Mercedes AMG High Performance Powertrains Limited

Annual report and financial statements

Registered number 1760288

31 December 2015

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Strategic Report

Principal activities and business review

The principal activity of the company is the design, the development and the manufacture of the Mercedes-Benz Formula One Power Unit, on behalf of its parent company Daimler AG, which powered the Mercedes AMG Petronas Formula One Team, the Sahara Force India F1 Team, Martini Williams Racing and the Lotus F1 Team in 2015.

The directors consider quality, technical excellence, speed and flexibility, combined with cost control, to be the principal success factors towards realising the company's strategies and achieving the company's targets. Performance against these measurables is reviewed regularly.

The company had another successful season with the Mercedes PU106B power unit winning both the Constructors' and Drivers' Formula One World Championships for the second year in succession. The Mercedes Power Unit achieved 16 race wins, 18 pole positions, eight 1, 2 finishes and four 1, 2, 3 finishes. The company's Power Unit accumulated 61% *(2014: 67%)* of the total points available during the season.

Overall turnover was £151.8 million *(2014: £145.4 million)*. Turnover also includes design, development and manufacturing activities on behalf of the parent company Daimler AG for transferring F1 technology to road car projects.

In the year, the company made a profit before taxation of £6.1 million *(2014: £5.6 million)*, representing a margin of 4% *(2014: 4%)* against turnover.

In 2016 the company will continue with its principal activities to design, develop and manufacture the Formula One Power Unit on behalf of its parent company Daimler AG, together with undertaking additional design, development and manufacturing work for Daimler. For the 2016 Formula One season, the company will supply Manor Racing Team following the end of Daimler's contract with the Lotus Team.

The United Kingdom remains a global centre of competence for the motorsport industry and this coupled with the Government's support for Research and Development has enabled the company to continue to invest in a highly skilled workforce and technologically advanced asset base. The company now employs 550 staff members and contributes over 90% of its expenditure within the United Kingdom.

Principal risks and uncertainties

The Contract Manufacturing Agreement with Daimler AG minimises all significant business risks for the company. However, as the company operated principally in two currencies (Sterling and Euro) there is inherent exposure to exchange rate risk.

Interest rate risk is limited to the internal borrowing rate set by Daimler AG.

By order of the board

Andrew Cowell
Director

26 September 2016

Directors' report

The directors present their report with the financial statements of the company for the year ended 31 December 2015.

Research and development

The company engages in research and development activity to support the development of Formula One Power Units and the transfer of that technology to road car projects. The total research and development expenditure was £79.7 million *(2014: £82.2 million)*.

Dividend

A dividend of £13m was paid during the year *(2014: £7.2m)* in accordance with Daimler AG group equity guidelines.

Directors

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

Prof. Dr. Thomas Weber	Non executive and Chairman
Bernhard Heil	Non executive
Andrew Cowell	Managing Director
Andreas Lauda	Non executive

Employees

The company's management has an open policy on the communication of information to employees concerning factors affecting their interests as employees and also the development of the company and consults employees on a regular basis to ensure that their views are taken into account in making decisions on matters likely to affect their interests.

It is the company's policy to give full and fair consideration to suitable applications for employment by disabled persons having regard to their particular aptitudes and abilities. Disabled employees are eligible to participate in all training, career development and promotion opportunities available to staff. Opportunities also exist for employees of the company who become disabled to continue their employment or to be trained in other positions in the company.

Political contributions

The company made no political donations or incurred any political expenditure during the year *(2014: £nil)*.

Disclosure of information to auditors

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Directors' report *(continued)*

By order of the board

Andrew Cowell
Director

Mercedes AMG High Performance Powertrains Ltd
Morgan Drive
Brixworth
Northamptonshire
NN6 9GZ

26 September 2016

Statement of directors' responsibilities in respect of the annual 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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.*

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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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

Independent auditor's report to the members of Mercedes AMG High Performance Powertrains Limited

We have audited the financial statements of Mercedes AMG High Performance Powertrains Limited for the year ended 31 December 2015 set out on pages 7 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.*

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 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 auditor

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 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 Financial Reporting Council's website 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 2015 and of its profit for the year then ended;

• have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and

• have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Mercedes AMG High Performance Powertrains Limited *(continued)*

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.

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.

P J Selvey.

