



**Alphabet (UK) Limited (formally
Alphabet (UK) Fleet Management
Limited)**

Directors' report and financial
statements

Registered number SC084727 (Scotland)

Year ended 31 December 2013

FRIDAY



A04 *A3DC89I2* #212
01/08/2014
COMPANIES HOUSE

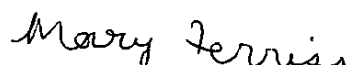
Contents

Strategic report	1
Directors' Report	2
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent Auditor's Report to the members of Alphabet (UK) Limited (formally Alphabet (UK) Fleet Management Limited)	4
Income statement	6
Balance sheet	7
Statement of changes in equity	8
Statement of cash flows	8
Notes to the financial statements	9

Strategic report

Principal activities, business review and future strategy

The principal activity of Alphabet (UK) Limited, (formally Alphabet (UK) Fleet Management Limited), ('the Company') were the provision of multi marque vehicle finance and fleet management services to the corporate fleet market. On 1st July 2013 the assets, liabilities and trading activities were transferred to Alphabet (GB) Limited, a fellow subsidiary of BMW AG. As of 1st July 2013, the Company has ceased to trade.



Mary Ferriss
Secretary

191 West George Street
Glasgow
G2 2LJ
23 July 2014

Directors' report

Proposed dividend

The directors do not recommend the payment of a dividend (2012: £Nil).

Directors and directors' interests

The directors who held office during the year and up to the date of this report were as follows:

R J Schooling
H J G C Vissers

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the Company or any other BMW Group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Change of name

On the 28th February 2014 a special resolution was passed in accordance with Part 13, Chapter 2 of the Companies Act 2006 that the name of the Company be changed from Alphabet (UK) Fleet Management Limited to Alphabet (UK) Limited (formally Alphabet (UK) Fleet Management Limited).

Disclosure of information to auditor

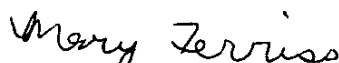
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

On 10 June 2003 the Company passed an elective resolution to dispense with the holding of an AGM and the laying of reports and financial statements.

By order of the board



Mary Ferriss
Secretary

191 West George Street
Glasgow
G2 2LJ
23 July 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

KPMG LLP

Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom.

Independent Auditor's Report to the member of Alphabet (UK) Limited (formally Alphabet (UK) Fleet Management Limited)

We have audited the financial statements of Alphabet (UK) Limited (formally Alphabet (UK) Fleet Management Limited) for the year ended 31 December 2013 set out on pages 8 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member 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 member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

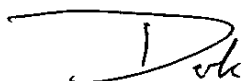
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Alphabet (UK) Limited (formally Alphabet (UK) Fleet Management Limited) (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



McAllan

31/7/14

Derek McAllan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG Reading,
Arlington Business Park,
Theale,
Berkshire,
RG7 4SD

Income statement

For the year ended 31 December 2013

	Note	2013 £000	2012 £000
Revenue	2	89,662	179,927
Cost of sales	3	(70,388)	(155,194)
Gross profit		19,274	24,733
Administrative expenses		(6,390)	(10,826)
Operating profit	4	12,884	13,907
Interest receivable and similar income		97	218
Profit before tax		12,981	14,125
Taxation	8	(2,762)	(1,972)
Profit for the year		10,219	12,153

The Company has no other comprehensive income in the year (2012:£nil) and has therefore not presented a statement of comprehensive income.

All of the above figures relate to discontinuing operations.

The notes on pages 9 to 30 form part of these financial statements.

