (continued)

1 Accounting policies (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-Financial assets

The carrying amounts of the company's non-financial assets, other than (stocks and deferred tax assets), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Calculation of recoverable amount

The recoverable amount of the company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of other stocks is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks and bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Research and development

All research and development expenditure, including the design and production of prototypes, is borne by the company's ultimate holding company BMW AG.

Trade and other debtors

Trade and other debtors are stated at cost less impairment losses.

Turnover

Turnover from the sale of steel and aluminium pressings and sub-assembly components is recognised at the point when the control of ownership of the goods are transferred to the buyer, the sales price is agreed or determinable and receipt of payment can be reasonably expected. The directors consider this to have occurred when the goods are despatched. Sales prices are determined by a price list which is agreed in advance at set points in the year. The pressings and components are produced to pre-determined quality standards so incidence of returns is minimal. In most circumstances payment terms are thirty days.

Notes (continued)

1 Accounting policies (continued)

Expenses

Operating lease payments

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Finance income and expenses

Finance expenses comprise interest payable on borrowings and finance leases calculated using the effective interest rate method. Finance income comprises of interest receivable on funds invested and any gains and losses on hedging instruments that are recognised in the profit and loss account.

Interest income is recognised in the profit and loss account as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the profit and loss account using the effective interest rate method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account, 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.

Employee benefits

Some of the company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is BMW (UK) Holdings Limited. The company then recognises a cost equal to its contribution payable for the period.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle an obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Notes (continued)

2 Turnover

Turnover from contracts with customers represents the value of steel and aluminium pressings and sub-assembly components excluding VAT and other sales taxes and is analysed as follows:

	2018 £000	2017 £000
External customers	36,542	36,350
Fellow group undertakings	157,268	154,981
	<u>193,810</u>	<u>191,331</u>

The company has a single class of business, being the sale of goods and all revenue originates in the UK. Turnover is recognised as a point in time, which is when goods are dispatched. Sales made to fellow group undertakings are made on an arm's length basis.

3 Other operating income

Included in the profit and loss account are the following:

	2018 £000	2017 £000
Rental and leasing income	56	71
Income from non-operating activities	-	6,496
Other operating income	497	25
Foreign exchange gains	1	2
	<u>554</u>	<u>6,594</u>

4 Other operating expenses

Included in the profit and loss account are the following:

	2018 £000	2017 £000
Other operating expenses	265	140
Early Retirement	1,567	952
Foreign Exchange losses	2	3
	<u>1,834</u>	<u>1,095</u>

5 Expenses and auditor's remuneration

Included in the profit and account are the following amounts:

	2018 £000	2017 £000 (Restated)
Operating lease costs – other (see note 17)	373	533
Depreciation (see note 10)	1,547	2,098
Audit fees in connection with the audit of these financial statements	28	28
	<u></u>	<u></u>

The operating leases were restated due to a mis-calculation in prior year.

Notes (continued)

6 Interest receivable and similar income

	2018 £000	2017 £000
Interest receivable from fellow group undertakings	159	37

7 Interest payable and similar charges

	2018 £000	2017 £000
Interest payable to fellow group undertakings	7	3

8 Staff numbers and costs

The average number of persons employed by the company (including temporary agency staff) during the year was as follows:

	Number of employees	
	2018	2017
Manufacturing	686	702
Administration	15	16
	701	718

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	30,840	30,039
Social security costs	2,933	2,695
Other pension costs	4,403	28,598
	38,176	61,332
Cost of temporary agency employees	1,562	1,577

Notes (continued)

9 Taxation

Analysis of charge in year

	2018 £000	£000	2017 £000	£000
<i>UK corporation tax</i>				
Current tax on profit for the year	71		2,203	
Prior year adjustment	(29)		29	
Total current tax		42		2,232
<i>Deferred tax (see note 11)</i>				
Origination and reversal of temporary differences	1,577		(355)	
Total deferred tax		1,577		(355)
Tax on profit on ordinary activities		1,619		1,877

Factors affecting the tax charge for the current year

The tax charge for the year is lower (2017: Higher) than the standard rate of corporation tax in the UK (19.00%) (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
<i>Tax reconciliation</i>		
Profit on ordinary activities before tax	8,559	8,262
Current tax at 19.00% (2017: 19.25%)	1,626	1,591
<i>Effects of:</i>		
Reduction in future rate of corporation tax	-	-
Expenses not deductible for tax charges	208	210
Reduction in tax rates on deferred tax balances	-	47
Origination and reversal of temporary differences	(186)	-
Prior Year adjustments	(29)	29
Total tax charge (see above)	1,619	1,877

Factors that may affect future charges

There was a reduction in the UK corporation tax rate from 20% to 19% effective from 1 April 2017. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on these rates.

