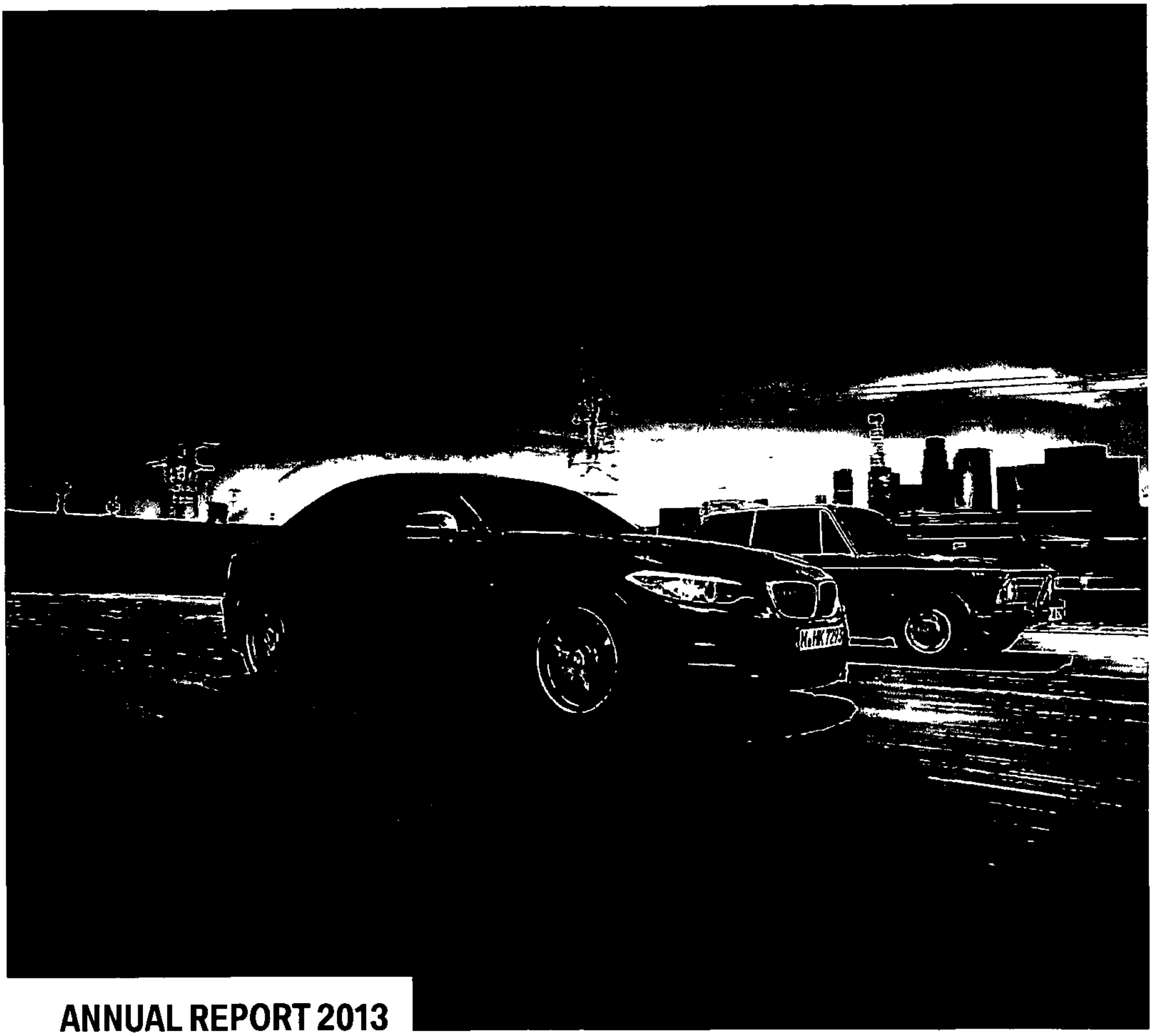

ANNUAL REPORT 2013

BMW (UK) CAPITAL PLC

3114356

BMW GROUP

Rolls-Royce Motor Cars Limited

Contents

BMW (UK) Capital plc
Strategic Report

The directors present their reports and financial statements for the year ended 31 December 2013

The principal activity of the company is to raise funds in the financial markets and provide inter-company funding for 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 financial derivatives The company acts as a guarantor for UK BMW Group companies and provides all treasury services as required

The company's profit or loss arises principally from the net interest margin charged on deposits and borrowings as well as from 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 internally and 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 value 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 is subject to the internal control system of the BMW Group which is aimed at ensuring the effectiveness of operations It makes an important contribution towards ensuring compliance with applicable laws as well as providing assurance on the propriety and reliability of internal and external financial reporting It is therefore a significant factor in the management of process risks The principal features of the internal control system, in so far as they relate to the financial reporting processes, are described below

The risk management system is an integral part of the internal control system and is therefore not referred to in this section

One of the elements of the internal control system is the area of "Information and Communication", which ensures that all information necessary to achieve the objectives set for the internal control system is made available in an appropriate and timely manner to those responsible The requirements relating to the provision of information relevant for financial reporting at the level of BMW AG, other consolidated Group entities and the BMW Group are primarily set out in organisational manuals, in guidelines covering internal and external financial reporting issues and in accounting manuals These instructions, which can be accessed at all levels via the BMW Group's intranet system, provide the framework for ensuring that the relevant rules are applied consistently across the Group The quality and relevance of these instructions is ensured by regular review as well as by continuous communication between the relevant departments

All financial reporting processes are structured in organisational terms in accordance with the principle of segregation of duties These structures as well as rigorous application of the principle of dual control allow errors to be identified at an early stage and prevent potential wrongdoing Regular comparison of internal forecasts and external financial reports improve the quality of financial reporting The internal audit department serves as a process-independent function, testing and assessing the effectiveness of the internal control system and proposing improvements when appropriate

Extensive controls are carried out by management in all financial reporting processes to ensure that legal requirements and internal guidelines are complied with and that all business transactions are properly executed Controls are also carried out with the aid of IT applications, thus reducing the incidence of process risks

