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# **BMW (UK) Manufacturing Limited**

## **Annual report and financial statements**

Registered number 3950868

31 December 2019



## Contents

	Page
Strategic report	1
Directors' report	6
Statement of directors' responsibilities in respect of the financial statements	13
Independent auditors' report to the members of BMW (UK) Manufacturing Limited	14
Statement of profit and loss account and other comprehensive income	16
Balance sheet	17
Statement of changes in equity	18
Notes	19

## Strategic report

### Principal activities

BMW (UK) Manufacturing Limited (the “company”) is engaged in the manufacture of motor vehicles.

### Business review

The company is a production site within the BMW Group production network manufacturing MINI brand vehicles. The company currently has three MINI derivatives in production – MINI 3 Door Hatch, MINI 5 Door Hatch & MINI Clubman.

### Company strategic objectives

The main corporate objectives are:

- to manufacture MINI brand vehicles to BMW Group quality standards;
- to continuously implement operational efficiencies to reduce the cost of production; and
- to achieve targeted production volumes in support of BMW Group sales objectives.

### Strategy

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

Strategic Target Area	Performance indicator	Measure
Quality	Adherence to engineering and product standards	Number of quality defects
Production Cost	Adherence to cost budget and investment framework	Cost per unit
Volume	Adherence to production programme	Number of units produced

Production volume is one of the key performance indicators of the company. All units are sold to BMW AG.

	2019	2018
Production volume (units)	222,340	234,501

Manufactured volume decreased over the course of the year, 5.2% lower than in the previous year.

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

Production costs as represented by labour and overheads within cost of sales are targeted to achieve annual efficiency gains through improved process efficiency and productivity.

The trends in the key performance indicators developed as planned. The directors are satisfied that the key performance indicators of number of units produced, number of quality defects and cost per unit for the financial year are in line with targets.

### Risk and uncertainties

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

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

## ***Strategic report (continued)***

### ***General economic environment***

Currency and interest rate risks, (due to all sales and the majority of cost of sales being in foreign currencies), are managed throughout the BMW Group at both a strategic and an operating level, utilising hedging strategies and financial markets, co-ordinated through treasury operations, managed by BMW Group.

Changes in the international commodity markets for precious metal are closely monitored by BMW Group and hedging strategies implemented, from which the company benefits.

As a manufacturing enterprise, the company is also affected by changes in energy prices, caused by both market factors and tax legislation.

### ***Specific industry risks***

Changes in fuel prices, which may be either market induced or due to governmental tax policies, and increasingly stringent requirements to reduce fuel consumption as well as CO<sub>2</sub> and N<sub>2</sub>O emissions, place high demands on engine and product development. Future strategies may lead into the development of alternative technologies. Further developments in this area are conducted on BMW Group level.

### ***Operating risks***

Risks arising from business interruption and loss of production are insured up to economically reasonable levels under group policies. The BMW Group's flexible production network and working time models also help to reduce operating risks.

Close co-operation between manufacturers and suppliers is usual in the automotive sector, and although this provides economic benefits, it also creates a degree of mutual dependence. Delivery delays, cancellations, strikes or poor quality can lead to production stoppages and thus have a negative impact on profitability. These risks are mitigated by careful supplier selection procedures which assess the technical competence and financial strength of potential suppliers and through ongoing performance management of the suppliers.

### ***Legal risks***

The company is not involved in any court or arbitration proceedings which could have a significant impact on the economic position of the company.

The risks arising from warranty claims are mitigated by the high quality of products, ensured by regular quality audits and on-going improvement measures.

### ***Personnel risks***

As an attractive employer, and as part of the BMW Group, the company has found itself in a favourable position in the intense competition for qualified technical and managerial staff. Employee satisfaction helps to minimise the risk of know-how drift.

The demographic changes will give rise to risks and opportunities in the future and these are monitored for potential impacts on operations, focusing in particular on the creation of a working environment for the future, promotion and maintenance of the workforce's ability to perform with the appropriate set of skills, training, individual employee working life-time models and increasing employees' awareness of their responsibility to make provision for their future.

### ***Information and IT risks***

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

## **Section 172 Statement**

### **Director's duties**

Section 172 of The Companies Act 2006 states that a director of a company must act in the way it considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to :-

**Strategic report (continued)**

- a. The likely consequences of any decision in the long term;
- b. The interests of the company's employees;
- c. The need to foster the company's business relationships with suppliers, customers and others;
- d. The impact of the company's operations on the community and the environment;
- e. The desirability of the company maintaining a reputation for high standards of business conduct; and
- f. The need to act fairly as between members of the company.

In 2019 the company's lawyers gave a presentation to remind the board of their responsibilities under section 172 and how their duties should be fulfilled.

The board reviewed their current approach to corporate governance and decision making, engagement with stakeholders and its impact on the environment. The following summarises how the company's board fulfils its duties under Section 172:

**Decision making**

The company's strategy allows it to be competitive, flexible and resilient while also responding to a rapidly changing market situation. In 2019 examples included:

- Monthly review of Key Performance Indicators and definition of actions to ensure it reaches its long-term objectives;
- Preparation for different Brexit scenarios, especially review of logistics routes to ensure it is fully set for business post-Brexit;
- Review of its operational structure to ensure its organisational model remains fit for future;
- Review of training strategy to ensure future training needs are met.

For further details on how the company is managed please see the Corporate Governance Statement in the Directors' Report.

**Employee engagement**

The company's employees are fundamental to the success of the business. The company aims to be a responsible employer in its approach to the pay and benefits of employees. The health, safety and wellbeing of its employees is one of the primary considerations in the way the company does business. In 2019, the following activities have been performed:

- All employees have been asked to participate in an online Global All Employee Survey in order to help in assessment of employees' concerns and aspirations.
- Associate communication events held at the start and end of each year.
- Quarterly management briefing, where the company's directors present and are available to answer any questions.
- Regular internal and external messages are communicated clearly and effectively to target audiences via the most appropriate channels.

For further details on how the company engages with its workforce please see the Employee Engagement Statement in the Directors' Report.

**Business relationships**

The company is fully committed to effectively engage with all of its stakeholders. The company operates in a highly connected environment; the views, decisions and actions of stakeholders have a considerable impact on the business. Therefore, the company's success depends on its ability to engage and work together effectively and constructively. In 2019 examples included:

- Ongoing communication with the company's suppliers to develop deeper relationships with companies in the company's supply chains as well as develop strategic relationships with key suppliers.

