BMW (UK) Capital plc

Directors' report and financial statements

Registered number 3114356

31 December 2008

Contents

Directors' report

The directors present their report and financial statements for the year ended 31 December 2008.

Principal activities

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

Business review

The company's profit or loss arises principally from the net interest margin charged on intragroup deposits and borrowings as well as the fair value gain or loss on derivative financial instruments. These derivatives are entered into in order to hedge the market risk to which the company is exposed when making deposits to BMW Group companies and taking up funds on the capital markets. Since a number of these financial instruments do not qualify for fair value hedge accounting under International Financial Reporting Standards, the company is exposed to the volatility of changes in the fair values of such instruments in its income statement whereas the underlying items are shown at amortised cost. The management of the company believes that the instruments entered into nevertheless constitute an economic hedge of the company's risks.

The company, as part of the BMW Group, uses a diversified and intelligent target debt structure to ensure its funding in the most efficient and cost effective manner. Due to the reputation and the credit rating of BMW Group the distortions on the capital markets and in the banking sector were manageable even in the stressed times as one has seen in the last months of 2008.

Management believes that the key performance indicator of the company is profit or loss before taxation. The loss before taxation for the year ended 31 December 2008 amounted to £24,147,000 (2007: profit before taxation £896,000). The net interest margin achieved on operating activities resulted in a profit of £31,787,000 (2007: profit £22,300,000) and reflects the growth of the company's portfolio. The result for the year ended 31 December 2008 included significant fair value losses of £50,689,000 (2007: fair value losses £13,289,000) relating to derivatives into which the company had entered which, while economically hedging risk, do not qualify for fair value hedge accounting. These fair value losses result from the declining interest rate yields which after a short spike fell back markedly during the last months of 2008; this in the light of the stressed conditions in the financial markets after Lehman Bros bankruptcy in September 2008 and the economic downturn in the UK. The underlying performance of the company after allowing for the growth in overall business was consistent with the previous year even if the company's portfolio was affected by the downturn in the last quarter of 2008.

A detailed description of the main risks facing the company and the instruments used to manage these risks is set out in note 18. The level of these risks at 31 December 2008 was acceptable and in line with BMW Group guidelines. The company's financial position at 31 December 2008 was satisfactory.

Outlook

The current economic and capital market environment shows a sustained level of high uncertainty about the development of interest rates, exchange rates and credit spreads as well as dislocations in the availability of liquidity. This might affect the growth of the portfolio and lead to higher funding costs. Furthermore volatility in the fair market values of derivative instruments might impact the profit of the company. It will have to be seen whether and to what extent the fiscal and monetary actions undertaken by numerous governments worldwide will help to overcome the current distortions in the banking sector and on the capital markets and to assist recovery from recession.

The company will continue its current activities and no major changes in the organisation are expected. In the light of the environment discussed above, the company believes that it should perform at a level comparable to 2008 in the financial year 2009 with risks to the downside.

Directors' report *(continued)*

Research and development

The company does not carry out any research and development.

Acquisition of own shares

The company had not acquired any of its own shares in either 2007 or 2008. A reconciliation of the movements in capital and reserves is given in note 16.

Financial instruments

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

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

Proposed dividend

No dividends were paid in 2008 (2007: nil) and none are proposed. A reconciliation of the movements in capital and reserves is given in note 16.

Policy and practice on payment of creditors

The company agrees terms and conditions for business transactions with all its suppliers. Payment is made on these terms provided the supplier meets its obligations. The company does not follow any code or standard on payment practice. The company had no non-group trade creditors at the year end (2007: nil).

Directors and directors' interests

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

Erich Ebner von Eschenbach (resigned 5 January 2009)
Joachim Hensel (appointed 5 January 2009)
Ansgar Kreuzer (appointed 8 April 2008)
Matthew Todd (resigned 8 April 2008)
Neil C Wharton

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

Employees

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

Directors' report *(continued)*

Political and charitable contributions

The company made no political or charitable contributions during the year (2007: nil).

Disclosure of information to auditors

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

Auditors

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

By order of the board

G Woolley

Gillian Woolley
Secretary

Ellesfield Avenue, Bracknell, Berkshire, RG12 8TA, England

3 April 2009

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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have 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.