Notes (continued)

10 Tangible Fixed Assets

	Land and buildings	Plant and machinery	Total
	£000	£000	£000
Cost or valuation			
At beginning of year	92,175	162,469	254,644
Disposals	(7,969)	(32,411)	(40,380)
Transfers	-	-	-
At end of year	84,206	130,058	214,264
Depreciation			
At beginning of year	64,586	162,414	227,000
Charge for year	1,136	411	1,547
Disposals	(7,969)	(32,411)	(40,380)
Transfers	709	(709)	-
At end of year	58,462	129,705	188,167
Net book value			
At 31 December 2018	25,744	353	26,097
At 31 December 2017	27,589	55	27,644

There were £nil (2017: £nil) outstanding capital commitments at the end of the financial year.

11 Deferred tax assets and liabilities

There are no deferred tax liabilities.

Deferred tax assets are attributable to the following:

	2018 £000	2017 £000
Tangible fixed assets	549	641
Tax losses and other timing differences	986	2,471
Tax assets	1,535	3,112

Notes (continued)

11 Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

	Tangible Fixed Assets £000	Other timing differences £000	Tax losses £000	Total £000
At 1 January 2017	675	915	1,167	2,757
Recognised in income	(34)	1,556	(1,167)	355
At 31 December 2017	641	2,471	-	3,112
At 1 January 2018				
Recognised in income	(92)	(1,485)	-	(1,577)
At 31 December 2018	549	986	-	1,535

12 Stocks

	2018 £000	2017 £000
Raw material	261	510
Work In Progress	3,333	3,263
Finished goods	4,255	3,362
	7,849	7,135

Included in above are provisions for excess and obsolescence against stocks of £2,078k (2017: £nil)

Notes (continued)

13 Debtors

	2018 £000	2017 £000
Trade debtors	3,756	4,379
Amounts owed by group undertakings	30,911	45,606
Receivables from employees	130	187
Deferred tax assets (see note 11)	1,535	3,112
VAT	2,050	2,479
Prepayments	98	134
	<hr/>	<hr/>
	38,480	55,897
	<hr/>	<hr/>

Exposure to credit risk

The trade receivables from related parties are mainly concentrated in the UK. Due to the nature of trading, past due receivables do not occur which does not give rise to an allowance for impairment.

Interest bearing loan with related party:

Included within Amounts owed by group undertakings for 2018 is a short term interest bearing loan of £26,000k with BMW International. (2017: £37,000k) with BMW Finance N.V. Given the short term nature of the loan the fair value and carrying value are the same.

14 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	13,015	12,703
Amounts owed to group undertakings	3,661	9,758
Non-trade payables	6,617	10,875
Tax payable	1,245	2,232
Accruals	764	702
	<hr/>	<hr/>
	25,302	36,270
	<hr/>	<hr/>

Notes (continued)

15 Provisions for liabilities

	2018 £000	2017 £000
<i>Contaminated land</i>		
At beginning of year	5,382	5,382
Amounts used	(4,398)	-
Additional amounts provided	-	-
Releases	-	-
	<hr/>	<hr/>
At end of year	984	5,382
	<hr/>	<hr/>

Due to the redevelopment of the Swindon site it has been necessary to dispose of various toxic contaminated subsoils and materials. Legislation requires that such contamination has to be disposed of in a strictly controlled manner. The provision for this was created in 2012 and a programme of work has taken place in 2018, leading to the utilisation of the provision in the year. It is expected that the programme of work will be completed in 2019.