### **Strategic report (continued)**

- Regular exchange with HM Government and its various departments, UK trade bodies and industry associations as well as other stakeholders to build trust, understand positions, identify trends as well as build on and consolidate partnerships.

For further details on how the company engages with its stakeholders please see the Stakeholder Engagement Statement in the Directors' Report.

### **Community and environment**

Sustainability and taking care of the environment is firmly embedded in the company's culture and corporate strategy. It is therefore an integral part of every thought and action the company takes. The company has adopted a holistic approach, implementing sustainability throughout the value chain. In addition to reducing CO2 emissions, the company's strategy also focuses on achieving continuous progress in areas such as corporate environmental protection, supply chain sustainability, employee orientation and social commitment. The company remains committed to the principles of the United Nations Global Compact and has systematically implemented its Ten Principles worldwide since 2001. The company's sustainability strategy also supports the Sustainable Development Goals adopted by the United Nations in autumn 2015.

The company also recognises the relevance of leading the company in such a way that it contributes to wider society. In 2019, the company is proud to continue its support of numerous charities and community projects as part of its corporate social responsibility, an area that the company takes very seriously. Below are some of examples of its 2019 actions:

- Organisation of many fundraising events throughout the year with its own "Charity Champion" group comprising of employee volunteers.
- Encouragement of its employees to volunteer in their communities. In 2019, the company's employees have completed hours of volunteering, supporting the local community, including supporting local initiatives.

For further details please see the Corporate Governance Statement in the Directors' Report.

### **Culture and values**

The company's culture is characterised by clear responsibility, mutual respect and trust. Lawful conduct and fair competition are integral to its business activities and an important condition for maintaining a reputation for high standards of business conduct securing long term success.

The company is focused on people, with customers being at the heart of its business. The company embraces diversity, flexibility, sustainability and continuous improvement throughout the organisation. The company has a customer centric philosophy with transparent, fair and simple processes.

The board and senior management have taken active steps to drive cultural change and to ensure corporate strategy and customer orientation principles and values are embraced across the organisation.

### **Performance of the company**

Revenue decreased by 3.3% mainly due to a reduction in production volume. Gross profit expressed as a percentage of sales increased from 5.0% in 2018 to 5.1% in 2019.

The profit for the year is shown on page 16.

### **Research and development**

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

### **Brexit**

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

**Strategic report (continued)**

**Covid-19**

On 30 January 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of coronavirus. Since 11 March 2020, the WHO now classifies the spread of coronavirus as a pandemic.

The continuing spread of the coronavirus and the impact on the business development of the company is being continually monitored. Based on current developments, the company expects that the increasing spread of the coronavirus and the necessary containment measures will have a negative impact on vehicle deliveries in all key sales markets. Risks also exist for upstream and downstream processes, for example, through bottlenecks due to supply shortages.

In light of this, the company, as part of the wider BMW Group, has reviewed its cash and liquidity position, and conducted a scenario planning exercise to assess the potential impact on its future financial position. The planning has taken into account potential worst-case scenarios, the company's existing cash position as well as its access to financing. This exercise has confirmed that the company's access to liquidity is sufficient for the company to remain solvent. The directors have also received confirmation that BMW AG will continue to support the company by providing access to BMW AG funds if required.

In addition to enable business continuity whilst equally protecting our employees the company has taken the necessary steps throughout to implement and sustain Government COVID-19 safety measures, creating a working environment where our employees are safe and feel safe.

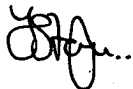
In view of the importance of the continuity of business, the business is committed to ensuring we are compliant with Government guidance and that measures are in place to protect the health of everyone working at all our sites across the UK.

In light of Covid-19, full risk assessments have taken place in line with UK Government guidelines, BMW Group's central approach and with employee representatives, focusing on considering how we come to work, do our work, interact with each other, take breaks and leave work.

**Outlook in 2020**

A clear focus on premium vehicles and premium services for individual mobility remains the core of the company's business model. The company will continue to refine this approach. The company does so in light of changing customer demands, stringent regulations and the demands placed on automobile manufacturers by different industrial policies in different countries and it continues to sustain a clear focus on process stability and on-going productivity improvements whilst supporting a positive sales momentum. A further derivative was introduced in Plant Oxford for 2019, this being the first full series production of a MINI BEV (Battery Electric Vehicle), where in 2020 volume will support the positive sales forecasts. Production volumes, in light of the COVID-19 pandemic, will closely be aligned with market demand. Investments are ongoing and planned expenditure for optimisation of existing facilities will continue.

By order of the board



**J P Stoye**  
Director

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

25<sup>th</sup> June, 2020

## Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2019.

### Directors

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

J P Stoye  
F J Bachmann (Resigned 1 June 2019)  
Dr P Weber (Appointed 1 June 2019)

### Dividend

A dividend of £92,600,000 (2018: £127,389,631) was paid in to BMW (UK) Holdings Limited (sole shareholder of BMW (UK) Manufacturing Ltd) on 7 May 2019. A reconciliation of the movements in shareholders' funds is given in the statement of changes in equity. Subsequent to the year end a dividend of £91,551,114.10 was proposed and paid to BMW (UK) Holdings Limited on 11 May 2020.

### Corporate Governance Statement

#### Financial Year 1st January to 31st December 2019

This report comprises the Corporate Governance Statement for BMW (UK) Manufacturing Limited ("company") required under The Companies (Miscellaneous Reporting) Regulations 2018 for the financial year 1st January 2019 to 31st December 2019 ("financial year").

The company has not applied a specific corporate governance code during the financial year however, as a subsidiary of BMW AG, its ultimate German parent company, it operates in accordance with its parent company's corporate governance expectations. BMW AG adopted its own corporate governance code based on the German Corporate Governance Code ("code") in 2002. The code (updated in 2019) sets out how German listed companies should be organised and seeks to formulate recognised standards for good and responsible governance. The code seeks to promote the trust of investors, customers, employees and the general public in the management and supervision of German listed companies. The board of directors of the company therefore manage the company in accordance with BMW Group policies in relation to corporate governance, compliance and risk management.

