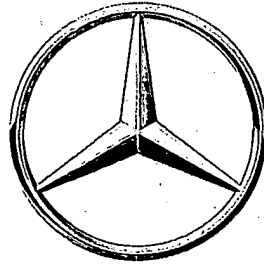


Company Registration No. 02448457 (England and Wales)



Mercedes-Benz

MERCEDES-BENZ CARS UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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MERCEDES-BENZ CARS UK LIMITED

COMPANY INFORMATION

Directors	M Breitschwerdt G Savage H Henn (Appointed 1 December 2018)
Secretary	J Lipman
Company number	02448457
Registered office	Delaware Drive Tongwell Milton Keynes Buckinghamshire MK15 8BA
Auditor	KPMG LLP Altius House, 1 North Fourth Street Milton Keynes Buckinghamshire MK9 1NE

MERCEDES-BENZ CARS UK LIMITED

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MERCEDES-BENZ CARS UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report and financial statements for Mercedes-Benz Cars UK Limited (the "Company") for the year ended 31 December 2018.

Review of the business

In 2018, the overall car market was down 7% against 2017 due to continuing economic uncertainty and external factors. However, the Company performed favourably against the market, seeing only a 5% drop in vehicle registrations, and maintaining a strong Mercedes-Benz passenger cars market share of 7.2% (2017: 7.0%). In 2018 the Company registered 175,693 (2017: 187,209) vehicles. In line with this, the total number of passenger car vehicles wholesaled decreased to 169,887 (2017: 185,405).

The decrease in vehicle revenue resulted in a profit on ordinary activities before taxation for the year of £75,482,000 (2017: restated profit £118,585,000).

The directors expect the economic challenges in 2018 to prejudice the overall growth of the automotive industry. However, the Company continues to be confident in its ability to maintain and grow its market share. The uncertainty of Brexit continues to influence consumer and business confidence and undoubtedly affects the market.

The Company's key performance indicators for the year are summarised below.

Wholesales (units)		Registration (units)		Revenue (£m restated)	
2018	2017	2018	2017	2018	2017
169,887	185,405	175,693	187,209	4,812	4,975

Financial risk management objectives and policies

Market Risk

A crucial factor for economic development in the United Kingdom is the ongoing progress of Brexit negotiations. The full impact of Brexit on the economy remains unclear until the outcome of trade negotiations are known. Management are constantly monitoring the status of negotiations to adapt accordingly and mitigate the risk that the current uncertainty has created. Uncertainty is not helpful for consumer confidence and the overall automotive industry. Any additional barriers to free trade could adversely impact the market. Until the outcome of negotiations is clearer, management continue to operate the business as usual.

Residual value risk

The Company is exposed to fluctuations in demand in the used car market, specifically changes in market values due to its involvement in sale and repurchase arrangements. The Company employs a specialist team to continually monitor market values, with a reporting line to the Chief Financial Officer. A committee meets on a quarterly basis to set guaranteed repurchase prices that are in line with expectations of market movements over the corresponding period. In addition the management of the Finance Department meet on a quarterly basis to understand any significant financial risk and ensure this is appropriately reflected in the financial statements.

MERCEDES-BENZ CARS UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Cash flow risk

The Company is not significantly exposed to changes in foreign currency exchange rates or fluctuating interest rates as it is a wholly owned subsidiary, financed entirely by its ultimate parent undertaking and does not make material sales or purchases in any currency other than Sterling.

Credit risk

The Company's principal financial assets are cash at bank and in hand and trade and other receivables. Credit risk is mitigated as the majority of vehicles are sold to another group company rather than directly to end customers. That company bears the credit risk on the sale to the ultimate customer. Credit risk on direct sales of parts to the dealer network and vehicles to fleet customers is mitigated as exposure is spread over a large number of counterparties and customers, who are also subject to rigorous monitoring. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity Risk

The Company's exposure to liquidity risk is minimised as it is a wholly owned subsidiary, financed entirely by its ultimate parent undertaking.

