Registered number 00787446

Mercedes-Benz Grand Prix Ltd
(formerly Brawn GP Limited)
Annual report
for the year ended 31 December 2009

Mercedes-Benz Grand Prix Ltd
(formerly Brawn GP Limited)

Annual report for the year ended 31 December 2009

	Page
Directors' report	1
Independent auditors' report	9
Profit and loss account	10
Balance sheet	11
Cash flow statement	12
Reconciliation of operating profit to net cash inflow from operating activities	13
Notes to the financial statements	14

Registered number 00787446

Mercedes-Benz Grand Prix Ltd
(formerly Brawn GP Limited)

Directors' report for the year ended 31 December 2009

The directors present their report and the audited financial statements of the company for the year ended 31 December 2009

Business review and principal activity

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

2009 was the company's most successful year in terms of sporting performance with the team winning the FIA Formula One World Championships for both driver and constructor, including eight Grand Prix victories

The financial results for the company show a pre-tax profit of £98 7 million (2008 £1 3 million) As at 31 December 2009 the company has net cash of £64 4 million (2008 net debt of £41 4 million) Net cash inflow for 2009 was £105 8 million (2008 £0 8 million)

Business environment

The global economic situation created a challenging environment for the company to operate in Over recent years the major motor manufacturers became very significant players in Formula One, but the economic downturn caused a number of manufacturers to question their continued involvement in the series At the same time, independently owned teams have found operating conditions increasingly challenging, with commercial sponsorship more difficult to secure, particularly in significant business sectors like financial services For these reasons cost reduction initiatives, both voluntary and regulatory, have been a major focus for the development of the Formula One business environment A variety of regulatory methods of cost control were proposed culminating with the Resource Restriction Agreement, which is a binding agreement between the teams to limit the resources deployed in the participation of Formula One

The other significant factor affecting the Formula One business environment has been the conclusion of the new Concorde Agreement between the Formula One teams, the Fédération Internationale de l'Automobile and Formula One Administration Ltd (the Formula One commercial rights holder) This agreement governs the commercial aspects of the sport and defines the distribution of revenue from the exploitation of the commercial rights of the FIA Formula One World Championship The new agreement provides for a higher proportion of revenues to be distributed to the teams compared to the previous Concorde Agreement

The company's ability to succeed in this environment was, however, significantly affected by the decision of parent company Honda Motor Company to cease its Formula One activities at the end of 2008

Strategy

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

The directors considered that, although the withdrawal of Honda Motor Company represented a dramatic change in the company's future direction, the company had a potentially successful long term future in Formula One, provided that the company could survive and consolidate its position during 2009 This conclusion was based on the relative strength of the team, which had benefited from significant investment in capital infrastructure, technical leadership and organisational expertise, all of which were likely to become competitive advantages in a resource restricted environment

In order to meet the challenges caused by Honda's withdrawal, the directors developed and implemented a new strategic plan, the key elements of which were

- Stabilise the company post-Honda ownership, including engine supply, driver line up and key staff retention

- Restructure the cost base in line with short term affordability and the future resource restricted model
- Ensure continuity of commercial revenue from the Concorde Agreement
- Raise sporting performance to at least a respectable level
- Attract long term commercial sponsorship partners
- Secure strategic investment partners for long term stability and security

The execution of the strategy in 2009 either matched or exceeded expectations in all areas as follows

Stabilise the company

- During March 2009, the entire share capital of the company was acquired by the directors, giving the senior management control of the company and the ability to shape its future direction
- Immediately thereafter, the company entered an engine supply agreement with Mercedes-Benz High Performance Engines, which meant that the team was able to complete a testing programme, albeit reduced, in advance of the 2009 race season
- The company re-engaged Jenson Button (having agreed compensation to terminate the contract entered into under Honda ownership) and Rubens Barrichello as the team's race drivers for the 2009 season thereby ensuring the team would have not only one of the best driver line ups in Formula One but also much needed continuity and experience
- During this crucial phase, the company was able to retain all key staff