Although the company has not adopted a UK specific corporate governance code, the company's board of directors ("board") have considered The Wates Principles and in this statement the company has set out how the company has aligned itself to these governance principles during the financial year.

### Purpose, Strategy and Values

The company's strategy is based on BMW AG strategy called "Strategy Number One > Next". As part of "Strategy Number One", the company will actively shape and define the transformation to a technology company for premium mobility and services. As a driver of innovation, BMW AG and the company is playing a leading role in the automotive industry of the future. Digitalisation opens up new opportunities to take individual mobility to the next level - electric, connected and autonomous.

Strategy Number One > Next means a vision to shape tomorrow's individual mobility with a strategic approach of leveraging innovative technologies, digitalisation and sustainability to deliver unique customer experiences and offer the best solutions to the individual customers' mobility needs. It also means having a competitive advantage by having the most emotional products, attractive services and having a corporate culture to create the future with operational excellence.

The company's vision has been developed to provide a framework which engages employees to deliver the best outcomes for the company's shareholders, employees and customers.

### Culture

The company's culture is characterised by clear responsibility, mutual respect and trust. Lawful conduct and fair competition are integral to the company's business activities and an important condition for securing long term success. The company's primary goal is to avoid risks which could jeopardise the trust which customers, shareholders, business



***Directors' report (continued)***

partners and the general public place in the BMW Group. The company is focused on people, with customers being at the heart of the company's business. The company embraces diversity, flexibility, sustainability and continuous improvement throughout the organisation. It has a customer centric philosophy with transparent, fair and simple processes. The company's policies are designed to support the company culture with guidelines cascaded from the ultimate parent, BMW AG.

The company recognises that long term success is founded on the culture of the organisation. The aim is to be customer centric and select the best talent to ensure the longevity and success of the organisation and to be considered one of the top employers in the UK.

There are 5 core values which the whole of the BMW Group including the company adhere to, and these are responsibility, appreciation, transparency, trust and openness.

These five core values encompass principles of action which define the framework for cooperation within the BMW group of companies. Based on these core values the company prides itself in an atmosphere of mutual trust and understanding. Employees are fully engaged with the business and there is a culture of openness and authenticity. The board and senior management have taken active steps to drive cultural change and to ensure corporate strategy and customer orientation principles and values are embraced across the organisation. A brand new employee cultural identity was developed in recent years encouraging associates to be authentic, inspirational and creating an environment where people feel valued. At the heart of authenticity is the deep set of ethics, values and trust.

All of these cultural and value based initiatives are reviewed by the board of directors of the company and the management committee and communicated to the business as a whole at regular business briefings.

**Sustainability**

Sustainability and responsibility for the environment is firmly embedded in the company's culture and corporate strategy. The company has implemented sustainability throughout its value chain. In addition to reducing CO2 emissions the strategy focuses on achieving continuous progress in areas such as environmental protection, supply chain sustainability, employee orientation and social commitment. Sustainability forms an important part of the company's Number One Next strategy. The BMW Group product range will include 25 models which are either plug in hybrid electric vehicles or battery electric vehicles by 2023. The company is an active participant in HM Government "Go Ultra Low" campaign.

**Board Composition**

The board of the company consists, as of 31 December 2019, of two statutory directors, being Dr. Peter Weber, the Chief Executive Officer (CEO) and Jeremy Stoye, the Chief Financial Officer (CFO).

**Committees of the Board**

The company is managed by the board, its management committee and 9 other committees. The management committee which meets every week manages the company's business.

The management committee works to:

- Ensure compliance with laws and regulation;
- Manage the company's risk;
- Ensure employee engagement and change management initiatives are designed to achieve strategic objectives;
- Promote the sustainable success of the company for the benefit of the members as a whole taking consideration of all the company's stakeholders, its corporate social responsibilities and the environment the company operates in;
- Approve strategic objectives, initiatives and long-range planning in line with our parent company, BMW AG;
- Ensure that the necessary financial and other resources are made available to ensure objectives are achieved;
- Ensure organisational and structural changes are carried out in line with strategic objectives;
- Monitor progress towards achievement of strategic objectives;
- Operate within a framework of effective systems of corporate governance and internal controls appropriate to the environment in which it operates, which enable the assessment and management of opportunities and risks.

### ***Directors' report (continued)***

The board and management committee have delegated appropriate matters to: a programme circle, plant strategy & planning circle, production system circle, business strategy circle, new model working group, plant quality circle, people strategy circle, safety steering circle, and a project Brexit steering circle.

Sub-committees act to work on detailed topics and provide appropriate challenge to the management committee and the board in their areas of expertise. The CEO acts as chairman of the management committee and with the support of the CFO, who oversee the efficient and effective operation of the company's board and its committees. This includes consideration of the size and structure of the board, management committee and sub-committees so that they are appropriate to meet the strategic needs and challenges of the organisation and enable effective decision making. Consideration is given to the balance and diversity of the board and all its committees. Whilst the company does not have any independent non-executive directors, the chairman of the board acts in a capacity largely independent of the day to day management of the company's business. In addition the company frequently makes use of a large corporate audit function who audit different parts of the company's business to ensure operation in accordance with relevant company policies and procedures and laws and regulations.

The management committee comprises the CEO, CFO, and the most senior managers in the areas of the manufacturing operation: painted body, assembly and logistics and quality. In addition they are supported by head of human resources and head of communications. The effectiveness of management committee members and members of the sub-committees is measured via the company's annual appraisal process (known as "Portfolio") where all employees are reviewed against their objectives which include continuous professional development. Strengths and weaknesses are discussed against a backdrop of feedback from key stakeholders.

Each committee has its own terms of reference and a formalised approach with an agenda circulated in advance, minutes taken, voting and quorum rules and escalating processes. Each committee has a secretary who ensures the timely distribution of materials prior to meetings and works to ensure the accuracy of documents submitted to the committees for consideration and approval. The chairperson of a committee reports key matters to the management committee who also reviews minutes of all sub-committees' minutes.

### **Opportunity and Risk**

#### **Opportunity**

The board considers and assesses how the company creates and preserves value over the long term by assessment of opportunities presented by the changes in consumer behaviours, regulation, buying patterns, opportunities and challenges presented by new technologies introduced in our product offering, such as battery electric vehicles and plug in hybrid vehicles.

