

Registered in England and Wales
Number 3950870

BMW SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2004



BMW SERVICES LIMITED

DIRECTORS M C Kreeft
 J Maidl

REPORT OF THE DIRECTORS

The directors present the Annual Report of BMW Services Limited together with the Financial Statements for the year ended 31 December 2004.

Review of activities

The Company is engaged in providing services to other BMW group undertakings in the UK and certain former BMW Group undertakings in the UK. The main activities of the company ended in the first quarter of 2005, when operational leases on plant and machinery ended.

Financial

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

Dividends

The directors recommend that no dividend should be paid for the year ended 31 December 2004 (2003: £nil).

Directors

The names of the present directors of the Company are listed above.

Mr M C Kreeft and Mr J Maidl served as directors throughout the year.

The directors have no disclosable interests in shares or rights to subscribe for shares in any group BMW AG company.

Political and charitable donations

The Company made no political donations in either period. The Company made no charitable donations. (2003: £50).

Statement of directors' responsibilities

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

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

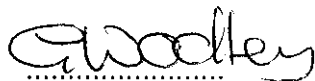
BMW SERVICES LIMITED**REPORT OF THE DIRECTORS – continued**

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

Auditors

The company has previously passed an elective resolution to dispense with the obligation to appoint the auditors KPMG LLP annually.

On behalf of the Board:



G M Woolley
SECRETARY
20 October 2005

BMW SERVICES LIMITED**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BMW SERVICES LIMITED**

We have audited the financial statements on pages 5 to 17.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 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.

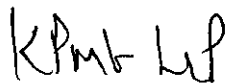
Basis of audit opinion

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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KPMG LLP
Chartered Accountants
Registered Auditor

20 October 2005

BMW SERVICES LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Notes	2004 £000	2003 £000
Turnover	1	4,607	12,449
Cost of sales		<u>(3,955)</u>	<u>(12,172)</u>
Gross profit		652	277
Administrative expenses		<u>(344)</u>	<u>(319)</u>
Operating profit / (loss)	2	308	(42)
Net interest receivable and similar income	6	<u>1,228</u>	<u>902</u>
Profit on ordinary activities before taxation		1,536	860
Tax on profit on ordinary activities	7	<u>(96)</u>	<u>-</u>
Profit for financial year		<u>1,440</u>	<u>860</u>

CONTINUING OPERATIONS

All of the Company's reported profit for the financial periods relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

BMW SERVICES LIMITED**BALANCE SHEET
AS AT 31 DECEMBER 2004**

	Notes	2004 £000	2003 £000
Fixed Assets			
Tangible assets	8	-	216
Intangible assets	9	-	-
		<u>-</u>	<u>216</u>
Current Assets			
Debtors	10	<u>30,068</u>	<u>28,225</u>
		30,068	28,225
Creditors – amounts falling due within one year	11	<u>(2,339)</u>	<u>(2,152)</u>
Net current assets		<u>27,729</u>	<u>26,073</u>
Total assets less current liabilities		<u>27,729</u>	<u>26,289</u>
Net assets		<u>27,729</u>	<u>26,289</u>
Capital and reserves			
Called up share capital	12	7,000	7,000
Share premium	13	63,000	63,000
Profit and loss account	13	<u>(42,271)</u>	<u>(43,711)</u>
Total shareholders' funds	14	<u>27,729</u>	<u>26,289</u>

These Financial Statements were approved by the Board of Directors on 20 October 2005 and were signed on its behalf by:



M C Kreeft

BMW SERVICES LIMITED

ACCOUNTING POLICIES

Accounting convention

These financial statements are prepared in accordance with applicable accounting standards under the historical cost convention. The company continues to apply the transitional arrangements of FRS 17 "Retirement Benefits" (see below) . This has no effect on the current or preceding years results.

Foreign currencies

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

Depreciation

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

Freehold buildings	- 2.5%
Leasehold land and buildings	- 2.5% or by equal annual instalments over the period of the lease, whichever is the shorter.
Plant and machinery	- 10% to 25%

Goodwill

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

Pensions

Pension costs are charged to the profit and loss account based on contributions payable to the scheme in the year, (see note 5).