All IT applications used in financial reporting processes throughout the BMW Group are subject to access restrictions As a result, only authorised persons can gain access on a controlled basis to systems and data, depending on the nature of the work being performed In addition, IT process are designed and authorisations allocated using the dual control principle, as a result of which, for instance, requests cannot be submitted and approved by the same person

All staff are appropriately trained to carry out their duties and kept informed of any changes in regulations or processes that affect them Managers and staff also have access to detailed best-practice descriptions relating to risks and controls in the various processes, thus increasing risk awareness at all levels As a consequence, the internal control system can be evaluated regularly and further improved as necessary Staff can at any time and independently, deepen their understanding of control methods and design using an information platform that is accessible group wide

Responsibilities for ensuring the effectiveness of the internal control system in relation to financial reporting processes are clearly defined and allocated to the relevant managers and process owners The BMW Group assesses the design and effectiveness of the internal control system on the basis of internal review procedures on the one hand (e g internal audit findings) and the findings of external auditors on the other Audits performed at regular intervals show that the internal control system in place throughout the BMW Group is appropriate and effective As a group entity the company is required to confirm regularly as part of its reporting duties that the internal control system is functioning properly

The company adheres to the BMW Group's risk management framework Risk reporting is based on an integrated risk management approach The risk management process comprises the early identification of risks and opportunities, their measurement and the use of suitable instruments to manage and monitor risks The risk management system comprises a wide range of organisational and methodological components that are all finely tuned to each other The Group reporting system provides decision makers with comprehensive, up-to-date information on performance against targets and on new developments with regard to the market and competitors Risk management is viewed as a continuous process, given the fact that changes in the legal, economic or regulatory environment or those within the company itself could lead to new risks being assessed differently Standardised rules and procedures consistently applied throughout the BMW Group form the basis for an organisation that is permanently learning By regularly sharing experiences with other companies, we ensure that innovative ideas and approaches flow into the risk management system and that risk management is subjected to continual improvement Regular basic and further training as well as information events are invaluable ways of preparing staff for new or additional requirements with regard to the processes in which they are involved

Overall risk management within the BMW Group is managed centrally and reviewed for appropriateness and effectiveness by the Group's internal audit department In addition, knowledge gained from external audits also provides a good basis for further improvements At present, no risks have been identified which could threaten the going concern status of the BMW Group or which could have a materially adverse impact on the net assets, financial position or results of operations of the group A detailed description of the main risks facing the company and the instruments used to manage these risks is set out in note 17 The level of these risks at 31 December 2013 was acceptable and in line with BMW Group guidelines

Given the objectives of the company, the company is economically interrelated with the ultimate holding company, BMW AG, Germany In assessing the solvency and general risk profile of the company, the solvency of the BMW Group as a whole, headed by BMW AG, needs to be considered Solvency is assured at all times by managing and monitoring the liquidity situation on the basis of a rolling cash flow forecast The resulting funding requirements are secured by a variety of instruments placed on the world's financial markets The objective is to minimize risk by matching maturities for the Group's financing requirements within the framework of the target debt ratio The BMW Group has good access to capital markets as a result of its solid financial position and a diversified refinancing strategy This is underpinned by the longstanding long- and short-term ratings issued by Moody's and S&P

At year end the company's balance sheet total decreased by GBP 793 million (-45 4%) to GBP 952 million The main factor behind the decrease on the asset side of the balance sheet was the current receivables from BMW Group companies On the equity and liabilities side of the balance sheet, the decrease was mainly driven by the maturity of total debt securities and loans from BWM Group companies The equity increased to GBP 233 million (2012 GBP 227) due to the profit of 2013

The decrease in the total assets balance in the Statement of Financial Position has resulted in a weakened financial performance of the company The earning performance declined and shows a net profit of GBP 6 5 million (2012 profit GBP 16 4 million) This can also be seen in the income before taxation which decreased considerably compared to 2012 to a profit of GBP 11 9 million (2012 profit GBP 24 9 million) The main driver of the decrease in financial performance was a reduction in interest income with resulted in a profit of GBP 2 9 million (2012: GBP 18 8 million) The interest income and expenses both decreased as result of the decision taken in 2011 to wind down the business' operations

The world's major economies still face many structural flaws and policy constraints that hinder more investment and faster productivity growth, making the medium-term outlook for a significantly faster path of global growth more uncertain The current economic and capital market environment of the United Kingdom is on the road to recovery with the UK experiencing a 1 8% increase in GDP in 2013 - the biggest increase since the recession in 2008/2009 Inflation is now expected to be above target until 2015 A positive development is also seen in the projected unemployment figures for 2014 (decrease to 7 0%) Despite the recent positive indications that the UK economy is recovering from the recession of 2008/2009, the Bank of England have as of yet resolved against increasing the base rate Nevertheless the Company still expects a net interest income on operating activities Furthermore, volatility in the fair market values of derivative instruments will continue to impact the profit before taxation of the company In the light of the environment discussed above, the company believes that overall it will have a positive result in the financial year 2014 Although the interest result will decrease dramatically because BMW Group decided (in 2011) to wind down the activities in BMW (UK) Capital plc In 2012 the company ceased acquiring new assets and liabilities Nevertheless the company will continue to hold all current assets and liabilities until maturity

The Hague, 30/4/2014

Raoul van der Meeren
Director
Company number 3114356
Ellesfield Avenue
Bracknell
Berkshire
RG12 8TA

The company had not acquired any of its own shares in either 2013 or 2012 A reconciliation of the movements in capital and reserves is given in note 14

No dividends were paid in 2013 (2012 nil) and none are proposed A reconciliation of the movements in capital and reserves is given in note 14

The company has no employees, as the administration of the entity is now performed by a fellow group company All staff working on behalf of the company are employed by BMW (UK) Holdings Ltd or BMW Finance N V

The company made no political or charitable contributions during the year (2012 nil)