Restructure the Cost Base

- It was clear that in order to establish the basis for a viable long term future the staffing levels within the company needed to be reduced from a total in excess of 700 employees in the first quarter of 2009 The directors were convinced that a restructuring programme was necessary and although it meant the loss of some 250 jobs, it would significantly improve the prospects for a more sustainable future for the remaining 450 employees The staff restructuring lead to an annualised payroll reduction of c £13m The redundancy programme (including collective and individual consultation with all affected employees) was handled swiftly and effectively in the period from March to May 2009 and was conducted with sensitivity towards the individual employees affected The enhanced redundancy terms previously proposed under Honda ownership (under a full site closure scenario) were applied in every case
- The company settled all obligations that had arisen under the period of Honda ownership, including loan agreements, directors' service contracts, other employment contracts, driver contracts, third party supplier contracts and marketing agreements – all of which were either terminated or renewed on more favourable terms
- The restructuring of directors' service contracts lead to salary reductions, the removal of contractual entitlements to performance bonuses, pension contributions and other benefits and the waiver of other rights and claims against the company Other employment contracts were revised in respect of pension contributions and other benefits previously offered
- As stated above, the race drivers were re-engaged on reduced financial terms
- All areas of expenditure were reviewed and significant savings were achieved The main areas of savings were on quantities of components for the race cars, especially from external suppliers, the elimination of in-season testing, reduction of personnel travelling to grand prix events, rationalisation of transportation and logistics operations and reduced expenditure on marketing, IT and site facilities
- The overall cost of the restructuring programme was £33 1m
- The total operating expenses were £103 0m, a year on year reduction of £63 5m compared to the 2008 figure of £166 5m

Directors' report for the year ended 31 December 2009 (continued)

Ensure Continuity of Revenue from Concorde Agreement

- Honda's withdrawal from Formula One at the end of 2008 left the company in a vulnerable position with regard to future revenues from the Concorde Agreement Although the company (along with other manufacturer backed teams) had agreed the commercial terms with FOA Ltd in May 2006, the new Concorde Agreement, which would encompass these terms within the framework of a legally binding agreement, was still in the course of negotiation
- Despite assurances from the company to the FIA that it had not withdrawn its entry to the 2009 Championship, it was suggested that the company's participation in the Championship would constitute a new entry, which cast doubt over the company's entitlement to revenues based on past performance
- By the time the Concorde Agreement was finally executed in August 2009 the company had successfully established its legal entitlement to revenues based on past performance and in full compliance with the agreement reached with FOA Ltd in May 2006 This was achieved with substantial support and assistance from the Formula One Teams Association ("FOTA") Subsequently, the company received full payment for all entitlements due up to the end of 2009, including retrospective amounts due from previous years

Raise Sporting Performance

- The previous two seasons had seen the team finish 8th (2007) and 9th (2008) in the FIA Formula One World Championship for Constructors The directors were well aware that a continuation of such performance would not attract commercial revenue or strategic partners, which were both necessary to build a sustainable future for the company
- At the start of the 2009 season there were a number of factors that gave rise to confidence for improved performance
  - Changes to the FIA Technical Regulations, particularly aerodynamics and tyres
  - Longer design cycle than previous years
  - Stronger technical leadership under Ross Brawn
  - Mercedes engine, regarded as best in class
  - Strong driver line up
- The team had a very successful start to the season, winning six of the first seven races, but had to withstand a challenge by other teams that the design of its car was not compliant with the 2009 technical regulations The team was successful in defending this challenge at the FIA International Court of Appeal
- The team went on to win two more races before clinching the Championships for both driver and constructor at the penultimate round in Brazil
- This achievement was all the more notable given that the team had one of the smallest travelling race teams within Formula One