Balance sheet
at 31 December 2013

	Note	2013 £000	2012 £000
Non-current assets			
Property, plant and equipment	9	-	416
Operating lease assets	9	-	354,932
Finance lease receivables	12	-	40,000
Deferred tax assets	10	-	-
		<hr/>	<hr/>
		-	395,348
		<hr/>	<hr/>
Current assets			
Inventories	11	-	2,937
Finance lease receivables	12	-	43,809
Trade and other receivables	13	73,897	43,911
Cash or cash equivalent	14	-	7,362
		<hr/>	<hr/>
		73,897	98,019
		<hr/>	<hr/>
Total assets		<hr/>	<hr/>
		73,897	493,367
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	15	-	(90,338)
Loan amounts due to fellow BMW Group subsidiaries	19	-	(138,500)
		<hr/>	<hr/>
		-	(228,838)
		<hr/>	<hr/>
Non-current liabilities			
Loan amounts due to fellow BMW Group subsidiaries	19	-	(182,000)
Deferred tax liabilities	10	-	(18,851)
		<hr/>	<hr/>
		-	(200,851)
		<hr/>	<hr/>
Total Liabilities		<hr/>	<hr/>
		-	(429,689)
		<hr/>	<hr/>
Net assets		<hr/>	<hr/>
		73,897	63,678
		<hr/>	<hr/>
Equity			
Share capital	16	5,027	5,027
Share premium		792	792
Retained earnings		68,078	57,859
		<hr/>	<hr/>
Total equity		<hr/>	<hr/>
		73,897	63,678
		<hr/>	<hr/>

The notes on pages 9 to 30 form part of these financial statements.

These financial statements were approved by the board of directors on 23 July 2014 and were signed on its behalf

by:


 Albert Visser

Director

Company registered number: SC084727

Statement of changes in equity

For the year ended 31 December 2013

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
At 1 January 2012	5,027	792	45,706	51,525
Profit for the year	-	-	12,153	12,153
	<u>5,027</u>	<u>792</u>	<u>57,859</u>	<u>63,678</u>
At 1 January 2013	5,027	792	57,859	63,678
Profit for the year	-	-	10,219	10,219
At 31 December 2013	<u>5,027</u>	<u>792</u>	<u>68,078</u>	<u>73,897</u>

Statement of cash flows

For the year ended 31 December 2013

	Note	2013 £000	2012 £000
Cash flows from operating activities			
Profit for the year		10,219	12,153
Adjustments for:			
Taxation	8	2,762	1,972
Depreciation in property, plant and equipment		416	181
(Increase)/decrease decrease in trade and other receivables		(29,986)	10,775
(Decrease)/increase in trade and other payables		(90,339)	8,343
Decrease/(increase) in operating lease assets		438,742	(5,434)
Decrease in inventories		2,937	719
Cash (consumed) by operations		<u>334,751</u>	<u>28,709</u>
Tax paid		(21,613)	(1,276)
Net cash (outflows)/inflows from operating activities		<u>313,138</u>	<u>27,433</u>
Cash flows from financing activities			
(Decrease) in loan amounts due to fellow BMW Group subsidiaries		(320,500)	(24,663)
Net cash inflows/(outflows) from financing activities		<u>(320,500)</u>	<u>(24,663)</u>
Net decrease in cash and cash equivalents		(7,362)	2,770
Cash and cash equivalents at 1 January		7,362	4,591
Cash and cash equivalents at 31 December	14	<u>-</u>	<u>7,362</u>

The notes on pages 10 to 31 form part of these financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

The Company is a company incorporated in England and Wales and domiciled in the UK.

Statement of compliance

The Company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRSs").

Basis of preparation

The financial statements have been prepared on the historical cost basis.

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

Management estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions. These judgements, estimates and assumptions affect the reported amounts of assets and liabilities as well as income and expenses in the financial statements provided.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The actual outcome is not expected to differ significantly from the estimates and assumptions made.

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

Judgement made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

Bad debt provision

Provisions are made relating to the recoverability of receivable balances to reflect unrecoverable amounts due to known defaults, and defaults incurred but not reported at the balance sheet date, which from experience are known to exist.

Residual value provision

Residual values represent the estimated value of the leased asset at the end of the lease period. Residual values are calculated after analysing the market place and the Company's own historical experience in the market. Residual values of leased assets are reviewed regularly and any impairments are charged to the income statement in the period in which they arise.