#### **Risk**

The company has an internal control system which follows a BMW Group Internal Control System methodology ("ICS") to ensure it has appropriate and effective internal controls integrated and applied in its processes so as to maintain correct and reliable financial and accounting records and to comply with legal requirements. The CFO is responsible for ensuring the operation of the ICS including, but not limited to, ICS training, control measures, key control indicators, management reporting and roles and authorisation concepts.

The company has a risk function which focuses on managing day-to-day risks impacting the business and is responsible for defining risk management methodology. Risks are monitored and managed at an operational level through the risk and compliance committee. There are clear roles and responsibilities within this risk management system set out in the company's risk management policy.

The company's policies are determined by its management committee and drafted by or under the supervision of the management committee member with responsibility for the area covered by the policy. All policies are approved by the risk and compliance committee.

The BMW Group operates a four eye principle throughout the group. Under this requirement all documents with binding content must be reviewed and signed by two signatories with appropriate levels of authority to bind the relevant company delegated to them by the board of that company.

#### **Remuneration**

It is a stated aim of the company to reinforce the connection between performance and reward and this makes the merit principle a fundamental value in the company's corporate culture. Remuneration is intended to promote the personal performance of every employee including members of the board and its committees. Market benchmarking data is used

***Directors' report (continued)***

every year and determines the salary ranges for different roles. Further details on how the company remunerate its workforce are contained in the Employee Engagement Statement in the Directors' Report.

**Stakeholder relationship and engagement**

The company works closely with its stakeholders including its suppliers, regulators, government and trade bodies; the local community; charities and more particularly its workforce.

The company recognises that the fair treatment of all its stakeholders is central to its strategy and the continuing success of its business. Further details on how the company engages with its workforce are contained in the Employee Engagement Statement in the Directors' Report and with regard to its other stakeholders in the Stakeholder Engagement Statement in the Directors' Report.

**Employee Engagement Statement**

**Workforce**

Our workforce is our most valuable asset. We invest in training, development, coaching and skills acquisition to ensure the required knowledge and behaviours are aligned with the company's strategy and values. It is important for our employees to feel connected to the company's purpose.

Through associate communication events held at the start and end of each year we seek to ensure our purpose and the important role employees have is clearly communicated. Senior managers attend these briefings with the workforce and constantly review the way in which information is provided to ensure engagement with employees.

Our communications department is responsible for corporate and associate communications for Plants Oxford, Swindon and Hams Hall. The team works in close co-operation with colleagues in all technologies and on other BMW Group sites to ensure that internal and external messages are communicated clearly and effectively to target audiences via the most appropriate channels.

Communication briefings at a local level give employees a platform to raise questions and put suggestions to the senior management team. In the financial year employees were invited to participate in an online Global All Employee Survey which helps the company to assess employees concerns and aspirations. The key aspects of the survey relate to leadership, team, strategy, processes, and culture and employer attractiveness.

The company have in place a Recognition Agreement with the signatory Trade Union (currently Unite the Union) where a working culture will be encouraged; via training and development which promotes communication, minimises barriers, and invites a high level of involvement and results in a close partnership between the company, its associates and the trade unions.

The company accepts that the signatory trade unions have the exclusive right and responsibility to represent all non-management Associates in relation to salaries and other terms and conditions of employment.

The company and trade union recognise the Plant Joint Committee (the PJC) as the Employee Consultation Forum. The aim of the forum is to provide a two-way communication process, involving and engaging employees through consultation, enabling them to contribute to the success of the business. It also offers management the opportunity to consult over business related issues and gain commitment to change. The forum discusses business wide issues impacting employees, provides key information on employment policies and terms of employment, serves as a central communication channel for employees and is an important mechanism of communication between management and employees

The company, in collaboration with the PJC and Senior Management Team, guides the cultural development of our plants and aims to make it a successful and happy place to work in. It does this through living and breathing the 5 core values of responsibility, appreciation, transparency, trust and openness.

**Diversity and Inclusion**

The company has adopted a Diversity and Inclusion Policy and through the application of this policy the company aims to ensure everyone is treated fairly and equitably and there are arrangements in place to prevent discrimination in the workplace. The company is committed to encouraging diversity being inclusive and preventing discrimination amongst the workforce. This is promoted through a number of in house network groups which cover a range of subject areas such as mental health and disability.

In the financial year a Diversity and Inclusion Survey was carried out by the company. The survey raised awareness of the initiatives and the various diversity and inclusion focus groups there are across our plant. The ethos of diversity and

**Directors' report (continued)**

inclusion means the company is very supportive of individuals to achieve their full potential regardless of physical ability.

Examples of initiatives that the company is working on include: Supporting an accessible plant; promotion of quiet spaces; inclusive leadership; disability awareness and becoming a disability confident employer. There is a PRIDE network group which supports the company's LGBT community. The company was represented at the PRIDE parade in London this financial year.

The survey also looked at culture and ethnicity. The company is looking to create more awareness around BAME and engages with external organisations to benchmark and see how their network groups are supporting this issue. The company has a focus group called "Minds Matter" which brings together passionate employees from the BMW community who seek to drive cultural change surrounding issues of mental health.

**Recruitment**

The company is an equal opportunities employer of around 4000 staff. Recruitment decisions are based upon the match of the individual's competencies, skills and knowledge to the requirements of the role. A variety of selection methods are used for both internal and external recruitment including assessment centres, competency-based interviews and psychometric tests.

Offers of employment are made subject to satisfactory completion of pre-employment checks, which include verification of reasons for leaving past employers, qualifications and honesty.

All roles are assessed and provided with job specifications. These detail the purpose of the role, key accountabilities, selection criteria and competencies required. The recruitment process is designed to ensure the most suitable candidate is selected and also to highlight any additional training required in order to ensure the person is competent and remains competent for that role.

**Career Development**

The company recognises the importance of career development and progression. To assist in this a performance management process is employed. This process provides the following:

- ensures the employee has a clear understanding of what is expected of them;
- enables the employee to monitor their performance against the requirements for their role;
- provides a fair and consistent way of measuring the performance of all staff;
- helps identify any training needs;
- helps identify how employees can maximise their potential;
- enables employees to discuss their aspirations for the future; and
- influences salary and bonus payments.