Attract Long Term Sponsorship Partners

- Without the support of a multinational parent company for the first time in over a decade, the company had to generate sufficient income to meet its financial commitments and sponsorship remains the most significant opportunity that Formula One teams have to drive revenue
- Despite the very challenging economic conditions, the company was able to start the 2009 season with some sponsorship contracts already in place The company was very pleased to be able to bring the Virgin brand to Formula One in what proved to be an extremely successful arrangement for both partners The company was also indebted to other partners such as Henri Lloyd for showing faith in the team
- Shortly after the start of the season MIG Investments signed a multi year contract that demonstrated their confidence and commitment in the team

Directors' report for the year ended 31 December 2009 (continued)

- The market for Formula One sponsorship in 2009 was not only affected by the global economic downturn The conflict between the FIA and FOTA concerning the future direction of Formula One created an environment where potential sponsors were reluctant to make significant investment decisions
- The team was however able to derive significant revenues from deals signed during the course of the season with some highly prestigious brands including Canon, Sony, QTel, Itaipava, TNT, Rayban, Graham – London, Gieves & Hawkes, MAPFRE, Banco do Brasil and Scalp-D, driven by the team's continued on-track success and high levels of media coverage In fact the team's sponsors were able to achieve among the highest levels of exposure in Formula One during 2009
- On 21 December 2009 the company announced the signing of a long-term sponsorship agreement with PETRONAS which will see the Malaysian national oil and gas company become the team's title partner from the 2010 season onwards

Secure Strategic Investment Partners

- The acquisition of the equity share capital of the company by the management team was always intended to be an interim measure, whilst strategic investment partners were sought
- A number of viable options were considered throughout the course of 2009, but the proposal from Daimler and Aabar to acquire 75 1% of the equity was unquestionably the best strategic fit
- On 24 December 2009 Daimler UK PLC acquired 45 1% of the ordinary share capital and Aabar Investments PJSC acquired 30% of the ordinary share capital Under the new ownership structure, the company name was changed from Brawn GP Limited to Mercedes-Benz Grand Prix Ltd
- Following the acquisition of equity by Daimler and Aabar, changes to the board of directors were made in accordance with the new Shareholders Agreement, which gives Daimler three directors on the board, Aabar two directors and the existing shareholder/management group one director The specific changes to directors are listed below under "Directors"
- The ongoing executive management of the company is now delegated by the board of directors to a management committee, which consists of Team Principal, Ross Brawn, Chief Executive Officer, Nick Fry, Chief Financial Officer, Nigel Kerr, Legal Director, Caroline McGrory and Human Resources Director, John Marsden, i e the same senior management team that guided the company so successfully through very challenging times in 2008 and 2009

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

From 2010 the company will be entered in the FIA Formula One World Championship under the team name MERCEDES GP PETRONAS Formula One Team, which will be the first time that a full Mercedes works team, the "Silver Arrows", will participate in Formula One since 1955

For 2010 the team has engaged a very strong race driver line up in Nico Rosberg and seven time world champion Michael Schumacher

Directors' report for the year ended 31 December 2009 (continued)

The company now has a stabilised financial position, strengthened by increased sponsorship, revenue from the Concorde Agreement and by the reduced cost base The company is also very well placed to compete in Formula One within the scope of the resource restricted environment

The factors set out above, together with consistency of senior management and key personnel and state of the art facilities give the directors confidence that the company can continue to achieve strong results in the future

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 and securing the services of the best available race drivers

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

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

Directors' report for the year ended 31 December 2009 (continued)

Key performance indicators ("KPIs")

The board monitors progress on the overall strategy by reference to the following three KPIs

	2009	2008
FIA Formula One World Championship for constructors	1st	9th
Profit/(Loss) before tax - £m	98 7	1 3
Closing net cash/(debt) - £m	64 4	(41 4)

Dividends

The directors have proposed a final dividend of £20 00 (2008 £nil) per ordinary share amounting to £20,000,000 (2008 £nil), which was approved by the shareholders on 30 March 2010