Going concern

On 1st July 2013 the assets, liabilities and trading activities were transferred to Alphabet (GB) Limited, a fellow subsidiary of BMW AG. As of 1st July 2013, the Company ceased to trade as the trading activities were transferred to Alphabet (GB) Limited.

Notes (continued)

1 Accounting policies (continued)

Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use.

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual value using a straight line basis over their estimated useful lives.

Foreign currency

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

Non derivative financial instruments

Trade and other receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

Customer receivables

Amounts due from customers under hire purchase receivables, finance leases and other advances are stated after deductions of provisions for bad and doubtful debts, comprising specific and collective provisions made to reflect the assessment of expected losses on existing debts, which are known to exist from experience.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowing

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subject to initial recognition, they are measured at amortised cost using the effective interest rate method.

Assets subject to operating leases

Operating lease assets are stated at cost less accumulated depreciation and impairment losses. Depreciation on operating lease assets is provided to write off the cost of the asset less the estimated residual value on a straight-line basis over the period of the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories comprise vehicles formerly on lease contracts awaiting disposal.

Notes (continued)

Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

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. 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.

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.

Revenue

Revenue is the aggregate of operating lease rentals and earnings from hire purchase contracts.

Operating lease income

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Finance lease income

Minimum lease payments are apportioned between the finance income and the reduction of the receivable. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the leased asset.

Maintenance income and costs

Maintenance costs for vehicles leased by the Company or sold to customers under credit sale agreements are recognised when they are incurred. Maintenance income is deferred to cover future expected maintenance costs.

Employee benefits

Defined benefit plans

The Company's employees are members of 2 group-wide defined benefit pension plans: the BMW (UK) Operations Pension Scheme and the BMW (GB) Limited Employee Benefits Plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plans to participating entities, the net defined benefit cost of the pension plans are recognised fully by the sponsoring employers, which are BMW (UK) Holdings Limited and BMW (UK) Limited. The Company then recognises a cost equal to its contributions payable for the period.

Notes (continued)

1 Accounting policies (continued)

Taxation

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

Current tax is the expected tax payable on the taxable income or loss 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.

Adopted IFRSs not yet applied

The following Adopted IFRSs were available for early adoption but have not been applied by the Company in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 'Financial Instruments' (effective for annual periods commencing on or after 1 January 2015).
- IFRS 13 'Fair Value Measurement' (effective for annual periods commencing on or after 1 January 2013).
- IAS 19 'Employee Benefits' (effective for annual periods commencing on or after 1 January 2013).

2 Revenue

Revenue is the aggregate of operating lease income and earnings from hire purchase contracts, finance leases and loans to fellow BMW Group subsidiaries. The policy for income recognition is set out in note 1.

Amounts recognised within revenue in the income statement are set out below:

	2013 £000	2012 £000
Finance lease contracts	13,190	26,690
Operating leases	72,241	145,033
Maintenance Revenue	1,981	3,524
Termination Revenue	1492	1,613
Daily Hire Revenue	74	3,067
Rent revenue	684	-
	<hr/>	<hr/>
	89,662	179,927
	<hr/>	<hr/>

Notes (continued)

3 Cost of Sales

Cost of sales includes all costs directly attributable to a leased out product, including interest payable, depreciation, impairment losses on residual values and dealer and broker commissions.

Interest payable included within the cost of sales is as follows:

	2013 £000	2012 £000
On bank loans and overdrafts	-	2
On loans from fellow BMW Group subsidiaries	4,248	9,579
	<u>4,248</u>	<u>9,581</u>

4 Expenses and auditors' remuneration

Included in operating profit are the following:

	2013 £000	2012 £000
Realised loss/(profit) on disposal of operating lease assets	3,642	6,873
Depreciation of operating lease assets	49,834	108,104
	<u>53,476</u>	<u>114,977</u>

Auditors' remuneration:

	2013 £000	2012 £000
Audit of these financial statements		
Amounts receivable by the auditors and their associates in respect of:		
Audit related services	23	44
	-	17
	<u>23</u>	<u>61</u>

Notes (continued)

5 Change in accounting estimate

The Company amended the estimation method used to derive the residual values of vehicles at the end of their lease term, to align with a new estimation methodology as adopted by the BMW Group. The total profit that has been recognised in the current period is £0.4 m.