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

Raoul van der Meeren
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 registered in the UK during the year, or had any right to subscribe for shares or debentures of BMW Group companies registered in the UK

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

~~The Hague~~ 30/4/2014

Raoul van der Meeren
Director
Company number 3114356
Ellesfield Avenue
Bracknell
Berkshire
RG12 8TA

BMW (UK) Capital plc
Statement of comprehensive income for the year ended 31 December 2013

in pound thousand	Notes	2013	2012
Interest income and similar income	[2]	77,446	127,872
Foreign exchange gains	[2]	1,270	7,248
Fair value gains on financial instruments and derivatives	[2]	114,952	124,684
Finance income	[2]	**193,668**	**259,804**
Interest expenses and similar expenses	[2]	(74,511)	(109,042)
Foreign exchange losses	[2]	(1,212)	(6 785)
Fair value losses on financial instruments and derivatives	[2]	(105,884)	(118 919)
Finance expenses	[2]	**(181,607)**	**(234,746)**
Financial result		**12,061**	**25,058**
Administrative expenses	[3]	(156)	(156)
Profit before taxation		**11,905**	**24,902**
Taxation	[4]	(5,441)	(8,490)
Profit for the year attributable to equity holders of the parent company		**6,464**	**16,412**

The above results relate wholly to continuing operations

The company has no other comprehensive income in the year (2012 nil) and has therefore not presented a statement of other comprehensive income

BMW (UK) Capital plc
Statement of financial position
As at 31 December

in pound thousand	Notes	31 12 2013	31 12 2012
Assets			
Deferred tax	[5]	18,532	27,638
Receivables from BMW Group companies	[6]	186,366	763,522
Derivative assets	[7]	110,211	126,816
Non-current assets		**315,109**	**917,976**
Receivables from BMW Group companies	[6]	632,529	702,033
Derivative assets	[7]	216	104,873
Interest receivables and other receivables	[8]	3,302	19 144
Cash and cash equivalents	[9]	672	670
Current assets		**636,719**	**826,720**
Total assets		**951,828**	**1,744,696**
Equity and liabilities			
Share Capital	[14]	281	281
Share premium	[14]	57,568	57,568
Retained earnings	[15]	175,461	168,997
Equity		**233,310**	**226,846**
Medium term notes	[10]	668,285	688,188
Loans from BMW Group companies	[11]	–	121,986
Derivative liabilities	[12]	7,635	22,850
Non-current liabilities		**675,920**	**833,024**
Bank Overdraft	[9]	31	16
Medium term notes	[10]	–	388 273
Loans from BMW Group companies	[11]	619	224,628
Derivative liabilities	[12]	3,608	12,458
Interest payables and other liabilities	[13]	11,096	18,703
Income tax liabilities		27,244	40,748
Current liabilities		**42,598**	**684,826**
Total equity and liabilities		**951,828**	**1,744,696**

The financial statements were approved by the Board and authorized for issue on 30 April 2014
The notes on pages 12 to 32 form part of these financial statements

Raoul van der Meeren
Director
Company number 3114356
Ellesfield Avenue
Bracknell
Berkshire
RG12 8TA

BMW (UK) Capital plc
Statement of cash flows
for the year ended 31 December 2013

in pound thousand	2013	2012
Net income for the year	6,464	16,412
Adjustments for non-cash items		
Unrealised foreign exchange (gains)/losses	(1,065)	3,317
Fair value gains on financial instruments and derivatives	(114,952)	(124,684)
Fair value losses on financial instruments and derivatives	105,884	118,919
Current and deferred taxation charge	5,441	8,490
Changes in operating assets and liabilities		
Receivables from BMW Group companies	647,725	1,507,169
Receivables and other assets	15,842	(6,471)
Net change in fair value derivatives	106,265	66,054
Net change in fair value medium term notes	(117,767)	(63,041)
Redemption of medium term notes	(290,409)	-
Loans from BMW Group companies	(345,995)	(1,528,420)
Other liabilities	(7,607)	11,578
Income tax paid	(9,839)	(9,366)
Cash flow from operating activities	**(13)**	**(43)**
Cash flow from investing activities	-	-
Cash flow from financing activities	-	-
Net (decrease) in cash and cash equivalents	(13)	(43)
Cash and cash equivalents at January 1	654	697
Cash and cash equivalents at December 31	**641**	**654**

See Note 18 of the Notes to the Financial Statements, for further details of the classification of cash flows within the Statement of cash flows

BMW (UK) Capital plc
Statement of changes in equity
for the year ended 31 December 2013

in pound thousand	Share Capital	Share premium	Retained earnings	Total
Balance at 1 January 2012	281	57,568	152,585	210,434
Profit for the year	-	-	16,412	16,412
31 December 2012	**281**	**57,568**	**168,997**	**226,846**
Balance at 1 January 2013	281	57,568	168,997	226,846
Profit for the year	-	-	6,464	6,464
31 December 2013	**281**	**57,568**	**175,461**	**233,310**

The company has no other income other than the profit as recognized within the Statement of Comprehensive Income

BMW (UK) Capital plc
Notes to the Financial Statements

Reporting entity
BMW (UK) Capital plc (the "Company") is incorporated in the United Kingdom and is a wholly owned subsidiary of BMW (UK) Holdings Ltd The registered office of BMW (UK) Capital plc is Ellesfield Avenue, Bracknell, Berkshire RG12 8TA (number 3114356)

Statement of compliance
The financial statements of BMW (UK) Capital plc have been prepared and approved in compliance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union and issued by the International Accounting Standards Boards (IASB) and valid at balance sheet date

Solvency
Given the objectives of the Company, the Company is economically interrelated with the ultimate holding company, BMW AG, Germany In assessing the solvency and general risk profile of the Company, the solvency of the BMW Group as a whole, headed by BMW AG, needs to be considered

Basis of preparation

Functional and presentation currency
The financial year contains the period from 1 January to 31 December The financial statements are presented in Great British Pounds (GBP), which is the Company's functional currency All financial information presented in GBP has been rounded to the nearest thousand, unless otherwise stated in the note