Leasing

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

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

BMW SERVICES LIMITED**ACCOUNTING POLICIES - continued****Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred (or accelerated) because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse and is provided in respect of all timing differences which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19 "Deferred Tax".

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 17).

Related party disclosures

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

BMW SERVICES LIMITED**NOTES TO THE ACCOUNTS****1. Turnover**

Turnover excludes VAT and other sales taxes and is analysed as follows:-

	2004 £000	2003 £000
External Customers	4,607	12,168
Other BMW Group Companies	<u>-</u>	<u>281</u>
	<u>4,607</u>	<u>12,449</u>

Turnover is derived from the provision of support services to BMW and former BMW group undertakings.

The Company has a single class of business, and all turnover originated in and was destined for the UK.

2. Operating profit / (loss)

	2004 £000	2003 £000
Operating profit is after charging/(crediting):		
Depreciation and amortisation of tangible assets		
- owned	1	3
Provision for impairment	215	-
Auditors remuneration		
- audit services	11	12
Hire of tangible assets under operating leases		
- plant and machinery	3,955	10,265
- other	244	318
Foreign exchange gains	-	(2)

BMW SERVICES LIMITED**NOTES TO THE ACCOUNTS - continued****3. Directors****Emoluments**

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

4. Employees

	2004	2003
Average number of employees during the year	<u>-</u>	<u>2</u>
Number of employees at end of year	<u>-</u>	<u>2</u>
	£000	£000
Employment costs		
Wages and salaries	-	38
Social security costs	-	26
Pension costs	<u>-</u>	<u>42</u>
	<u>-</u>	<u>106</u>

BMW SERVICES LIMITED**NOTES TO THE ACCOUNTS – continued****5. Pensions**

The Company participates in pension schemes operated by BMW Group. These are defined benefit schemes, the assets of which are held in separate trustee administered funds. The major pension arrangement is the BMW (UK) Operations Pension Scheme of which the latest actuarial valuation was carried out by independent qualified actuaries using the projected unit method as at 5 April 2003.

The actuarial assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investment and the rates of increases in salaries and pensions in payment. In the 2003 actuarial valuation it was assumed that the discount rate for pre-retirement liabilities would be 2% above fixed interest gilt yields and that the discount rate for post retirement liabilities would be in line with fixed interest gilt yields.

The assumed rate of salary increase was 1.0% per annum above the rate of inflation and the assumed rate at which pensions increase was between 0.04% per annum below and 0.96% per annum above the rate of inflation. The market value of the scheme assets at that date was £2,912 million. This represented 82.3% of the benefits which had been accrued to members, after allowing for future assumed increases in earnings.

BMW (UK) Holdings Limited is the holding company of this Company and the other companies which participate in the schemes. BMW (UK) Holdings Limited is also the Principal Employer under the rules of the schemes. The pension costs arising from the schemes are accounted for in accordance with SSAP24 in the accounts of the holding company. The accounts of the holding company also include full disclosure of the pension scheme deficits and other related matters in accordance with FRS 17. The accounts of BMW (UK) Holdings Limited are available from Ellesfield Avenue, Bracknell, Berkshire, RG12 8TA.

BMW Services Limited has accounted for the scheme on the basis of contributions payable in the year. There were £nil (£42,000 : 2003) contributions payable for the year due to the pension arrangements and there were nil (nil:2003) contributions outstanding at the year end.

BMW SERVICES LIMITED**NOTES TO THE ACCOUNTS – continued****6. Net interest receivable and similar income**

	2004 £000	2003 £000
Interest payable		
External interest payable	(8)	-
Interest on loans from Group undertakings	<u>(9)</u>	<u>(15)</u>
	<u>(17)</u>	<u>(15)</u>
Interest receivable		
On employee loans and bank deposits	-	20
On loans to Group undertakings	<u>1,245</u>	<u>897</u>
	<u>1,245</u>	<u>917</u>
Net interest receivable	<u>1,228</u>	<u>902</u>

BMW SERVICES LIMITED**NOTES TO THE ACCOUNTS – continued****7. Tax on profit on ordinary activities****Analysis of charge in period****Current Tax**

	2004 £000	2003 £000
Current tax on income for the period	96	-
Adjustment in respect of prior years	-	-
Total current tax	96	-
Deferred tax	-	-
Total tax	96	-