16 Called Up share capital and reserves

	2018 £	2017 £
<i>Allotted, called up and fully paid:</i>		
1,500,002 ordinary shares of £1 each	1,500,002	1,500,002
	<hr/>	<hr/>

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

17 Operating leases

Non-cancellable operating lease rentals are payable and receivable as follows:

	2018 £000	2017 £000
<i>Other tangible assets</i>		
Less than one year	71	438
Between two and five years	95	-
	<hr/>	<hr/>
Lease rental payments	166	438
	<hr/>	<hr/>
Sub-lease rental income	56	71
	<hr/>	<hr/>

The Company leases equipment under operating leases which typically run for five years. Lease rentals are typically increased every five years to reflect market rentals. None of the leases include contingent rentals.

During the year ended 31 December 2018 £373k was recognised as an expense in the profit and loss account in respect of operating leases (2017 restated: £533k). £56k was recognised as income in the profit and loss account in respect of subleases (2017: £71k).

Notes (continued)

18 Pensions

The company participates in pension schemes operated by BMW Group. These are defined benefit schemes the assets of which are held in separate trustee administered funds.

BMW (UK) Holdings Limited is the principal employer for various United Kingdom pension arrangements for past and present employees of certain present and former subsidiaries. These are defined benefit schemes, the assets of which are held in legally separate trust funds administered by the respective Trustees. The major pension arrangements are the BMW (UK) Operations Pension Scheme (the "Main Scheme") and the BMW (UK) Operations Supplementary Pension Scheme (the "Supplementary Scheme"). The latest actuarial valuation for the former scheme was carried out by independent, qualified actuaries using the projected unit method as at 31 December 2017. In respect of the Supplementary Scheme, the last valuation was made as at 31 December 2014.

Both Schemes are final salary pension plans which provide benefits to members primarily in the form of a guaranteed level of pension payable for life. Surviving dependents' pensions and certain death benefits are also provided. The level of benefits earned is determined by reference to a member's length of service and their salary in the final years leading up to retirement. Once in payment, pensions are generally updated in line with the Retail Prices Index.

The BMW (UK) Operations Pension Scheme has been funded by contributions received from BMW (UK) Holdings Limited, its subsidiaries and those of their employees who are members of the Scheme. Contributions are determined by a separate actuarial valuation based on the funding policies detailed in the Scheme documents.

The Scheme was closed to future accrual of benefits with effect from 1 October 2017 and all active members were transferred to deferred status. No regular employer and employee contributions are due after September 2017.

Following the Lloyds Bank court judgement in November 2018, the defined benefit obligation of the Scheme has been adjusted to take into account the additional liability associated with guaranteed minimum pension (GMP) equalisation. The increase in the defined benefit obligation has been recognised in the profit and loss account as a past service cost.

The BMW (UK) Operations Supplementary Pension Scheme is wholly funded by BMW (UK) Holdings Limited. Contributions are determined by a separate actuarial valuation based on the funding policies detailed in the Scheme documents. The Scheme is also closed to future accrual.

During the year the Supplementary Scheme Trustee entered into contractual arrangements to transfer the defined benefit obligation of the Scheme to an insurance company. At the balance sheet date the Scheme had substantially committed to a full buy-out, therefore the corresponding effects have been recognised in the profit and loss account as if a buy-out had taken place. However, since the buy-out had not been completed at the balance sheet date, the assets and defined benefit obligation are still included in the reconciliation below, although the net defined benefit obligation at the year-end was zero. Wind-up of the Scheme is expected in Q1 2019, following completion of the buy-out.

BMW (UK) Trustees Limited acted as Trustee of the BMW (UK) Operations Pension Scheme for the year ended 31 December 2018. The full Board of the Trustee Company is made up of a maximum of 12 Directors nominated in equal numbers by the Principal Employer and the membership.

BMW (UK) Supplementary Trustees Limited acted as Trustee of the BMW (UK) Operations Supplementary Pension Scheme throughout the year ended 31 December 2018. The Board of the Trustee Company is made up of three Directors, two of whom are nominated by the Principal Employer and one nominated by the membership.

The Trustee companies are legally independent companies which are not part of the BMW Group.

