

Registered in England and Wales
Number 3950868

BMW (UK) MANUFACTURING LIMITED

**REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2000**



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BMW (UK) MANUFACTURING LIMITED

DIRECTORS Mr H Diess
 Mr W Heinzl

REPORT OF THE DIRECTORS

The directors present the Annual Report of BMW (UK) Manufacturing Limited together with the Financial Statements for the period from incorporation on 14 March 2000 to 31 December 2000.

Review of activities

The Company was incorporated on 14 March 2000 under the name of Nutrinorealm Limited. The name was changed to BMW (UK) Manufacturing Limited on 13 April 2000 and the business assets and liabilities were acquired on 28 April 2000.

The Company is engaged in the manufacture of motor vehicles.

During July 2000, the company disposed of certain of the fixed assets employed in its motor vehicle manufacturing operation to MG Rover Group Limited (formerly known as Rover Group Limited) in accordance with terms of the agreement by which its parent company disposed of its shares in Rover Group Limited. From this date to the end of the year the company was engaged in set up activities for the new Mini.

Commercial production of the new Mini commenced in April 2001.

Financial

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

Dividends

The directors recommend that no dividend should be paid for the period ended 31 December 2000.

Directors and directors' interests

Mr H Diess and Mr W Heinzl were both appointed on 19 June 2000. The following also served during the year:

	Appointed	Resigned
Luciene James Limited	14 March 2000	14 March 2000
S J Cox	14 March 2000	28 April 2000
P Quayle	14 March 2000	18 April 2000
A S Riley	18 April 2000	28 April 2000
M Schramm	26 April 2000	4 July 2000
R Hagemann	26 April 2000	4 July 2000
J Reul	24 April 2000	4 July 2000

None of the directors in office at the year-end held any disclosable interests in the share capital of any BMW AG group member company.

No scheme operates whereby the directors of the Company are entitled to be granted any interests in shares, or rights to interests in shares, in respect of the Group's ultimate parent company BMW AG by reason of their position as directors or employees of the Company or its subsidiary undertakings.

BMW (UK) MANUFACTURING LIMITED**REPORT OF THE DIRECTORS - continued****Disabled People**

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

Employee involvement

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

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

Political and charitable donations

The Company made no political donations or charitable donations during the period.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently ;
- make judgements and estimates that are reasonable and prudent ;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements ;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Auditors

During the year, KPMG were appointed as auditors to fill the casual vacancy.

In accordance with section 384 of the Companies' Act 1985, a resolution to appoint KPMG as auditors and to authorise the directors to fix their remuneration will be proposed at the next Annual General Meeting.

On behalf of the Board:



GL Coleshill

Secretary
15 October 2001

**REPORT OF THE AUDITORS KPMG TO THE MEMBERS
OF BMW (UK) MANUFACTURING LIMITED**

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

Respective responsibilities of directors and auditors

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all of the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2000 and of its loss for the period from 14 March 2000 (the date of incorporation) to 31 December 2000 and have been properly prepared in accordance with the Companies Act 1985.



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Chartered Accountants
Registered Auditors
Birmingham

15 October 2001

BMW (UK) MANUFACTURING LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD 14 MARCH TO 31 DECEMBER 2000**

		Continuing operations
	<u>Notes</u>	2000 <u>£ '000</u>
Turnover	1	127,331
Cost of sales (including exceptional items of £42,609,000)	2(a)	(203,362)
Gross loss		(76,031)
Net operating expenses (including exceptional items of £25,085,000)	2(b)	(33,262)
Operating loss	3	(109,293)
Exceptional non-operating items:	4	
Loss on disposal and removal of fixed assets		(321,680)
Goodwill impairment		(99,534)
Debt waived by parent company		480,000
Loss before interest		(50,507)
Net interest payable and similar charges	8	(29,648)
Loss on ordinary activities before taxation		(80,155)
Tax on loss on ordinary activities	9	-
Loss for financial period		(80,155)

All of the Company's activities for the financial period relates to the business acquired as set out in note 18.

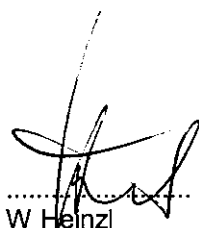
TOTAL RECOGNISED GAINS AND LOSSES

The Company has no recognised gains or losses other than the result for the above financial period.

