

BMW (UK) Capital plc
DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
31 DECEMBER 2001

Registered in England and Wales

No 3114356



BMW (UK) Capital plc

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and financial statements for the year ended 31 December 2001.

Activities

The principal activity of the company is to raise funds in the financial markets for use by BMW Group Companies. The company also enters into derivatives on behalf of UK BMW Group Companies. Following the restructuring of the group, as set out in the accounts for an earlier year, at the year end the Company continues to be a party in respect of certain financial instruments with MG Rover Group Ltd.

Financial

The profit for the year and appropriations are shown in the profit and loss account on page 4.

No dividends were paid in 2001 and none are proposed (2000 - £nil). A reconciliation of the movements in shareholders' funds is given in note 12.

Directors

The directors who served during the whole year were as follows:

Dr. W. Stofer (Chairman)

Sabine Schaedle (resigned 4th April 2002)

Neil C Wharton

Michael C Kreeft

No director held any beneficial interest in the share capital of group companies during the year.

Policy on payment of creditors

The company agrees terms and conditions for business transactions with all its suppliers. Payment is made on these terms provided the supplier meets its obligations. The company does not follow any code or standard on payment practice.

Auditors

In accordance with S385 of the Companies Act 1985 a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General meeting.

By order of the Board



Graham Coleshill

Secretary

4th April 2002

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 of 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 is reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

BMW (UK) Capital plc

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BMW (UK) Capital plc**

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, 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 1985. 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 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 the company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors
Birmingham

4th April 2002

BMW (UK) Capital plc

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2001

	<u>Notes</u>	<u>Year ended</u> <u>31 December 2001</u>		<u>Year ended</u> <u>31 December 2000</u>	
		£'000	£'000	£'000	£'000
Interest receivable	1		160,902		244,299
Interest payable	2		<u>(157,040)</u>		<u>(236,459)</u>
Gross profit			3,862		7,840
Administrative expenses		(572)		(563)	
Other operating income		22,491		31,538	
Other operating expenses		<u>(20,158)</u>		<u>(30,810)</u>	
			<u>1,761</u>		<u>165</u>
Operating profit and profit on ordinary activities before taxation	3 - 5		5,623		8,005
Tax on profit on ordinary activities	6		<u>38</u>		<u>-</u>
Profit for the financial year	12		<u><u>5,661</u></u>		<u><u>8,005</u></u>

There are no gains or losses other than those shown in the above profit and loss account. All gains and losses derive from continuing operations.

There is no difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

BMW (UK) Capital plc

BALANCE SHEET

As at 31 December 2001

	Notes	2001 £'000	2000 £'000
CURRENT ASSETS			
Debtors	7	1,778,177	2,911,742
Cash and short term deposits	8	284,793	29,278
		<u>2,062,970</u>	<u>2,941,020</u>
CREDITORS: Amounts falling due within one year			
	9	<u>(912,517)</u>	<u>(1,073,531)</u>
NET CURRENT ASSETS:			
Due within one year		1,047,445	1,762,893
Debtors due after one year	7	<u>103,008</u>	<u>104,596</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,150,453	1,867,489
CREDITORS: Amounts falling due after more than one year			
	9	<u>(1,070,884)</u>	<u>(1,793,581)</u>
NET ASSETS			
		<u>79,569</u>	<u>73,908</u>
CAPITAL AND RESERVES			
Called up share capital	11	281	281
Share premium account	12	57,568	57,568
Profit and loss account	12	21,720	16,059
SHAREHOLDERS' FUNDS - EQUITY			
	12	<u>79,569</u>	<u>73,908</u>

The financial statements were approved by the Board of directors on 4th April 2002 and were signed on their behalf by:



N C Wharton - Director

BMW (UK) Capital plc

ACCOUNTING POLICIES

For the year ended 31 December 2001

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

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 and the ultimate parent undertaking includes the company's cashflow in its own consolidated financial statements which are publicly available (see note 16).

Interest

Interest payable/receivable is accrued over the term of the related borrowing/loan so as to recognise the total cost/income evenly over the life of the loan.