Succession planning is performed regularly at a senior level, locally within each department and annually following the performance review process.

Individuals establish a Personal Development Plan with their manager each year as part of the Performance Management Process. Formal, informal (coaching etc.), computer based and on-the-job training is then provided to meet individual training needs and in fulfilment of best practice and legislative requirements.

The company has a multiple Performance Management Processes in place, which appraises employee's performance either as individuals or as a team by consideration of target achievement and leadership behaviour. In order to ensure all employees have a clear understanding of expectations, an individual/team target agreement is drawn up for every employee at the beginning of the year as part of the Performance Management Process. Achievement of the targets is appraised informally throughout the year in feedback meetings with the line manager and is formally assessed in the performance review process, which takes place at the end of the year.

**Training**

It is the policy of the company that all employees are trained and developed in order to satisfy the statutory, regulatory and professional requirements expected of their role. Training and development is ongoing and monitored to ensure required levels of knowledge are achieved and maintained.

***Directors' report (continued)***

All roles are assessed and provided with job specifications. These detail the purpose of the role, key accountabilities, selection criteria, and competencies required. The recruitment process described above is designed to find the most suitable candidate to match the specification and also highlight any additional training required to ensure the person is competent and remains competent for that role. Additionally, in the case of internal staff, the job specification can ensure that other employees are sufficiently trained to be competent in another role to ensure the company has adequate cover should there be peaks in the business or staff absence.

Training is planned to ensure that it is received at the appropriate times. Training on legal and regulatory requirements are provided to all relevant personnel.

Records are retained of all training undertaken, future training required by an employee is captured as part of the personal development process.

**Remuneration**

All employees receive a base salary, have access to a range of flexible benefits, and are eligible for a bonus payment on an annual basis to promote personal performance, collaboration and the assumption of entrepreneurial responsibility. The bonus is based on personal achievement and achievement of the targets of the company as a whole, 70% based on company targets and 30% based on BMW Group targets.

**Stakeholder Engagement Statement**

Stakeholder engagement is important to the company and the BMW Group as a whole. The BMW Group operates in a highly connected environment. BMW Group products and services are used extensively throughout the UK and it attracts interest from, and are interested in, a diverse group of stakeholders. The BMW Group highly values regular exchanges with the stakeholders. The views, decisions and actions of stakeholders have a considerable impact on the business. Some examples of the stakeholders that the company and the BMW Group engages with are referred to below.

**Employees**

Our employees are the foundation of our success. Their professional qualifications and commitment are outstanding. In return, we offer attractive jobs, comprehensive opportunities for personal development and the opportunity to gain further qualifications. Further details on how the company engages with its workforce are contained in the Employee Engagement Statement in the Directors' Report.

**Suppliers**

The company and the BMW Group as a whole, perceive our global supplier network as a major contribution to value creation, quality and innovation and hence to our success. Our collaboration with our suppliers is based on a mutual understanding of product and production quality, security of supplies, competitive prices and innovation, as well as the continuous integration of our sustainability requirements.

Suppliers have a significant impact on our sustainability performance and the sustainable development of society. It is therefore essential that our partners fulfil the BMW Group Supplier Sustainability Standard, which requires compliance with internationally recognised human rights, as well as labour and social standards.

**Government, Regulators and trade bodies**

The company engages in regular exchange with HM Government and its various departments, UK and international NGOs, trade bodies and industry associations as well as universities and other stakeholders in academia. In dialogue with these stakeholders, the company wishes to build trust, understand positions, identify trends as well as build on and consolidate partnerships. The company engages with its regulators both at an industry level through trade associations for example the Society of Motor Manufacturers and Traders ("SMMT") and at an operational level.

The company is represented at the SMMT through working groups on various topics affecting the automotive industry for example on type approval, Brexit and Worldwide Harmonised Light Vehicle Test Procedure ("WLTP"). At an operational level the company interacts with regulators such as the DVSA on vehicle safety and the recall process and with the VCA on topics such as vehicle standards, type approval and environmental labelling.

**Community and Charity**

Corporate social responsibility is important to the company and it undertakes many initiatives in this area.

The company made donations to UK charities amounting to £10,499 (2018: £13,500). The company organised many fundraising events throughout the year with its own "Charity Champion" group comprising of employee volunteers.

***Directors' report (continued)***

Associates are also able to contribute via monthly wage deduction in to the 'Associate Charity Fund' which is a company and trade union collaboration. The fund ensures that contributions received are split across a number of local charities within the area each year. The company also supports The Macmillan Cancer Trust.

The company's employees have completed hours of volunteering and charitable work in the local community and our Plant is proud to support local initiatives such as the Cowley Road Carnival.

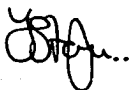
The BMW Group has a long-established commitment to supporting education across the UK through BMW Education. The programmes are informative, engaging and accessible to everyone free of charge.

**Auditor**

KPMG LLP were the external Auditors of the company since it was established and for over 30 years for Bayerische Motoren Werke Aktiengesellschaft ("BMW Group"), it's Ultimate Parent Company. In line with the provisions of Article 41 (2) of the EU Audit Regulation, KPMG LLP resigned as external auditors following the signing of the year ended 31 December 2018 statutory financial statements on 5 April 2019.

PricewaterhouseCoopers LLP ("PwC") were elected as the external auditors for BMW (UK) Manufacturing Limited along with the rest of the BMW Group as a result of successfully winning the group wide tender process in 2018. The first engagement letter being signed on 9 December 2019.

By order of the board



**J P Stoye**  
*Director*

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

25<sup>th</sup> June, 2020

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## **Independent auditors' report to the members of BMW (UK) Manufacturing Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, BMW (UK) Manufacturing Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet at 31 December 2019; the Statement of Profit and Loss Account and Other Comprehensive Income, and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.



***Independent auditors' report to the members of BMW (UK) Manufacturing Limited (continued)***

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

***Responsibilities for the financial statements and the audit***

***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 13, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

***Auditors' responsibilities for the audit of the financial statements***

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

***Use of this report***

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

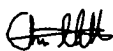
***Other required reporting***

***Companies Act 2006 exception reporting***

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

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

We have no exceptions to report arising from this responsibility.