A change in valuation method is considered a change in accounting estimate under IAS8 *Changes in Accounting Estimates* resulting from a change in accounting principle. So, The Company reports the change prospectively; previous financial statements are not revised. Had the amended estimate been used in the prior period the effect on profit in the prior period would have been increased by £4.1 m.

6 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2013	2012
Administration	70	133
Sales and Marketing	34	47
	<hr/>	<hr/>
	104	180
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2013 £000	2012 £000
Wages and salaries	2157	5,607
Social security costs	340	533
Pension contributions	403	779
	<hr/>	<hr/>
	2,900	6,919
	<hr/>	<hr/>

7 Directors' remuneration

The aggregate emoluments of the highest paid director were £nil (2012: £nil). Company pension contributions of £nil (2012: £nil) were made in relation to the highest paid director. Pension contributions are included in the emoluments above.

Retirement benefits are not accruing to any directors (2012: none) under money purchase schemes.

Notes (continued)

8 Taxation

Recognised in the income statement

	2013 £000	2012 £000
Current tax credit/(expense)		
Current year	(3,033)	(3,501)
Adjustments for prior years	291	(73)
	<u>(2,742)</u>	<u>(3,574)</u>
Deferred tax		
Origination and reversal of temporary differences	(20)	1,602
	<u>(20)</u>	<u>1,602</u>
Total tax in income statement	<u>(2,762)</u>	<u>(1,972)</u>

Reconciliation of effective tax rate

	2013 £000	2012 £000
The tax charge is lower (2012: Lower) than the standard rate of corporation tax in the UK. The differences are explained below		
Profit before tax	12,981	14,125
Tax at the UK corporation tax rate of 23.5% (2012:24.5%)	3,050	3,460
Non-deductible expenses	3	30
Timing differences	-	(1,602)
Adjustments for prior years	(291)	73
Losses carried forward	-	-
Effect from the change in tax rate	-	11
Total tax in income statement	<u>2,762</u>	<u>1,972</u>

The main rate of UK corporation tax was reduced from 26% to 24% with effect from 1 April 2012. A further reduction in the main rate of corporation tax to 23% with effect from 1 April 2013 was substantively enacted on 3 July 2012 and therefore the effect of this change is that profits arising in 2013 are taxable at a rate of approximately 23.25%.

Notes (continued)

9 Tangible fixed assets

	Office equipment £000	Operating lease assets £000	Total £000
Cost			
Balance at 1 January 2012	3,472	548,663	552,135
Acquisitions	-	162,704	162,704
Disposals	-	(159,945)	(159,945)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2012	3,472	551,422	554,894
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2013	3,472	551,422	554,894
Acquisitions	-	59,842	59,842
Disposals	(3,472)	(611,264)	(614,736)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2013	-	-	-
	<hr/>	<hr/>	<hr/>
Depreciation and impairment			
Balance at 1 January 2012	2,875	193,516	196,391
Depreciation charge for the year	181	108,104	108,285
Impairment losses	-	-	-
Disposals	-	(105,130)	(105,130)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2012	3,056	196,490	199,546
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2013	3,056	196,490	199,546
Depreciation charge for the year	60	49,834	49,894
Impairment losses	-	-	-
Disposals	(3,116)	(246,324)	(249,440)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2013	-	-	-
	<hr/>	<hr/>	<hr/>
Net book value			
At 1 January 2012	597	355,147	355,744
	<hr/>	<hr/>	<hr/>
At 31 December 2012 and 1 January 2013	416	354,932	355,348
	<hr/>	<hr/>	<hr/>
At 31 December 2013	-	-	-
	<hr/>	<hr/>	<hr/>

Future minimum lease receipts under non-cancellable operating leases:

	2013 £000	2012 £000
Not later than one year	-	96,316
Later than one year and not later than five years	-	93,977
	<hr/>	<hr/>
	-	190,293
	<hr/>	<hr/>

Notes (continued)

10 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000
Tax losses carried forward	-	-	-	-	-	-
Operating lease assets	-	-	-	(18,915)	-	(18,915)
Temporary differences on impairments	-	64	-	-	-	64
	<u>-</u>	<u>64</u>	<u>-</u>	<u>(18,915)</u>	<u>-</u>	<u>(18,851)</u>
Net tax assets/(liabilities)	-	64	-	(18,915)	-	(18,851)

Movement in deferred tax during the year

	1 January 2013 £000	Transferred to Group Company £000	Recognised in income £000	31 December 2013 £000
Tax losses carried forward	-	-	-	-
Operating lease assets	(18,915)	18,935	(20)	-
Temporary differences on impairments	64	(64)	-	-
	<u>(18,851)</u>	<u>18,871</u>	<u>(20)</u>	<u>-</u>

Movement in deferred tax during the prior year

	1 January 2012 £000	Recognised in income £000	31 December 2012 £000
Tax losses carried forward	638	(638)	-
Operating lease assets	(18,906)	(9)	(18,915)
Temporary differences on impairments	113	(49)	64
	<u>(18,155)</u>	<u>(696)</u>	<u>(18,851)</u>

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantially enacted at the balance sheet date.

A reduction in the main rate of UK corporation tax to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012. Accordingly, deferred tax assets and liabilities have been measured using this rate.

Notes *(continued)*

11 Inventories

	2013 £000	2012 £000
Vehicles held for remarketing	-	2,937
	<u> </u>	<u> </u>

All items included within inventories are expected to be recovered within 12 months.

Notes (continued)

12 Finance lease receivables

	2013 £000	2012 £000
Finance lease receivables		
Non-current	-	40,000
Current	-	43,809
	<hr/>	<hr/>
	-	83,809
	<hr/>	<hr/>
	2013 £000	2012 £000
Gross investment in finance lease receivables		
Gross receivable	-	87,972
Unearned finance income	-	(4,163)
	<hr/>	<hr/>
	-	83,809
	<hr/>	<hr/>
Present value of minimum lease payments receivable		
Not later than one year	-	43,809
Later than one year and not later than five years	-	40,000
	<hr/>	<hr/>
	-	83,809
	<hr/>	<hr/>

13 Trade and other receivables

	2013 £000	2012 £000
Other trade receivables	-	11,770
Prepayments and accrued income	-	32,141
Corporation and other tax	-	-
Amounts due from fellow BMW Group subsidiaries	74,865	-
	<hr/>	<hr/>
	74,865	43,911
	<hr/>	<hr/>

Other trade receivables are stated after deductions of provisions for bad and doubtful debts and impairment amounting to £Nil million (2012: £3.4 million).

Notes (continued)

14 Cash and cash equivalents

	2013 £000	2012 £000
Cash and cash equivalents per balance sheet	-	7,362
Cash and cash equivalents per statement of cash flows	-	7,362

15 Trade and other payables

	2013 £000	2012 £000
Amounts due to fellow BMW Group subsidiaries	-	3,791
Other trade payables	-	881
Non-trade payables and accrued expenses	-	84,980
Other taxes payable	-	686
	-	90,338

All items included within trade and other payables are expected to be settled within 12 months.

16 Capital and reserves

Share capital

	2013 £000	2012 £000
<i>Allotted, called up and fully paid</i> Ordinary shares of £1 each	5,027	5,027

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.

Notes *(continued)*

16 Capital and reserves *(continued)*

Capital management

The Company's capital management objective is to support the objectives of the BMW Group. The BMW Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in the long-term and to provide an adequate return to shareholders.

The BMW Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk profile of the underlying assets.

The BMW Group manages the structure of debt capital on the basis of a target debt ratio. An important aspect of the selection of financial instruments is the objective to achieve matching maturities for the Group's financing requirements. In order to reduce non-systematic risk, the BMW Group uses a variety of financial instruments available on the world's capital markets to achieve optimal diversification.