Responsibility Statement by the company's legal representatives

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

The Board of Directors
BMW (UK) Capital plc

KPMG

KPMG LLP
Arlington Business Park
Theale
RG7 4SD
United Kingdom

Independent auditors' report to the members of BMW (UK) Capital plc

We have audited the financial statements of BMW (UK) Capital plc for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

Independent auditors' report to the members of BMW (UK) Capital plc *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

9 April 2009

Income statement
for the year ended 31 December 2008

	Note	2008 £000	2007 £000
Interest receivable and similar income	2	243,496	201,314
Foreign exchange gains	2	403,357	68,918
Fair value gains on financial instruments and derivatives	2	1,343,391	308,206
Revenue		1,990,244	578,438
Interest payable	2	(211,709)	(178,994)
Foreign exchange losses	2	(408,016)	(76,670)
Fair value losses on financial instruments and derivatives	2	(1,394,079)	(321,495)
Finance costs		(2,013,804)	(577,159)
Financial (expense)/income		(23,560)	1,279
Administrative expenses	3	(587)	(383)
(Loss)/profit before taxation		(24,147)	896
Taxation	5	6,603	(379)
(Loss)/profit for the year attributable to equity holders of the parent company		(17,544)	517

The above results relate wholly to continuing operations.

Balance sheet
at 31 December 2008

	Note	2008 £000	2007 £000
Non-current assets			
Deferred tax	*6*	**15,727**	1,544
Receivables from BMW Group companies	*7*	**1,733,653**	1,158,474
Derivative assets	*8*	**282,165**	17,027
		2,031,545	1,177,045
Current assets			
Receivables from BMW Group companies	*7*	**2,506,715**	2,437,642
Derivative assets	*8*	**531,985**	181,743
Other financial assets	*9*	**24,028**	16,304
Cash and cash equivalents	*10*	**25,685**	82,361
		3,088,413	2,718,050
Total assets		**5,119,958**	3,895,095
Current liabilities			
Bank overdraft	*10*	**13**	-
Bank loans	*10*	**70,000**	-
Commercial paper	*11*	**271,788**	268,438
Medium term notes	*12*	**883,764**	336,751
Loans from BMW Group companies	*13*	**2,458,782**	2,353,686
Derivative liabilities	*14*	**292,636**	164,368
Other financial liabilities	*15*	**7,014**	10,640
Tax payable		**9,445**	5,065
		3,993,442	3,138,948
Non-current liabilities			
Medium term notes	*12*	**795,700**	527,602
Loans from BMW Group companies	*13*	**142,749**	100,000
Derivative liabilities	*14*	**84,972**	11,002
Other financial liabilities	*15*	**3,096**	-
		1,026,517	638,604
Total liabilities		**5,019,959**	3,777,552
Net assets		**99,999**	117,543
Equity shareholder's funds			
Share capital	*16*	**281**	281
Share premium	*16*	**57,568**	57,568
Retained earnings	*16*	**42,150**	59,694
Total equity		**99,999**	117,543

These financial statements were approved by the board of directors on 3 April 2009 and were signed on its behalf by:

Ansgar Kreuzer
Director (Chairman)

Cash flow statement

for the year ended 31 December 2008

	Note	2008 £000	2007 £000
Cash flows from operating activities			
(Loss)/profit for the year		(17,544)	517
Fair value gains on financial instruments and derivatives		(1,343,391)	(308,206)
Fair value losses on financial instruments and derivatives		1,394,079	321,495
Unrealised foreign exchange losses		60,452	7,904
Current and deferred taxation (credit)/charge		(6,603)	379
		86,993	22,089
Changes in operating assets and liabilities			
(Increase) in receivables from BMW Group companies		(616,569)	(759,696)
(Increase) in other financial assets		(7,723)	(2,359)
Net increase in fair value of derivatives		(463,830)	(36,089)
Increase in fair value of medium term notes		406,851	29,272
(Decrease)/increase in other financial liabilities		(530)	6,683
Income taxes paid		(3,200)	(1,539)
Cash outflow from operating activities		(598,008)	(741,639)
Cash flows from financing activities			
Increase in loans from BMW Group companies		59,710	243,721
Issuance of commercial paper		744,895	4,251,584
Redemption of commercial paper		(741,545)	(4,231,992)
Issuance of medium term notes and bonds		735,846	688,967
Redemption of medium term notes and bonds		(327,587)	(212,063)
Net cash inflow from financing activities		471,319	740,217
Net decrease in cash and cash equivalents		(126,689)	(1,422)
Cash and cash equivalents at 1 January		82,361	83,783
Cash and cash equivalents at 31 December	10	(44,328)	82,361

Statement of changes in equity
for the year ended 31 December 2008

	Share Capital £000	Share premium £000	Retained earnings £000	Total £000
At 1 January 2007	281	57,568	59,177	117,026
Profit for the year	-	-	517	517
At 31 December 2007	281	57,568	59,694	117,543
Balance at 1 January 2008	281	57,568	59,694	117,543
Loss for the year	-	-	(17,544)	(17,544)
At 31 December 2008	**281**	**57,568**	**42,150**	**99,999**