On behalf of the board



.....
H Henn
Director
.....

MERCEDES-BENZ CARS UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report and financial statements for Mercedes-Benz Cars UK Limited for the year ended 31 December 2018.

Principal activities

The principal activities of the Company comprise the importing, storage, marketing and distribution of Mercedes-Benz and smart products in the United Kingdom.

Results and dividends

The results for the year are set out on page 8.

During the year the Company paid an interim dividend of £100,000,000 (2017: £nil), equivalent to £2 (2017: £nil) per share. The directors do not recommend payment of any further dividends in relation to the year.

In 2017 the Company issued a dividend in specie of £35,144,188.

Movements in shareholders' funds are set out in the Statement of Changes in Equity.

Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

M Breitschwerdt

G Savage

T Hutani

H Henn

(Resigned 30 November 2018)

(Appointed 1 December 2018)

Supplier payment policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Details on the Company's payment practices can be found in its published payment practice reports available at <https://check-payment-practices.service.gov.uk>

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The Company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Post reporting date events

There are no significant post reporting date events to report.

MERCEDES-BENZ CARS UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Future developments

Future developments of the Company are discussed in the Strategic Report on page 1-2.

Statement of disclosure to auditor

Each director in office at the date of approval of this annual report confirms that:

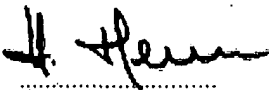
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent auditor

Under section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

On behalf of the board



H Henn

Director

Date: 30.09.2019

MERCEDES-BENZ CARS UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

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 101 *Reduced Disclosure Framework*.

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-BENZ CARS UK LIMITED

Opinion

We have audited the financial statements of Mercedes-Benz Cars UK Limited ("the company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, 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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of inventories, trade receivables, provisions and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCEDES-BENZ CARS UK LIMITED (CONTINUED)

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:

- 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 5, 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.

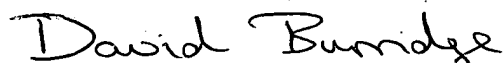
Auditor's responsibilities

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.



30 September 2019

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

MERCEDES-BENZ CARS UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
	Notes	£ 000's	as restated £ 000's
Revenue	4	4,812,236	4,974,844
Cost of sales		(4,548,626)	(4,714,077)
Gross profit		263,610	260,767
Distribution costs		(12,282)	(10,975)
Administrative expenses		(200,327)	(169,457)
Other operating income		26,799	38,600
Operating profit	5	77,800	118,935
Investment income	10	1,243	1,402
Finance costs	11	(3,561)	(1,752)
Profit before taxation		75,482	118,585
Tax on profit	12	(17,701)	(22,004)
Profit for the financial year		57,781	96,581
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial gain on defined benefit pension schemes		17,857	21,708
Tax related to actuarial gain on defined benefit pension scheme		(3,036)	(3,138)
Total items that will not be reclassified to profit or loss		14,821	18,570
Total comprehensive income for the year		72,602	115,151

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The accompanying notes form a part of the Financial Statements.

MERCEDES-BENZ CARS UK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		2018	2017
	Notes	£ 000's	as restated £ 000's
Non-current assets			
Property, plant and equipment	13	361,686	353,470
Retirement benefit surplus	21	60,380	43,749
		<u>422,066</u>	<u>397,219</u>
Current assets			
Inventories	15	609,330	672,785
Trade and other receivables	16	358,246	339,602
Contract assets		3,103	3,308
Cash and cash equivalents		14,844	2,772
		<u>985,523</u>	<u>1,018,467</u>
Current liabilities			
Contract liabilities	17	169,811	249,008
Trade and other payables	18	811,835	728,740
Taxation and social security		64,962	7,497
		<u>1,046,608</u>	<u>985,245</u>
Net current (liabilities)/assets		<u>(61,085)</u>	<u>33,222</u>
Total assets less current liabilities		<u>360,981</u>	<u>430,441</u>
Non-current liabilities			
Contract liabilities	17	31,174	25,279
Trade and other payables	18	30,312	31,296
		<u>61,486</u>	<u>56,575</u>
Provisions for liabilities			
Deferred tax liabilities	19	9,417	5,835
Other provisions	20	82,649	133,204
		<u>92,066</u>	<u>139,039</u>
Net assets		<u><u>207,429</u></u>	<u><u>234,827</u></u>