Basis of measurement
The financial statements have been prepared on the historical cost basis except for the following material items in the financial statement of financial position

Financial assets and liabilities are measured at their fair value
- Derivative financial instruments; and
- Recognised financial assets and liabilities that are part of fair value hedge relationships are measured at fair value in respect of the risk that is hedged

Use of estimates and judgements
The preparation of the financial statements in conformity with IFRS requires management to make judgements, assumptions and estimates that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses Actual results may differ from these estimates

The assumptions and estimates relate principally to the group-wide determination of economic useful lives, the recognition and measurement of provisions and the recoverability of future tax benefits Revisions to accounting estimates are recognised in the period in which the estimates are revised and in future periods affected Due to the current financial market conditions, the estimates contained in these financial statements concerning the operations, economic performance and financial condition of the company are subject to known and unknown risks, uncertainties and contingencies, many of which are beyond the control of the management of the company, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements Also, the estimates are based upon management's estimates of fair values and of future costs, using currently available information Factors that could cause differences include, but are not limited to
- Risks of economic slowdown, downturn or recession, especially in the countries of subsidiaries invested in,
- Risks inherent in changes in market interest rates and quality spreads, especially in an environment of unpredictable financial market conditions,
- Lending conditions to companies turning to the worse, thereby increasing the cost of borrowing,
- Changes in funding markets,
- Uncertainties associated with risk management, including credit, prepayment, asset/liability, interest rate and currency risks,
- Changes in laws or regulations governing our business and operations, and
- Changes in competitive factors

For the valuation of financial instruments the most significant assumptions and estimates relate to the interest rates and expected cash flows used in the valuation models

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected

Comparative figures
Where necessary, comparative figures in the notes to the Financial Statements have been adjusted to conform to changes in presentation in the current year

Determination of fair value
A number of the company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities Fair values have been determined for measurement and/or disclosure purposes based on the following methods When applicable, further information about assumptions made in determining fair values is disclosed in the notes specific to that asset or liability

Loans and receivables
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date

Derivatives
Interest rate and currency swaps are valued by using discounted cash flow models This method implements the discounting of future cash flows using yield curves of the cash flows' currency and relevant credit spreads The changes in the fair values of these contracts are reported in the income statement

Non derivative financial liabilities
Fair Value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date

Changes in accounting policies
There have been no relevant significant changes of accounting policies in 2013

[1] **Significant accounting policies**
The accounting policies set out below have been applied consistently to all periods presented in these 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 retranslated 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 Quotations of market rates are obtained from Reuters Ltd real time rates are frozen on daily basis

Financial result
Financial result is the difference between financial income and financial expenses Financial income comprises interest income on loans to BMW Group companies, 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 Financial expenses comprise interest expense on borrowings, fair value losses on financial instruments (including derivatives) and foreign exchange losses

Interest
Interest expense and interest income are due to funds borrowed and invested as part of the business' operations Interest income and interest expense are recognised in the income statement as they accrue, calculated on a daily basis on the amounts outstanding and shown within the cash flow as operating activities

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 adjustments to tax payable in respect of the 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

Financial instruments

Non-derivative financial assets

Interest-bearing receivables from and loans to BMW Group companies, debt securities and other non-derivative financial assets and liabilities are initially recognised at fair value If fair value hedge accounting is applied, subsequent measurement is described under "Fair value hedges" below All non-derivative financial instruments are recorded on the settlement date The Company derecognises a financial asset when the contractual rights to the cashflow from the asset expire or the risks and rewards of ownership are transferred The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire Financial assets and liabilities are offset and the net amount presented when, and only when, the Company has a legal right of offset and intends to settle on a net basis or realise the asset and settle the liability simultaneously

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market Such assets are recognised initially at fair value plus any directly attributable transaction costs Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method Additional subsequent to initial recognition, any such instruments denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date Loans and receivables comprise receivables from BMW Group companies (see note 6 and 11)

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 and bank loans are included as a component of cash equivalents for the purpose only of the statement of the cash flows

Non-derivative financial liabilities

Borrowings are recognised initially at fair value 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 borrowing on an effective interest basis Borrowings denominated in a currency other than sterling are hedged on 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" below Where fair value hedge accounting is not applicable, the borrowings are translated at the foreign exchange rate ruling at the balance sheet date

Share capital

Ordinary shares are classified as equity There are no preference share capital or compound financial instruments issued by the company

Derivative financial instruments

Derivative financial instruments on a stand-alone basis are recognised at fair value The gain or loss on a re-measurement 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 16 The supply of data to the model used to calculate fair values was redefined in 2010 Observable financial market price spreads (e g for liquidity risks) are now taken into account in the measurement of derivative financial instruments

Financial guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other Company's within its group, the Company considers these to be insurance arrangements and accounts for them as such In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee

Where the Company makes loan commitments to other companies within its group, the interest rate charged is at a market rate and therefore no provision for the loan commitment is recognised as per IAS37

Hedge Accounting

The company only utilises fair value hedges, incorporating interest rate swaps and forward exchange contracts, to mitigate market risk Further information on the hedges in place at year end can be found in notes 7 and 12

Fair value hedges

On initial designation of the hedge, the company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship The company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent Where a derivative financial instrument is designated as a fair value hedge of the variability on 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 re-measurement of the hedged underlying item are recognised immediately as fair value gains or losses in the income statement

Similarly any gains or losses on re-measurement of the designated derivative financial instruments are recognised immediately in the income statement

The Company discontinues hedge accounting prospectively when the hedge no longer meets the criteria for hedge accounting Any adjustment arising from a discontinued hedge is amortised to profit or loss Amortisation begins as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged The adjustment is based on a recalculated effective interest rate at the date the amortisation begins

Segment analysis

Per IFRS 8 the Company is required to disclose segmental information of its revenues All revenues are derived through trading with entities that are owned and controlled by BMW AG Group which, in accordance with IFRS 8, are treated as a single entity for segmental reporting purposes and therefore no segmental disclosure has been included within the financial statements