BMW (UK) MANUFACTURING LIMITED**BALANCE SHEET
AS AT 31 DECEMBER 2000**

	<u>Notes</u>	2000 <u>£ '000</u>
Fixed Assets		
Tangible assets	10	517,007
Intangible assets	11	-
		<u>517,007</u>
Current Assets		
Stocks	12	547
Debtors	13	146,075
Cash at bank and in hand		<u>15,288</u>
		161,910
Creditors – amounts falling due Within one year	14	<u>(355,580)</u>
Net current liabilities		<u>(193,670)</u>
Total assets less current liabilities		323,337
Creditors – amounts falling due After more than one year	15	<u>(203,492)</u>
Net assets		<u>119,845</u>
Capital and reserves		
Called up share capital	19	20,000
Share premium account	20	180,000
Profit and loss account	20	<u>(80,155)</u>
Equity shareholders' funds	21	<u>119,845</u>

These Financial Statements were approved by the Board of Directors on 15 October 2001 and were signed on its behalf by:



W Heinzl

15 October 2001

BMW (UK) MANUFACTURING LIMITED

ACCOUNTING POLICIES

Accounting convention

These financial statements are prepared in accordance with applicable accounting standards under the historical cost convention .

Foreign currencies

Transactions in foreign currencies are converted at the rates prevailing at the date of transaction or, where forward cover contracts have been arranged, at the average contracted rates.

Depreciation

Depreciation is provided on a straight-line basis on the cost or valuation of each tangible fixed asset less estimated residual value, except freehold land and assets in the course of construction, at the following annual rates:

Freehold buildings	- 2.5%
Leasehold land and buildings	- 2.5% or by equal annual instalments over the period of the lease, whichever is the shorter.
Plant and machinery	- 10% to 25%
Special tools, dies and jigs	- 16.7% or over the life of the model concerned if less than six years.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired is capitalised and written off on a straight line basis over its useful economic life. Provision is made for any impairment.

Research and development

All research and development expenditure relating to the new Mini, including the design and production of prototypes, is recharged to the Company's ultimate holding company BMW AG. All other research and development expenditure is written off as incurred.

Similarly, all expenditure in respect of patents and trade marks is written off as incurred.

Pensions

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

Interest

Interest is accounted for on an accruals basis. Interest payable includes finance charges in respect of finance leases and vendor tooling calculated on the declining balance sum of the digits method.

BMW (UK) MANUFACTURING LIMITED**ACCOUNTING POLICIES - continued****Leasing**

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

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

Stocks

Stocks are valued at the lower of cost and estimated net realisable value.

Taxation

Provision is made for deferred taxation on the liability method to take account of timing differences between the treatment of certain items for accounting and taxation purposes. Provision is only made to the extent that it is probable that an actual liability will crystallise.

Cash flow statement

Under Financial Reporting Standard 1 (revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking.

Related party disclosures

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

BMW (UK) MANUFACTURING LIMITED**NOTES TO THE ACCOUNTS****1. Turnover**

Turnover excludes VAT and other sales taxes.

The value of export sales for the period was £nil.

The Company has a single class of business.

2. Cost of sales and net operating expenses**(a) Cost of sales**

Cost of sales includes exceptional items of:

	2000
	<u>£ '000</u>
Restructuring costs	<u>(42,609)</u>

(b) Net operating expenses

	2000
	<u>£ '000</u>
Administrative expenses	<u>(33,262)</u>
	<u>(33,262)</u>

Administrative expenses includes exceptional items of:

Redundancy costs	<u>(25,085)</u>
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3. Operating loss

	2000
	<u>£ '000</u>
Operating loss is after charging	
Depreciation and amortisation of tangible assets	
- owned	28,214
Auditors remuneration	
- audit services	40
- non audit services	10
Hire of tangible assets under operating leases	
- plant and machinery	1,105
- other	347
Research and development	1,849

BMW (UK) MANUFACTURING LIMITED**NOTES TO THE ACCOUNTS - continued****4. Exceptional non-operating items**

- (a) During the year the Company disposed of certain of the fixed assets employed in its motor vehicle manufacturing operation to MG Rover Group Limited (formerly known as Rover Group Limited) in accordance with the terms of the agreement by which its parent company disposed of its shares in Rover Group Limited. The loss incurred by the Company from this disposal was £322 million.
- (b) As set out in note 18 (acquisitions), goodwill arose on the acquisition of the Oxford vehicle manufacturing operation from Rover Group Limited. Subsequent to the decision to dispose of the Rover 75 manufacturing equipment, the directors reviewed the carrying value of the goodwill for impairment in accordance with Financial Reporting Standard 11, *Impairment of Fixed Assets and Goodwill*. The Directors determined that the value of goodwill should be written off in full.
- (c) On 28 December 2000 the Company's immediate parent undertaking, BMW (UK) Holdings Limited, waived loans due to it amounting to £480 million to support the Company.