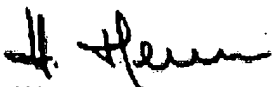
MERCEDES-BENZ CARS UK LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2018

		2018	2017
	Notes	£ 000's	as restated £ 000's
Equity			
Called up share capital	22	50,000	50,000
Pension Reserves		49,177	34,356
Retained earnings		108,252	150,471
Total equity		207,429	234,827

The financial statements were approved by the board of directors and authorised for issue on 20 September 2019 and are signed on its behalf by:



H Henn
Director

30.09.2019

Company Registration No. 02448457

The accompanying notes form part of the Financial Statements.

MERCEDES-BENZ CARS UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £ 000's	Pension Reserve £ 000's	Retained earnings £ 000's	Total £ 000's
As restated for the period ended 31 December 2017:					
Balance at 1 January 2017		50,000	15,786	89,034	154,820
As restated		50,000	15,786	89,034	154,820
Year ended 31 December 2017:					
Profit for the year		-	-	96,581	96,581
Other comprehensive income:					
Actuarial gains on defined benefit plans		-	21,708	-	21,708
Tax relating to other comprehensive income		-	(3,138)	-	(3,138)
Total comprehensive income for the year		-	18,570	96,581	115,151
Dividend in Specie		-	-	(35,144)	(35,144)
Balance at 31 December 2017		50,000	34,356	150,471	234,827
Year ended 31 December 2018:					
Profit for the year		-	-	57,781	57,781
Other comprehensive income:					
Actuarial gains on defined benefit plans		-	17,857	-	17,857
Tax relating to other comprehensive income		-	(3,036)	-	(3,036)
Total comprehensive income for the year		-	14,821	57,781	72,602
Dividends		-	-	(100,000)	(100,000)
Balance at 31 December 2018		50,000	49,177	108,252	207,429

The statement of changes in equity has been prepared on the basis that all operations are continuing operations.

The accompanying notes form a part of the Financial Statements.

MERCEDES-BENZ CARS UK LIMITED

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current period or a prior period or may have an effect on future periods:

IFRS 15	Revenue from Contracts with Customers
IFRS 9	Financial Instruments

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 16	Leases
---------	--------

2 Accounting policies

2.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

2.2 Going concern

The Company's business activities, together with any factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report on Pages 1-2.

Notwithstanding net current liabilities of £61,085,000 as at 31 December 2018 and a profit for the year then ended of £57,781,000 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 24 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's immediate parent / fellow subsidiary company, not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £289,471,000. Daimler UK has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 24 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Accounting policies

(Continued)

2.3 Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognises revenue when performance obligations have been satisfied and for the company this is when the goods or services have transferred to the customer and the customer has control of these. The company's activities are described in detail below. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Company makes sales under sale and repurchase arrangements where it directly provides certain customers with the option to sell the vehicle to the Company at a guaranteed price at a point in the future as stipulated in the sale contract. The customers to which the Company makes these sales include daily rental fleets, corporate customers and employees in the car ownership scheme. Such sales are treated as operating leases with the associated revenue and cost being spread over the lifetime of the contract. The Company's continuing interest in these vehicles is recorded within fixed assets and a liability is recognised representing the future commitment to repurchase the vehicle.

The Company also underwrites the guaranteed buyback price on certain vehicles that have already been sold to another group Company via the process referred to below. At the point of sale it cannot be determined whether or not these vehicles will be sold to the ultimate customer with a guaranteed buyback commitment and as such revenue is recognised on transfer of title to the other group Company.