17 Employee benefits

Defined Contribution scheme

The Company operates a defined contribution scheme. The pension costs charge for the year represents contributions payable by the Company to the scheme and amounted to £403K (2012:£779K).

Notes (continued)

18 Financial instruments

Finance income and expense

Gains and losses on financial instruments included within cost of sales are as follows:

	2013 £000	2012 £000
Finance expense		
Interest expense on financial liabilities measured at amortised cost:		
Loans from BMW Group companies	4,248	9,579
Total finance expense	4,248	9,579

Disclosure of fair values of financial assets and liabilities

	2013		2012	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Financial assets:				
Loan and receivables				
Non-current finance lease receivables	-	-	40,000	40,000
Current finance lease receivables	-	-	43,809	45,413
Trade and other receivables	-	-	43,911	43,911
Non current amounts due from fellow BMW Group subsidiaries	74,865	74,865	-	-
Cash	-	-	7,362	7,362
Total financial assets	74,865	74,865	135,082	136,686
Financial liabilities:				
Financial liabilities at amortised cost				
Current trade and other payables	-	-	(90,338)	(90,338)
Current loan amounts due to fellow group subsidiaries	-	-	(138,500)	(138,500)
Non current loan amounts due to fellow BMW Group subsidiaries	-	-	(182,000)	(182,000)
Total financial liabilities	-	-	(410,838)	(410,338)

Notes (continued)

18 Financial instruments (continued)

Fair values of financial instruments

Detailed below are the assumptions applied in determining the fair value of financial instruments held by the Company:

Hire purchase receivables

Fair values of hire purchase receivables have been calculated by using the average internal rate of return used in hire purchase contracts written at the balance sheet date as a discount factor on the forecasted future monthly gross receivable amounts. The fair value of deductions of provisions for bad and doubtful debts of hire purchase receivables have been deemed to be of equivalent value to the carrying amount.

Cash and cash equivalents, trade and other receivables, trade and other payables

For trade and other receivables, cash and cash equivalents, and trade and other payables with a remaining life of less than one year, the notional amount is deemed to reflect fair value.

Interest bearing borrowings

Fair values of financial instruments (loan amounts due to fellow BMW Group subsidiaries) are determined by using BMW (UK) Capital plc's Treasury Management system. This system incorporates relevant and current external market information. Specifically, fair market values are calculated by using a discounted cash flow method. Each future cash flow is discounted by a factor based on the zero yield curve. The zero yield curve is calculated by the system using current market data.

Financial risk management

The Company is exposed in particular to the following risks:

- credit risk;
- liquidity risk;
- market risk; and
- residual value risk.

Notes (continued)

18 Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a commercial or consumer customer to a financial instrument fails to meet its contractual obligations. It arises principally from loans granted by the Company to consumers and business customers under hire purchase, credit sale and finance lease receivables.

Exposure to credit risk

All of the Company's exposure to credit risk was held in the UK. The BMW Group has established general and comprehensive guidelines that are applicable to all BMW Financial Service entities worldwide. The "SF Credit Risk Guideline" and the "Net Exposure Calculation Guideline for Commercial Credits" define the principles for the management of retail and commercial credit risk within the Company. These are minimum guidelines supplemented by local policies and procedures. This methodology results in the recognition of impairment losses on individual and groups of assets. If there is objective evidence of impairment, such as overdue balances due from consumers, the Company recognises impairment losses on the basis of individual assets. In the event of overdue receivables, impairment losses are always recognised individually based on the length of period of the arrears. This is known as a specific loss provision. If there is no objective proof of impairment, potential future impairment losses based on past evidence are provided for on financial assets using a portfolio approach based on similar groups of assets. This is known as a collective loss provision.