Directors

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

N Fry	(resigned on 23 December 2009)
N Kerr	(resigned on 23 December 2009)
H Abe	(resigned on 5 March 2009)
R Brawn	(appointed on 5 March 2009)
C McGrory	(appointed on 5 March 2009 and resigned on 23 December 2009)
J Marsden	(appointed on 5 March 2009 and resigned on 23 December 2009)
G Blair	(appointed on 5 March 2009 and resigned on 23 December 2009)
T Weber	(appointed on 23 December 2009)
N Haug	(appointed on 23 December 2009)
J Schmidt	(appointed on 23 December 2009)
D Forbes	(appointed on 23 December 2009)
M Al-Husseiny	(appointed on 23 December 2009)

Directors' qualifying third party indemnity provisions

Following shareholder approval the company has provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006

Employees

The company maintains its commitment to pro-active 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

Directors' report for the year ended 31 December 2009 (continued)

It is the policy of the company that disabled people, whether registered or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining The company is prepared to modify procedures or equipment wherever this is practicable, so that full use can be made of an individual's abilities

Donations

During the year the company made charitable donations amounting to £250 (2008 £65,996)

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

Statement of directors' responsibilities

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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,

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Mercedes-Benz Grand Prix Ltd
(formerly Brawn GP Limited)

Directors' report for the year ended 31 December 2009 (continued)

Statement as to disclosure of information to auditors

All the directors in office at the time the report is approved, confirm that so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the board

C McGrory
Company Secretary
Date 6 April 2010

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

We have audited the financial statements of Mercedes-Benz Grand Prix Ltd for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet, the cash flow statement, the reconciliation of operating profit to net cash inflow from operating activities and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities 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 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 This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

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 2009 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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

G. Crawford

Gavin Crawford (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
Date 7 April 2010

Profit and loss account for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Turnover	2	**234,470**	170,403
Cost of sales		**-**	-
Gross profit		**234,470**	170,403
Administrative expenses before restructuring costs		**(102,955)**	(166,499)
Restructuring costs	3	**(32,169)**	-
Administrative expenses		**(135,124)**	(166,499)
Operating profit	4	**99,346**	3,904
Interest receivable and similar income	7	**664**	53
Interest payable and similar charges	8	**(1,319)**	(2,640)
Profit on ordinary activities before taxation		**98,691**	1,317
Tax on profit on ordinary activities	9	**(186)**	3,070
Profit for the financial year	20	**98,505**	4,387

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

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents

Balance sheet as at 31 December 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	10	**30,454**	43,288
Investments	11	**-**	-
		30,454	43,288
Current assets			
Stocks	12	**3,313**	6,412
Debtors	13	**7,593**	7,883
Cash at bank and in hand		**60,468**	649
Cash on restricted deposit		**3,936**	93
		75,310	15,037
Creditors – amounts falling due within one year	14	**(11,588)**	(32,523)
Net current assets / (liabilities)		**63,722**	(17,486)
Total assets less current liabilities		**94,176**	25,802
Creditors – amounts falling due after more than one year	15	**-**	(30,945)
Provisions for liabilities	18	**(997)**	(183)
Net assets / (liabilities)		**93,179**	(5,326)
Capital and reserves			
Called-up share capital	19	**-**	-
Share premium account	20	**44**	44
Profit and loss account	20	**93,135**	(5,370)
Total shareholders' funds / (deficit)	21	**93,179**	(5,326)

The financial statements on pages 10 to 27 form part of the financial statements, and were approved by the board of directors on 6 April 2010 and were signed on its behalf by

R Brawn
Director

Cash flow statement for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Operating activities			
Net cash inflow from continuing activities (page 13)		**102,917**	6,315
Returns on investment and servicing of finance			
Interest received		**547**	62
Interest paid		**(490)**	(2,658)
Net cash inflow / (outflow) from returns on investments and servicing of finance		**57**	(2,596)
Taxation - group relief		**3,070**	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(416)**	(3,012)
Sale of tangible fixed assets		**169**	56
Net cash outflow from capital expenditure and financial investment		**(247)**	(2,956)
Net cash inflow before financing		**105,797**	763
Financing			
Issue of ordinary share capital		**-**	-
Proceeds of issue of new loans		**-**	8,500
Repayment of loans	16	**(42,135)**	(9,065)
Net cash outflow from financing		**(42,135)**	(565)
Increase in net cash	22	**63,662**	198