All other vehicles are sold via the floorplan financing arrangement. The vehicles are sold to another group Company and are either consigned to the dealer network on a stocking plan or sold via various financing arrangements to non-dealer customers. Revenue on these sales is recognised when title is transferred to the other group Company.

Turnover is recognised on the sale of spare parts when the Company has passed the principal risks and rewards of ownership to the customer. This is generally considered to be at the point of dispatch. The amount of revenue recognised for spare parts is adjusted for expected returns, which are estimated based on the historical data for specific part types, adjusted as necessary to estimate returns for new models. The validity of the estimated amount of returns are reassessed at each reporting date. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned.

Turnover from repair and maintenance contracts represents the value of services provided under these contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the Balance Sheet date turnover represents the value of the service provided to date based on a proportion of the total contract value. Revenue not recognised as turnover is recorded as Deferred Income and included as part of Creditors.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Accounting policies

(Continued)

2.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	4%
Leasehold buildings	
- Leases over 25 years	4%
- Leases under 25 years	Straight line over remaining life of lease term
Plant, machinery and vehicles	20%
Loose tools	33.3%

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.5 Inventories

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Accounting policies

(Continued)

2.6 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the Company from the adoption of IFRS 13.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Financial assets

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

2.10 Financial liabilities

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Accounting policies

(Continued)

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

2.11 Compound instruments

The component parts of compound instruments issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity net of income tax effects and is not subsequently remeasured.

2.12 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

2.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Accounting policies

(Continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2.14 Provisions

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Accounting policies

(Continued)

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

2.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements

(i) Exemptions on transition to FRS 101

The Company has elected to use the previous UK GAAP valuation of all items of land and buildings as the deemed cost on transition to FRS 101. The items are being depreciated from the date of transition (1 January 2015) in accordance with the Company's accounting policies.

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Critical accounting estimates and judgements

(Continued)

Key sources of estimation uncertainty

Valuation of non-financial assets

In the context of impairment tests for non-financial assets, when objective evidence of impairment is present, estimates and assessments have to be made to determine the recoverable amounts of a cash-generating unit (CGU). The determination of the recoverable amount is based on assumptions regarding future business developments for the determination of the expected future cash flows of that financial investment. All non-financial assets which the Company holds are valued at cost.

On the basis of the impairment tests carried out in 2016, the recoverable amounts are larger than the valuation of the Company's cash-generating units.

Pensions and similar obligations

The calculation of provisions for pensions and similar obligations and the related pension cost are based on various actuarial valuations. The calculations are subject to various assumptions on matters such as current actuarially developed probabilities (e.g. discount factors and cost-of-living increases), future fluctuations with regard to age and period of service, and experience with the probability of occurrence of pension payments, annuities or lump sums. As a result of changed market or economic conditions, the probabilities on which the influencing factors are based, may differ from current developments. The financial effects of deviations of the main factors are calculated with the use of sensitivity analyses. See Note 21 for further information.

Product Warranties

The recognition and measurement of provisions for product warranties is generally connected with estimates. The Company provides various types of product warranties depending on the type of product and market conditions. Provisions for product warranties are generally recognized when vehicles are sold or when new warranty programs are initiated. Based on historical warranty claim experience, assumptions have to be made on the type and extent of future warranty claims and customer goodwill, as well as on possible recall or buyback campaigns for each model series. In addition, the estimates also include assumptions on the amounts of potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information. Further information on provisions for other risks is provided in Note 20.

Collectability of receivables

The Company regularly estimates the risk of default on receivables, both from third parties and other Group entities. When assessing impairment of trade and other debtors, management considers factors including the including historical loss experience, current economic events and conditions and the estimated fair values and adequacy of collaterals. See Note 16 for the net carrying amount of receivables.

Regarding receivables from Financial Services, changes in economic conditions can lead to changes in our customers' creditworthiness and to changes in used vehicle prices, which would have a direct effect on the market values of the vehicles assigned as collateral. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on the Company's net profit.

