Registered number 00787446

Mercedes-Benz Grand Prix Ltd
Annual report
for the year ended 31 December 2010

Mercedes-Benz Grand Prix Ltd

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Mercedes-Benz Grand Prix Ltd

Directors' report for the year ended 31 December 2010

The directors present their report and the audited financial statements of the company for the year ended 31 December 2010

Business review and principal activity

The principal activity of the company is the design, development, manufacture, testing and racing of Formula One motor racing cars

The team finished 4th in the 2010 FIA Formula One World Championship for constructors, a poorer position than the previous year, but put in place investments that improve its potential for sporting and business success in the future

The financial results for the company show a pre-tax loss of £0 9 million (2009 profit of £98 7 million) As at 31 December 2010 the company has net cash of £61 3 million (2009 £64 4 million) Cash inflow from operations before dividends in 2010 was £16 9 million (2009 £105 8 million)

Business environment

Despite the withdrawal from Formula One of a number of major automobile manufacturers in recent years, the 2010 FIA Formula One World Championship had the highest participation rate for over a decade, with 12 teams competing in the 19 Grand Prix, indicating the fundamental strength of the series

The Formula One teams were challenged by the enlargement of the race calendar to 19 events, the first year of operation of the Resource Restriction Agreement and maintaining commercial incomes in light of economic issues facing some parts of the world

Strategy

The company's principal objective is to win the FIA Formula One World Championship

Following the change of ownership in December 2009, the company's strategy is to aim to achieve this principal objective in a manner that best represents the Mercedes-Benz brand and the interests of other commercial partners

The 2010 season saw the return of the "Silver Arrows", with the team becoming the first full works team to enter the FIA Formula One World Championship under the Mercedes name since 1955 Whilst the sporting performance in 2010 was relatively disappointing, the team undertook significant reorganisation of its design, engineering and manufacturing operations Additionally, improved integration and communication with Mercedes-Benz, including Mercedes-Benz HighPerformanceEngines and group sales and marketing, will allow the team to draw on the skills of the global Daimler group These changes will result in a more competitive performance in future seasons

Although the financial results for the company show a pre-tax loss of £0 9 million, after adjusting for the cash effects of capital investment and depreciation of fixed assets a surplus of £6 4 million was achieved With the addition of favourable movements in working capital, largely due to the advanced payment of sponsorship fees, the overall cash surplus generated from operations in 2010 was £16 9 million

This positive financial performance has been achieved by the successful expansion of the team's sponsorship portfolio, increased revenue from the Concorde Agreement, largely as a result of the growth of the race calendar and the addition of new venues, and containment of the cost base within the limits set by the Resource Restriction Agreement

Directors' report for the year ended 31 December 2010 (continued)

Research and development

The activities of the company are all dedicated towards the design and development of a car to compete successfully in the FIA Formula One World Championship The directors consider the investment in research and development to be integral to the continued success of the company

Future outlook

The restructuring of the functions of design, engineering and manufacturing operations during 2010, including the recruitment of new personnel into senior positions in these areas has provided the basis for a more competitive race car for 2011 and future seasons With the retention of Michael Schumacher and Nico Rosberg as the team's race drivers for the 2011 season, an improved sporting performance is expected

The relationship with Mercedes-Benz and Aabar, combined with ongoing sponsorship from prestigious international companies like PETRONAS, has placed the company in a positive position to secure future commercial income in a challenging global economic environment

The team is a very positive and active member of FOTA (Formula One Teams Association), which has created a spirit of collaboration amongst the teams for the long term benefit of the sport During 2010 the teams made a further demonstration of their commitment to cost constraint by indicating their intention to extend the term of the Resource Restriction Agreement through to at least 2017 This will help to provide the long term stability that the sport needs as the global economy continues on its path to recovery

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks, which are reviewed by the board and appropriate processes put in place to monitor and mitigate them The key business risks are as follows

Competition

The company operates in the field of Formula One motor racing, which is acknowledged as the pinnacle of international motorsport and is naturally a highly competitive operating environment This results not only in pressure to achieve the company's targets for sporting performance but also revenue generation from sponsorship and the Concorde Agreement This risk is mitigated by the recruitment and retention of highly talented and experienced personnel, maintaining design, development and production facilities at the highest level within Formula One, securing the services of the best available race drivers and strong technical relationships with Mercedes-Benz, PETRONAS and other partners