Peter Selvey (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

26 September 2016

Profit and loss account

for the year ended 31 December 2015

	Note	**2015** **£000**	2014 £000
Turnover	*2*	**151,791**	145,355
Cost of sales		**(127,802)**	(126,004)
Gross profit		**23,989**	19,351
Administrative expenses		**(17,120)**	(12,865)
Operating profit		**6,869**	6,486
Interest receivable and similar income	*6*	**21**	12
Interest payable and similar charges	*7*	**(768)**	(919)
Profit on ordinary activities before taxation		**6,122**	5,579
Tax on profit on ordinary activities	*8*	**2,059**	4,237
Profit on ordinary activities after taxation		**8,181**	9,816

There are no recognised gains or losses for the financial year except for those shown above. Accordingly, no separate statement of total recognised gains and losses has been prepared.

The notes on pages 10 to 24 form part of these financial statements.

Balance Sheet
at 31 December 2015

	Note		**2015**		2014
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*9*	**2,721**		2,425	
Tangible assets	*10*	**90,744**		93,613	
			93,465		96,038
Current assets					
Stocks	*11*	**2,416**		12,469	
Debtors	*12*	**29,558**		24,322	
Cash at bank and in hand		**5**		4	
		31,979		36,795	
Creditors: amounts falling due within one year	*13*	**(40,134)**		(21,946)	
Net current (liabilities) / assets			**(8,155)**		14,849
Total assets less current liabilities			**85,310**		110,887
Creditors: amounts falling due after more than one year	*14*	**(1,048)**		(22,092)	
Provisions for liabilities					
Deferred tax liability	*17*	**(5,984)**		(5,698)	
			(7,032)		(27,790)
Net assets			**78,278**		83,097
Capital and reserves					
Called up share capital	*19*		**17**		17
Share premium account			**14,999**		14,999
Redenomination reserve			**1**		1
Profit and loss account	*20*		**63,261**		68,080
Shareholders' funds			**78,278**		83,097

These financial statements were approved by the board of directors on 7th March 2016 and were signed on its behalf by:

Andrew Cowell
Director

Company registered number: 1760288

Statement of Changes in Equity
for the year ended 31 December 2015

	Called-up Share capital	**Share Premium**	**Redenomination Reserve**	**Profit and Loss account**	**Total Equity**
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 1 January 2014	17	14,999	1	65,464	80,481
Profit for the year	-	-	-	9,816	9,816
Dividends	-	-	-	(7,200)	(7,200)
Balance at 31 December 2014	17	14,999	1	68,080	83,097
Profit for the year	-	-	-	8,181	8,181
Dividends	-	-	-	(13,000)	(13,000)
Balance at 31 December 2015	**17**	**14,999**	**1**	**63,261**	**78,278**

Notes
(forming part of the financial statements)

1 Accounting policies

Mercedes AMG High Performance Powertrains Limited (the "company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (*"FRS 102"*) as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

This is the first year in which the financial statements have been prepared under FRS 102. An explanation of how the transition to FRS 102 has affected the financial position and financial performance of the company is provided in note 25.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. No exemptions have been taken in these financial statements.

The company's ultimate parent undertaking, Daimler AG includes the company in its consolidated financial statements. The consolidated financial statements of Daimler AG are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Daimler UK Ltd, Tongwell, Milton Keynes, MK15 8BA. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Related Party transactions;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

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

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on a going concern basis, which the directors believe appropriate for the following reasons. The Contract Manufacturing Agreement between the parent company, Daimler AG, and Mercedes AMG High Performance Powertrains Limited ensures that the company will be provided with sufficient funds to enable it to meet its liabilities as they fall due. On this basis, the Directors consider that they will be able to meet their liabilities, as and when they fall due, for a period not less than 12 months from the date of signing of these financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Foreign currency

Transactions in foreign currencies are translated to the company's functional currency 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. 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 retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets; for example land is treated separately from buildings.

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described in 1.11 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

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. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- buildings 10 - 40 years
- plant and equipment 3 - 16 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Other intangible assets

Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised form the date that they are available for use. The estimated useful lives are as follows:

- computer software 3 - 5 years

The basis for choosing these useful lives is an assessment of the likely useful life with regard to prior experience and anticipated technological changes.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Intangible assets are tested for impairment in accordance with FRS102 Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Following changes in the FIA regulations governing permitted development of the power unit the company now views it as reflective of the development cycle to accordingly update the stock valuation methodology. The company only includes in the year end carrying value those components and parts that in the opinion of the directors will form part of the first "track-ready" power units, i.e. production power units, The effect of this change in methodology has been a reduction in the year end stock value.