5. Directors**Emoluments**

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

6. Employees

	2000
Average number of employees during the period	<u>2,416</u>
Number of employees at end of period	<u>2,391</u>
	<u>£ '000</u>
Employment costs	
Wages and salaries	42,534
Social security costs	3,361
Pension costs (note 7)	<u>2,816</u>
	<u>48,711</u>

BMW (UK) MANUFACTURING LIMITED**NOTES TO THE ACCOUNTS – continued****7. Pensions**

Due to the substance of the pension arrangements, the company has accounted for the scheme as a defined contribution pension scheme. The contributions payable for the period were £2,816,000 and the contributions outstanding at the period end were £nil.

The Company participates in pension schemes operated by BMW (UK) Holdings Limited. These are defined benefit schemes, the assets of which are held in separate trustee administered funds. The major pension arrangements is the Rover Group Pension Scheme of which the latest actuarial valuation was carried out by independent, qualified actuaries using the projected unit method as at 5 April 1999. The latest formal review of the Scheme on an ongoing basis was a report outlining the Estimated Financial Position of the Scheme as at 31 December 2000.

The valuation assumptions and results are detailed in the accounts of the holding company, BMW (UK) Holdings Limited. The pension cost is accounted by BMW (UK) Holdings in accordance with SSAP24. The accounts of BMW (UK) Holdings Limited are available from Ellesfield Avenue, Bracknell, Berkshire, RG12 8TA.

8. Net interest payable and similar charges

	2000 £ '000
Interest payable	
On bank loans	3,407
On loans from Group undertakings	24,708
Finance charges payable in respect of finance leases and hire purchase contracts	1,988
	<u>30,103</u>
Interest receivable	
On bank deposits	(244)
On loans to Group undertakings	(211)
	<u>(455)</u>
Net interest payable	<u>29,648</u>

9. Tax on loss on ordinary activities

Based on the results for the period no provision for UK Corporation Tax is required.

BMW (UK) MANUFACTURING LIMITED**NOTES TO THE ACCOUNTS - continued****10. Tangible fixed assets**

	Land and buildings		Plant and machinery		Special tools dies and jigs		Total
	Owned	Leased	Owned	Leased	Owned	Leased	
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or valuation							
Acquisitions	109,272	3,490	199,129	55,714	280,426	75,887	723,918
Additions	6,269	-	35,796	-	-	66,678	108,743
Disposals	(5,834)	-	(94,327)	-	(187,279)	-	(287,440)
At 31 December 2000	109,707	3,490	140,598	55,714	93,147	142,565	545,221
Accumulated depreciation and amortisation							
Charge for period	(1,688)	(75)	(16,575)	(3,627)	(6,249)	-	(28,214)
At 31 December 2000	(1,688)	(75)	(16,575)	(3,627)	(6,249)	-	(28,214)
Net book value at:							
31 December 2000	108,019	3,415	124,023	52,087	86,898	142,565	517,007
14 March 2000	-	-	-	-	-	-	-

Tangible fixed assets include £226,829,000 in respect of work in progress on unfinished major capital projects on which depreciation and amortisation is not charged until the project is completed and the assets brought into use.

Land and buildings include £Nil in respect of freehold land on which no depreciation is charged.