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

Notes
(forming part of the financial statements)

1 Accounting policies

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

Statement of compliance

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

Basis of preparation

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

Adopted IFRS not yet applied

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

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

Foreign currency

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

Financial instruments

Non-derivative financial instruments

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

Notes *(continued)*

1 Accounting policies (continued)

Derivative financial instruments

Derivative financial instruments on a stand-alone basis and those designated as fair value hedges are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. The classification in the balance sheet of derivative assets and derivative liabilities into current or non-current assets or liabilities is determined according to the contractual maturity date of each instrument.

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

Fair value hedges

Where a derivative financial instrument is designated as a fair value hedge of the variability in value of a recognised underlying asset or liability or an unrecognised firm commitment, the carrying value of this hedged underlying item is adjusted by the change in fair value that is attributable to the risk being hedged (even if without fair value hedging it is carried at cost or amortised cost). Any gains or losses on remeasurement of the hedged underlying item are recognised immediately as fair value gains or losses in the income statement. Similarly any gains or losses on remeasurement of the designated derivate financial instruments are recognised immediately in the income statement.

On the discontinuance of fair value hedge accounting, any adjustment made to the carrying amount of the hedged item as a consequence of the fair value hedge relationship, is recognised in the income statement over the remaining life of the hedged item. The corresponding derivative financial instrument would continue to be revalued in line with the section 'Derivative Financial Instruments' above.

Loans and other receivables

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

Cash and cash equivalents

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

Borrowings

Borrowings are recognised initially at cost less attributable transaction costs, which is equivalent to the consideration given. Subsequent to initial recognition, borrowings denominated in sterling are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Borrowings denominated in a currency other than sterling are hedged in respect of interest rate risk and currency risk.

Where fair value hedge accounting is applicable the movement in fair value of the borrowings is recognised immediately in the income statement. Subsequent measurement is described under "Fair value hedges" above. Where fair value hedge accounting is not applicable, the borrowings are translated at the foreign exchange rate ruling at the balance sheet date.

Day one' gains and losses

A 'day one' gain or loss is the difference between the amount received upon issuing a non-derivative financial instrument and its fair value (calculated using the zero-bond curve for discounting purposes) at the date it is issued. By discounting this instrument, for example the cash flows of a liability, the fair value and the amount received show a difference at the opening date. This 'day one' gain or loss is recognised immediately in the income statement. The magnitude of the 'day one' gain or loss will depend in part upon the risk premium implied in the coupon of the liability.

Notes *(continued)*

1 Accounting policies (continued)

Revenue

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

Interest

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

Taxation

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

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

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

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

Segmental analysis

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

Notes *(continued)*

2 Finance income and expense recognised in profit or loss

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

Interest receivable

By geographical segment	2008 £000	2007 £000
UK	233,188	195,522
Rest of Europe	10,306	5,782
Rest of World	2	10
	243,496	201,314

By instrument	2008 £000	2007 £000
Interest receivable from short-term deposits	3,398	4,400
Interest receivable from BMW Group companies	227,189	180,422
Interest receivable from held for trading derivative instruments	12,909	16,492
Total interest receivable	243,496	201,314

Foreign exchange gains

	2008 £000	2007 £000
Total foreign exchange gains	403,357	68,918

Net fair value gains and losses

	2008 £000	2007 £000
Net fair value losses on held for trading derivative instruments	(40,305)	(11,985)
Net fair value losses from hedged items designated as part of a fair value hedge relationship	(284,704)	(29,272)
Net fair value gains on hedging instruments designated as part of a fair value hedge relationship	274,320	27,968
Total net fair value losses	(50,689)	(13,289)

Notes *(continued)*

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

Finance expense

	2008 £000	2007 £000
Interest payable to BMW Group companies	**133,738**	130,100
Interest payable on bank loans/overdrafts	**3,247**	465
Interest payable on commercial paper	**4,432**	16,947
Interest payable on medium term notes held at amortised cost	**18,271**	3,316
Interest payable on fair value medium term notes	**33,643**	23,361
Interest payable on fair value derivative instruments	**18,378**	4,805
Total interest payable expense	**211,709**	178,994

Foreign exchange losses

	2008 £000	2007 £000
Total foreign exchange losses	**408,016**	76,670

3 Administration expenses

Administration expenses include auditors' remuneration:

	2008 £000	2007 £000
Audit of these financial statements	**22**	22

Notes *(continued)*

4 Staff numbers and costs

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

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

Costs for the services of one director were recharged to the company during the year, only this director is included in the disclosure below. The aggregate amount charged to the company in respect of this director's services was £105,000 (2007: £76,000).