Interest and liquidity risk

The cash position of the team is monitored daily and appropriate mechanisms have been implemented to manage the interest and liquidity risks Cash is held in a variety of deposit accounts and current accounts with various banking institutions to maximise the interest received by the company whilst diluting risk

Directors' report for the year ended 31 December 2010 (continued)

Credit risk

The company's exposure to credit risk is primarily through its sponsorship contracts and it has implemented policies that require appropriate credit checks on potential sponsors during the negotiation of new contracts Any specific risks are brought to the attention of management and are reassessed regularly

Foreign exchange risk

The company is exposed to movements in foreign exchange rates as a result of revenue receipts and operating costs in currencies other than sterling A significant portion of its revenue receipts are in US Dollars and the company actively manages this risk by entering into forward contracts The objective of these contracts is to limit the foreign exchange exposure by using a portfolio approach The company regularly reviews the net cash exposure and implements new hedging contracts as required to manage the foreign exchange risk

Dividends

The directors do not recommend payment of a dividend (2009 £20 00 per ordinary share)

Directors

The directors who served during the year and up to the date of signing the financial statements were as follows

R Brawn	
T Weber	
N Haug	
J Schmidt	
D Forbes	(resigned on 5 May 2010)
M Al-Husseiny	
K Al Mehairi	(appointed on 17 June 2010)

Employees

The company maintains its commitment to proactive programmes for involving its employees in company affairs This is achieved in a variety of ways, including the regular publication of newsletters and staff briefings and by consultations with staff committees Regular staff attitude surveys are undertaken and a number of suggestion schemes are in operation, providing a regular flow of ideas for improving efficiency and performance

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

Mercedes-Benz Grand Prix Ltd

Directors' report for the year ended 31 December 2010 (continued)

Creditor payment policy

For all trade creditors, it is the company's policy to

- agree the terms of payment at the start of business with that supplier
- ensure that the suppliers are aware of the terms of the payment
- pay in accordance with its contractual and other legal obligations

Trade creditor days for the year ended 31 December 2010 were 10 days (2009 7 days), based on the ratio of company trade creditors at the end of the year to the amounts invoiced by suppliers during the year

Donations

During the year the company made charitable donations amounting to £8,056 (2009 £250)

Post balance sheet event

On 28 February 2011 Daimler AG and Aabar Investments PJS reached agreement to acquire the 24 9% shareholding held by management Daimler AG will increase its shareholding from 45 1% to 60% and Aabar Investments PJS will increase its shareholding from 30% to 40% This acquisition is conditional on receiving clearance from the German Bundeskartellamt

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 auditors are 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 auditors are aware of that information

Auditors

During the year, PricewaterhouseCoopers LLP resigned as auditors and the directors have appointed KPMG Audit Plc as auditors in their place Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the board

C McGrory
Company Secretary

Operations Centre
Brackley
Northants
NN13 7BD

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing 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)

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

KPMG Audit Plc
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE
United Kingdom

Independent auditors' report to the members of Mercedes-Benz Grand Prix Limited

We have audited the financial statements of Mercedes-Benz Grand Prix Limited for the year ended 31 December 2010 set out on pages 10 to 26 The financial reporting framework that has been applied is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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/apb/scope/private cfm

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 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report to the members of Mercedes-Benz Grand Prix 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

PD 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

17 March 2011

Profit and loss account for the year ended 31 December 2010

	Note	2010 £'000	2009 Restated (note 1) £'000
Turnover	2	**124,605**	234,470
Cost of sales		**(120,873)**	(129,659)
Gross profit		**3,732**	104,811
Administrative expenses		**(5,138)**	(5,465)
Operating (loss) / profit		**(1,406)**	99,346
Interest receivable and similar income	7	**488**	664
Interest payable and similar charges	8	**(32)**	(1,319)
(Loss) / profit on ordinary activities before taxation		**(950)**	98,691
Tax on result on ordinary activities	9	**-**	(186)
(Loss) / profit for the financial year	20	**(950)**	98,505

The results for the years above are derived entirely from continuing operations

The notes on pages 14 to 26 form part of these financial statements

The company has no recognised gains and losses other than those shown above Accordingly no separate statement of total recognised gains and losses has been presented

There are no differences between the result on ordinary activities before taxation and the result for the financial year and their historical cost equivalents

