

ANNUAL REPORT 2016

# BMW (UK) Capital plc.

**BMW  
GROUP**

THURSDAY



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COMPANIES HOUSE



Rolls-Royce  
Motor Cars Limited

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## Strategic Report

The directors present their reports and financial statements for the year ended 31 December 2016.

BMW (UK) Capital plc. (the "Company") is incorporated in the United Kingdom and is a wholly owned subsidiary of BMW (UK) Holdings Ltd. The principal activity of the Company is to raise funds in the financial markets and provide intercompany funding for BMW Group companies, principally but not exclusively BMW Group companies in the United Kingdom. In 2011 the BMW Group decided to wind down the activities in BMW (UK) Capital plc. In 2012 the Company ceased acquiring new assets and liabilities. In the Board meeting of March 2015 it was decided that the Company should be transferred in a dormant status. As a result, at the end of October 2015 the Company only had a limited number of deposits, loans and derivative transactions. In this light a number of steps were taken to achieve the dormant status: In 2015 the Company paid back an early termination of a loan of EUR 150 million with BMW Finance N.V. and an interim dividend of GBP 150 million was paid to the shareholder BMW (UK) Holdings Ltd. Furthermore an EMTN of GBP 300 million with maturity date October 2017 was transferred to BMW Finance N.V. At year end 2015 the Company has reduced the share capital to an amount of GBP 50,000. In 2016 the Company made another interim dividend of GBP 3,977 thousand to the shareholder BMW (UK) Holdings Ltd, to further reduce the equity.

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

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. The level of the risks at 31 December 2016 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.

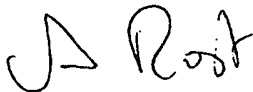
At year end the Company's balance sheet total decreased by GBP 3.9 million or -98.7% (2015: GBP 1,035.9 million or -99.6%) to GBP 51 thousand (2015: GBP 4.0 million). The main reason for the decrease on the asset side of the balance sheet was the current receivables from BMW Group companies. On the equity and liabilities side of the balance sheet, the change was driven by the decrease of equity. The equity decreased to GBP 51 thousand (2015: GBP 4.0 million) due to the interim dividend of GBP 3,977 thousand to the shareholder BMW (UK) Holdings Ltd.

The interest margin shows a loss of GBP 8 thousand (2015: loss GBP 2.6 million). The profit before tax of the year resulted in a profit of GBP 14 thousand (2015: loss GBP 29.4 million).

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 gross domestic product (GDP) is generally expected to slightly grow from approximately 2.6% in 2016 to around 2.9% in 2017. The GDP of the euro area, increased by the political risks, is decreasing from approximately 1.8% (2016) to around 1.6% in 2017. In the UK, the year 2016 was marked by the BREXIT decision, the economic impact of which is expected to be felt from 2017 onwards. For the year under report, a robust GDP growth rate of 2.0% was recorded.

As stated earlier, in 2011 the BMW Group decided to wind down the activities in BMW (UK) Capital plc. In 2012 the Company ceased acquiring new assets and liabilities. In the Board meeting of March 2015 is decided that the Company should be transferred into a dormant status. In this light the Company believes that overall it will have almost no profit and loss result in 2017.

The Hague, 28 June 2017



**Andreas Rost**

**Director**

Company number 3114356

BMW (UK) Capital plc.

Summit ONE

Summit Avenue

Farnborough

Hampshire

GU14 0FB

United Kingdom

## Director's Report

The Company had not acquired any of its own shares in either 2016 or 2015.

In 2016 the Company has paid an interim dividend of GBP 3,977 thousand to the shareholder BMW (UK) Holdings Ltd. (2015: GDP 150 million). A reconciliation of the movements in capital and reserves is given in note 8.

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 (2015: nil).

The directors who held office during the year or subsequently were Andreas Rost and Neil 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 auditor is 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 auditor is 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, 28 June 2017



**Andreas Rost**

**Director**

Company number 3114356

BMW (UK) Capital plc.