1.8 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.9 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 the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Turnover

Turnover represents income received from Daimler AG in relation to the Mercedes AMG Petronas Formula One Team, the Sahara Force India Formula One Team, the Martini Williams Formula One Team and the Lotus Formula One Team for the development and supply of Formula One powertrains together with other R&D activities on behalf of the parent company Daimler AG for road car projects. The turnover from any additional work performed on behalf of any of the above Formula One teams is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

1.11 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and finance charges on finance leases recognised in profit or loss using the effective interest method.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account.

Current tax is the expected tax payable or receivable 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 timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing difference is not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset or liability is recognise din a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2 Turnover

	2015	2014
	£000	£000
Sale of goods	**808**	1,217
Rendering of services	**150,983**	144,138
Total turnover	**151,791**	145,355

3 Expenses and auditor's remuneration

Included in profit are the following:

	2015	2014
	£000	£000
Research and development expensed as incurred	**79,707**	82,224

Auditor's remuneration:

	2015	2014
	£000	£000
Audit of these financial statements	**40**	40
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	**1**	1

4 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	
	2015	2014
Production	**490**	481
Administration (includes graduates, apprentices and placements)	**60**	57
	550	538

The aggregate payroll costs of these persons were as follows:

	2015	2014
	£000	£000
Wages and salaries	**32,374**	31,483
Social security costs	**4,093**	3,943
Contributions to defined contribution pension plans	**3,139**	2,942
	39,606	38,368

Notes *(continued)*

5 Directors' remuneration

	2015	2014
	£000	£000
Directors' remuneration	**1,801**	905
Amounts receivable under long-term incentive schemes	**65**	68
Company contributions to money purchase pension plans	**92**	77
	1,958	1,050

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £1,866,020 *(2014: £973,382)*, and company pension contributions of £92,063 *(2014: £77,386)* were made to a money purchase scheme on their behalf.

	Number of directors	
	2015	2014
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	1

6 Other interest receivable and similar income

	2015	2014
	£000	£000
Receivable from group undertakings	**21**	11
Other interest	**-**	1
Total interest receivable and similar income	**21**	12

7 Interest payable and similar charges

	2015	2014
	£000	£000
Hire purchase and finance lease interest	**9**	13
Payable to group undertakings	**759**	896
Other interest	**-**	10
Total other interest payable and similar charges	**768**	919

Interest payable and similar charges includes interest payable and similar on bank loans and overdrafts of £759,153 *(2014: £895,935)*, all of which was payable to group undertakings.

Notes *(continued)*

8 Taxation

Total tax expense recognised in the profit and loss account

	2015		2014	
	£000	**£000**	£000	£000
Current tax				
Current tax on income for the period	**(1,271)**		(1,173)	
Adjustments in respect of prior periods	**(1,074)**		(2,015)	
Total current tax		**(2,345)**		(3,188)
Deferred tax (see note 17)				
Origination and reversal of timing differences	**(194)**		(1,316)	
Change in tax rate	**480**		267	
Total deferred tax		**286**		(1,049)
Total tax		**(2,059)**		(4,237)

The taxation credit relates entirely to UK taxes.

Reconciliation of effective tax rate

	2015	2014
	£000	£000
Profit for the year	**8,181**	9,816
Total tax expense	**(2,059)**	(4,237)
Profit before taxation	**6,122**	5,579
Tax using the UK corporation tax rate of 20.25% *(2014: 21.5 %)*	**1,240**	1,199
Origination and reversal of timing differences	**(194)**	(1,316)
Reduction in tax rate on deferred tax balances	**480**	267
Non-deductible expenses	**2,657**	2,577
Tax exempt revenues	**(6,945)**	(6,697)
Recognition of previously unrecognised tax losses	**(1,074)**	(2,015)
Current year losses for which no deferred tax asset was recognised	**1,777**	1,748
Total tax expense included in profit or loss	**(2,059)**	(4,237)

The applicable tax rate has changed from 21.5% in 2014 to 20.25% for 2015 following the reduction in the UK headline corporation tax rate.

Notes *(continued)*

9 Intangible assets

	Software £000	Assets under construction £000	Total £000
Cost			
Balance at 1 January 2015	8,307	2	8,309
Additions	225	728	953
Transfers	226	(2)	224
Balance at 31 December 2015	8,758	728	9,486
Amortisation and impairment			
Balance at 1 January 2015	5,884	-	5,884
Amortisation for the year	850	-	850
Impairment losses	31	-	31
Balance at 31 December 2015	6,765	-	6,765
Net book value			
At 1 January 2015	2,423	2	2,425
At 31 December 2015	**1,993**	**728**	**2,721**

Transfers represent reclassifications between intangible and tangible assets (see note 25).