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Critical accounting estimates and judgements

(Continued)

Income taxes

The calculation of income taxes of the Company is based on the legislation and regulations applicable. In situations where a permissible element of discretion has been applied in determining the amount of a tax exposure to be recognised in the financial statements, there is always a possibility that local tax authorities may reach a different conclusion.

Deferred taxes

For the calculation of deferred tax assets, assumptions have to be made regarding future taxable income and the time of realization of the deferred tax assets. In this context, the Company takes into consideration, among other things, the projected earnings from business operations, the effects on earnings of the reversal of taxable temporary differences, and realisable tax strategies. As future business developments are uncertain and are sometimes beyond Company's control, the assumptions to be made in connection with accounting for deferred tax assets are connected with a substantial degree of uncertainty. On each balance sheet date, the Company carries out impairment tests on deferred tax assets on the basis of the planned taxable income in future financial years; if the Company assesses that the probability of future tax advantages being partially or fully unrealized is more likely than not, is more than 50%, the deferred tax assets are impaired. Further information is provided in Note 19.

Residual Values

The Company regularly checks the buyback value of its leased products. One of the main assumptions required for leased products relates to their residual value since this represents a significant portion of future cash inflows. In order to estimate the level of prices likely to be achieved in the future, the Company incorporates internally available historical data, current market data and forecasts of external institutions into its calculations. Internal back-testing is applied to validate the estimations made.

Lease classifications

Judgement is required in particular when assessing whether the risks and rewards incidental to ownership of a leased asset have been transferred for the purposes of determining the classification of leasing arrangements.

Useful economic lives of Tangible fixed assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the property plant and equipment, and note 2.4 for the useful economic lives for each class of assets.

4 Revenue

The Company derives all of its turnover and profit before taxation from its main trading activity. No material sales are made outside the United Kingdom.

5 Operating profit

	2018	2017
	£ 000's	£ 000's
Operating profit for the year is stated after charging/(crediting):		
Depreciation of property, plant and equipment	35,423	29,956
Loss on disposal of property, plant and equipment	2	296
Operating lease rentals	3,036	3,603

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

6 Auditor's remuneration

	2018 £ 000's	2017 £ 000's
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	178	176

7 Employees

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

	2018 Number	2017 Number
Administration staff	474	456
Management staff	50	51
	524	507

Their aggregate remuneration comprised:

	2018 £ 000's	2017 £ 000's
Wages & Salaries	24,818	22,452
Social Security Costs	2,833	2,777
Pension Costs	921	860
	28,572	26,089

8 Directors' remuneration

	2018 £ 000's	2017 £ 000's
Directors' emoluments	1,064	764
Directors' gains on long term incentive plans	176	185
Company contributions to Daimler AG pension scheme	27	21
	1,267	970

During the year 2018, 1 director (2017: 1 director) participated in US pension schemes.

During the year 2018, 2 directors, including the highest paid director (2017: 2 directors, including the highest paid director) received shares under long-term incentive schemes.

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

8 Directors' remuneration

(Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

2018 £ 000's	2017 £ 000's
549	500
138	150
<u>687</u>	<u>650</u>

9 Amount due from a director

Mercedes-Benz Cars UK limited operates an interest free loan scheme open to all eligible employees on equal terms to enable such employees to acquire cars for their own use. The amount outstanding at the balance sheet date was £179,000

	2018 £ 000's
Gary Savage	106
Harald Henn	73

10 Investment income

	2018 £ 000's	2017 £ 000's
Interest income		
Interest on the net defined benefit asset	1,179	650
Interest receivable from group companies	64	752
Total income	<u>1,243</u>	<u>1,402</u>

11 Finance costs

	2018 £ 000's	2017 £ 000's
Interest payable to group undertakings	3,050	424
Unwinding of discount on provisions	511	1,328
Total finance costs	<u>3,561</u>	<u>1,752</u>