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

	Number of employees	
	2008	2007
Staff numbers	7	6

The aggregate recharges for these persons were as follows:

	2008	2007
	£000	£000
Wages and salaries	**308**	242
Social security costs and pension recharges	**52**	64
	360	306

5 Taxation

Recognised in the income statement

	2008	2007
	£000	£000
Current tax expense		
Current year	**7,422**	4,155
Adjustments for prior years	**158**	-
	7,580	4,155
Deferred tax expense		
Deferred tax credit	**(14,183)**	(3,776)
Adjustments for prior years	**-**	-
Total tax in income statement	**(6,603)**	379

Notes *(continued)*

5 Taxation (continued)

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

	2008 £000	2007 £000
(Loss)/profit before taxation	**(24,147)**	896
Tax using the prevailing UK corporation tax rate (2008: 28%, 2007: 30%)	**(6,761)**	269
Effect of reduction in future rate to 28% on deferred tax asset	**-**	110
Adjustments for prior years	**158**	-
Total tax in income statement	**(6,603)**	379

6 Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2008 £000	2007 £000
Temporary differences on market values of financial instruments and derivatives	**15,727**	1,544
Net deferred tax assets	**15,727**	1,544

Notes *(continued)*

6 Deferred tax (continued)

Movement in deferred tax during the year

	1 January 2008 £000	Recognised in income £000	31 December 2008 £000
Temporary differences on market values of financial instruments and derivatives	1,544	14,183	15,727
	1,544	14,183	15,727

Movement in deferred tax during the prior year

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

The deferred tax asset is only recognised to the extent that it is recoverable based on the fact that the company is likely to be profitable in the future.

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

The rate of corporation tax in the UK was reduced from 30% to 28% with effect from 1 April 2008.

Notes *(continued)*

7 Receivables from BMW Group companies

Financial receivables from related parties at the year end included £4,240,368,000 (2007: £3,596,116,000) of unsecured interest bearing loans, which the company expects to be settled in cash, which may be analysed as follows:

	2008 Carrying amount Currency '000	2008 Fair value Currency '000	2007 Carrying amount Currency '000	2007 Fair value Currency '000
Non current				
Receivables from fellow subsidiaries (1-5 years)	GBP 1,710,246	GBP 1,806,094	GBP 1,140,150	GBP 1,153,146
Receivables from fellow subsidiaries (1-5 years)	EUR 24,000	EUR 25,212	EUR 25,000	EUR 25,230
Current				
Receivables from fellow subsidiaries	GBP 2,226,865	GBP 2,157,504	GBP 2,349,319	GBP 2,348,249
Receivables from fellow subsidiaries	EUR 294,661	EUR 208,509	EUR 120,500	EUR 132,050

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

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

	2008 £000	2007 £000
UK	3,937,444	3,510,701
Rest of Europe	302,924	85,415
	4,240,368	3,596,116

The following details apply to the receivables from BMW Group companies at 31 December 2008:

Interest	Volume in relevant currency	Weighted average maturity period	Weighted average effective interest rate (in %)
Fixed	GBP 3,937 million	21 months	5.0
Fixed	EUR 319 million	6 months	3.1

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

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

Notes *(continued)*

8 Derivative assets

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

	2008 £000	2007 £000
Non-current		
Held for trading		
Interest derivatives with fellow subsidiaries (1-5 years)	15,474	1,718
Interest derivatives with fellow subsidiaries (greater than 5 years)	2,640	310
Interest derivatives with non-related parties (1-5 years)	371	2,106
Currency derivatives with non-related parties (1-5 years)	98,770	-
Currency derivatives with non-related parties (greater than 5 years)	39,419	-
Fair value through Income Statement		
Interest derivatives with non-related parties (1-5 years)	9,569	5,175
Currency derivatives with non-related parties (1-5 years)	115,922	7,718
	282,165	17,027
Current		
Held for trading		
Interest derivatives with non-related parties	31	3,287
Currency derivatives with fellow subsidiaries	1,412	240
Currency derivatives with non-related parties	354,322	169,157
Fair value through Income Statement		
Interest derivatives with non-related parties	1,045	-
Currency derivatives with non-related parties	175,175	9,059
	531,985	181,743

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

9 Other financial assets

Other financial assets comprise:

	2008 £000	2007 £000
Accrued interest receivable	19,320	14,820
'Day One' initial valuation gains	4,708	1,484
	24,028	16,304