Summit ONE

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Farnborough

Hampshire

GU14 0FB

United Kingdom

## Statement of comprehensive income

in pound thousand	Notes	2016	2015
Interest income and similar income	[2]	8	18,594
Foreign exchange gains	[2]	-	10,877
Fair value gains on financial instruments and derivatives	[2]	-	83,468
<b>Finance income</b>	<b>[2]</b>	<b>8</b>	<b>112,939</b>
Interest expenses and similar expenses	[2]	-	(21,210)
Foreign exchange losses	[2]	-	(10,853)
Fair value losses on financial instruments and derivatives	[2]	-	(110,188)
<b>Finance expenses</b>	<b>[2]</b>	<b>-</b>	<b>(142,251)</b>
<b>Financial result</b>		<b>8</b>	<b>(29,312)</b>
Administrative expenses	[4]	6	(94)
<b>(Loss)/Profit before taxation</b>		<b>14</b>	<b>(29,406)</b>
Taxation	[5]	-	6,210
<b>(Loss)/Profit for the year attributable to equity holders of the parent company</b>		<b>14</b>	<b>(23,196)</b>
Attributable to Shareholders of BMW (UK) Capital plc.		14	(23,196)
Earnings per share of common stock in GBP		0.27	(463.92)

The Company has no other comprehensive income in the year (2015: nil) and has therefore not presented a statement of other comprehensive income.

## Balance sheets at 31 December

in pound thousand	Notes	31.12.2016	31.12.2015
<b>Assets</b>			
Receivables from BMW Group companies	[6]	51	4,022
<b>Current assets</b>		<b>51</b>	<b>4,022</b>
<b>Total assets</b>		<b>51</b>	<b>4,022</b>
<b>Equity and liabilities</b>			
Share capital	[9]	50	50
Retained earnings	[8]	1	3,964
<b>Equity</b>		<b>51</b>	<b>4,014</b>
<b>Non-current liabilities</b>			
Interest payables and other liabilities	[7]	-	8
<b>Current liabilities</b>		<b>-</b>	<b>8</b>
<b>Total equity and liabilities</b>		<b>51</b>	<b>4,022</b>

The financial statements were approved by the Board and authorized for issue on 28 June 2017.

The notes on pages 12 to 27 form part of these financial statements.

  
Andreas Rost

Director

Company number 3114356

BMW (UK) Capital plc.

Summit ONE, Summit Avenue

Farnborough, Hampshire, GU14 0FB, United Kingdom

## Cash Flow Statements

in pound thousand	2016	2015
Net income for the year	14	(23,196)
<b>Adjustments for non-cash items</b>		
Fair value gains on financial instruments and derivatives	-	(83,468)
Fair value losses on financial instruments and derivatives	-	110,188
Current and deferred taxation (credit)/charge	-	(6,210)
<b>Changes in operating assets and liabilities</b>		
Receivables from BMW Group companies	3,971	936,546
Receivables and other assets	-	1,107
Net change in fair value derivatives	-	49,659
Net change in fair value medium term notes	-	(45,752)
Redemption of medium term notes	-	(602,405)
Loans from BMW Group companies	-	(117,997)
Other liabilities	(8)	(10,696)
Income tax paid	-	(540)
<b>Cash flow from operating activities</b>	<b>3,977</b>	<b>207,236</b>
<b>Cash flow from investing activities</b>	<b>-</b>	<b>-</b>
Dividend distribution	(3,977)	(150,002)
Capital reduction	-	(57,799)
<b>Cash flow from financing activities</b>	<b>(3,977)</b>	<b>(207,801)</b>
Net (decrease) in cash and cash equivalents	-	(565)
Cash and cash equivalents at January 1	-	565
<b>Cash and cash equivalents at December 31</b>	<b>-</b>	<b>-</b>

See Note 12 of the Notes to the Financial Statements, for further details of the classification of cash flows within the Cash Flow Statements.



## Statement of Changes in Equity

in pound thousand	Share capital	Share premium	Retained earnings	Total
Balance at 1 January 2015	281	57,568	177,162	235,011
Profit for the year	-	-	(23,196)	(23,196)
<b>Transactions with owners recorded directly in equity</b>				
Dividend distribution	-	-	(150,002)	(150,002)
Capital reduction	231	57,568	-	57,799
<b>31 December 2015</b>	<b>50</b>	<b>-</b>	<b>3,964</b>	<b>4,014</b>
Balance at 1 January 2016	50	-	3,964	4,014
Profit for the year	-	-	14	14
<b>Transactions with owners recorded directly in equity</b>				
Dividend distribution	-	-	(3,977)	(3,977)
<b>31 December 2016</b>	<b>50</b>	<b>-</b>	<b>1</b>	<b>51</b>

The Company has no other income other than the profit as recognised within the Statement of Comprehensive Income.