Taxation

The credit for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision for deferred taxation is made if there is reasonable evidence that such deferred taxation will be payable in the foreseeable future.

Depreciation

Depreciation of tangible fixed assets is provided on a straight line basis at the following rate so as to write off their cost less estimated residual value over their estimated useful lives.

Plant and machinery - 33 1/3%

Risk Management

The BMW AG Board sets the objectives and policies for financial risk management, which are consistent with the formal procedures, and policies operated by the company to cover banking, foreign exchange and other treasury matters. The company's policy is not to trade or speculate in financial instruments.

Interest Rate Risk

The company manages BMW UK Group companies' interest rate risks primarily through utilising interest rate swaps.

Currency Risk

The company manages BMW UK Group companies' currency risks primarily through utilising forward contracts.

Credit Risk

A large number of major international financial institutions are counter parties to the interest rate swaps, foreign exchange contracts and borrowings transacted by the company. The company continually monitors its position to ensure that it stays within credit exposure limits set by BMW AG.

Financial Instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Discounts and premiums are charged or credited to the profit and loss account over the life of the asset or liability to which they relate.

Receipts and payments on interest rate instruments are recognised on an accruals basis over the life of the instrument.

Foreign Currencies

Transactions in foreign currencies are converted at the rates prevailing at the date of transaction. Monetary assets and liabilities are translated at the rates ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Foreign currency assets and liabilities covered by forward contracts are translated at contract rates of exchange.

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Notes to the Financial Statements

1	INTEREST RECEIVABLE	<u>2001</u> £'000	<u>2000</u> £'000
	Interest from short-term deposits	24,357	8,345
	Interest receivable from group undertakings	136,545	235,954
		<u>160,902</u>	<u>244,299</u>
2	INTEREST PAYABLE	<u>2001</u> £'000	<u>2000</u> £'000
	Interest on bank loans	132,560	177,142
	Interest payable to group undertakings	24,480	59,317
		<u>157,040</u>	<u>236,459</u>
3	OPERATING PROFIT	<u>2001</u> £'000	<u>2000</u> £'000
	Operating profit is stated after charging:		
	Auditors' remuneration - audit	<u>15</u>	<u>2</u>
4	DIRECTORS' EMOLUMENTS		
	None of the Directors were entitled to or received any emoluments in respect of their services to the company during the period (2000 - £nil).		
5	STAFF COSTS		
	Employee Costs	<u>2001</u> £'000	<u>2000</u> £'000
	Payroll Costs	<u>325</u>	<u>327</u>
	Payroll costs are borne by another group company and recharged to BMW (UK) Capital plc.		
		<u>2001</u> number	<u>2000</u> number
	Average number of employees involved in:-		
	Financing activities	<u>6</u>	<u>7</u>

BMW (UK) Capital plc

Notes to the Financial Statements

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>2001</u>	<u>2000</u>
	£'000	£'000
Adjustment in respect of prior years	<u>38</u>	<u>-</u>

7 DEBTORS

	<u>2001</u>	<u>2000</u>
	£'000	£'000
Amounts owed by group undertakings		
Due within one year	1,672,907	2,806,741
Due after one year	103,008	103,008
Other debtors		
Due within one year	2,262	405
Due after one year	-	1,588
	<u>1,778,177</u>	<u>2,911,742</u>

8 CASH AND SHORT TERM DEPOSITS

Cash and deposits comprise sterling deposits placed on the London money markets. The sterling deposits were yielding a weighted average interest rate of 3.9% as at 31 December 2001.