The ageing of hire purchase and finance lease receivables and other receivables at the reporting date was:

	2013 £000	2012 £000
Not past due	-	123,244
Aged 0 - 30 days	-	4,697
Aged 31 - 60 days	-	168
Aged 61 - 90 days	-	60
Aged 91 - 120 days	-	40
More than 121 days	-	-
Less allowance for impairment: Specific Bad debt provision	-	(489)
Total	-	127,720

Notes (continued)

18 Financial instruments (continued)

Credit risk (continued)

The movement in the allowance for impairment during the year was as follows:

	Balance at 1 Jan 2013 £000	Net provision movement £000	Net write offs £000	Balance at 31 Dec 2013 £000
Specific Loss Provision	411	-	(411)	-
Collective Loss Provision	78	-	(78)	-
Total	489	-	(489)	-

	Balance at 1 Jan 2012 £000	Net provision movement £000	Net write offs £000	Balance at 31 Dec 2012 £000
Specific Loss Provision	748	-	(337)	411
Collective Loss Provision	239	-	(161)	78
Total	987	-	(498)	489

The estimated fair value of collateral held for receivables on which impairment allowances were recognised totalled £Nil in the year (2012: £198.4 million). This related primarily to automotive vehicles.

Various tools and procedures are used to assess credit risk at contract inception, such as information from credit reference agencies, credit scoring techniques and on-site assessments. Credit limits for business customers are based on an assessment of financial and non financial information and regularly monitored thereafter to ensure that the risk rating does not decline thereby placing the Company's exposure at risk.

The Company actively manages its credit exposures and when weaknesses in exposures are detected, either in individual exposures or in groups of exposures, action is taken to mitigate the risks. These include steps to reduce the amounts outstanding either through written or verbal communication with the customer and where appropriate, repossession and sale of the loan assets.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due. To minimise this risk the Company has taken several measures. Its day-to-day liquidity is managed as part of the UK cash pooling of the BMW Group in a way that ensures that the Company can meet any obligation to make payments. In addition the Company perform a short-term forecasting for the next two days in order to ensure that requirements can be met.

The Company reports its funding requirements into the BMW Group wide liquidity planning which is the basis for obtaining liquidity in the world's financial markets. To ensure access to liquidity at attractive rates, the BMW Group is present in all important capital markets to enable a diversification of funding sources including bonds, commercial paper and asset-backed transactions. The Company has direct access to these funds to manage its liquidity requirements through BMW (UK) Capital plc and BMW Finance N.V.

Notes (continued)

18 Financial instruments (continued)

Interest rate risk (continued)

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments was:

Fixed rate instruments

	2013 £000	2012 £000
Financial assets – finance lease receivables	-	83,809
Financial liabilities – loans from fellow BMW Group subsidiaries	-	(320,500)
	<hr/>	<hr/>
Total	-	(236,691)
	<hr/>	<hr/>

The Company has designated that the finance lease receivables due from its customers, the majority of which are at a fixed rate of interest, constitute the financial asset portion of the fixed rate instruments. The loans payable to BMW (UK) Capital plc and BMW Finance N.V. are each at a fixed rate of interest for their term and therefore constitute the fixed rate financial liabilities.

Sensitivity analysis

The Company applies a value-at-risk approach for internal reporting purposes and to manage interest rate risks. Value-at-risk is a statistical estimate, given a certain confidence level (99%), of how much a company can expect to lose on its positions, over a specified holding time period (10 days), given a change in interest rates.

A one basis point movement in interest rates would have increased or decreased the above interest portfolio valuation by £16,000.

The value-at-risk was as follows:

	2013 £000	2012 £000
Value-at-risk	-	759

Residual value risk

The profitability of the Company's vehicle leasing contracts is highly dependent on the residual value (RV) of the vehicle at the end of the agreement. On inception of the lease, the Company uses its knowledge and experience of the market and industry to estimate an appropriate RV. This is compared to other providers using competitor surveys such as those of the BVRLA and Insight and other market information. However, future RV's can be difficult to predict due to future market trends and customer demands, and the Company is exposed to the risk that they could fall, leading to reductions in profitability.