11. Intangible fixed assets

	Goodwill 2000 £ '000
Cost	
Acquired in the period	99,534
At 31 December 2000	99,534
Accumulated amortisation	
Charge for the period	(99,534)
At 31 December 2000	(99,534)
Net book value at:	
14 March 2000	-
31 December 2000	-

BMW (UK) MANUFACTURING LIMITED**NOTES TO THE ACCOUNTS - continued****12. Stocks**

	2000
	<u>£ '000</u>
Raw materials and consumables	<u>547</u>

13. Debtors

	2000
	<u>£ '000</u>
Amounts falling due within one year	
Trade debtors and bills receivable	77,709
Interest bearing loans to group undertakings	3,350
Amounts owed by group undertakings	42,544
VAT	15,890
Other debtors	<u>6,582</u>
	<u>146,075</u>

14. Creditors - amounts falling due within one year

	2000
	<u>£ '000</u>
Trade creditors and bills payable	68,359
Finance leases (note 16)	4,327
Interest bearing loans from group undertakings	125,085
Amounts due to group undertakings	53,373
Other taxes and social security costs	7,901
Accruals	<u>96,535</u>
	<u>355,580</u>

15. Creditors - amounts falling due after more than one year

	2000
	<u>£ '000</u>
Finance leases (note 16)	<u>203,492</u>

BMW (UK) MANUFACTURING LIMITED**NOTES TO THE ACCOUNTS - continued****16. Finance leases**

	2000 <u>£ '000</u>
Payable - after five years	123,785
- between two and five years	59,780
- between one and two years	<u>19,927</u>
	203,492
- within one year	<u>4,327</u>
	<u>207,819</u>

Finance lease liabilities which arise under various leasing arrangements bear interest at effective rates which are at or below LIBOR and are repayable by instalments to the year 2012. The finance leases are secured on related assets.

17. Provisions for liabilities and charges

Deferred taxation

There is no potential liability for deferred taxation arising from accelerated capital allowances or other short term timing differences:

18. Acquisitions

On 28 April the Company acquired certain assets and liabilities relating to the Oxford manufacturing activity of Rover Group Limited.

The book and fair values of assets and liabilities acquired are set out below:

	Book and fair value <u>£ '000</u>
Fixed assets	723,918
Inventory	10,687
Receivables	22,234
Cash and bank	12,023
Creditors and other liabilities	<u>(368,396)</u>
	400,466
Goodwill	<u>99,534</u>
Consideration	<u>500,000</u>
Satisfied by: Cash	<u>500,000</u>

The consideration for the assets and liabilities acquired by the business was based upon an estimated allocation of the accounting records of the vendor, Rover Group Limited. The final analysis of fair values acquired has resulted in goodwill arising.

BMW (UK) MANUFACTURING LIMITED**NOTES TO THE ACCOUNTS – continued****18. Acquisitions (continued)**

The business did not record its results separately within Rover Group Limited prior to acquisition.

19. Share capital

	Ordinary Shares of £1 each £
Authorised	<u>100,000,000</u>
Allotted, called up and fully paid	<u>20,000,001</u>

On 28 December 2000, the Company issued 20,000,000 ordinary shares of £1 each at £10 per share. Consideration of £200,000,000 was received.

20. Reserves

	Share premium account £ '000	Profit and loss account £ '000
At beginning of period	-	-
Issue of share capital	180,000	-
Loss for financial period	<u>-</u>	<u>(80,155)</u>
At end of period	<u>180,000</u>	<u>(80,155)</u>

21. Reconciliation of movements in shareholders' funds

	2000 £ '000
Issue of share capital	200,000
Loss for financial period	<u>(80,155)</u>
Net increase in shareholders' funds	119,845
Opening shareholders' funds	<u>-</u>
Closing shareholders' funds	<u>119,845</u>

22. Capital commitments

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

BMW (UK) MANUFACTURING LIMITED**NOTES TO THE ACCOUNTS – continued****23. Operating lease commitments**

Payments totalling £1,755,000 were committed at the end of the period to be made during the following year in respect of operating leases, analysed as follows:-

	2000 <u>£ '000</u>
Land and buildings	
Agreements expiring:	
Within one year	-
Between one and five years	-
Beyond five years	<u>360</u>
	<u>360</u>
Other tangible assets	
Agreements expiring:	
Within one year	73
Between one and five years	1322
Beyond five years	<u>-</u>
	<u>1,395</u>

Other tangible assets includes amounts under operating leases held by a fellow group undertaking and which are recharged to the Company, analysed as follows: -

Agreements expiring:	
Within one year	73
Between one and five years	494
Beyond five years	<u>-</u>
	<u>567</u>

24. Ultimate parent company

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

The ultimate parent company is Bayerische Motoren Werke Aktiengesellschaft, which is incorporated in Germany.

The address where Bayerische Motoren Werke Aktiengesellschaft's accounts can be obtained is Petuelring 130, D-80809 Munich, Germany. No other group accounts include the results of the Company.