Christopher Hibbs (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham  
26 June 2020

**Statement of Profit and Loss Account and Other Comprehensive Income**  
*for year ended 31 December 2019*

	Note	2019 £000	2018 £000
<b>Revenue</b>	2	<b>2,977,516</b>	3,080,456
Cost of sales		(2,825,935)	(2,927,659)
<b>Gross profit</b>		<b>151,581</b>	152,797
Other operating income	3	14,573	13,210
Administrative expenses		(39,158)	(36,418)
Other operating expenses	4	(9,403)	(9,929)
<b>Operating profit</b>		<b>117,593</b>	119,660
Interest receivable and similar income		573	330
Interest payable and similar charges		(984)	(735)
<b>Profit before taxation</b>		<b>117,182</b>	119,255
Tax on profit	8	(35,266)	(23,386)
<b>Profit for the financial year, being total comprehensive income for the year</b>		<b>81,916</b>	95,869

The above results relate to continuing operations.

The notes on pages 19 to 30 are an integral part of these financial statements.

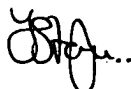
The company has no other comprehensive income other than the result above and as such no separate other comprehensive income statement has been provided.

**Balance Sheet**  
*at 31 December 2019*

	Note	2019 £000	2018 £000
<b>Assets</b>			
<b>Non-current</b>			
Intangible assets	9	6,128	2,485
Tangible fixed assets	10	527,469	564,970
Deferred tax assets	11	-	7,550
		<u>533,597</u>	<u>575,005</u>
<b>Current assets</b>			
Inventories	12	36,871	32,918
Trade and other receivables	13	357,254	440,059
Cash and cash equivalents		4	4
		<u>394,129</u>	<u>472,981</u>
<b>Total assets</b>		<u>927,726</u>	<u>1,047,986</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Called up Share capital	15	40,000	40,000
Share premium		360,000	360,000
Profit and loss account		89,450	100,134
		<u>489,450</u>	<u>500,134</u>
<b>Non-current liabilities</b>			
Deferred tax liability	11	2,102	-
		<u>2,102</u>	<u>-</u>
<b>Current liabilities</b>			
Trade and other payables	14	391,265	507,307
Income tax liability		44,909	40,545
		<u>436,174</u>	<u>547,852</u>
<b>Total equity and liabilities</b>		<u>927,726</u>	<u>1,047,986</u>

The notes on pages 19 to 30 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 25<sup>th</sup> June, 2020 and were signed on its behalf by:



**J P Stoye**  
Director

Registered No. 3950868

## Statement of Changes in Equity

	Called up Share capital £000	Share premium £000	Profit and loss account £000	Total £000
Balance at 1 January 2018	40,000	360,000	131,655	531,655
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	95,869	95,869
Total comprehensive income for the year	-	-	95,869	95,869
Transaction with owners recorded directly in equity: Dividends	-	-	(127,390)	(127,390)
Total contributions by and distributions to owners	-	-	(127,390)	(127,390)
<b>Balance at 31 December 2018</b>	<b>40,000</b>	<b>360,000</b>	<b>100,134</b>	<b>500,134</b>
Balance at 1 January 2019	40,000	360,000	100,134	500,134
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	81,916	81,916
Total comprehensive income for the year	-	-	81,916	81,916
Transaction with owners recorded directly in equity: Dividends	-	-	(92,600)	(92,600)
Total contributions by and distributions to owners	-	-	(92,600)	(92,600)
<b>Balance at 31 December 2019</b>	<b>40,000</b>	<b>360,000</b>	<b>89,450</b>	<b>489,450</b>

Details of share capital are disclosed in note 15. Share premium represents the additional capital received over the nominal value of new shares subscribed. Retained earnings represent the total accumulated net gains and losses at the balance sheet date.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

BMW (UK) Manufacturing Limited (the “company”) is a company incorporated, domiciled and registered in England. The registered number is 3950868 and the registered address is Summit ONE, Summit Avenue, Farnborough, Hampshire GU14 0FB.

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

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

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

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

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned group subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel; Disclosures of transactions with a management entity that provides key management personnel services to the entity.

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

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosure.

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

### *Accounting estimates and judgements*

In preparing these financial statements, management has made estimates and judgements that affect the application of the company’s accounting policies and the reported amounts of assets, liabilities, income and expenses.

In preparing these financial statements, management has made estimates and judgements that affect the application of the company’s accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates, judgments and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods prospectively.

The directors have considered the estimates and judgements made within the financial statements including depreciation and amortisation, impairment, inventory valuation and tax and note that none have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Consequently, no critical estimates have been identified

### *Change in accounting policies*

The new leasing standard, IFRS 16, is effective for periods beginning on or after 1 January 2019. IFRS 16 eliminates the classification of leases over 12 months in length as either operating or finance leases and introduces a single lessee accounting model whereby all leases are accounted for on balance sheet, unless of low-value. The standard therefore requires that a Company’s leased assets are recorded within non-current assets on the balance sheet as ‘right of use assets’ with a corresponding lease liability which is based on the discounted value of the cash payments required under

**Notes (continued)**

each lease. The Statement of Profit and Loss Account is affected by the replacement of the operating lease expense with a depreciation charge and a finance expense.

The Company has applied the standard from its mandatory adoption date of 1 January 2019. Operating lease commitments as disclosed as at 31 December 2018 totalled £1.4m. After applying exemptions relating to short-term and low value leases, management have identified that there are no contracts that require accounting for as lease liabilities or right of use assets. Consequently, there has been no material impact on the company as a result of the adoption of IFRS 16.

**Measurement convention**

The financial statements are prepared on the historical cost basis. The financial statements are presented in pounds sterling.

**Going concern**

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the group can continue in operational existence for a period no shorter than 12 months from the date of approval of the financial statements.

The company meets its day-to-day working capital requirements through access to funds as part of the BMW AG group's cash pooling arrangement that is administered through BMW International Investment BV, a BMW subsidiary company registered in the Netherlands, who manage the external banking relationships and act as an internal bank for BMW subsidiaries. The company was in receipt of a loan from BMW International Investment BV totalling £123m as at 31 December 2019, which is presented within note 14 under section 'Amounts due to group undertakings'.

In light of the current external factors (such as COVID-19 & 'Brexit') robust scenarios have been reviewed and it has been concluded that the company will continue to be profitable and cash generative for the foreseeable future. The company has also received confirmation that the BMW Group has no intention to withdraw the facility in the foreseeable future, nor will it limit access to additional intercompany funding should it be required by the company.