## 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 Summit One, Summit Avenue, Farnborough, Hampshire, GU14 0FB United Kingdom (number 3114356). In the Board meeting of March 2015 it was decided that the Company should be transferred into a dormant status.

The members of the Board of Directors do not receive remunerations of the Company.

The Company does not employ employees and has no Supervisory Board.

### **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 are valid at balance sheet date.

The 2016 Annual Report of BMW (UK) Capital plc. is prepared and authorized for issue by the Board of Directors on 28 June 2017 and will be submitted for approval to the Annual General Meeting of Shareholders.

### **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 financial assets and liabilities that are measured at their fair value:

- Derivative financial instruments.
- 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.

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

*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 2015.

**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 cash flows 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 7 and 12).

#### *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.

#### **Finance income and finance costs**

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

Finance costs comprise interest expense on borrowings and impairment losses recognised on financial assets.

Foreign currency gains and losses are reported on a net basis.

#### **Dividends**

Dividends proposed by the Board of Directors are not recorded in the financial statements until the Annual General Meeting of Shareholders has approved the proposal. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

#### **Earnings per share**

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

#### **Cash Flow Statements**

The cash flow statements show 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 (Statement of Cash Flows),

cash flows are classified into cash flows from operating, investing and financing activities.

Cash and cash equivalents included in the cash flow statement comprise cash in hand, cheques, and cash at bank, to the extent that they are available within three months from the end of the reporting period and are subject to an insignificant risk of changes in value.

The cash flows from investing and financing activities are based on actual payments and receipts. By contrast, the cash flow from operating activities is derived indirectly from the net profit for the year. Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects and changes in the composition of the Company. The changes in balance sheet positions shown in the cash flow statement do not therefore agree directly with the amounts shown in the Company and segment balance sheets.

**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.

## 2. Finance income and expense

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

### Interest Income

in pound thousand	2016	2015
Interest income from BMW Group companies	8	4,590
Interest income from held for trading derivative instruments	-	3,286
Interest income from hedging instruments designated as part of a fair value hedge relationship	-	10,718
<b>Interest Income</b>	<b>8</b>	<b>18,594</b>

### Foreign exchange gains

in pound thousand	2016	2015
<b>Foreign exchange gains</b>	<b>-</b>	<b>10,877</b>

### Net fair value gains and losses

in pound thousand	2016	2015
Net fair value gains/(losses) on financial instruments not included in a hedge relationship	-	(19,191)
Net fair value gains/(losses) from hedged items designated as part of fair value hedge relationship	-	(20,767)
Net fair value gains/(losses) on hedging instruments designated as part of fair value hedge relationship	-	13,238
<b>Net fair value gains/(losses)</b>	<b>-</b>	<b>(26,720)</b>

### Interest expenses

in pound thousand	2016	2015
Interest expenses to BMW Group companies	-	1,531
Interest expenses on bank loans/overdrafts	-	21
Interest expenses on fair value medium term notes	-	10,721
Interest expenses from held for trading derivative instruments	-	3,487
Interest expenses from hedging instruments designated as part of a fair value hedge relationship	-	5,450
<b>Interest expense</b>	<b>-</b>	<b>21,210</b>

### Foreign exchange losses

in pound thousand	2016	2015
<b>Foreign exchange losses</b>	<b>-</b>	<b>10,853</b>

## 3. Dividends

In 2015 the Company has paid an interim dividend of GBP 3,977 thousand to the shareholder BMW (UK) Holdings Ltd.

**4. Administrative expenses**

in pound thousand	2016	2015
Salaries & social security charges	-	-
Advisory expenses	-	33
Other miscellaneous income & expenses	(6)	61
<b>Total</b>	<b>(6)</b>	<b>94</b>

The following fees for the financial year have been charged by KPMG LLP to the Company.