Factors affecting the tax charge for the current period

The current tax charge is lower (2003: lower) than the standard rate of corporation tax in the UK of 30% (2003: 30%) principally due to the reversal of timing differences. The differences are explained below:

	2004 £000	2003 £000
Current Tax reconciliation		
Profit on ordinary activities before tax	1,536	861
Current tax at 30% (2003: 30%)	461	258

Effects of:

Capital allowances for the period in excess of depreciation and other timing differences	(309)	(664)
Group relief surrendered for nil consideration	-	390
Expenses not deductible for tax purposes	(56)	16
Total Current tax charge	96	-

Factors that may affect future tax charges

A deferred tax asset of £1.1m (2003: £1.9m) in respect of capital allowances and £1.4m (2003 : £1.4m) in respect of tax losses, have not been recognised on the basis that it is more likely than not there will be insufficient taxable profits arising in the future from which the reversal of the underlying asset could be deducted.

BMW SERVICES LIMITED**NOTES TO THE ACCOUNTS - continued****8. Tangible fixed assets**

	Land and buildings Owned £000	Plant and machinery Owned £000	Total £000
Cost or valuation			
At 1 January 2004 and 31 December 2004	<u>639</u>	<u>3</u>	<u>642</u>
Accumulated depreciation			
At 1 January 2004	(424)	(2)	(426)
Charge for year	-	(1)	(1)
Impairment	<u>(215)</u>	<u>-</u>	<u>(215)</u>
At 31 December 2004	<u>(639)</u>	<u>(3)</u>	<u>(642)</u>
Net book value at:			
31 December 2004	-	-	-
31 December 2003	<u>215</u>	<u>1</u>	<u>216</u>

During the year the directors gave consideration to the carrying value of owned land. After considering the carrying value, market value and value in use, the directors considered that a provision of the full net book value was required.

9. Intangible fixed assets

	£000
Cost	
At 31 December 2004 and 2003	<u>23,273</u>
Amortisation	
At 31 December 2004 and 2003	<u>(23,273)</u>
Net book value at:	
31 December 2004 and 2003	<u>-</u>

BMW SERVICES LIMITED**NOTES TO THE ACCOUNTS - continued****10. Debtors**

	2004 £000	2003 £000
Trade debtors	4	7
Interest bearing deposit to Group undertakings	29,947	28,161
Amounts owed by group undertakings	-	10
Other debtors	117	47
	<u>30,068</u>	<u>28,225</u>

11. Creditors - amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	96	31
Amounts due to group undertakings	96	82
Other creditors	-	100
VAT	392	-
Other taxes and social security costs	96	-
Accruals	1,659	1,939
	<u>2,339</u>	<u>2,152</u>

12. Share Capital

Ordinary Shares of £1 each

	2004 £	2003 £
Authorised	<u>10,001,000</u>	<u>10,001,000</u>
Allotted, called up and fully paid	<u>7,000,001</u>	<u>7,000,001</u>

BMW SERVICES LIMITED**NOTES TO THE ACCOUNTS – continued****13. Reserves**

	Share premium Account £000	Profit and loss account £000
At beginning of year	63,000	(43,711)
Profit for financial year	<u>-</u>	<u>1,440</u>
At end of year	<u>63,000</u>	<u>(42,271)</u>

14. Reconciliation of movements in shareholders' funds

	2004 £000
Profit for financial year	<u>1,440</u>
Net increase in shareholders' funds	1,440
Opening shareholders' funds	<u>26,289</u>
Closing shareholders' funds	<u>27,729</u>

15. Capital commitments

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

16. Operating lease commitments

Payments totalling £341,000 were committed at the end of the year to be made during the following year in respect of operating leases, analysed as follows:-

	2004 £000	2003 £000
Land and buildings		
Agreements expiring:		
Within one year	-	31
Beyond five years	<u>213</u>	<u>213</u>
	<u>213</u>	<u>244</u>

BMW SERVICES LIMITED**NOTES TO THE ACCOUNTS – continued**

	2004 £000	2003 £000
Other tangible assets		
Agreements expiring:		
Within one year	128	-
Between two and five years	-	3,955
	<hr/>	<hr/>
	128	3,955
	<hr/>	<hr/>

17. 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.