Notes *(continued)*

9 Other financial assets (continued)

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

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

	2008 £000	2007 £000
Opening balance at 1 January	1,484	33
'Day One' initial valuation gains during the year	4,947	1,582
Amortisation of gains during the year	(1,723)	(131)
Closing balance at 31 December	4,708	1,484

10 Cash and cash equivalents/bank overdrafts

	2008 £000	2007 £000
Cash and cash equivalents per balance sheet	25,685	82,361
Bank loans and overdrafts	(70,013)	-
Cash and cash equivalents per cash flow statement	(44,328)	82,361

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

11 Commercial paper

The following details apply to commercial paper:

	2008 £000	2007 £000
Issue volume	275,000	270,000
Carrying amount	271,788	268,438
Fair value	272,342	268,449
Weighted average maturity period	79 days	32 days
Weighted average nominal interest rate	5.1%	6.7%

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

Notes *(continued)*

12 Medium term notes

	2008 £000	2007 £000
Non current		
Medium term notes recognised at fair value through Income Statement	**502,569**	527,602
Medium term notes held at amortised cost	**293,131**	-
Current		
Medium term notes recognised at fair value through Income Statement	**716,124**	150,751
Medium term notes held at amortised cost	**167,640**	186,000
	1,679,464	336,751

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

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

	2008		2007	
	Carrying amount £000	**Fair Value £000**	Carrying amount £000	Fair Value £000
Medium term notes not carried at fair value	**460,771**	**466,830**	186,000	186,216

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

Security	Currency	Issue volume in local currency '000	Interest	Rate basis	Listed	Maturity
EMTN	JPY	15,000,000,000	Fixed	0.11%	Luxembourg	2009
EMTN	EUR	130,000,000	Fixed	5.00%	Luxembourg	2009
EMTN	EUR	87,000,000	Fixed	5.00%	Luxembourg	2009
EMTN	GBP	100,000,000	Fixed	6.375	London	2009
EMTN	EUR	50,000,000	Fixed	5.50%	Luxembourg	2009
EMTN	GBP	200,000,000	Fixed	6.375	Luxembourg	2010
EMTN	JPY	24,000,000,000	Fixed	2.48%	Luxembourg	2013
EMTN	GBP	12,000,000	Variable	3M GBP LIBOR	Luxembourg	2009
EMTN	EUR	100,000,000	Variable	3M EURIBOR	Luxembourg	2009
EMTN	EUR	100,000,000	Variable	3M EURIBOR	Luxembourg	2009
EMTN	SEK	690,000,000	Variable	3M SEK STIBOR	Luxembourg	2009
EMTN	JPY	4,500,000,000	Variable	3M JPY LIBOR	Luxembourg	2009
EMTN	JPY	15,500,000,000	Variable	3M JPY LIBOR	Luxembourg	2009
EMTN	JPY	6,700,000,000	Variable	3M JPY LIBOR	Luxembourg	2010
EMTN	JPY	6,500,000,000	Variable	6M JPY LIBOR	Luxembourg	2010
EMTN	CZK	1,080,000,000	Variable	6M CZK PRIBOR	Luxembourg	2011
EMTN	JPY	15,000,000,000	Variable	3M JPY LIBOR	Luxembourg	2011
EMTN	JPY	18,900,000,000	Variable	3M JPY LIBOR	Luxembourg	2013

Notes *(continued)*

13 Loans from BMW Group companies

Loans from BMW Group companies at the year end included £2,601,531,000 (2007: £2,453,686,000) of unsecured interest bearing loans, which the company expects to be settled in cash, these may be analysed as follows:

	2008 Carrying amount Currency '000		2008 Fair value Currency '000		2007 Carrying amount Currency '000		2007 Fair value Currency '000	
Non current								
Loans from fellow subsidiaries (1-5 years)	GBP	-	GBP	-	GBP	100,000	GBP	100,215
Loans from fellow subsidiaries (> 5 years)	EUR	150,000	EUR	176,433	EUR	-	EUR	-
Current								
Loans from ultimate parent company	EUR	200,000	EUR	200,121	EUR	75,000	EUR	75,017
Loans from immediate parent company	GBP	44,492	GBP	44,492	GBP	9,051	GBP	9,051
Loans from fellow subsidiaries	GBP	1,426,808	GBP	1,302,368	GBP	1,743,499	GBP	1,743,955
Loans from fellow subsidiaries	EUR	833,782	EUR	834,707	EUR	745,139	EUR	756,743
Loans from fellow subsidiaries	USD	4,954	USD	4,954	USD	-	USD	-
Loans from fellow subsidiaries	JPY	40,152	JPY	40,152	JPY	-	JPY	-