Reconciliation of operating profit to net cash inflow from operating activities

	2009 £'000	2008 £'000
Operating profit	**99,346**	3,904
Depreciation of tangible fixed assets	**13,166**	13,996
Profit on sale of fixed assets	**(150)**	(20)
(Increase) / decrease in debtors	**(2,663)**	6,140
Decrease in stocks	**3,099**	6,345
Decrease in creditors	**(9,718)**	(24,050)
Increase in provisions	**814**	-
Termination costs on group loans	**(977)**	-
Net cash inflow from continuing activities	102,917	6,315

Notes to the financial statements for the year ended 31 December 2009

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

Turnover

Turnover, which excludes value added tax and trade discounts represents the invoiced value of goods and services supplied, 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 Accrued income reflects revenue relating to the period that has not yet been invoiced

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

Research and development expenditure is written off in the year in which it is incurred The activities of the company are all dedicated towards the design and development of a car to compete successfully in Formula One motor racing Accordingly it is not possible to quantify separately the total costs relating to this aspect of the company's activities

Pension scheme

During 2008 and 2009, the company made contributions to personal pension schemes in respect of eligible employees

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

Notes to the financial statements for the year ended 31 December 2009 (continued)

1 Principal accounting policies (continued)

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 so as to write off the cost of tangible fixed assets, using the following rates and bases to reduce by annual instalments the cost, less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned The useful economic lives of the assets are reassessed periodically The principal annual rates used for this purpose are

	%
Leasehold land and buildings	10 - 20
Plant and machinery	10 - 25
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

Investments

Investments in subsidiary undertakings are stated in the balance sheet of the company at cost, less amounts written off where there has been permanent impairment in value Impairment reviews are performed when evidence emerges that the net book value may not be recoverable

Stocks

Stock is stated at the lower of cost and net realisable value All the costs incurred on raw materials and components acquired in respect of the following year's car are included in stock and are expensed in the year in which full race testing of the car commences, together with an element of 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 2009 (continued)

1 Principal accounting policies (continued)

(b) Deferred taxation

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 The unrecognised gains and losses at the balance sheet date are disclosed in the notes to the financial statements

Consolidation

The financial statements contain information about Mercedes-Benz Grand Prix Ltd as an individual company and do not contain consolidated financial information as the parent of a group The directors consider that the amounts involved are not material as the subsidiary undertaking was a dormant company up until 24 March 2009 when the company was dissolved

2 Turnover

The turnover is derived from only one class of business and this arises in the United Kingdom

3 Restructuring costs

Following the change of ownership in March 2009, the company undertook a fundamental review and restructuring of its activities, which lead to the following expenses

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

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

The company continues to operate on a reduced scale, with greater efficiency and within the scope of the Resource Restriction Agreement signed by all Formula One teams in August 2009

Notes to the financial statements for the year ended 31 December 2009 (continued)

4 Operating profit

Operating profit is stated after charging/(crediting)	2009 £'000	2008 £'000
Depreciation of tangible fixed assets		
- owned assets	**13,166**	13,996
Gain on disposal of fixed assets	**(150)**	(20)
Operating lease charges		
- plant and machinery	**188**	343
- other assets	**1,104**	837
Foreign exchange (gain)/ loss	**(297)**	903

Auditors' remuneration:	2009 £'000	2008 £'000
Remuneration receivable by the company's auditors for the auditing of the annual financial statements	**47**	59
Fees payable to company's auditors and its associates for other services		
- services relating to taxation	**17**	48

5 Directors' emoluments

	2009 £'000	2008 £'000
Aggregate emoluments	**8,442**	661
Company contributions to personal pension plan	**22**	85
	8,464	746