Balance sheet as at 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	11	**23,450**	30,454
		23,450	30,454
Current assets			
Stocks	12	**3,491**	3,313
Debtors	13	**11,041**	7,593
Cash at bank and in hand		**61,348**	60,468
Cash on restricted deposit		**-**	3,936
		75,880	75,310
Creditors – amounts falling due within one year	14	**(24,623)**	(11,588)
Net current assets		**51,257**	63,722
Total assets less current liabilities		**74,707**	94,176
Creditors – amounts falling due after more than one year	15	**(861)**	-
Provisions for liabilities	17	**(1,617)**	(997)
Net assets		**72,229**	93,179
Capital and reserves			
Called-up share capital	19	**-**	-
Share premium account	20	**44**	44
Profit and loss account	20	**72,185**	93,135
Total shareholders' funds	21	**72,229**	93,179

The notes on pages 14 to 26 form part of these financial statements

The financial statements were approved by the board of directors on 16/03/11 and signed on its behalf by

R Brawn
Director

Registered number 00787446

Cash flow statement for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Operating activities			
Net cash inflow from continuing activities		**21,340**	102,917
Returns on investment and servicing of finance			
Interest received		**611**	547
Interest paid		**(32)**	(490)
Net cash inflow from returns on investments and servicing of finance		**579**	57
Taxation		**(186)**	3,070
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(4,796)**	(416)
Sale of tangible fixed assets		**7**	169
Net cash outflow for capital expenditure and financial investment		**(4,789)**	(247)
Equity dividends		**(20,000)**	-
Net cash (outflow) / inflow before financing		**(3,056)**	105,797
Financing			
Issue of ordinary share capital		**-**	-
Repayment of loans		**-**	(42,135)
Net cash outflow from financing		**-**	(42,135)
(Decrease) / increase in net cash	22	**(3,056)**	63,662

Reconciliation of operating (loss) / profit to net cash inflow from operating activities

	2010 £'000	2009 £'000
Operating (loss) / profit	**(1,406)**	99,346
Depreciation of tangible fixed assets	**12,184**	13,166
Profit on sale of fixed assets	**-**	(150)
Increase in debtors	**(3,571)**	(2,663)
(Increase) / decrease in stocks	**(178)**	3,099
Increase / (decrease) in creditors	**13,691**	(9,718)
Increase in provisions	**620**	814
Termination costs on group loans	**-**	(977)
Net cash inflow from continuing activities	**21,340**	102,917

Notes to the financial statements for the year ended 31 December 2010

1 Principal accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the year, are set out below

Going concern

The directors consider that the prevailing cash position and future cash flows will provide the funds necessary to allow the company to continue trading for at least twelve months from the date of signing of these financial statements and consequently the financial statements have been prepared on a going concern basis

Restatement of 2009

The 2009 cost of sales and administration expenses have been reclassified more appropriately to reflect the operations of the business This has had no impact on operating profit, profit before tax, profit for the financial year or net assets

Turnover

Turnover, which excludes value added tax and trade discounts represents sponsorships, prize money and other income relating to the company's principal activity and is recognised in the year to which it relates once collectability is reasonably assured

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling (£) at rates of exchange ruling at the end of the financial year Transactions in foreign currencies are translated into sterling (£) at the rate of exchange ruling at the date of the transaction All foreign exchange differences are taken to the profit and loss account in the year in which they arise

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred

Pension scheme

During 2009, the company made contributions to personal pension schemes in respect of eligible employees These payments have been recorded as an expense in the profit and loss account

Notes to the financial statements for the year ended 31 December 2010 (continued)

1 Principal accounting policies (continued)

Dividends

The final dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives, as follows

	%
Leasehold land and buildings	10 - 20
Plant and machinery	10 - 40
Fixtures and fittings, computer equipment	10 - 50
Motor vehicles	20

Assets under construction are not depreciated until they are ready for use, when they are transferred to the relevant asset class and depreciated over their useful economic lives

Impairment reviews are performed when evidence emerges that the net book value may not be recoverable

Stocks

Stocks are stated at the lower of cost and net realisable value Cost is taken as production cost which includes an appropriate proportion of attributable overheads A provision is made against any raw materials and components that are not expected to be utilised in relation to the following year's car

Provisions

(a) Provisions

A provision is recognised when the company has a present obligation as a result of a past event and a reliable estimate can be made of the amount of the obligation Discounting has not been applied to the provisions as the obligations are expected to be settled in the near future