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

The following details apply to the loans from BMW Group companies at 31 December 2008:

Interest	Volume in relevant currency		Weighted average maturity period (in days)	Weighted average effective interest rate (in %)
Fixed	EUR	1,184 million	501	3.81
Fixed	GBP	1,371 million	24	1.83
Fixed	JPY	40 million	2	0.01
Fixed	USD	5 million	2	0.30
Variable	GBP	100 million	1,096	3M GBP LIBOR + 17 bps

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

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

Notes *(continued)*

14 Derivative liabilities

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

	2008 £000	2007 £000
Non-current		
Held for trading		
Interest derivatives with fellow subsidiaries (1-5 years)	-	209
Interest derivatives with non-related parties (1-5 years)	76,507	10,483
Interest derivatives with non-related parties (greater than 5 years)	2,640	310
Currency derivatives with non-related parties (1-5 years)	5,825	-
	84,972	11,002
Current		
Held for trading		
Interest derivatives with fellow subsidiaries	-	484
Interest derivatives with non-related parties	9,690	18
Currency derivatives with ultimate parent	-	-
Currency derivatives with fellow subsidiaries	257,288	161,587
Currency derivatives with non-related parties	-	2,279
Fair value through Income Statement		
Currency derivatives with non-related parties	25,658	-
	292,636	164,368

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

Notes *(continued)*

15 Other financial liabilities

Other financial liabilities comprise:

	2008 £000	2007 £000
Non-current		
Other financial liability with non-related party	**3,096**	-
Current		
Other financial liability with non-related party	**3,663**	-
Accrued interest payable	**2,188**	9,054
Trade payables due to fellow subsidiary	**-**	4
Other accruals	**6**	176
'Day One' initial valuation losses	**1,157**	1,406
	10,110	10,640

The fair values of accrued interest payable, trade payables to any fellow subsidiary and other accruals payable to external counterparties are estimated as their respective carrying amounts given the company's liabilities should be settled within three months. The fair value of the 'Day One' initial valuation losses is estimated as its carrying amount. The other financial liability with non-related party (non-current and current) represents a non-interest bearing loan. This is entered into by the company in order to make a back-to-back non-interest bearing deposit to Alphabet (GB) Limited. The company bears no external credit risk. The fair value of this other liability is estimated as its carrying value given that the liability is non interest bearing.

The reconciliation of 'Day one' losses is as follows:

	2008 £000	2007 £000
Opening balance at 1 January	**1,406**	74
'Day One' initial valuation losses during the year	**687**	2,062
Amortisation of losses during the year	**(936)**	(730)
Closing balance at 31 December	**1,157**	1,406

16 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
Balance at 1 January 2007	281	57,568	59,177	117,026
Profit for the year	-	-	517	517
Balance at 31 December 2007	**281**	**57,568**	59,694	**117,543**
Balance at 1 January 2008	281	57,568	59,694	117,543
Profit for the year	-	-	(17,544)	(17,544)
Balance at 31 December 2008	**281**	**57,568**	**42,150**	**99,999**

Notes *(continued)*

17 Share capital

	2008 £000	2007 £000
Authorised		
Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	281	281
Shares classified in shareholders' funds	281	281

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

No shares were issued during the year (2007: nil).

18 Financial instruments

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

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

- Credit risk
- Liquidity risk
- Market risk

Credit risk

Credit risk is the risk of financial loss to the company where a counterparty to a financial instrument fails to perform its contractual obligations. Credit risk is managed according to BMW Group guidelines. The company continually monitors its position to ensure that it stays within the credit exposure limits set by BMW AG. For both the current and prior years at the respective balance sheet dates, the company did not provide for any impairment allowances. Furthermore, for both the current and prior years at the respective balance sheet dates the company had no financial receivables that were past due but not impaired. No financial assets were past due as at 31 December 2008.

Receivables from BMW Group companies represent over 80% (2007: 90%) of the company's assets by value. These receivables are predominantly sterling-denominated deposits to UK-based group companies, where deposits are made, without any collateral as security, to other BMW Group companies.

Derivative assets comprise both interest rate derivatives and currency derivatives. The counterparts to these derivative assets are major international financial institutions and other BMW Group companies. Foreign exchange contracts with such financial institutions entered into as a service for other BMW Group companies represent one third (2007: four fifths) of these derivatives assets by value. In the event of failure of one of those financial institutions, the company would have a risk on the cost of replacing any such derivatives. As at 31 December 2008 this risk was not considered significant.