After making enquiries, the directors have a reasonable expectation that the company has access to adequate financial and other resources to continue in operational existence for the foreseeable future and at least 12 months from the date of approval of the financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

**Foreign currency**

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

**Tangible fixed assets**

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

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

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

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

*Notes (continued)*

**Intangible assets**

Intangible assets acquired by the company are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each statement of profit and loss account date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software licenses & user software	3 years
Concessions, intellectual property rights, licenses	Contractual period
Subsidies for tooling costs, right of use devices	Production cycle

**Impairment (excluding inventories and deferred tax assets)**

*Financial assets (including trade and other debtors)*

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

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

The company applies IFRS 9 Financial Instruments and has assessed its financial assets with reference to BMW Group's instructions for the impairment of financial assets. Cash and cash equivalents are assessed using the external rating approach. The group assesses, on a forward-looking basis, the expected credit losses associated with its trade and other receivables carried at amortised cost and applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

*Non-financial assets*

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

*Calculation of recoverable amount*

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

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

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

*Reversals of impairment*

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

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

**Inventories**

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

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

*Notes (continued)*

**Research and development**

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

**Trade and other debtors**

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

**Revenue**

Revenue from the sale of vehicles is recognised at the point when the control of ownership of the vehicle is transferred to the buyer, the sales price is agreed or determinable and receipt of payment can be reasonably expected. The directors consider this to have occurred when the materials are processed to finished goods. Sales prices are determined by a price list which is agreed in advance at set points in the year. The vehicles are produced to pre-determined quality standards set by BMW Group and the responsibility for warranty of individual vehicles does not rest with the company. In most circumstances payment terms are thirty days.

**Taxation**

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

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

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

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

**Employee benefits**

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

**Provisions**

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

**2 Revenue**

Revenue from contracts with customers represents the value of vehicles and options, excluding VAT, sold to another group company. All revenue originates in the UK and is destined for the European Union. Revenue is recognised when the materials are processed to finished goods.



*Notes (continued)*

**3 Other operating income**

Included in the profit and loss account are the following:

	2019 £000	2018 £000
Income from disposals of tangible assets	2,447	14
Rental and leasing income	9	-
Income from non-operating activities	3,326	5,248
Foreign exchange gains	5,517	7,933
Other operating income	3,274	15
	<u>14,573</u>	<u>13,210</u>

**4 Other operating expenses**

Included in the profit and loss account are the following:

	2019 £000	2018 £000
Loss on disposal of tangible assets	2,619	434
Foreign exchange losses	5,600	4,647
Early Retirement	-	3,265
Other operating expenses	1,168	1,494
Impairment against trade debtors	16	89
	<u>9,403</u>	<u>9,929</u>

**5 Expenses and auditor's remuneration**

Included in the profit and loss account are the following amounts:

	2019 £000	2018 £000
Short term and low value operating lease costs	905	1,091
Audit fees in connection with the audit of these financial statements	59	75
Depreciation of plant, property and equipment	125,012	122,360
Amortisation of intangibles	873	453
	<u></u>	<u></u>

**6 Staff numbers and costs**

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

	Number of employees	
	2019	2018
Manufacturing	3,021	3,112
Administration	1,209	1,217
	<u>4,230</u>	<u>4,329</u>

*Notes (continued)*

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	138,124	138,699
Social security costs	14,393	14,098
Pension costs	18,935	18,449
Redundancy and early retirement costs	2,679	3,265
	<u>174,131</u>	<u>174,511</u>
Costs of temporary employees (not included within total aggregate costs)	<u>45,745</u>	<u>48,200</u>

**7 Directors' emoluments**

	2019 £000	2018 £000
Aggregate emoluments	1,134	1,158
Aggregate emoluments of the highest paid director	<u>725</u>	<u>936</u>
Company pension contributions	49	57
Company pension contributions for the highest paid director	<u>15</u>	<u>35</u>

The number of directors accruing retirement benefits under the defined contribution scheme in 2019 was 3 (2018: 2).

**8 Tax on profit**

**Recognised in the profit and loss account**

	2019 £000	2018 £000
<i>UK Corporation tax</i>		
Current tax on income for the period	25,204	24,303
Prior year adjustment	410	275
Total current tax charge	<u>25,614</u>	<u>24,578</u>
<i>Deferred tax expense</i>		
Origination and reversal of timing differences	(1,146)	(1,197)
Adjustment for prior years	10,798	5
Total deferred tax charge / (credit)	<u>9,652</u>	<u>(1,192)</u>
Tax on profit on ordinary activities	<u>35,266</u>	<u>23,386</u>

**Notes (continued)**

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

The tax charge for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Profit before tax	117,182	119,255
Tax using the UK corporation tax rate of 19% (2018: 19%)	22,265	22,658
Effects of:		
Non-deductible expenses	1,658	307
Adjustment in respect of prior years	11,208	280
Adjustment in respect of tax rate	135	141
Total tax charge in profit and loss account	35,266	23,386

**Factors affecting future tax charges**

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax liability at 31 December 2018 has been calculated based on these rates.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £247,000, to increase the deferred tax liability by £247,257.

**Notes (continued)**

**9 Intangible assets**

	<b>Licences, patents and trademarks £000</b>
<b>Cost</b>	
At beginning of year	5,390
Additions	4,516
Disposals	(44)
Transfers	-
	<hr/>
<b>At end of year</b>	<b>9,862</b>
	<hr/>
<b>Amortisation and impairment</b>	
At beginning of year	(2,905)
Charge for the year	(873)
Disposals	44
Transfers	-
	<hr/>
<b>At end of year</b>	<b>(3,734)</b>
	<hr/>
<b>Net book value</b>	
<b>At 31 December 2019</b>	<b>6,128</b>
	<hr/>
<b>At 31 December 2018</b>	<b>2,485</b>
	<hr/>

*Notes (continued)*

**10 Tangible fixed assets**

	<b>Land and Buildings</b>	<b>Other property, plant and equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>			
At beginning of year	344,470	1,430,922	1,775,392
Additions	20,870	69,259	90,129
Disposals	(88)	(35,884)	(35,972)
Transfers	-	-	-
<b>At end of year</b>	<b>365,252</b>	<b>1,464,297</b>	<b>1,829,549</b>
<b>Accumulated depreciation</b>			
At beginning of year	(198,515)	(1,011,907)	(1,210,422)
Charge for the year	(11,207)	(113,805)	(125,012)
Disposals	88	33,266	33,354
Transfers	-	-	-
<b>At end of year</b>	<b>(209,634)</b>	<b>(1,902,446)</b>	<b>(1,302,080)</b>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<b>155,618</b>	<b>371,851</b>	<b>527,469</b>
At 31 December 2018	145,955	419,015	564,970

Included in additions and brought forward balances is £48,752k (2018: £27,177k) relating to assets in the course of construction.