(b) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

Notes to the financial statements for the year ended 31 December 2010 (continued)

1 Principal accounting policies (continued)

(b) *Deferred taxation* (continued)

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

Derivative financial instruments

The company uses derivative financial instruments to reduce its exposures to fluctuations in foreign exchange rates The gains and losses generated on the foreign currency contracts are recognised in the profit and loss account on the maturity of the contract A provision is recognised for any loss-making contracts at the balance sheet date The unrecognised gains at the balance sheet date are disclosed in the notes to the financial statements

2 Turnover

Turnover represents sponsorships, prize money and other income relating to the company's principal activity

3 Exceptional restructuring costs

The company undertook a fundamental review and restructuring of its activities in 2009, which led to the following expenses which are *included within cost of sales*

	2010 £'000	2009 £'000
Employment contract terminations	-	20,184
Contract settlement fee	-	10,000
Other restructuring costs	-	1,985
	-	32,169

The contract settlement fee related to the termination of a Formula One driver contract The other restructuring costs included onerous lease provisions and the early termination of team partner and marketing related agreements

Notes to the financial statements for the year ended 31 December 2010 (continued)

4 (Loss) / profit on ordinary activities before taxation

	2010 £'000	2009 £'000
Depreciation of tangible fixed assets		
- owned assets	12,184	13,166
Gain on disposal of fixed assets	-	(150)
Operating lease charges		
- plant and machinery	26	188
- other assets	7,687	1,104
Foreign exchange loss / (gain)	1,688	(297)

Auditors' remuneration:	2010 £'000	2009 £'000
Remuneration receivable by the company's auditors for the auditing of the annual financial statements	45	47
Fees payable to company's auditors and its associates for other services		
- other audit services	19	-
- services relating to taxation	-	17

5 Remuneration of Directors

	2010 £'000	2009 £'000
Aggregate emoluments	2,013	8,442
Company contributions to personal pension plan	-	22
	2,013	8,464

Highest paid director	2010 £'000	2009 £'000
Aggregate emoluments	2,013	4,771
Company contributions to personal pension plan	-	16
	2,013	4,787

Notes to the financial statements for the year ended 31 December 2010 (continued)

6 Employee information

The average number of persons (including executive directors) employed by the company during the year was

By activity	2010 Number	2009 Number
Design, manufacturing and engineering	440	483
Administration	47	50
	487	533

Staff costs	2010 £'000	2009 £'000
Wages and salaries	27,315	32,066
Social security costs	3,276	3,488
Company contributions to personal pension plan	-	228
	30,591	35,782

7 Interest receivable and similar income

	2010 £'000	2009 £'000
Bank interest receivable	488	664

8 Interest payable and similar charges

	2010 £'000	2009 £'000
Interest payable on group loans	-	342
Interest payable on other loans	32	-
Termination costs on group loans	-	977
	32	1,319

Notes to the financial statements for the year ended 31 December 2010 (continued)

9 Tax on result on ordinary activities

The company has estimated taxation losses available to be carried forward of approximately £60 million (2009 £56 million) which will be available to reduce future taxable income

	2010 £'000	2009 £'000
Current tax		
United Kingdom corporation tax on result of the year	-	186
Adjustment in respect of previous years	-	-
Total current tax	-	186

The tax assessed for the year is less than (2009 less than) the standard effective rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010 £'000	2009 £'000
(Loss) / profit on ordinary activities before taxation	(950)	98,691
Result on ordinary activities multiplied by standard rate in the United Kingdom 28% (2009 28%)	(266)	27,633
Effects of		
Expenses not deductible for tax purposes	17	226
Depreciation in excess of capital allowances	3,130	1,188
Other timing differences	(84)	(546)
Research & development tax relief	(2,797)	(1,633)
Utilisation of tax losses	-	(26,682)
Current tax for the year	-	186

A reduction in the UK corporation tax rate from 28% to 27% will be effective from 1 April 2011 Accordingly, any deferred tax asset has been calculated at a rate of 27%

10 Dividends

	2010 £'000	2009 £'000
Equity - Ordinary		
Final (2009) £20 00 per £0 0002 share	20,000	-
	20,000	-

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Notes to the financial statements for the year ended 31 December 2010 (continued)