Other financial assets comprised mainly accrued interest receivable from other BMW Group companies. This accrued interest receivable is due within three months of 31 December 2008.

Notes *(continued)*

18 Financial instruments (continued)

Credit risk (continued)

The balance of cash and cash equivalents as at 31 December 2008 comprised principally of a sterling money market deposit repayable on 2 January 2009. A range of major international financial institutions are counterparties to money market deposits transacted by the company through the year.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Liquidity risk is managed in accordance with BMW Group guidelines. In addition to its participation in the BMW Group Medium Term Note (MTN) and Commercial Paper (CP) programmes, the company maintains uncommitted money market facilities with a number of international banks to support its activities. The company is also party to a committed USD 8 billion multi-currency revolving credit facility guaranteed by BMW AG. No drawings had been made under this facility as at 31 December 2008 (2007: nil).

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

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

Notes *(continued)*

18 Financial instruments (continued)

Liquidity risk (continued)

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

31 December 2008	Expected cashflows (total) £000	Maturity within one year £000	Maturity between one and five years £000	Maturity later than five years £000
Non-derivative financial liabilities				
Commercial paper	275,000	275,000	-	-
Medium term notes	1,741,581	928,625	812,956	-
Loans from BMW Group companies	2,764,692	2,546,227	33,626	184,839
Other financial liabilities	10,110	7,014	3,096	-
Tax payable	9,445	9,445	-	-
	4,800,828	3,766,311	849,678	184,839
Derivative financial liabilities				
Interest and currency derivatives	3,454,652	3,454,594	57	1
	3,454,652	3,454,594	57	1

31 December 2007	Expected cashflows (total) £000	Maturity within one year £000	Maturity between one and five years £000	Maturity later than five years £000
Non-derivative financial liabilities				
Bank overdraft	270,000	270,000	-	-
Commercial paper	933,028	375,736	557,292	-
Medium term notes	2,469,309	2,366,709	102,600	-
Loans from BMW Group companies	9,233	9,233	-	-
Other financial liabilities	5,065	5,065	-	-
Tax payable				
	3,686,635	3,026,743	659,892	-
Derivative financial liabilities	2,551,246	2,532,318	18,644	284
Interest and currency derivatives				
	2,551,246	2,532,318	18,644	284

Notes *(continued)*

18 Financial instruments (continued)

Market risk

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

Market risk - Interest rate risk

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

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

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

	2008	2007
	£000	£000
Fair Market Value		
GBP	**151,430**	130,000

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

A one basis point movement in interest rates would have increased or decreased this valuation of the company's net position by £45,000. The calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

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

	2008	2007
	£000	£000
Value-at-risk		
GBP	**4,288**	2,500

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

Notes *(continued)*

18 Financial instruments (continued)

Foreign currency risk

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

Calculation of fair values

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

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

	2008		2007	
	Carrying amount £000	**Fair Value £000**	Carrying amount £000	Fair Value £000
Receivables from BMW Group companies				
Non current	**1,733,653**	**1,830,655**	1,158,474	1,171,639
Current	**2,506,715**	**2,355,350**	2,437,642	2,436,627
	4,240,368	**4,186,005**	3,596,116	3,608,266
Loans from BMW Group companies				
Non current	**142,749**	**167,904**	100,000	100,231
Current	**2,458,782**	**2,335,337**	2,353,686	2,354,248
	2,601,531	**2,503,241**	2,453,686	2,454,479

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

%	GBP	EUR	JPY	CZK	SEK
Interest rate for 3 months	**2.77**	**2.31**	**0.83**	**3.43**	**2.38**
Interest rate for 6 months	**2.96**	**2.11**	**0.95**	**3.55**	**1.95**
Interest rate for one year	**3.07**	**2.02**	**1.09**	**3.73**	**1.82**
Interest rate for five years	**3.19**	**3.26**	**0.91**	**-**	**2.85**

Notes *(continued)*

18 Financial instruments (continued)

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

Ageing of fair values:

31 December 2008	**Nominal amount**		**Fair values**		
		Total	**Due within one year**	**Due between one and five years**	**Due later than five years**
	Currency '000	**£000**	**£000**	**£000**	**£000**
Assets					
Interest rate contracts	**GBP 940,000**	**30,541**	**2,487**	**25,414**	**2,640**
Currency hedge contracts	**EUR 4,907,000**	**459,476**	**420,057**	**-**	**39,419**
Currency hedge contracts	**JPY 106,100,000**	**312,531**	**105,130**	**207,401**	**-**
Currency hedge contracts	**SEK 690,000**	**4,310**	**4,310**	**-**	**-**
Currency hedge contracts	**CZK 1,080,000**	**7,291**	**-**	**7,291**	**-**
Liabilities					
Interest rate contracts	**GBP 2,551,150**	**88,837**	**9,690**	**76,507**	**2,640**
Currency hedge contracts	**EUR 3,816,499**	**288,771**	**282,946**	**5,825**	**-**
Net asset		**436,541**	**239,348**	**157,774**	**39,419**