Highest paid director:	2009 £'000	2008 £'000
Aggregate emoluments	**4,771**	502
Company contributions to personal pension plan	**16**	63
	4,787	565

The above details of directors' emoluments for 2009 and 2008 do not include the emoluments of H Abe, T Weber, N Haug, J Schmidt, D Forbes and M Al-Husseiny, which were paid by fellow group companies It was not possible to identify separately the amounts that relate to their services to this company and as such no amounts are set out in the table above

Notes to the financial statements for the year ended 31 December 2009 (continued)

6 Employee information

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

By activity	2009 Number	2008 Number
Design, manufacturing and engineering	483	651
Administration	50	66
	533	717

Staff costs	2009 £'000	2008 £'000
Wages and salaries	32,066	38,470
Social security costs	3,488	4,040
Company contributions to personal pension plan	228	823
	35,782	43,333

7 Interest receivable and similar income

	2009 £'000	2008 £'000
Bank interest receivable	664	53

8 Interest payable and similar charges

	2009 £'000	2008 £'000
Interest payable on bank overdraft	-	41
Interest payable on group loans	342	2,599
Termination costs on group loans	977	-
	1,319	2,640

Notes to the financial statements for the year ended 31 December 2009 (continued)

9 Tax on profit on ordinary activities

The company has estimated taxation losses available to be carried forward of approximately £56 million (2008 £151 million) which will be available to reduce future taxable income

	2009 £'000	2008 £'000
Current tax		
United Kingdom corporation tax on profit of the year	**186**	-
Adjustment in respect of previous years	**-**	(3,070)
Total current tax	**186**	(3,070)

The tax assessed for the year is less than (2008 less than) the standard effective rate of corporation tax in the UK of 28% (2008 28 5%) The differences are explained below

	2009 £'000	2008 £'000
Profit on ordinary activities before taxation	**98,691**	1,317
Result on ordinary activities multiplied by standard rate in the United Kingdom 28% (2008 28 5%)	**27,633**	375
Effects of		
Expenses not deductible for tax purposes	**226**	48
Depreciation in excess of capital allowances	**1,188**	1,648
Other timing differences	**(546)**	767
Research & development tax relief	**(1,633)**	(2,838)
Utilisation of tax losses	**(26,682)**	-
Adjustment in respect of previous years	**-**	(3,070)
Current tax for the year	**186**	(3,070)

Mercedes-Benz Grand Prix Ltd
(formerly Brawn GP Limited)

Notes to the financial statements for the year ended 31 December 2009 (continued)

10 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 2009	26,931	31,714	3,895	8,340	4,563	1,307	76,750
Additions	7	211	5	22	-	106	351
Transfers	2	1,305	-	-	-	(1,307)	-
Disposals	-	(144)	(142)	(166)	(295)	-	(747)
At 31 December 2009	**26,940**	**33,086**	**3,758**	**8,196**	**4,268**	**106**	**76,354**
Accumulated depreciation							
At 1 January 2009	(10,850)	(13,471)	(2,887)	(4,079)	(2,175)	-	(33,462)
Charge for the year	(3,583)	(6,169)	(326)	(2,148)	(940)	-	(13,166)
Disposals	-	135	142	166	285	-	728
At 31 December 2009	**(14,433)**	**(19,505)**	**(3,071)**	**(6,061)**	**(2,830)**	**-**	**(45,900)**
Net book value							
At 31 December 2009	**12,507**	**13,581**	**687**	**2,135**	**1,438**	**106**	**30,454**
At 31 December 2008	16,081	18,243	1,008	4,261	2,388	1,307	43,288

Notes to the financial statements for the year ended 31 December 2009 (continued)

11 Fixed asset investments

	Subsidiary undertaking £
At 1 January 2009	1
Disposals in the year	(1)
At 31 December 2009	**-**

Advantage CFD Limited was dissolved on 24 March 2009 The interest in subsidiary undertaking up until 24 March 2009 was as follows

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of shares held	Principal activities
Advantage CFD Limited	Great Britain	Ordinary shares of £1 each	100%	Dormant