**11 Deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	<b>Assets 2019 £000</b>	<b>2018 £000</b>	<b>Liabilities 2019 £000</b>	<b>2018 £000</b>
Tangible fixed assets	-	4,878	2,102	-
Other timing differences	-	2,672	-	-
<b>Tax assets / (liabilities)</b>	<b>-</b>	<b>7,550</b>	<b>2,102</b>	<b>-</b>

Movement in temporary differences during the year:

	<b>2019 £000</b>	<b>2018 £000</b>
Balance at the beginning of the year	7,550	6,358
Recognised in income statement	(9,652)	1,192
<b>Balance at end of the year</b>	<b>(2,102)</b>	<b>7,550</b>

*Notes (continued)*

**12 Inventories**

	2019 £000	2018 £000
Raw materials	24,451	21,703
Work in progress	12,420	11,215
	<u>36,871</u>	<u>32,918</u>

Included in above are provisions for excess and obsolescence against inventories of £395k (2018: £230k). The amount of inventories recognised as an expense during 2019: £2,189m (2018: £2,223m).

**13 Trade and other receivables**

	2019 £000	2018 £000
Trade debtors	3,058	6,935
Amounts due from group undertakings	351,317	430,219
Prepayments	2,879	2,905
	<u>357,254</u>	<u>440,059</u>

**Credit risk**

*Exposure to credit risk*

An impairment of £3k (2018: £39k) was included in the carrying amount of third party trade receivables.

The trade receivables from related parties are concentrated in Germany with the ultimate parent company. Included in the amounts due from group undertaking is a trade receivable of £100,818k (2018: £150,953k) with the company's most significant customer, its ultimate parent company, an international automotive business.

**14 Trade and other payables**

	2019 £000	2018 £000
Trade creditors	175,262	203,468
Amounts due to group undertakings	159,684	225,577
Other creditors	14,071	13,779
Accrued expenses	9,725	24,133
Other taxation and social security	32,523	40,350
	<u>391,265</u>	<u>507,307</u>

Amounts due to group undertakings include a loan from BMW International Investments BV of £123m (2018: £200m) which is unsecured, has interest payable, has no fixed date of repayment and is repayable on demand.

*Notes (continued)*

**15 Called up Share capital**

	2019 £000	2018 £000
Allotted, called up and fully paid		
40,000,001 (2018: 40,000,001) Ordinary shares of £1 each at 31 December 2019	40,000	40,000

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 for consideration during the year (2018: none).

**16 Capital commitments**

During the year ended 31 December 2019, the company entered into contracts to purchase property, plant and equipment for £91,832k (2018: £108,031k). These commitments are expected to be settled in the following financial year.

**17 Pensions**

*Defined benefit pension scheme*

The company was a participating employer in the BMW (UK) Operations Pension Scheme. The defined benefit scheme was closed on 30th September 2017. The scheme was closed to future accrual of benefits with effect from 1 October 2017 and all active members were transferred to deferred status. No regular employer and employee contributions are due after September 2017. Particulars of the BMW (UK) Operations Pension Scheme are disclosed in the financial statements of BMW (UK) Holdings Limited, which is available from Summit ONE, Summit Avenue, Farnborough, Hampshire.

There is no contractual agreement or stated BMW Group policy for charging the net defined benefit cost of the scheme to participating entities, therefore the net defined benefit cost of the pension scheme is recognised fully by the principal employer, BMW (UK) Holdings Limited. The company recognises a cost equal to its contribution payable for the period. The normal monthly contributions relating to this scheme in the current year was £nil (2018: £nil) and there were no contributions outstanding at the year-end (2018: £nil). Normal contributions of £700k (2018: £1,154k) were paid to the scheme in respect of the cost of early retirements and bridging pensions.

*Defined contribution plan*

The company is a participating employer in a defined contribution pension plan: the BMW (UK) Personal Pension Plan. Through this plan the company makes contributions on behalf of the employees, with no requirement for the employee(s) to make personal contributions. Employees who joined the company after, or were not members of any pension scheme on 1 August 2013, are auto enrolled into this plan. All employees who were members of the defined benefit scheme were auto enrolled into the defined contribution plan: the BMW (UK) Personal Pension Plan on 1st October 2017. The company recognises a cost equal to its contribution payable for the period. The total expense relating to this plan in the current year was £18,935k (2018: £18,449k) and there were no contributions outstanding at the year-end (2018: £nil outstanding).

**18 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.

*Notes (continued)*

The only group in which the results of the company are consolidated is that headed by Bayerische Motoren Werke Aktiengesellschaft. The consolidated financial statements of the group are available to the public and may be obtained from Petuelring 130, D-80788 Munich, Germany.

**19 Non adjusting post balance sheet events**

On 30 January 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of coronavirus. Since 11 March 2020 the WHO has characterised the spread of the coronavirus as a pandemic.

The continuing spread of the coronavirus and the impact on the business development of the company is being continually monitored. Based on current developments, the company expects that the increasing spread of the coronavirus and the necessary containment measures will also have a negative impact on BMW (UK) Manufacturing Ltd. Risks also exist for upstream and downstream processes, for example, through bottlenecks due to supply shortages.

In light of this, the company, as part of the wider BMW Group, has reviewed its cash and liquidity position, and conducted a scenario planning exercise to assess the potential impact on its future financial position. The planning has taken into account potential worst-case scenarios, the company's existing cash position as well as its access to financing. This exercise has confirmed that the company's access to liquidity is sufficient for the company to remain solvent. The directors have also received confirmation that BMW AG will continue to support the company by providing access to BMW AG funds if required.