Fee charged by auditors:

in pound thousand	2016	2015
<b>Audit of these financial statements</b>	<b>5</b>	<b>14</b>

**5. Taxation****Recognised in the income statement**

in pound thousand	2016	2015
Current tax expense		
Current year	-	(21,606)
Adjustments for prior years	-	(1,974)
<b>Total</b>	<b>-</b>	<b>(23,580)</b>

Deferred tax credit		
Origination and reversal of temporary differences	-	15,518
Adjustment for prior years	-	1,852
<b>Deferred tax expense</b>	<b>-</b>	<b>17,370</b>
<b>Total tax (credit) / expense</b>	<b>-</b>	<b>(6,210)</b>

**Reconciliation of effective tax rate**

in pound thousand	2016	2015
(Loss) / Profit before taxation	14	(29,406)
Tax using the prevailing UK corporation tax rate of 20.25% (2015: 20.25%)	3	(5,955)
Non-deductible expenditure	-	61
Adjustments for prior years	(3)	(122)
Differences between expected rate and applicable rate on deferred tax	-	(194)
<b>Total tax (credit) / expense</b>	<b>-</b>	<b>(6,210)</b>



## 6. Receivables from BMW Group companies

Financial receivables from related parties at the yearend amounted to GBP 51 thousand (2015: GBP 4,022 thousand). This amount is the cash position of the Company, which is reflected in the Inhouse Bank position with BMW AG. The balance is accounted for as intercompany receivable.

in pound thousand	Carrying amount 2016	Fair value 2016	Carrying amount 2015	Fair value 2015
<b>Current</b>				
Receivables from fellow subsidiaries	GBP 51	GBP 51	GBP 4,022	GBP 4,022

The fair values of these receivables are calculated as described in note 15.

The following details apply to the receivables from BMW Group companies at 31 December 2016:

Interest	Volume in relevant currency	Weighted average maturity period	Weighted average effective interest rate (in %)
Fixed	GBP 51 thousand	Daily	EONIA

The following details apply to the receivables from BMW Group companies at 31 December 2015:

Interest	Volume in relevant currency	Weighted average maturity period	Weighted average effective interest rate (in %)
Fixed	GBP 4 million	Daily	EONIA

BMW (UK) Capital plc. participates in the Global Payment Platform from BMW AG. Therefore a part of the cash position with is reflected in the Inhouse Bank position with BMW AG. The balance is accounted for as intercompany receivable.

## 7. Interest payables and other liabilities

Interest payables and other liabilities comprise:

in pound thousand	2016	2015
<b>Current</b>		
Trade payables with non-related parties	-	8
	-	8

The fair values of accrued interest payable and 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.

## 8. Capital and reserves

## Reconciliation of movements in capital and reserves

in pound thousand	Share Capital	Share premium	Retained earnings	Total
Balance at 1 January 2015	281	57,568	177,162	235,011
Profit for the year	-	-	(23,196)	(23,196)
<b>Transactions with owners recorded directly in equity</b>				
Dividend distribution	-	-	(150,002)	(150,002)
Capital Reduction	(231)	(57,568)	-	(57,799)
31 December 2015	50	-	3,964	4,014
Balance at 1 January 2016	50	-	3,964	4,014
Profit for the year	-	-	14	14
<b>Transactions with owners recorded directly in equity</b>				
Dividend distribution	-	-	(3,977)	(3,977)
31 December 2016	50	-	1	51

In December 2015 the authorised share capital of 281,000 ordinary shares of GBP 1 each were reduced to 50,000 ordinary shares of GBP 1 each, which are fully paid up. Additionally the share premium account is paid back to the shareholders. These actions are based on the fact that the Company is no longer operating as a transactional business and will be transferred in a dormant status.

## 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.

## 9. Share capital

in pound thousand	2016	2015
<b>Allotted, called up and fully paid</b>		
Ordinary shares of GBP 1 each	50	50
Shares classified in shareholders' funds	50	50

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. In December 2015 the authorised share capital of 281,000 ordinary shares of GBP 1 each were reduced to 50,000 ordinary shares of GBP 1

each, which are fully paid up. This action is based on the fact that the Company is no longer operating as a transactional business and will be transferred in a dormant status.

