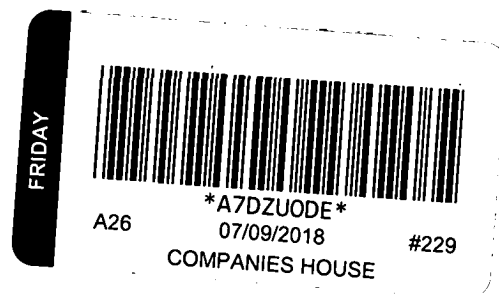


**Mercedes AMG High Performance Powertrains
Limited**

Annual report and financial statements

Registered number 1760288

31 December 2017



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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 and Martini Williams Racing for the 2017 Formula One race season.

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 regularly reviewed.

The company had another successful season with the Mercedes PU106D EQ Power+ power unit winning both the Constructors' and Drivers' Formula One World Championships for the fourth year in succession. The Mercedes Power Unit achieved 12 race wins, with 15 pole positions and 4 1, 2 finishes. The company's Power Unit accumulated 46% (2016: 51%) of the total points available during the season.

Overall turnover was £192.0 million (2016: £140.4 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 £8.5 million (2016: £12.9 million), representing a margin of 4.4% (2016: 9.2%) against turnover.

In 2018 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.

In September 2017 the Project One hypercar was launched at the Frankfurt Motor Show. This is the first production road vehicle to have a Formula One Power Unit fitted. This project has entailed a significant capital investment and enhancement of the company's technical capabilities to adapt a current Formula One Power Unit to road use. Development and testing will continue during 2018 prior to production commencing in 2019.

In 2018 the company will continue work to support the Mercedes entry to the FIA Formula E championship for electric racing cars for the 2019/20 race season. This will involve further enhancement to the company's technology and skill base.

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 671 staff members and contributes over 83% of its total expenditure within the United Kingdom.

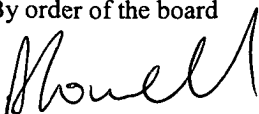
Management have considered the potential impacts of Brexit and work is continuing with regard to both people and supply chain potential impacts. Management do not anticipate any significant risks to the business.

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



Andy Cowell
Director

2nd July 2018

Directors' report

The directors present their report with the financial statements of the company for the year ended 31 December 2017.

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 £93.9 million (2016: £73.5 million).

Dividend

A dividend of £10m was paid during the year (2016: £Nil) 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	Resigned 27 January 2017
Bernhard Heil	Non-executive	
Andy Cowell	Managing Director	
Andreas Lauda	Non-executive	
Ola Kaellenius	Non-executive and Chairman	Appointed 27 January 2017

Employees

The company's management has an open policy on the communication of information to employees concerning factors affecting their interests as employees and the development of the company; it also 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 (2016: £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



Andy Cowell
Director

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

2nd July 2018

Statement of directors' responsibilities in respect of the strategic report, 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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.



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

Opinion

We have audited the financial statements of Mercedes AMG High Performance Powertrains Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports/for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

- 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



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

7 July, 2018.

Profit and loss account
for the year ended 31 December 2017

	<i>Note</i>	2017 £000	2016 £000
Turnover	2	191,999	140,439
Cost of sales		(152,342)	(108,171)
		<hr/>	<hr/>
Gross profit		39,657	32,268
Administrative expenses		(30,759)	(18,743)
		<hr/>	<hr/>
Operating profit		8,898	13,525
Interest receivable and similar income	6	2	6
Interest payable and similar charges	7	(446)	(634)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		8,454	12,897
Tax on profit on ordinary activities	8	(295)	(11,374)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		8,159	1,523
		<hr/> <hr/>	<hr/> <hr/>

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 23 form part of these financial statements.

Balance Sheet
at 31 December 2017

	Note	2017 £000	2016 £000
Fixed assets			
Intangible assets	9	3,690	3,165
Tangible assets	10	121,849	107,710
		<u>125,539</u>	<u>110,875</u>
Current assets			
Stocks	11	3,114	2,591
Debtors	12	55,025	44,156
Cash at bank and in hand		5	5
		<u>58,144</u>	<u>46,752</u>
Creditors: amounts falling due within one year	13	<u>(70,287)</u>	<u>(44,173)</u>
Net current (liabilities) / assets		<u>(12,143)</u>	<u>2,579</u>
Total assets less current liabilities		<u>113,396</u>	<u>113,454</u>
Creditors: amounts falling due after more than one year	14	<u>(24,322)</u>	<u>(23,003)</u>
Provisions for liabilities			
Deferred tax liability	17	<u>(11,114)</u>	<u>(10,650)</u>
		<u>(35,436)</u>	<u>(33,653)</u>
Net assets		<u>77,960</u>	<u>79,801</u>
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	62,943	64,784
		<u>77,960</u>	<u>79,801</u>
Shareholders' funds		<u>77,960</u>	<u>79,801</u>

The notes on pages 10 to 23 form part of these financial statements.