BMW (UK) Capital plc

Notes to the Financial Statements

9 CREDITORS:

Analysis by maturity

	31 December 2001				
	Bank Loans/ Overdrafts £'000	Other Loans £'000	Accruals/ Deferred Income £'000	Group Companies £'000	Total £'000
Due within one year	79,724	222,054	14,180	596,559	912,517
Due after one year	250,000	820,884	-	-	1,070,884
Analysed as :					
After five years	-	100,000	-	-	100,000
From two to five years	250,000	603,043	-	-	853,043
From one to two years	-	117,841	-	-	117,841

	31 December 2000				
	Bank Loans/ Overdrafts £'000	Other Loans £'000	Accruals/ Deferred Income £'000	Group Companies £'000	Total £'000
Due within one year	12	509,587	30,285	533,647	1,073,531
Due after one year	743,700	1,043,593	6,288	-	1,793,581
Analysed as :					
After five years	60,000	100,000	1,158	-	161,158
From two to five years	583,700	721,372	3,558	-	1,308,630
From one to two years	100,000	222,221	1,572	-	323,793

Analysis by currency

Bank Loans, Overdrafts, Other Loans and Group Companies	Weighted Int Rate	Average Yrs Fixed	<u>2001</u> £'000
Sterling	Fixed Borrowings	5.7%	271,500
	Floating Borrowings	2.2	1,697,721
			<u>1,969,221</u>

The floating-rate borrowings are related to GBP LIBOR.

BMW Group has entered into two committed credit facilities totalling US\$5 billion, BMW (UK) Capital plc can draw under them. The facilities mature as follows :

Less than one year	US\$ 1.5 billion
More than two years	US\$ 3.5 billion

BMW (UK) Capital plc

Notes to the Financial Statements

10 HEDGING & FAIR VALUES

	Gains £'000	Losses £'000	£'000
Unrecognised gains and losses on hedges at 1st January 2001.	233,335	242,302	(8,967)
Gains and losses arising in previous years that were recognised in 2001.	29,363	78,242	(48,879)
Gains and losses arising before 1st Jan 2001 that were not recognised in 2001.	203,972	164,060	39,912
Gains and losses arising in 2001 that were not recognised in 2001.	42,240	80,562	(38,322)
Unrecognised gains and losses on hedges at 31st December 2001.	246,212	244,622	1,590
Of which :			
Gains and losses expected to be recognised in 2002	154,173	127,467	26,706
Gains and losses expected to be recognised in 2003 or later	92,039	117,155	(25,116)

Set out below is a year-end comparison of the book value and current fair value of the company's financial instruments by category.

	Book Value 2001 £'000	Fair Value 2001 £'000	Book Value 2000 £'000	Fair Value 2000 £'000
Cash, Deposits	284,793	284,707	29,278	29,274
Short-term debtors	1,675,169	1,661,268	2,807,146	2,807,481
Long-term debtors				
Floating Rate	103,008	103,228	103,008	103,118
Short-term borrowings	(676,284)	(673,642)	(1,073,531)	(1,073,552)
Long-term borrowings				
Floating Rate	(1,022,092)	(1,002,576)	(1,028,381)	(1,042,802)
Fixed Rate	(270,845)	(267,683)	(765,200)	(775,319)
Derivative financial instruments				
Interest rate swaps	-	11,434	-	6,580
Forward foreign currency contracts	-	4,024	-	-
Cross currency swaps	-	(9,844)	-	(15,547)

BMW (UK) Capital plc

Notes to the Financial Statements

11 CALLED UP SHARE CAPITAL

Ordinary shares of £1 each

	<u>2001</u>	<u>2000</u>
Authorised	<u>10,000,000</u>	<u>10,000,000</u>
Allotted, called up and fully paid	<u>281,000</u>	<u>281,000</u>

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital £'000	Share Premium £'000	Profit and Loss £'000	Total £'000
At 1 January 2001	281	57,568	16,059	73,908
Profit for the financial year	-	-	5,661	5,661
At 31 December 2001	<u>281</u>	<u>57,568</u>	<u>21,720</u>	<u>79,569</u>

13 CAPITAL COMMITMENTS

No capital commitments existed as at 31 December 2001 (2000 - £nil).

14 CONTINGENT LIABILITIES AND COMMITMENTS

The company acts as guarantor for lease amounts totalling £373m which have been taken out by group companies, of this amount £371m is reguaranteed by BMW AG.

15 RELATED PARTY DISCLOSURES

In accordance with Financial Reporting Standard 8, transactions between group companies where there is a controlling interest of more than 90% have not been disclosed. There have been no other related party transactions during the period.

BMW (UK) Capital plc

Notes to the Financial Statements

16 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.