Impairment loss

An impairment review was conducted to identify any assets that had become obsolete. The assets identified were impaired to £nil net book value resulting in an impairment loss of £30,829 *(2014: £nil).*

Notes *(continued)*

10 Tangible fixed assets

	Land and buildings £000	Plant and Equipment £000	Under construction £000	Total £000
Cost				
Balance at 1 January 2015	46,868	126,050	3,997	176,915
Additions	13	5,429	3,070	8,512
Disposals	-	(761)	-	(761)
Transfers	277	3,285	(3,786)	(224)
Balance at 31 December 2015	47,158	134,003	3,281	184,442
Depreciation and impairment				
Balance at 1 January 2015	10,111	73,192	-	83,303
Depreciation charge for the year	1,202	9,647	-	10,849
Impairment losses	-	288	-	288
Disposals	-	(742)	-	(742)
Transfers between items	26	(26)	-	-
Balance at 31 December 2015	11,339	82,359	-	93,698
Net book value				
At 1 January 2015	36,757	52,858	3,997	93,613
At 31 December 2015	**35,819**	**51,644**	**3,281**	**90,744**

Transfers represent reclassifications between intangible and tangible assets (see note 25).

Impairment loss

An impairment review was conducted to identify any assets that had become obsolete. The assets identified were impaired to £nil net book value resulting in an impairment loss of £287,910 *(2014: £185,318)* being recognised in the year.

Leased plant and machinery

At 31 December 2015 the net carrying amount of plant, fixtures and vehicles leased under a finance lease was £79,184 *(2014: £120,498)*. Depreciation for the year on these assets was £41,314 *(2014: £40,314)*.

Notes *(continued)*

11 Stocks

	2015	2014
	£000	£000
Raw materials and consumables	**2,244**	8,013
Work in progress	**-**	2,343
Finished goods	**172**	2,113
	2,416	12,469

12 Debtors

	2015	2014
	£000	£000
Trade debtors	**666**	202
Amounts owed by group undertakings	**24,655**	19,764
Other debtors	**1,480**	1,468
Prepayments and accrued income	**2,757**	2,888
	29,558	24,322

All debtors are due within one year.

13 Creditors: amounts falling due within one year

	2015	2014
	£000	£000
Bank loans and overdrafts	**1**	278
Obligations under finance leases (see note 16)	**44**	41
Payments on account	**18**	46
Trade creditors	**9,277**	5,919
Amounts owed to group undertakings (see note 15)	**22,985**	7,417
Taxation and social security	**2,150**	2,089
Other creditors	**96**	15
Accruals and deferred income	**5,563**	6,141
	40,134	21,946

The company has a facility to renew the loan when the current loan falls due.

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

	2015	2014
	£000	£000
Obligations under finance leases (see note 16)	**47**	92
Amounts owed to group undertakings	**-**	22,000
Accruals and deferred income	**1,001**	-
	1,048	22,092

15 Interest-bearing loans and borrowings

	2015	2014
	£000	£000
Creditors falling due more than one year		
Loan from group undertaking	**-**	22,000
Finance lease liabilities	**47**	92
	47	22,092
Creditors falling due within less than one year		
Loan from group undertakings	**22,192**	5,246
Finance lease liabilities	**44**	41
	22,236	5,287

The loan from group undertaking is repayable on 26 September 2016 and bears interest at the rate of 3.38% per annum.

16 Other interest-bearing loans and borrowings

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2015 £000	Minimum lease payments 2014 £000
Less than one year	**44**	41
Between two and five years	**47**	92
	91	103

Notes *(continued)*

17 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015	2014	**2015**	2014	**2015**	2014
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	**-**	-	**9,826**	10,317	**9,826**	10,317
Employee benefits	**(3)**	(300)	**-**	-	**(3)**	(300)
Unutilised tax losses	**(3,839)**	(4,319)	**-**	-	**(3,839)**	(4,319)
Net tax (assets) / liabilities	**(3,842)**	(4,619)	**9,826**	10,317	**5,984**	5,698

In addition to the deferred tax asset above, the company has additional unrecognised gross tax losses of £16,131,697 *(2014: £16,665,711).*

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax liability at balance sheet date has been calculated on these rates.