These financial statements were approved by the board of directors on 2nd July 2018 and were signed on its behalf by:



Andy Cowell
Director

Company registered number: 1760288

Statement of Changes in Equity
for the year ended 31 December 2017

	Called-up Share capital	Share Premium	Redenomination Reserve	Profit and Loss account	Total Equity
	£000	£000	£000	£000	£000
Balance at 1 January 2016	17	14,999	1	63,261	78,278
Profit for the year	-	-	-	1,523	1,523
Dividends	-	-	-	-	-
Balance at 31 December 2016	17	14,999	1	64,784	79,801
Profit for the year	-	-	-	8,159	8,159
Dividends	-	-	-	(10,000)	(10,000)
Balance at 31 December 2017	17	14,999	1	62,943	77,960

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 third year in which the financial statements have been prepared under FRS 102.

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.

Assets under construction are not depreciated until the asset is taken into use. Depreciation is charged based on the useful lives given above.

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 from 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.

Assets under construction are not depreciated until the asset is taken into use. Depreciation is charged based on the useful lives given above.

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.

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 unit.

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 and the Martini Williams 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 recognised in 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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2 Turnover

	2017 £000	2016 £000
Sale of goods	593	538
Rendering of services	191,406	139,901
	<hr/>	<hr/>
Total turnover	191,999	140,439
	<hr/> <hr/>	<hr/> <hr/>

3 Expenses and auditor's remuneration

Included in profit are the following:

	2017 £000	2016 £000
Research and development expensed as incurred	93,891	73,548
Hire of land and buildings – operating leases	81	135
Hire of plant and machinery – operating leases	562	331
(Profit) on disposal of fixed assets	(73)	(25)
	<hr/>	<hr/>

Auditor's remuneration:

	2017 £000	2016 £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
	<hr/>	<hr/>

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	
	2017	2016
Production	548	499
Administration (includes graduates, apprentices and placements)	89	72
	<hr/>	<hr/>
	637	571
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	43,279	34,970
Social security costs	5,435	4,285
Contributions to defined contribution pension plans	3,773	3,318
	<hr/>	<hr/>
	52,487	42,573
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

5 Directors' remuneration

	2017 £000	2016 £000
Directors' remuneration	4,886	1,983
Amounts receivable under long-term incentive schemes	100	76
Company contributions to money purchase pension plans	-	25
	<u>4,986</u>	<u>2,084</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £4,885,689 (2016: £2,058,902), and company pension contributions of £Nil (2016: £25,121) were made to a money purchase scheme on their behalf.

	Number of directors	
	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>1</u>	<u>1</u>

6 Other interest receivable and similar income

	2017 £000	2016 £000
Receivable from group undertakings	2	2
Other interest	-	4
	<u>2</u>	<u>6</u>
Total interest receivable and similar income	<u>2</u>	<u>6</u>

7 Interest payable and similar charges

	2017 £000	2016 £000
Hire purchase and finance lease interest	2	6
Payable to group undertakings	444	628
Other interest	-	-
	<u>446</u>	<u>634</u>
Total other interest payable and similar charges	<u>446</u>	<u>634</u>

Interest payable and similar charges includes interest payable and similar on bank loans and overdrafts of £444,303 (2016: £628,345), all of which was payable to group undertakings.

Notes (continued)

8 Taxation

Total tax expense recognised in the profit and loss account

	2017 £000	2016 £000
Profit Before Tax	8,454	12,897
Summary of Tax Charge		
Analysis of Tax Charge in Period		
UK Corporation Tax	19.25%	20.00%
-Current tax on income for the period	-	-
-Adjustments in respect of prior periods	(169)	3,241
UK Current Tax	(169)	3,241
Group relief paid for previous year	-	3,467
Total Current Tax	(169)	6,708
Deferred Tax		
-Origination / reversal of temp diffs	2,803	1,916
-Adj. in respect of previous periods	(2,339)	2,750
Total Deferred Tax	464	4,666
Total Tax Expense	295	11,374

The taxation charge relates entirely to UK taxes.

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit for the year	8,159	1,523
Total tax expense	295	11,374
Profit before taxation	8,454	12,897
Tax using the UK corporation tax rate	19.25%	20.00%
Adjustment in respect of previous periods	(2,508)	9,458
Origination and reversal of timing differences	-	2,825
Reduction in tax rate on deferred tax balances	(371)	(909)
Non-deductible expenses	282	2,638
Tax exempt revenues	-	(5,386)
Current year losses for which no deferred tax asset was recognised	1,265	169
Total tax expense included in profit or loss	295	11,374

Notes (continued)

9 Intangible assets

	Software £000	Assets under construction £000	Total £000
Cost			
Balance at 1 January 2017	10,673	93	10,766
Additions	582	1,271	1,853
Disposals	(9)		(9)
Transfers	5	(5)	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	11,251	1,359	12,610
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Amortisation			
Balance at 1 January 2017	7,601	-	7,601
Amortisation for the year	1,328	-	1,328
Disposals	(9)		(9)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	8,920	-	8,920
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
At 1 January 2017	3,072	93	3,165
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2017	2,331	1,359	3,690
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Transfers represent completion of assets under construction