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

Notes *(continued)*

18 Financial instruments (continued)

Ageing of nominal amounts:

31 December 2008		Nominal amount			
	Currency	Total '000	Due within one year '000	Due between one and five years '000	Due later than five years '000
Assets					
Interest rate contracts	**GBP**	**940,000**	**320,000**	**600,000**	**20,000**
Currency hedge contracts	**EUR**	**4,907,000**	**4,757,000**	**-**	**150,000**
Currency hedge contracts	**JPY**	**106,100,000**	**35,000,000**	**71,100,000**	**-**
Currency hedge contracts	**SEK**	**690,000**	**690,000**	**-**	**-**
Currency hedge contracts	**CZK**	**1,080,000**	**-**	**1,080,000**	**-**
Liabilities					
Interest rate contracts	**GBP**	**2,551,150**	**794,000**	**1,737,150**	**20,000**
Currency hedge contracts	**EUR**	**3,816,499**	**3,792,499**	**24,000**	**-**

31 December 2007		Nominal amount			
	Currency	Total '000	Due within one year '000	Due between one and five years '000	Due later than five years '000
Assets					
Interest rate contracts	GBP	1,710,450	749,450	941,000	20,000
Currency hedge contracts	EUR	4,249,490	4,149,490	100,000	-
Currency hedge contracts	JPY	38,200,000	5,000,000	33,200,000	-
Liabilities					
Interest rate contracts	GBP	1,314,150	95,000	1,199,150	20,000
Currency hedge contracts	EUR	3,352,000	3,352,000	-	-

19 Capital commitments

No capital commitments existed as at 31 December 2008 (2007: £nil).

20 Contingencies and commitments

The company acts as guarantor for commitments, predominantly lease commitments, totalling £202 million (2007: £243 million) which have been entered into by BMW Group companies. Of this, £199 million (2007: £240 million) is re-guaranteed by BMW AG.

The company provides a EUR 200 million committed credit facility to BMW Austria Bank GmbH, Athens Branch (2007: EUR 200 million). BMW Austria Bank GmbH, Athens Branch has the right to terminate this facility with 1 months' notice. The company has the right to terminate this facility with 37 months' notice. Drawings of EUR 166 million were outstanding as at 31 December 2008 (2007: EUR 114 million).

Notes *(continued)*

21 Related parties

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

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

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

Parent undertakings

BMW AG

BMW Holding BV

BMW (UK) Holdings Ltd

Fellow subsidiaries

BMW Finance NV

BMW (UK) Ltd

BMW (P&A) Ltd

Park Lane Ltd

BMW Financial Services (GB) Ltd

BMW Financial Services (Ireland) Ltd

BMW Leasing (GB) Ltd

Alphabet (GB) Ltd

BMW (UK) Manufacturing Ltd

BMW Services Ltd

BMW (UK) Investments Ltd

BMW (UK) Pensions Services Ltd

Midland Gears Ltd

Rolls-Royce Motor Cars Ltd

Rolls-Royce Motor Cars GmbH

BMW Hams Hall Motoren GmbH, UK Branch

BMW Automotive (Ireland) Ltd

Cirquent Ltd (formerly Softlab Ltd)

BMW Austria Bank GmbH, Athens Branch

Cirquent Ltd ceased to be controlled by the BMW Group within the year. All cash-pooling arrangements were rescinded on 30 September 2008.

Notes *(continued)*

21 Related parties (continued)

Interest receivable within the year from the ultimate parent company was £612,000 (2007: £84,000); interest payable within the year to the ultimate parent company was £432,000 (2007: £872,000). As at 31 December 2008, there was a loan due to the ultimate parent company of EUR 200,000,000 (2007: EUR 75,000,000).

The charge for guarantee fees payable to the ultimate parent company in relation to guarantees on external debt and finance leases was £111,000 (2007: £126,000).

Interest receivable within the year from the immediate parent company was £17,000 (2007: £nil); interest payable within the year to the immediate parent company was £701,000 (2007: £415,000). As at 31 December 2008, there was a loan due to the immediate parent company of £44,492,000 (2007: £9,051,000).

22 Ultimate parent company and parent company of larger group

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

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

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