The principal functions of the Trustees are:

- to administer the Scheme in accordance with the Trust Deed and Rules, and
- to invest the Scheme's assets with an appropriate degree of security to provide income and capital appreciation such that the Scheme is able to meet pension and other benefit liabilities, both now and in the future.

Both Schemes expose the company to a number of actuarial risks, including:

Investment risk: the risk of the actual return from assets differing to that assumed for actuarial and funding purposes.

Interest rate & inflation risk: decreases/increases in the financial assumptions used will increase/decrease the defined benefit obligation. Some of the pension obligations are linked to inflation. Higher inflation will lead to higher liabilities although, in most cases, there are caps in place on the level of inflationary increases to protect the Schemes against extreme inflation.

Notes (continued)

18 Pensions (continued)

Longevity risk: the majority of the scheme obligations are to provide benefits for the life of the member. Increases in life expectancy will result in an increase in the scheme liabilities.

The Trustees reduce exposure to these risks by careful structuring of their funding and investment management arrangements including asset liability matching and through their contracts with the Schemes' investment managers. The Trustees also closely monitor these risks and receive formal quarterly reports on funding, risk, investment managers (including performance) and diversification.

The company expects to contribute approximately £18.0m in contributions to the BMW (UK) Operations Pension Scheme in 2019. For the Supplementary Scheme, no contributions are expected, since the scheme is expected to be wound up imminently, following completion of the buy-out transaction.

Since all defined benefit schemes are closed, employees are eligible to join a group personal pension plan (defined contribution scheme) offered by BMW in the UK.

The following information is presented for the Schemes as a whole and has been updated to 31 December 2018 in accordance with IAS 19R.

Recognised liability for defined benefit obligations

	2018 £000	2017 £000
Defined benefit obligation	(7,085,260)	(8,183,512)
Fair Value of plan assets	6,973,712	7,561,059
	<hr/>	<hr/>
Total employee benefits	(111,548)	(622,453)
	<hr/>	<hr/>

Notes (continued)

18 Pensions (continued)

Reconciliation of defined benefit obligation and fair value of scheme assets

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January	8,183,512	8,408,063	(7,561,059)	(7,117,698)	622,453	1,290,365
Current service cost	-	71,020	-	-	-	71,020
Past service cost	54,260	594	-	-	54,260	594
Interest cost/(income)	188,419	202,710	(174,674)	(178,505)	13,745	24,205
Settlement gain	-	(158,393)	(9,066)	-	(9,066)	(158,393)
Administrative expenses	-	-	6,223	5,111	6,223	5,111
Included in profit or loss	242,679	115,931	(177,517)	(173,394)	65,162	(57,463)
Remeasurements loss/(gain):						
Actuarial loss (gain) arising from:						
Changes in demographic assumptions	(412,087)	(79,946)	-	-	(412,087)	(79,946)
Changes in financial assumptions	(544,061)	115,321	-	-	(544,061)	115,321
Experience adjustment	(73,971)	(99,613)	-	-	(73,971)	(99,613)
Return on plan assets (excluding interest income)	-	-	496,226	(316,897)	496,226	(316,897)
Included in other comprehensive income	(1,030,119)	(64,238)	496,226	(316,897)	(533,893)	(381,135)

Notes (continued)

18 Pensions (continued)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Employer contributions	-	-	(42,174)	(229,314)	(42,174)	(229,314)
Employees contributions	-	14,277	-	(14,277)	-	-
Benefits paid	(310,812)	(290,521)	310,812	290,521	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other movements	(310,812)	(276,244)	268,638	46,930	(42,174)	(229,314)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31 December	7,085,260	8,183,512	(6,973,712)	(7,561,059)	111,548	622,453
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Represented by:					2018	2017
					£'000	£'000
BMW (UK) Operations Pension Scheme					111,548	621,514
BMW (UK) Operations Supplementary Pension Scheme					-	939
					<u> </u>	<u> </u>
					111,548	622,453
					<u> </u>	<u> </u>

Notes (continued)