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

12 Income tax expense

	2018 £ 000's	2017 £ 000's as restated
Current tax		
UK corporation tax on profits for the current period	16,339	23,505
Adjustments in respect of prior periods	1,908	(1,962)
Total UK current tax	18,247	21,543
Deferred tax		
Origination and reversal of temporary differences	(422)	(306)
Adjustment in respect of prior periods	(124)	849
	(546)	461
Total tax charge	17,701	22,004

Factors that may affect future tax charges

Finance Act 2016 was substantively enacted on 6 September 2016 and included legislation to reduce the main rate of corporation tax to 17% from 1 April 2020. Deferred tax has been calculated at a rate which reflects the future tax rates applicable at the dates that the tax is likely to be utilised.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2018 £ 000's	2017 £ 000's as restated
Profit before taxation	75,482	118,585
Expected tax charge based on a corporation tax rate of 19.00%	14,342	22,828
Effect of expenses not deductible in determining taxable profit	1,129	674
Adjustment in respect of prior years	2,849	(1,127)
Effect of change in UK corporation tax rate	315	325
Permanent capital allowances in excess of depreciation	(966)	(1,599)
Loss on disposal of fixed assets	32	903
Taxation charge for the year	17,701	22,004

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

12 Income tax expense

(Continued)

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2018 £ 000's	2017 £ 000's
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	3,036	3,138

13 Property, plant and equipment

	Freehold land and buildings £ 000's	Leasehold buildings £ 000's	- Leases under 25 years £ 000's	Motor vehicles £ 000's	Total £ 000's
Cost					
At 01 January 2018	20,095	9,993	24,100	326,283	380,471
Additions	2,607	19	4,733	467,918	475,277
Reclassifications	6,015	20	(6,035)	-	-
Disposals	(80)	(6)	(167)	(458,385)	(458,638)
At 31 December 2018	28,637	10,026	22,631	335,816	397,110
Accumulated depreciation and impairment					
At 01 January 2018	7,399	1,962	6,596	11,044	27,001
Charge for the year	1,259	399	2,580	31,185	35,423
Eliminated on disposal	-	-	-	(27,000)	(27,000)
At 31 December 2018	8,658	2,361	9,176	15,229	35,424
Carrying amount					
At 31 December 2018	19,979	7,665	13,455	320,587	361,686
At 01 January 2018	12,696	8,031	17,504	315,239	353,470

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

14 Subsidiaries

Details of the Company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Ownership interest (%)	Nature of business
Daimler UK Trustees Limited	UK	100	Pension Funding
Mercedes-Benz Brooklands Limited	UK	100	Residents property management
Brooklands Estates Management UK Limited	UK	100	Residents property management

Brooklands Estates Management Limited does not have any share capital as it is limited by guarantee. It's controlling party is Mercedes-Benz Cars UK Limited.

15 Inventories

	2018 £ 000's	2017 £ 000's
Finished goods and goods for resale	609,330	672,785

16 Trade and other receivables

	2018 £ 000's	2017 £ 000's as restated
Trade receivables	96,866	87,624
Other receivables	2	36
Amounts owed by fellow group undertakings	254,438	241,702
Prepayments	6,940	10,240
	358,246	339,602

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

17 Contract liabilities

	Current	
	2018 £ 000's	2017 £ 000's as restated
Service contract advance payments	19,088	23,168
Dealer discounts and bonuses	150,723	225,840
	169,811	249,008

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

17 Contract liabilities

(Continued)

	Non-current	
	2018 £ 000's	2017 £ 000's
Service contract advance payments	27,503	22,667
Parts to be returned	3,671	2,612
	<u>31,174</u>	<u>25,279</u>

18 Trade and other payables

	Current	
	2018 £ 000's	2017 £ 000's as restated
Trade payables	19,128	15,872
Amounts due to group undertakings	295,080	233,884
Accruals and deferred income	135,510	158,563
Liabilities for future repurchase commitments	350,386	105,085
Other payables	11,731	215,336
	<u>811,835</u>	<u>728,740</u>