12 Stocks

	2009 £'000	2008 £'000
Raw materials and components	**3,313**	6,412

13 Debtors

	2009 £'000	2008 £'000
Trade debtors	**1,392**	358
Amounts owed by group undertakings	**8**	631
Other debtors	**284**	-
Prepayments and accrued income	**5,909**	6,894
	7,593	7,883

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

Notes to the financial statements for the year ended 31 December 2009 (continued)

14 Creditors – amounts falling due within one year

	2009 £'000	2008 £'000
Group loans (note 16)	-	11,190
Trade creditors	**1,357**	5,574
Amounts owed to group undertakings	**146**	5,430
Taxation and social security	**1,925**	1,751
Accruals and deferred income	**8,160**	8,578
	11,588	32,523

On 5 March 2009 the company made early repayment of all group loans by agreement with the intra group counter party

15 Creditors – amounts falling due after more than one year

	2009 £'000	2008 £'000
Group loans (note 16)	-	30,945

On 5 March 2009 the company made early repayment of all group loans by agreement with the intra group counter party

16 Loans and other borrowings

	2009 £'000	2008 £'000
Group loans	-	42,135
Maturity of financial liabilities		
In one year or less, or on demand	-	11,190
In more than one year, but not more than two years	-	11,190
In more than two years, but not more than five years	-	14,094
In more than five years	-	5,661
	-	42,135

On 5 March 2009 the company made early repayment of all group loans by agreement with the intra group counter party

Notes to the financial statements for the year ended 31 December 2009 (continued)

17 Derivative financial instruments

The unrecognised gains and losses in respect of hedges are as follows

	Gains £'000	Losses £'000	**Net total £'000**
Gains / (losses) as at 1 January 2009	-	-	-
Forward contracts in the year	21	(325)	**(304)**
Gains / (losses) as at 31 December 2009	21	(325)	**(304)**
Of which			
Gains / (losses) expected to be included in 2010 income	21	(325)	**(304)**

18 Provisions for liabilities

	Demolition provision £'000	**Onerous contract provision £'000**	**Property provision £'000**	**Total £'000**
At 1 January 2009	183	-	-	183
Charged to the profit and loss account	-	92	905	997
Amounts utilised during the year	(183)	-	-	(183)
At 31 December 2009	**-**	**92**	**905**	**997**

Demolition provision

On 6 July 2007 the company entered into an agreement for lease relating to Unit 7 Reynard Park Brackley Upon completion of the boundary conditions the company was required to reimburse the landlord the sum of £183,000 in respect of demolition work paid for by the landlord in anticipation of entering the lease

Onerous contract provision

This 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 and are therefore no longer in use by the company An onerous contract provision has been taken against the remaining lease charges as there are no future economic benefits

Property provision

A property provision of £555,000 has been created for the exit costs in relation to Unit 7 Reynard Park Brackley Upon termination of the lease the company is contractually obliged to undertake certain building works as outlined in the lease A further £350,000 has been provided against dilapidations of the main site at Reynard Park Brackley

Notes to the financial statements for the year ended 31 December 2009 (continued)

18 Provisions for liabilities (continued)

Deferred tax

The unrecognised total potential deferred tax assets are as follows

Amount not recognised	2009 £'000	2008 £'000
Short term timing differences	(238)	(792)
Accelerated capital allowances	(1,358)	-
Losses	(15,723)	(42,405)
	(17,319)	(43,197)

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

	2009 £	2008 £
Authorised		
1,000 ordinary shares of £1 each	-	1,000
5,000,000 ordinary shares of £0 0002 each	1,000	-
Allotted and fully paid		
111 ordinary shares of £1 each	-	111
1,000,000 ordinary shares of £0 0002 each	200	-

On 5 March 2009 the company issued 89 ordinary shares for cash The nominal value of these shares was £89 and the consideration received was £89 On 17 December 2009 the company changed the nominal value of its ordinary share capital from £1 to £0 0002