18 Pensions (continued)

Plan assets

	2018 £'000	2017 £'000
Equity instruments		
- quoted	347,269	407,133
- unquoted	-	-
	<hr/>	<hr/>
	347,269	407,133
Debt instruments		
- quoted	4,962,153	5,395,063
- unquoted	47,856	30,804
	<hr/>	<hr/>
	5,010,009	5,425,867
Property (unquoted)	605,582	587,243
Cash and cash equivalents		
- quoted	87,897	121,282
- unquoted	-	8,990
	<hr/>	<hr/>
	87,897	130,272
Absolute return funds		
- quoted	-	10,991
- unquoted	540,351	547,664
	<hr/>	<hr/>
	540,351	558,655
Mixed income funds		
- unquoted	193,258	358,096
Other investment funds		
- unquoted	189,346	93,793
	<hr/>	<hr/>
	6,973,712	7,561,059
	<hr/>	<hr/>

Asset liability matching studies are routinely undertaken on a triennial basis by both the aforementioned Schemes in order to support analysis of the risks and returns from plan assets against strategic investment objectives.

Key aspects of the BMW (UK) Operations Pension Scheme's current investment strategy include:

- strategic asset mix benchmark consisting of 77% of risk reducing assets (government and high quality corporate bonds) and 23% of return seeking assets (mainly invested in equities, property and alternative assets (predominately hedge funds, infrastructure and venture capital). The allocation to risk reducing assets will be increased as the Scheme's funding level increases in line with an agreed de-risking strategy.
- management of interest rate risk and inflation risk through the use of government and high quality bonds and derivatives (interest rate and inflation swaps).
- management of currency risk through the use of forward foreign currency contracts

These policies are consistent with those in the prior year.

Notes (continued)

18 Pensions (continued)

Principal actuarial assumptions (expressed as weighted averages):

The principal actuarial assumptions used in determining the present value of the defined benefit obligation of the BMW (UK) Operations Pension Scheme and the Supplementary Scheme (weighted average) include:

	2018	2017
	%	%
Discount rate	2.69	2.34
Retail price inflation	3.30	3.26
Rate of pension increases	2.26	2.46
Interest rate for calculating interest income on plan assets	2.31	2.51

The mortality assumptions, based on actuarial advice in accordance with published statistics and the recent actual mortality experience of the members within the Scheme, allow for future mortality improvements. The assumptions are that:

- A deferred member currently aged 45 retiring at age 65 will live on average for a further 24.5 years after retirement if they are male and for a further 26.4 years after retirement if they are female.
- A current pensioner aged 70 will live on average for a further 18.0 years if male and 19.5 years if female.
- The weighted average duration of the defined benefit obligation at the end of the reporting period is 19.0 years (2017:21.3 years)

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions:

	Change	Defined benefit obligation	
		Increase £'000	Decrease £'000
Discount rate	(+ / - 0.75%)	(905,072)	1,126,563
Retail price inflation	(+ / - 0.75%)	592,197	(547,493)
Rate of pension increases	(+ / - 0.25%)	<u>264,288</u>	<u>(254,599)</u>

As permitted in IAS19.173(b), disclosures for the comparative period are not provided.

In valuing the liabilities of the pension fund at 31 December 2018, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2018 would have increased by £338,410k before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 December 2017 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Notes (continued)

19 Accounting estimates and judgements

The directors consider the following accounting estimates and judgements to be critical to the financial statements.

Deferred tax

The recognition of the deferred tax asset is based upon the directors' current estimation of future taxable profits, against which the tax asset can be offset. In forming this opinion the directors have considered the current profitability and future trading agreements with the ultimate parent company. The directors consider that the future taxable profits will be sufficient to offset the asset recognised.

20 Ultimate parent company and parent company of larger group

The Company is a wholly owned subsidiary 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-80809 Munich, Germany.

No other Group accounts include the results of the company.

21 Change in accounting policies

This is the first set of the annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. There are no changes to significant accounting policies as a result of these new standards.

IFRS 15 Revenue Recognition, adopted from 1 January 2018, governs the recognition of revenue. The Directors have carried out an impact assessment and there has been no change in the amounts and timing of revenue recognised following the adoption of the standard.

The company has adopted IFRS 9 with a date of initial application of 1 January 2018. Because the requirements of IFRS 9 do not represent a significant financial change from IAS 39 *Financial Instruments: Recognition and Measurement* for the company, there has been no adjustment to opening balances.