	Non-current	
	2018 £ 000's	2017 £ 000's
Accruals and deferred income	-	27,362
Liabilities for future repurchase commitments	30,094	3,554
Other payables	218	380
	<u>30,312</u>	<u>31,296</u>

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Deferred Taxation £ 000's as restated
Deferred tax liability at 1 January 2017	(2,236)
Deferred tax movements in prior year	
Debit to profit or loss - Other	(1,286)
Credit to profit or loss - Pension	757
Credit to other comprehensive income - Pension	(3,138)
IFRS 15 Transition Effect	68
Deferred tax liability at 1 January 2018	(5,835)
Thereof;	
Pension	(7,437)
Other	1,602
	(5,835)
Deferred tax movements in current year	
Debit to profit or loss - Other	(546)
Debit to other comprehensive income - Pension	(3,036)
Deferred tax liability at 31 December 2018	(9,417)
Thereof;	
Pension	(10,473)
Other	1,056
	(9,417)

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

20 Provisions for liabilities

	Provision for sale & repurchase agreements £ 000's	Provision for warranty £ 000's	Provision for repair & maintenance contracts £ 000's	Other provisions £ 000's	Total £ 000's
At 1 January 2018	75,064	50,976	1,508	5,656	133,204
Additional provisions in the year	13,680	15,926	212	-	29,818
Utilisation of provision	(65,376)	(14,258)	-	(730)	(80,364)
Unwinding of discount	361	(370)	-	-	(9)
At 31 December 2018	<u>23,729</u>	<u>52,274</u>	<u>1,720</u>	<u>4,926</u>	<u>82,649</u>

21 Retirement benefit schemes

Defined contribution schemes

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £1,226,000 (2017: £1,493,000). There are no outstanding contributions at the statement of financial position date (2017: nil).

Defined benefit scheme

The Company operates a defined benefit scheme for qualifying employees. The scheme includes Mercedes-Benz Vans UK Limited, Mercedes-Benz Trucks UK Limited, Mercedes-Benz Parts Logistics UK Limited & Mercedes-Benz Retail Group UK Limited as participating employers with The Company being the "principal employer" of the scheme. The assets and liabilities are distributed between the entities with agreed allocations set by the qualified actuary.

Under the schemes, the employees are entitled to retirement benefits linked to final salary on reaching retirement age. No other post-retirement benefits are provided.

The schemes are funded multi-employer schemes for which the Company is considered to be the Sponsoring Employer. The assets of the schemes are held separately from those of the Company and a qualified actuary, on the basis of annual valuations using the projected unit method, determines contributions to the scheme. The contribution paid by the employer is affected by the existence of any surplus or deficit in the scheme. The contribution payable and charged to the profit and loss account of the participating companies for the year 2018 was £4,053,000 (2017: £2,765,000).

The estimated amounts of contributions expected to be paid to the scheme during the current financial year 2019 is £6,916,000.

The most recent actuarial valuations of the scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2018 by Mercer Limited, qualified actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

21 Retirement benefit schemes

(Continued)

	2018	2017
<i>Key assumptions</i>	%	%
Discount rate	2.90	2.60
Salary growth rate	3.00	3.35
Inflation	3.10	3.10
<i>Mortality assumptions</i>	2018	2017
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	22.9	22.9
- Females	25.4	25.4
Retiring in 20 years		
- Males	25.0	25.0
- Females	27.7	27.7
<i>Amounts recognised in the income statement</i>	2018	2017
	£ 000's	£ 000's
Current service cost	2,703	3,059
Net interest on defined benefit liability/(asset)	(1,179)	(649)
Past service cost	1,349	-
Total costs/(income)	2,873	2,410
<i>Amounts recognised in other comprehensive income</i>	2018	2017
	£ 000's	£ 000's
Actuarial changes arising from changes in demographic assumptions	14,019	-
Actuarial changes arising from changes in financial assumptions	14,064	3,554
Actuarial changes arising from experience adjustments	14,273	365
Actuarial changes related to plan assets	(24,499)	17,789
Total costs/(income)	17,857	21,708