Notes (continued)

10 Tangible fixed assets

	Land and buildings £000	Plant and Equipment £000	Under construction £000	Total £000
Cost				
Balance at 1 January 2017	47,110	140,686	24,249	212,045
Additions	6,848	16,160	2,483	25,491
Disposals	(187)	(3,134)	-	(3,321)
Transfers	1,279	5,293	(6,572)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	55,050	159,005	20,160	234,215
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation				
Balance at 1 January 2017	12,441	91,894	-	104,335
Depreciation charge for the year	1,313	9,853	-	11,166
Disposals	(73)	(3,062)	-	(3,135)
Transfers between items	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	13,681	98,685	-	112,366
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value				
At 1 January 2017	34,669	48,792	24,249	107,710
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2017	41,369	60,320	20,160	121,849
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Transfers represent completion of assets under construction.

Leased plant and machinery

At 31 December 2017 the net carrying amount of plant, fixtures and vehicles leased under a finance lease was £nil (2016: £37,871). Depreciation for the year on these assets was £37,871 (2016: £41,314).

Notes (continued)

11 Stocks

	2017 £000	2016 £000
Raw materials and consumables	3,114	2,591
	<u>3,114</u>	<u>2,591</u>

12 Debtors

	2017 £000	2016 £000
Trade debtors	612	751
Amounts owed by group undertakings	29,404	17,169
Tax and Social Security	5,923	4,054
Other debtors	13,494	18,346
Prepayments and accrued income	5,592	3,836
	<u>55,025</u>	<u>44,156</u>

All debtors are due within one year.

13 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Obligations under finance leases (see note 16)	-	48
Payments on account	1,307	-
Trade creditors	17,147	17,742
Amounts owed to group undertakings (see note 15)	36,358	17,197
Taxation and social security	3,240	2,784
Other creditors	10	11
Accruals and deferred income	12,225	6,391
	<u>70,287</u>	<u>44,173</u>

Notes (continued)

14 Creditors: amounts falling due after more than one year

	2017 £000	2016 £000
Obligations under finance leases (see note 16)	-	-
Amounts owed to group undertakings	22,000	22,000
Accruals and deferred income	2,322	1,003
	24,322	23,003
	24,322	23,003

15 Interest-bearing loans and borrowings

	2017 £000	2016 £000
Creditors falling due more than one year		
Loan from group undertaking	22,000	22,000
Finance lease liabilities	-	-
	22,000	20,000
	22,000	20,000

	2017 £000	2016 £000
Creditors falling within less than one year		
Loan from group undertaking	33,156	72
Finance lease liabilities	-	48
	33,156	120
	33,156	120

The loans from group undertaking are repayable as follows:

Value	Repayable Date	Interest Rate
22,000,000	5 th October 2021	1.39%
18,000,000	19 th April 2018	0.94%
15,000,000	19 th April 2018	1.07%

16 Other interest-bearing loans and borrowings

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2017 £000	Minimum lease payments 2016 £000
Less than one year	-	48
Between two and five years	-	-
	-	48
	-	48

Notes (continued)

17 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Accelerated capital allowances	-	-	11,572	10,670	11,572	10,670
Employee benefits	(458)	(20)	-	-	(458)	(20)
Utilised tax losses	-	-	-	-	-	-
Net tax (assets) / liabilities	(458)	(20)	11,572	10,670	11,114	10,650

In addition to the deferred tax asset above, the company has additional unrecognised gross tax losses of £15,104,604 (2016: £9,376,061). Losses have increased as a result of capital allowances on the company's capital investment programme.

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at balance sheet date has been calculated on the minimum future rate.

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	2014	17	3,038	See below	2018
Cash-settled award	2015	15	2,653	See below	2019
Cash-settled award	2016	18	3,744	See below	2020
Cash-settled award	2017	19	4,581	See below	2021

As at 31 December 2017 the company recognised £545,595 payable to Daimler AG for the award of the PPSP (2016: £689,079).

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 £ 334,041 (2016: £329,983) related to cash settled share-based payments.

Notes (continued)

19 Capital and reserves

Share capital

	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
1,000 ordinary shares of £17.359 each	17	17
	<u>17</u>	<u>17</u>

20 Profit and loss account

	£000
At beginning of year	64,784
Profit / (Loss) for the year	8,159
Dividend	(10,000)
At end of year	<u>62,943</u>

21 Reconciliation of movements in shareholders' funds

	2017 £000	2016 £000
Opening shareholders' funds	79,801	78,278
Profit for the year	8,159	1,523
Dividends	(10,000)	-
Closing shareholders' funds	<u>77,960</u>	<u>79,801</u>

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
Less than one year	29	29
Between one and five years	630	448
	<u>659</u>	<u>489</u>

During the year £642,518 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £135,171).

Notes (continued)

23 Commitments

Capital commitments

The company's contractual commitments to purchase tangible fixed assets at the year-end were £6,833,041 (2016: £6,251,786).

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.