11 Tangible assets

Cost	Short leasehold land and buildings including tenants improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
At 1 January 2010	26,940	33,086	3,758	8,196	4,268	106	76,354
Additions	-	788	190	484	1,690	2,035	5,187
Transfers	-	106	-	-	-	(106)	-
Disposals	(1,980)	(15)	(5)	-	-	-	(2,000)
At 31 December 2010	**24,960**	**33,965**	**3,943**	**8,680**	**5,958**	**2,035**	**79,541**
Accumulated depreciation							
At 1 January 2010	(14,433)	(19,505)	(3,071)	(6,061)	(2,830)	-	(45,900)
Charge for the year	(3,587)	(5,465)	(254)	(2,015)	(863)	-	(12,184)
Disposals	1,980	8	5	-	-	-	1,993
At 31 December 2010	**(16,040)**	**(24,962)**	**(3,320)**	**(8,076)**	**(3,693)**	**-**	**(56,091)**
Net book value							
At 31 December 2010	**8,920**	**9,003**	**623**	**604**	**2,265**	**2,035**	**23,450**
At 31 December 2009	12,507	13,581	687	2,135	1,438	106	30,454

Notes to the financial statements for the year ended 31 December 2010 (continued)

12 Stocks

	2010 £'000	2009 £'000
Raw materials and components	**3,491**	3,313

13 Debtors

	2010 £'000	2009 £'000
Trade debtors	**2,098**	1,392
Amounts owed by group undertakings	**41**	8
Other debtors	**447**	284
Prepayments and accrued income	**8,455**	5,909
	11,041	7,593

Amounts owed by group undertakings are interest free, unsecured and have no fixed date of repayment

14 Creditors – amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	**2,548**	1,357
Amounts owed to group undertakings	**90**	146
Taxation and social security	**1,077**	1,925
Accruals and deferred income	**20,908**	8,160
	24,623	11,588

Amounts owed to group undertakings are interest free, unsecured and have no fixed date of repayment An amount of £1,250,000 owed to Aabar Investments PJS is included within the deferred income balance

15 Creditors – amounts falling due after more than one year

	2010 £'000	2009 £'000
Accruals and deferred income	**861**	-

Notes to the financial statements for the year ended 31 December 2010 (continued)

16 Derivative financial instruments

The unrecognised gains and losses in respect of derivative financial instruments are as follows

	Gains £'000	Losses £'000	**Net total £'000**
Gains / (losses) as at 1 January 2010	21	(325)	**(304)**
Forward contracts in the year	51	-	**51**
Charged to the profit and loss account	-	325	**325**
Gains as at 31 December 2010	72	-	**72**
Of which			
Gains expected to be included in 2011 income	72	-	**72**

17 Provisions for liabilities

	Property provision £'000	**Derivative contract provision £'000**	**Other provisions £'000**	**Total £'000**
At 1 January 2010	905	-	92	997
Charged / (credited) to the profit and loss account	(148)	490	370	712
Amounts utilised during the year	-	-	(92)	(92)
At 31 December 2010	**757**	**490**	**370**	**1,617**

Property provision

The property provision credited to the profit and loss account includes a release of £555,000 in relation to the exit obligation on Unit 7 Reynard Park Brackley that no longer exists The remaining charge of £407,000 relates to an estimate for dilapidations and reinstatement costs in relation to the main site at Reynard Park Brackley

Derivative contract provision

A provision has been created for all loss-making foreign exchange contracts at the balance sheet date

Other provisions

The onerous provision of £92,000 relates to the lease on Unit 6 Reynard Park Brackley and the lease for three tractor units These assets became surplus to requirements as a result of the company's restructuring in 2009 The provision has been utilised against the remaining lease charges The balance of £370,000 relates to potential sales tax liabilities

Notes to the financial statements for the year ended 31 December 2010 (continued)

18 Deferred tax

The unrecognised total potential deferred tax assets are as follows

Amount not recognised	2010 £'000	2009 £'000
Short term timing differences	**(328)**	(238)
Accelerated capital allowances	**(4,222)**	(1,358)
Losses	**(16,106)**	(15,723)
	(20,656)	(17,319)

A deferred tax asset has not been recognised in the year as it is uncertain that the asset will crystallise in the foreseeable future