18 Share based remuneration

In 2005, Daimler AG adopted a 'Performance Phantom Share Plan' (PPSP) under which eligible employees of Mercedes AMG High Performance Powertrains Limited are granted phantom shares enabling them to receive cash payments. The terms and conditions of the PPSP are as follows:

Nature of scheme	**Grant date**	**Employees entitled**	**Number of shares allocated**	**Vesting conditions**	**Expiry date**
Cash-settled award	2012	18	3,502	See below	2016
Cash-settled award	2013	16	3,608	See below	2017
Cash-settled award	2014	17	3,075	See below	2018
Cash-settled award	2015	15	2,691	See below	2019

As at 31 December 2015 the company recognised £772,306 payable to Daimler AG for the award of the PPSP *(2014: £ 637,234).*

The amount of cash paid to eligible employees is based on the number of vested phantom shares (determined over a three-year performance period) multiplied by the quoted price of Daimler AG's ordinary shares (calculated as an average price over a specified period at the end of the four years of service). The number of phantom shares that vest will depend on the achievement of corporate performance goals, based on competitive and internal benchmarks. Since payment per vested phantom share depends on the quoted price of one Daimler AG ordinary share, the quoted price represents the fair value of each phantom share.

The company recognised in the profit and loss account a charge of £344,597 *(2014: £298,251)* related to cash settled share-based payments.

Notes *(continued)*

19 Capital and reserves

Share capital

	2015	2014
	£000	£000
Allotted, called up and fully paid		
1,000 ordinary shares of £17.359 each	**17**	17
	17	17

20 Profit and loss account

	£000
At beginning of year	68,080
Profit for the year	8,181
Dividends	(13,000)
At end of year	**63,261**

21 Reconciliation of movements in shareholders' funds

	2015	2014
	£000	£000
Opening shareholders' funds	**83,097**	80,481
Profit for the year	**8,181**	9,816
Dividends	**(13,000)**	(7,200)
Closing shareholders' funds	**78,278**	83,097

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2015	2014
	£000	£000
Less than one year	**78**	149
Between one and five years	**136**	376
	214	525

During the year £527,585 was recognised as an expense in the profit and loss account in respect of operating leases *(2014: £707,038).*

Notes *(continued)*

23 Commitments

Capital commitments

The company's contractual commitments to purchase tangible fixed assets at the year-end were £2,522,692 *(2014: £1,324,659).*

24 Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of Daimler AG. The ultimate controlling party is Daimler AG.

The largest group in which the results of the company are consolidated is that headed by Daimler AG, incorporated in Germany. The consolidated financial statements of Daimler AG are available to the public and may be obtained from Daimler UK Limited, Tongwell, Milton Keynes, MK15 8BA.

25 First Year Adoption

As stated in note 1, these are the company's first set of financial statements prepared in accordance with Adopted FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

An explanation of how the transition from UK GAAP to Adopted FRS 102 has affected the entity's financial position and financial performance is below:

Reconciliation of Profit and loss

31 December 2014

	UK GAAP £	Effects of Transition to FRS 102 £	FRS 102 £
Turnover	145,355	-	145,355
Cost of Sales	(126,004)	-	(126,004)
Gross Profit	19,351	-	19,351
Admin Expenses	(12,865)	-	(12,865)
Operating Profit	6,486	-	6,486
Other interest receivable and similar income	12	-	12
Interest Payable and similar charges	(919)	-	(919)
Profit on ordinary activities	5,579	-	5,579
Tax on profit on ordinary activities	4,237	-	4,237
Profit for the financial year	9,816	-	9,816

Notes *(continued)*

Reconciliation of Balance Sheet
31 December 2014

		UK GAAP	Effects of Transition to FRS 102	FRS 102
		£	£	£
Fixed Assets				
Intangible assets	A	-	2,425	2,425
Tangible assets	A	96,038	(2,425)	93,613
		96,038	-	96,038
Current Assets				
Stocks		12,469	-	12,469
Debtors		24,322	-	24,322
Cash at bank		4	-	4
		36,795	-	36,795
Creditors: Amounts falling due within one year		(21,946)	-	(21,946)
Net current liabilities		14,849	-	14,849
Total assets less current liabilities		110,887	-	110,887
Creditors: Amounts falling due after one year		(22,092)	-	(22,092)
Deferred Tax Liability		(5,698)		(5,698)
Net Assets		83,097	-	83,097
Capital and reserves				
Called up Share Capital		17	-	17
Share Premium Account		14,999		14,999
Redenomination Reserve		1		1
Retained earnings		68,080	-	68,080
Shareholders' funds		83,097		83,097

A Under FRS 102 Software has been reclassified from tangible fixed assets to intangible fixed assets, the amortisation rate of the intangible assets is the same as the depreciation rate when these were classified as tangible assets.