No shares were issued during the year (2015: nil).

#### 10. Financial instruments

The carrying amounts and fair values of the receivables from BMW Group Companies are categorized as loan and receivables and amount to GBP 51 thousand.

31 December 2015 in pound thousand	Loans and receivables	Amortised costs	Fair value through profit or loss	Fair value hedges	Total
<b>Assets</b>					
Receivables from BMW Group companies	4,022	-	-	-	4,022
<b>Total of financial assets</b>	<b>4,022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,022</b>
<b>Liabilities</b>					
Other liabilities	-	8	-	-	8
<b>Total financial liabilities</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>8</b>

#### 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 2016 on the basis of the following interest rates:

%	GBP	EUR
Interest rate for 3 months	0.366	(0.319)
Interest rate for 6 months	0.553	(0.221)
Interest rate for one year	0.552	(0.202)
Interest rate for 5 years	0.86	0.075

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 13.

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 2015 and is aligned with the IFRS 13 level 2 criteria. No instruments measured in accordance with level 2 criteria in 2015 have been measured using level 1 or level 3 criteria in 2015. At 31 December 2016, the indicative fair value of the receivables from BMW Group Companies was GBP 51 thousand (2015: GBP 4.0 billion). The change of fair value of the BMW Group receivables and liabilities are valued according to level to methodology.

At year end 2016 BMW (UK) Capital plc. had no outstanding derivative assets and liabilities

## 11. Risk Management

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 counterparties. 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 counterparties are unable to fulfil their contractual obligations. 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 2016.

The maximum exposure to credit risk at reporting date was:

in pound thousand	31.12.2016	31.12.2015
Loans and Receivables		
Receivables from BMW Group Companies	51	4,022
<b>Maximum exposure</b>	<b>51</b>	<b>4,022</b>

### 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 plc. Lead to outstanding financial liabilities at year end 2016

**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.

**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 at year end 2016 BMW (UK) Capital plc.

**Foreign currency risk**

At year end 2016 BMW (UK) Capital plc. had no outstanding in foreign currency- denominated positions.

**12. 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	2016	2015
Interest received	8	19,701
Interest paid	0	29,281

**13. 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. 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

Interest receivable within the year from the ultimate parent Company was GBP 8 thousand (2015: GBP minus 55,255); interest payable within the year to the ultimate parent Company was nil (2015: GBP 38,229). As at 31 December 2016, there were receivables due to the ultimate parent Company of 51 thousand (2015: GBP 4,021,645). The charge for guarantee fees payable to the ultimate parent Company in relation to guarantees on external debt and finance leases was nil (2015: GBP 400,667).

**14. 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 company 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, 80788 Munich, Germany. No other group accounts include the results of the Company.

Other Information

**Auditor's opinion**

The independent auditor's report is added to page 30.

**Statutory rules as to appropriation of result**

According to article 9 of the articles of association, undistributed income is at the disposition of the General Meeting of Shareholders.

**Appropriation of result**

The appropriation of the net loss for the year 2015 amounting to GBP 23,196 thousand (2014: profit GBP 1,701 thousand) has been endorsed by the General meeting of Shareholders dated 4 April 2014.

**Proposed appropriation of result**

The Board of Directors proposes to add the net profit for the year 2016 amounting to GBP 14 thousand (2015: loss GBP 23,196 thousand) to the retained earnings.

## Responsibility statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with 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.  
Summit ONE  
Summit Avenue  
Farnborough  
Hampshire  
GU14 0FB  
United Kingdom



## **BMW (UK) Capital plc.**

### **Independent auditor's report to the members of BMW (UK) Capital plc.**

We have audited the financial statements of BMW (UK) Capital for the year ended 31 December 2016 set out on pages 1 to 28. 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 29, 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](http://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 2016 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 matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements. Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

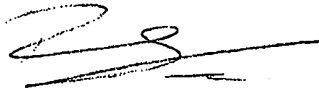
- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

## **BMW (UK) Capital plc.**

### **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.



Richard Bartlett-Rawlings  
(Senior Statutory Auditor)  
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