New financial reporting rules

In May 2011 the IASB published IFRS 13 (Fair Value Measurement) IFRS 13 defines the term fair value, sets out the requirements for measuring fair value where another IFRS prescribes fair value measurement (or fair value disclosure) and stipulates uniform disclosure requirements with respect to fair value measurement IFRS 13 is mandatory for financial years beginning on or after 1 January 2013 The Standard is required to be applied prospectively Early adoption is permitted but will not be applied by BMW Group in particular for the measurement of derivatives

[2] Finance income and expense

Total finance income and expense for financial assets and liabilities comprise the following

Interest Income

in pound thousand	2013	2012
Interest income from BMW Group companies	37,094	69,817
Interest income from held for trading derivative instruments	15,642	30,991
Interest income from hedging instruments designated as part of a fair value hedge relationship	24,710	27,064
Interest Income	**77,446**	**127,872**

Foreign exchange gains

in pound thousand	2013	2012
Foreign exchange gains	**1,270**	**7,248**

Net fair value gains and losses

in pound thousand	2013	2012
Net fair value gains on financial instruments not included in a hedge relationship	9,780	10 532
Net fair value gains from hedged items designated as part of fair value hedge relationship	32,768	38,422
Net fair value losses on hedging instruments designated as part of fair value hedge relationship	(33,480)	(43,189)
Net fair value gains	**9,068**	**5,765**

Interest expenses

in pound thousand	2013	2012
Interest expenses to BMW Group companies	10,240	14 698
Interest expenses on bank loans/overdrafts	15	140
Interest expenses on medium term notes held at amortised cost	669	2,484
Interest expenses on fair value medium term notes	24,756	27 100
Interest expenses from held for trading derivative instruments	26,818	49,054
Interest expenses from hedging instruments designated as part of a fair value hedge relationship	12,013	15,566
Interest expense	**74,511**	**109,042**

Foreign exchange losses

in pound thousand	2013	2012
Foreign exchange losses	**1,212**	**6,785**

[3] Administrative expenses

in pound thousand	2013	2012
Salaries & social security charges	34	79
Advisory expenses	20	22
Other miscellaneous income & expenses	102	55
Total	**156**	**156**

The following fees for the financial year have been charged by KPMG LLP to the company
Fee charged by auditors

in pound thousand	2013	2012
Audit of these financial statements	**20**	**22**

[4] Taxation

Recognised in the income statement

in pound thousand	2013	2012
Current tax expense		
Current year	3,348	8,638
Adjustments for prior years	(7,013)	303
Total	**(3,665)**	**8,941**
Deferred tax credit		
Origination and reversal of temporary differences	(574)	(2,589)
Reduction in realisable tax value	2,780	2,403
Adjustment for prior years	6,900	(265)
Deferred tax expense	**9,106**	**(451)**
Total tax expense	**5,441**	**8,490**

Reconciliation of effective tax rate

in pound thousand	2013	2012
Profit/(loss) before taxation	11,905	24,902
Tax using the prevailing UK corporation tax rate of 23 25% (2012 24 5%)	2,768	6,101
Adjustments for prior years	(113)	38
Adjustment for reduction in taxation rate for future periods	2,780	2,403
Differences between expected rate and applicable rate on deferred tax	6	(52)
Total tax expense	**5,441**	**8,490**

A reduction in the corporation tax rate from 26% to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012 A further reduction to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012 Additionally a reduction to 20% (effective from 1 April 2015) was substantively enacted on 25 July 2013 The current tax rate was therefore been calculated at a blended rate of 23 25%

[5] Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

in pound thousand	2013	2012
Temporary differences on market values of financial instruments and derivatives	18,532	27,638

Movement in deferred tax during the year

in pound thousand	01 01 2013	Recognised in income	31 12 2013
Temporary differences on market values of financial instruments and derivatives	27 638	(9,106)	18,532
	27,638	**(9,106)**	**18,532**

Movement in deferred tax during the prior year

in pound thousand	01 01 2012	Recognised in income	31 12 2012
Temporary differences on market values of financial instruments and derivatives	27,187	451	27,638
	27,187	**451**	**27,638**

The deferred tax asset is only recognized 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

[6] Receivables from BMW Group companies

Financial receivables from related parties at the yearend included GBP 818,895,000 (2012 GBP 1,465,555,000) of unsecured interest bearing loans, which the company expects to be settled in cash, which may be analysed as follows

in thousands	Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Non-current				
Receivables from fellow subsidiaries (1-5 years)	GBP 184,700	GBP 190,918	GBP 752,950	GBP 786,176
Receivables from fellow subsidiaries (1-5 years)	EUR 2,000	EUR 2,088	EUR 13,000	EUR 13 645
Current				
Receivables from fellow subsidiaries	GBP 623,368	GBP 629,348	GBP 682,922	GBP 692,448
Receivables from fellow subsidiaries	EUR 11,000	EUR 11,163	EUR 23,500	EUR 23,850

The fair values of these receivables are calculated as described in note 16

The following details apply to the receivables from BMW Group companies at 31 December 2013

Interest	Volume in relevant currency	Weighted average maturity period	Weighted average effective interest rate (in %)
Fixed	GBP 808 million	16 months	2 3
Fixed	EUR 13 million	9 months	3 3

The following details apply to the receivables from BMW Group companies at 31 December 2012

Interest	Volume in relevant currency	Weighted average maturity period	Weighted average effective interest rate (in %)
Fixed	GBP 1,436 million	13 months	3 5
Fixed	EUR 37 million	11 months	3 4