20 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2009	44	(5,370)
Profit for the financial year	-	98,505
At 31 December 2009	**44**	**93,135**

Notes to the financial statements for the year ended 31 December 2009 (continued)

21 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Profit for the financial year	**98,505**	4,387
Opening shareholders' deficit	**(5,326)**	(9,713)
Closing shareholders' funds / (deficit)	**93,179**	(5,326)

22 Analysis of net funds

	2008 £'000	Cash flow £'000	2009 £'000
Cash on restricted deposit	93	3,843	**3,936**
Cash at bank and in hand	649	59,819	**60,468**
	742	63,662	**64,404**
Debt due within one year	(11,190)	11,190	**-**
Debt due after more one year	(30,945)	30,945	**-**
Net (debt) / funds as at 31 December	(41,393)	105,797	**64,404**

23 Financial commitments

At 31 December 2009 there were annual commitments under non-cancellable operating leases expiring as follows

	Land and buildings 2009 £'000	Other 2009 £'000	Land and buildings 2008 £'000	Other 2008 £'000
Within one year	**20**	**9**	-	31
Within two and five years	**-**	**7,192**	-	189
After five years	**886**	**-**	935	-
	906	**7,201**	935	220

Notes to the financial statements for the year ended 31 December 2009 (continued)

24 Capital commitments

The company had capital commitments of £243,000 at 31 December 2009 (2008 £122,000)

25 Related party transactions

During the year the company undertook the related party transactions as listed below

Name	Sales £'000	Purchases £'000	Amounts owed to £'000	Amounts owed by £'000
Daimler AG	-	145	145	1
Honda Access Europe	15	-	-	-
Honda Commtec Inc	21	-	-	-
Honda Motor Co , Ltd	92,598	446	-	-
Honda Motor Europe GmbH	-	17	-	-
Honda Motor Europe Ltd	-	259	-	-
Honda Portugal S A	-	5	-	-
Honda Racing Developments Ltd	56	43	-	-
Honda R&D Co , Ltd	143	-	-	-
Mercedes-Benz UK Ltd	-	-	-	7
RTC Management Company Ltd	-	63	1	-
Succession Corporate Finance LLP	-	52	-	-
	92,833	1,030	146	8

The Honda group companies were related parties up until the 5 March 2009 Nigel Kerr was a director of the company until the 23 December 2009 and is also a director of RTC Management Company Ltd Gordon Blair was a director of the company from 5 March 2009 until 23 December 2009 and is also a director of Succession Corporate Finance LLP, which provided professional services to the company Daimler AG and Mercedes-Benz UK Ltd became related parties on the 24 December 2009

Following the acquisition of the ordinary share capital of the company by the management team in March 2009, R Brawn, N Fry, N Kerr, C McGrory and J Marsden made loan advances of £3,452,087 to the company, which were all repaid by the company prior to 31 December 2009

Notes to the financial statements for the year ended 31 December 2009 (continued)

25 Related party transactions (continued)

During the year the company incurred costs of £28,914 on behalf of the shareholder/directors (R Brawn, N Fry, N Kerr, C McGrory and J Marsden) These costs were predominately incurred on private travel and accommodation expenses for spouses/family members to accompany during business travel overseas All such expenses were repaid to the company with the exception of a balance of £576 owed by N Kerr as at 31 December 2009

26 Dividends

The directors have proposed a final dividend of £20 00 (2008 £nil) per ordinary share amounting to £20,000,000 (2008 £nil), which was approved by the shareholders on 30 March 2010 This dividend has not been accounted for within the current year financial statements as it was not approved as at the balance sheet date

27 Ultimate parent company and controlling party

From 5 March 2009, on acquisition of the entire share capital of the company, Mr R Brawn became the ultimate controlling party

From 24 December 2009 and at 31 December 2009 the directors regarded Daimler UK PLC, a company incorporated in the United Kingdom, as the immediate parent company and immediate controlling party

From 24 December 2009 and at 31 December 2009 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