Notes (continued)

18 Financial instruments (continued)

Residual value risk (continued)

The Company manages this risk by continually monitoring the RV estimates built into the leasing portfolio, both against industry-wide data such as CAP and Glasses Guides, and the Company's own information on remarketing BMW and MINI vehicles. This ensures that any reduction in RV's is quickly identified so that appropriate action can be taken.

The principal risk arising from the Company's leasing activities relates to the non-realisation of the full amount of the RV's, set by the Company at the inception of its leasing agreements.

RV risk arises on contract hire agreements and other operating lease arrangements where the vehicle is returned to the Company at the end of the primary lease term.

RV's that the Company has set on inception of its operating lease arrangements are compared to an independent industry forecast on a regular basis to monitor the extent of any impairment to the book value of the assets. The independent forecast may be adjusted to take into account known market factors.

Where an impairment is believed to exist, it is discounted to its net present value at an interest rate which the directors believe represents the current market assessment of the time value of money and the risks specific to these assets. Any required impairment is charged to the income statement.

The level of RV impairment is reduced by the level of any RV guarantees, primarily given to the Company by motor manufacturers.

The impairment calculation also includes costs associated with remarketing the vehicle at the end of the agreement, covering inspection/collection from the customer, transport and auction fees.

As a result of the risk management guidelines detailed above, the Company has estimated its future residual value exposure on Operating Lease assets:

	2013 Operating Lease Residual Value £000	2012 Operating Lease Residual Value £000
Residual value exposure:		
Not later than one year	-	17,338
Later than one year and not later than five years	-	-
Later than five years	-	-
	<hr/>	<hr/>
Total	-	17,338
	<hr/>	<hr/>

Foreign exchange risk

The Company does not have any material exposure to foreign exchange risk due to the small number of financial transactions that take place in a currency other than pounds sterling.

Notes (continued)

19 Related parties

The related parties with which the Company traded during the year or with whom there were outstanding assets or liabilities at the year end are listed below. Each of the related parties is a subsidiary of BMW AG, the ultimate parent company and controlling party.

BMW Financial Services (GB) Limited
 BMW (UK) Limited
 BMW Hams Hall Motoren GmbH
 BMW (UK) Manufacturing Limited
 Rolls-Royce Motor Cars Limited
 BMW (UK) Pensions Services Limited
 BMW Services Limited
 Swindon Pressings Limited
 BMW Leasing (GB) Limited
 BMW Leasing GmbH
 Park Lane Limited
 BMW (UK) Capital plc
 BMW Finance N.V.
 Alphabet (GB) Limited

Sales of goods and services to fellow BMW Group subsidiaries were £NIL million (2012: £2.6 million).

Interest receivable from fellow BMW Group subsidiaries was £NIL million (2012: £18,400).

Purchases of goods and services from fellow BMW Group subsidiaries were £NIL million (2012: £202 million).

Interest payable to fellow BMW Group subsidiaries was £4.2 million (2012: £22.5 million). This is included in the income statement under cost of sales.

Amounts receivable from related parties at the year end, which the Company expects to be settled in cash, were as follows:

	2013 £000	2012 £000
Trade and other receivables due from fellow BMW Group subsidiaries	74,865	3,791

Amounts payable to related parties at the year end, which the Company expects to be settled in cash were as follows:

	2013 £000	2012 £000
Current loans due to fellow BMW Group subsidiaries	-	138,500
Non current loans due to fellow BMW Group subsidiaries	-	182,000

Transactions with key management personnel

The directors consider themselves to be the key management personnel having authority and responsibility for directing the major activities and resources of the Company. Directors of the Company and their immediate relatives do not control any of the voting shares of the Company. Details in respect of the compensation of key management are disclosed in note 7.

Notes (continued)

20 Ultimate parent company and parent company of larger group

The directors regard BMW AG, a company incorporated in Germany, as the ultimate parent company and controlling party. A copy of its group accounts, the only set of accounts in which the results of the Company are included, can be obtained from its offices at D-80788, Munich, Germany.

The Company's immediate parent undertaking is BMW (UK) Holdings Limited, a company incorporated in England and Wales.