[7] 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 16

in pound thousand	2013	2012
Non-current		
Fair value through profit or loss		
Interest derivatives with fellow subsidiaries (1-5 years)	2,253	3,442
Currency derivatives with non-related parties (1-5 years)	32,849	312
Currency derivatives with non-related parties (greater than 5 years)	-	33,069
Fair value hedge		
Interest derivatives with non-related parties (1-5 years)	26,665	37,857
Currency derivatives with non-related parties (1-5 years)	48,444	52,136
	110,211	126,816
Current		
Fair value through profit or loss		
Interest derivatives with fellow subsidiaries	-	239
Currency derivatives with non-related parties	216	46,358
Fair value hedge		
Currency derivatives with non-related parties	-	58,276
	216	104,873

Derivative contracts are entered into with related parties in order to manage their financial risks as described in note 17 The non-related parties described above comprise international financial institutions

[8] Interest receivables and other receivables

Interest receivables and other receivables comprise

in pound thousand	2013	2012
Interest receivables with non-related parties	–	12,275
Interest receivables with fellow subsidiaries	3,302	6,869
Total	**3,302**	**19,144**

The fair value of accrued interest receivable is estimated as its carrying amount given the receivable should be settled within three months

[9] Cash and cash equivalents

in pound thousand	2013	2012
Cash and cash equivalents per balance sheet	672	670
Bank loans and overdraft	(31)	(16)
Total	**641**	**654**

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

[10] Medium term notes

in pound thousand	2013	2012
Non-current		
Medium term notes part of a fair value hedge relationship	688,285	688,188
Current		
Medium term notes part of a fair value hedge relationship	–	172,262
Medium term notes held at amortised cost	–	216,011
	668,285	**1,076,461**

The fair value of medium term notes has been calculated using the company's treasury management system as described in note 16. The carrying amount and fair values of medium term notes not carried at fair values are as follows

in pound thousand	Carrying amount 2013	Fair Value 2013	Carrying amount 2012	Fair Value 2012
Medium term notes not carried at fair value	–	–	216,011	216,459

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	Interest	Rate basis	Listed	Maturity
EMTN	CHF	500,000,000	FIXED	2.13%	Zurich	2015
EMTN	GBP	300,000,000	FIXED	5.00%	Luxembourg	2017

[11] Loans from BMW Group companies

Loans from BMW Group companies at the yearend included GBP 619,000 (2012 GBP 346,614,000) of unsecured interest bearing loans, which the company expects to be settled in cash, these may be analysed as follows

in pound thousand	Carrying amount 2013	Fair Value 2013	Carrying amount 2012	Fair Value 2012
Non-current				
Loans from fellow subsidiaries (greater than 5 years)	–	–	EUR 150,000	EUR 190,704
Current				
Loans from fellow subsidiary	–	–	GBP 224,398	GBP 225,745
Loans from fellow subsidiary	EUR 743	EUR 743	EUR 282	EUR 282

The fair value of loans from BMW Group companies has been calculated using the company's treasury management system as described in note 16

The following details apply to the loans from BMW Group companies at 31 December 2013

Interest	Volume in relevant currency	Weighted average maturity period	Weighted average effective interest rate (in %)
Fixed	EUR 0,7 million	1 months	0 6

The following details apply to the loans from BMW Group companies at 31 December 2012

Interest	Volume in relevant currency	Weighted average maturity period	Weighted average effective interest rate (in %)
Fixed	GBP 224 million	5 months	1 8
Fixed	EUR 150 million	66 months	5 9

[12] 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 16

in pound thousand	2013	2012
Non-current		
Fair value through profit or loss		
Interest derivatives with non-related parties (1-5 years)	7,635	22 850
	7,635	**22,850**
Current		
Fair value through profit or loss		
Interest derivatives with non-related parties	3,608	5,461
Currency derivatives with non-related parties	–	6,997
	3,608	**12,458**

Derivative contracts are entered into with these parties in order to manage their financial risks as described in note 17 The non-related parties described above comprise international financial institutions

[13] Interest payables and other liabilities

Interest payables and other liabilities comprise

in pound thousand	2013	2012
Current		
Interest payables with non-related parties	7,323	13,356
Interest payables with fellow subsidiaries	3,732	5,337
Trade payables with non-related parties	18	7
Trade payables with fellow subsidiaries	23	3
	11,096	**18,703**

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

[14] Capital and reserves

Reconciliation of movements in capital and reserves

in pound thousand	Share Capital	Share premium	Retained earnings	Total
Balance at 1 January 2012	281	57,568	152,585	210,434
Profit for the year	–	–	16,412	16,412
At 31 December 2012	**281**	**57,568**	**168,997**	**226,846**
Balance at 1 January 2013	281	57,568	168,997	226,846
Profit for the year	–	–	6,464	6,464
At 31 December 2013	**281**	**57,568**	**175,461**	**233,310**

Capital management

The company's capital management objective is to support the objectives of the BMW Group The BMW Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in the long-term and to provide an adequate return to shareholders The BMW Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk profile of the underlying assets The BMW Group manages the structure of debt capital on the basis of a target debt ratio An important aspect of the selection of financial instruments is the objective to achieve matching maturities for the Group's financing requirements In order to reduce non-systemic risk, the BMW Group uses a variety of financial instruments available on the world's capital markets to achieve optimal diversification

[15] Share capital

in pound thousand	2013	2012
Allotted, called up and fully paid		
Ordinary shares of GBP 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 (2012 nil)

[16] Financial Instruments

The carrying amounts and fair values of financial instruments are analyzed below by IAS 39 category The derivatives that are part of a hedge relationship are recorded in the respective hedge accounting category

31 December 2013 in pound thousand	Loans and receivables	Amortised costs	Fair value through profit or loss	Fair value hedges	Total
Assets					
Derivative instruments	–	–	35,317	75,110	**110,427**
Other receivables	3,302	–	–	–	**3,302**
Cash and cash equivalents	672	–	–	–	**672**
Receivables from BMW Group companies	818,895	–	–	–	**818,895**
Total of financial assets	**822,869**	**–**	**35,317**	**75,110**	**933,296**
Liabilities					
Debt securities	–	–	–	668,285	**668,285**
Bank overdraft	–	31	–	–	**31**
Derivative instruments	–	–	11,243	–	**11,243**
Other liabilities	–	11,096	–	–	**11,096**
Loans from BMW Group companies	–	619	–	–	**619**
Total financial liabilities	**–**	**11,746**	**11,243**	**668,285**	**691,274**