19 Called up share capital

	2010 £	2009 £
Authorised		
5,000,000 ordinary shares of £0 0002 each	**1,000**	1,000
Allotted and fully paid		
1,000,000 ordinary shares of £0 0002 each	**200**	200

20 Reserves

	Note	Share premium account £'000	Profit and loss account £'000
At 1 January 2010		44	93,135
Loss for the financial year		-	(950)
Dividends	10	-	(20,000)
At 31 December 2010		**44**	**72,185**

Notes to the financial statements for the year ended 31 December 2010 (continued)

21 Reconciliation of movements in shareholders' funds

	Note	**2010 £'000**	2009 £'000
(Loss) / profit for the financial year		**(950)**	98,505
Dividends	10	**(20,000)**	-
Opening shareholders' funds / (deficit)		**93,179**	(5,326)
Closing shareholders' funds		**72,229**	93,179

22 Analysis of net funds

	2009 £'000	Cash flow £'000	**2010 £'000**
Cash on restricted deposit	3,936	(3,936)	-
Cash at bank and in hand	60,468	880	**61,348**
Net funds as at 31 December	64,404	(3,056)	**61,348**

23 Financial commitments

At 31 December 2010 there were annual commitments under non-cancellable operating leases expiring as follows

	Land and buildings 2010 £'000	**Other 2010 £'000**	Land and buildings 2009 £'000	Other 2009 £'000
Within one year	-	-	20	9
Within two and five years	-	**6,909**	-	7,192
After five years	**886**	-	886	-
	886	**6,909**	906	7,201

24 Capital commitments

The company had capital commitments of £760,000 at 31 December 2010 (2009 £243,000)

Notes to the financial statements for the year ended 31 December 2010 (continued)

25 Related party transactions

Durıng the year the company undertook the related party transactıons as lısted below

Name	Sales £'000	Purchases £'000	Amounts owed to £'000	Amounts owed by £'000
Aabar Investments PJS	6,788	-	1,250	-
Daımler AG	230	8,151	52	11
Daımler Insurance Servıces UK Lımıted	-	135	-	-
Daımler South East Asıa Pte Ltd	-	494	-	-
Internatıonal Petroleum Investment Company PJSC	8	-	-	-
Mercedes-Benz Fınancıal Services UK Lımıted	-	38	-	-
Mercedes-Benz HıghPerformanceEngınes Ltd	372	2,997	14	29
Mercedes-Benz Indıa Prıvate Lımıted	22	-	-	-
Mercedes-Benz Italıa S p A	-	8	8	-
Mercedes-Benz Retaıl Group UK Lımıted	4	14	6	-
Mercedes-Benz UK Lımıted	33	-	-	1
RTC Management Co Ltd	-	13	10	-
Sucessıon Corporate Fınance LLP	1	-	-	-
	7,458	11,850	1,340	41

Durıng the year the company ıncurred costs of £17,242 on behalf of the shareholder/dırectors (R Brawn, N Fry, N Kerr, C McGrory and J Marsden) These costs were predomınately ıncurred on prıvate travel and accommodatıon expenses for spouses/famıly members to accompany durıng busıness travel overseas All such expenses were repaıd to the company wıth the exceptıon of a balance of £5,625 owed by R Brawn and a balance of £8 owed by N Kerr as at 31 December 2010

Interest of £31,667 was paıd by the company to the shareholder/dırectors (R Brawn, N Fry, N Kerr, C McGrory and J Marsden) on loan advances made to the company durıng 2009

26 Post balance sheet event

On 28 February 2011 Daımler AG and Aabar Investments PJS reached agreement to acquıre the 24 9% shareholdıng held by management Daımler AG wıll ıncrease ıts shareholdıng from 45 1% to 60% and Aabar Investments PJS wıll ıncrease ıts shareholdıng from 30% to 40% Thıs acquısıtıon ıs condıtıonal on receıvıng clearance from the German Bundeskartellamt

Notes to the financial statements for the year ended 31 December 2010 (continued)

27 Ultimate parent company and controlling party

At 31 December 2010 the directors regarded Daimler UK PLC, a company incorporated in the United Kingdom, as the immediate parent company and immediate controlling party

At 31 December 2010 the directors regarded Daimler AG, a company incorporated in Germany, as the ultimate parent company and the controlling party Daimler AG is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements The consolidated statements of Daimler AG can be obtained from the Company secretary, Mercedesstrasse 137, 70327 Stuttgart, Germany