31 December 2012 in pound thousand	Loans and receivables	Amortised costs	Fair value through profit or loss	Fair value hedges	Total
Assets					
Derivative instruments	–	–	83,420	148,269	231,689
Other receivables	19,144	–	–	–	19,144
Cash and cash equivalents	670	–	–	–	670
Receivables from BMW Group companies	1,465,555	–	–	–	1,465,555
Total of financial assets	**1,485,369**	**–**	**83,420**	**148,269**	**1,717,058**
Liabilities					
Debt securities	–	216,011	–	860,450	1,076,461
Bank overdraft	–	16	–	–	16
Derivative instruments	–	–	35,308	–	35,308
Other liabilities	–	18,703	–	–	18,703
Loans from BMW Group companies	–	346,614	–	–	346,614
Total financial liabilities	**–**	**581,344**	**35,308**	**860,450**	**1,477,102**

Fair value measurement of financial instruments

The fair values shown are computed using market information available at the balance sheet date, on the basis of market prices as quoted by the contract partners or using appropriate measurement methods, e g discounted cash flow models In the latter case, amounts were discounted at 31 December 2013 on the basis of the following interest rates

	GBP	EUR	CHF
Interest rate for 3 months	0 525	0 235	0 040
Interest rate for 6 months	0 623	0 389	0 079
Interest rate for one year	0 710	0 403	0 086
Interest rate for 5 years	2 136	1 261	0 750

Interest rates taken from interest rate curves were adjusted, where necessary, to take account of the credit quality and risk of the underlying financial instrument. Derivative financial instruments are measured at their fair value. The fair values of derivative financial instruments are determined using measurement models, as a consequence of which there is a risk that the amounts calculated could differ from realisable market prices on disposal. Observable financial market price spreads (e.g. for liquidity risks) are taken into account in the measurement of derivative financial instruments, thus helping to minimise differences between the carrying amounts of the instruments and the amounts that can be realised on the financial markets in the disposal of those instruments. In addition, the valuation takes into account, the Company's own default risk and that of counterparties in the form of credit default swap (CDS) spreads which have appropriate terms and which can be observed on the market. Financial instruments measured at fair value are allocated to different measurement levels in accordance with IFRS 7. This includes financial instruments that are

1. Measured at their fair values in an active market for identical financial instruments (level 1),
2. Measured at their fair values in an active market for comparable financial instruments or using measurement models whose main input factors are based on observable market data (level 2),
3. Measured using input factors not based on observable market data (level 3)

The model used by the company is consistent with 2012 and is aligned with the IFRS 7 level 2 criteria. No instruments measured in accordance with level 2 criteria in 2012 have been measured using level 1 or level 3 criteria in 2013.

The following table shows the amounts allocated to each measurement level at 31 December 2013

	Level hierarchy in accordance with IFRS 7		
in pound thousand	Level 1	Level 2	Level 3
Derivative instruments (assets)			
Fair value hedges	–	75,110	–
Other derivative instruments	–	35,317	–
Derivative instruments (liabilities)			
Fair value hedges	–	–	–
Other derivative instruments	–	11,243	–

The following table shows the amounts allocated to each measurement level at 31 December 2012

	Level hierarchy in accordance with IFRS 7		
in pound thousand	Level 1	Level 2	Level 3
Derivative instruments (assets)			
Fair value hedges	–	148,269	–
Other derivative instruments	–	83,420	–
Derivative instruments (liabilities)			
Fair value hedges	–	–	–
Other derivative instruments	–	35,308	–

In the case of financial instruments held by the company which are not measured at fair value, the carrying amounts of such instruments correspond in general to fair values The following items are exceptions to this general rule

in pound thousand	31 12 2013 Fair value (*)	31 12 2013 Carrying amount	31 12 2012 Fair value	31 12 2012 Carrying amount
Other liabilities – Bonds	663,020	686,285	1,070,609	1,076,461

(*) Optimised system based fair value measurement with effect from 01 01 2013.

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

in pound thousand	Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Receivables from BMW Group companies				
Non-current	186,366	192,657	763,522	797,273
Current	632,529	638,645	702,033	711,844
	818,895	**831,302**	**1,465,555**	**1,509,117**
Loans from BMW Group companies				
Non-current	–	–	121,986	155,088
Current	619	619	224,628	225,975
	619	**619**	**346,614**	**381,063**

Offsetting of financial instruments

The offsetting of the financial assets and liabilities for derivatives of the company is considered, however any such netting does not occur to failure to meet the necessary conditions The company holds enforceable master netting agreements whereby assets and liabilities could be offset in certain situations such as insolvency of the counterparty Were any such netting to occur, the impact on the balance sheet derivatives would be as shown in the table below

in pound thousand	31 12 2013		31 12 2012	
	Assets	Liabilities	Assets	Liabilities
Gross amounts as presented in the balance sheet	110,427	(11,243)	231,689	(35,308)
Possible netting in case of insolvency	(3,332)	3,332	(13,833)	13,833
Net value of derivatives	**107,095**	**(7,911)**	**217,856**	**(21,475)**

[17] Risk Management

The company provides a treasury service to the BMW 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 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 and Cross Currency Swaps 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 results from the risk of default of internal or external counterparty's Given the activities of the company, the credit risk is mainly related to the Treasury and the intergroup financing activities The amount recognised in the balance sheet of the Company for financial assets is the maximum credit risk in the case that counterparty's are unable to fulfil their contractual obligations In the case of derivative financial instruments, the Company is also exposed to credit risk, which results from the non-performance of contractual agreement on the part of the counterparty This credit risk, for Treasury activities is mitigated by entering into such contracts only with parties of first-class credit standing Furthermore, the company participates in a BMW Group wide limit system that continually assesses and limits the credit exposure to any single external counterparty 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 2013 Receivables from BMW Group companies represent over 86% (2012 84%) of the company's assets by value The guarantee fee incurred by the Company is recognised in interest expense

The maximum exposure to credit risk at reporting date was

in pound thousand	31 12 2013	31 12 2012
Loans and Receivables		
Receivables from BMW Group Companies	818,895	1,465,555
Interest Receivables and other receivables	3,302	19,144
Cash and cash equivalents	672	670
Derivative assets	110,427	231,689
Maximum exposure	**933,296**	**1,717,058**

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial liabilities when they come due, at reasonable costs and in a timely manner As a result the Company's borrowing capacity may be influenced and its financing costs may fluctuate Against the background of the winding down of the company, BMW (UK) Capital retired from the BMW Group Medium Term Note (MTN) and Commercial Paper (CP) programmes 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 The derivative liabilities shown on the balance sheet include these back-to-back transactions classified as held for trading

The table shows the maturity structure of the financial liabilities

31 December 2013 in pound thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	-	668,285	-	**668,285**
Other financial liabilities	11,127	-	-	**11,127**
Derivative instruments	3,608	7,635	-	**11,243**
Loans from BMW Group companies	619	-	-	**619**
	15,354	**675,920**	**-**	**691,274**

31 December 2012 in pound thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	388,273	688,188	-	**1,076,461**
Other financial liabilities	18,719	-	-	**18,719**
Derivative instruments	12,458	22,850	-	**35,308**
Loans from BMW Group Companies	224,628	-	121,986	**346,614**
	644,078	**711,038**	**121,986**	**1,477,102**

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

Interest rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in interest rates The company holds a substantial volume of interest rate sensitive financial assets, liabilities and derivatives for operational activities Changes in interest rates can have adverse effects on financial position and operating result of the company In order to mitigate the impact of interest rate risk the company aims in general to change fixed to floating interest rates Furthermore, the company continually assesses its exposure to this risk by using gap analysis Interest rate risk is managed through natural hedges and hedged through the use of derivative financial instruments, such as interest rate swaps To manage the maturity gaps appropriate interest rate derivatives are used

The fair values of the Company's derivative financial instruments portfolio to manage the interest rate risk of its income financial instruments was as follows at the balance sheet date

in pound thousand	2013	2012
Fair Market Value		
GBP	21,542	13,227

The company applies a value-at-risk approach for internal reporting purposes and to control the frequency, extent and size of possible losses in such a way as to provide the minimum surprise The approach to value at risk is based on a modern historical simulation, in which the potential future fair value losses of the interest rate portfolio are compared with expected amounts in the basis of a holding period of 250 days and a confidence level of 99 98%

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

in pound thousand	2013	2012
Value-at-risk		
GBP	709	946

A primary risk measure when judging the interest rate exposure of the entity is the present value of a basis point of the portfolio This concept indicates how much the portfolio's economic value, representing the sum of discounted cash flows of the financial instruments, will move for each basis point change in interest rates, assuming the change of interest rates will be a parallel shift Looking at this primary risk measure, the interest rate risk exposure on 31 December 2013 was minus GBP 12,462 (2012 minus GBP 5,648)

Foreign currency risk
The company manages BMW UK Group companies' currency risks primarily through utilizing forward contracts, foreign exchange swaps and foreign exchange option contracts The company utilizes 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 The foreign currency denominated medium term notes (see note 10) 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 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

[18] Cash Flow

The Cash Flow Statement shows how the cash and cash equivalents of the Company have changed in the course of the year as a result of cash inflows and cash outflows In accordance with IAS 7, cash flows are classified into cash flows from operating, investing and financing activities The Company's purpose is to assist the financing of the activities conducted by companies of the BMW Group This assistance is considered to be an operating activity for the Company Movements related to medium term notes and loans from BMW Group companies are considered to be operating activities The cash flow from operating activities is computed using the indirect method, starting from the net income of the Company Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects BMW (UK) Capital plc has no cash flows from investing and financing activities

The cash flow from interest received/paid in the respective year

in pound thousand	2013	2012
Interest received	81,184	121,401
Interest paid	78,289	97,314

[19] Contingencies and commitments

The Company acts as guarantor for commitments, totalling GBP 4 1 million (2012 GBP 3 million) which have been entered into by BMW Group companies

The Company provides a EUR 200 million committed credit facility to BMW Austria Bank GmbH, Athens Branch (2012 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 11 million were outstanding as at 31 December 2013 (2012 EUR 32 million) The Company provides a EUR 50 million uncommitted revolving credit facility to BMW Hellas Trade of Cars SA (2012 EUR 50 million) Drawings of EUR 2 million were outstanding as at 31 December 2013 (2012 EUR 4 5 million)

[20] 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 19, 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 issues 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 yearend were

Parent undertakings
BMW AG

Fellow subsidiaries
Alphabet (GB) Ltd
BMW Austria Bank GmbH, Athens Branch
BMW Finance N V
BMW Financial Services (GB) Ltd
BMW Hams Hall Motoren GmbH, UK Branch
BMW Renting Hellas Athen

Interest receivable within the year from the ultimate parent company was GBP 166,979 (2012 GBP 441,620), interest payable within the year to the ultimate parent company was GBP 778,284 (2012 GBP 625,763) As at 31 December 2013, there were receivables due to the ultimate parent company of GBP 54,129 (2012 GBP 7,772,019) and loans amounted to GBP 619,214 (2012 GBP 229,325) The charge for guarantee fees payable to the ultimate parent company in relation to guarantees on external debt and finance leases was GBP 770,167 (2012 GBP 618,818)

[21] 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

Statement of directors' responsibilities in respect of the Strategic Report, 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 IFRS as adopted by the EU and applicable law

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 they have been prepared in accordance with IFRS 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 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 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

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
Ellesfield Avenue
Bracknell
Berkshire
RG12 8TA

Auditors' report

Independent auditor's 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 2013 set out on pages 8 to 32 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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

Andrew Stevenson 30/4/2014
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
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