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

21 Retirement benefit schemes

(Continued)

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	2018 £ 000's	2017 £ 000's
Fair value of plan assets	401,649	425,065
Present value of defined benefit obligations	(341,269)	(381,316)
Surplus in scheme	60,380	43,749

	2018 £ 000's	2017 £ 000's
<i>Movements in the present value of defined benefit obligations</i>		
At the beginning of the year	381,316	482,660
Transfer to other consolidated company	-	(97,980)
Current service cost	2,703	3,059
Past service cost	1,349	-
Benefits paid	(12,271)	(13,503)
Contributions from scheme members	778	744
Actuarial gains and losses	(42,355)	(3,919)
Interest cost	9,749	10,255
At the end of the year	341,269	381,316

The defined benefit obligations arise from plans which are wholly unfunded.

	2018 £ 000's	2017 £ 000's
<i>Movements in the fair value of plan assets:</i>		
At 1 January 2018	425,065	510,293
Transfer to other consolidated company	-	(103,589)
Interest income	10,928	10,904
Return on plan assets (excluding amounts included in net interest)	(24,499)	17,789
Benefits paid	(12,271)	(13,503)
Contributions by the employer	1,648	2,427
Contributions by scheme members	778	744
At 31 December 2018	401,649	425,065

The actual return on plan assets was £13,571 (2017 - £21,708):

Sensitivity of the defined benefit obligations to changes in assumptions

Scheme obligations would have been affected by changes in assumptions as follows:

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

21 Retirement benefit schemes

(Continued)

The fair value of plan assets at the reporting period end was as follows:

	2018 £ 000's	2017 £ 000's
Equity instruments	77,064	87,139
Debt instruments	315,563	332,400
Property	690	850
Other	8,332	4,676
	<u>401,649</u>	<u>425,065</u>

22 Share capital

Ordinary share capital

issued and fully paid

50,000,000 ordinary shares of £1 each

	2018 £ 000's	2017 £ 000's
	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

23 Related party transactions

During the year the Company had transactions with members of the Mercedes-Benz group which are not wholly owned:

Mercedes-Benz Grand Prix Limited

During the year the Company had income of £154,968 (2017: income of £27,839) from Mercedes-Benz Grand Prix Limited, and at the year end a balance of £7,101 was owed to (2016: £40,699 owed to) the Company.

L.S.H Autos Limited

During the year the Company had income of £13,293,821 (2017: income of £13,087,964) from L.S.H Autos Limited, and at the year end a balance of £541,372 was owed to (2017: £291,058) the Company.

Aston Martin Lagonda

During the year the Company had income of £19,054 (2017: £nil) from Aston Martin Lagonda, and at the year end a balance of £20,943 was owed to (2017: £nil) the Company.

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

24 Controlling party

The Company is a wholly owned subsidiary of Daimler UK Limited. The Company's ultimate parent undertaking and controlling party is Daimler Aktiengesellschaft which is incorporated in Germany and heads the only group in which the results of the Company are consolidated for statutory purposes. The consolidated accounts of Daimler Aktiengesellschaft are available to the public and may be obtained from their corporate website.

25 IFRS Transition

Reconciliation of equity

31 December
2017
£ 000's

Equity as previously reported	235,114
Adjustments to prior year	(287)
As restated	<u>234,827</u>

Reconciliation of profit for the financial period

2017
£ 000's

Profit as previously reported and after transition	96,868
Adjustments to prior year	(287)
As restated	<u>96,581</u>

Reconciliation of equity

	Notes	At 31 December 2017		
		Previously reported £ 000's	IFRS 15 As restated Transition £ 000's	£ 000's
Non-current assets				
Property, plant and equipment		353,470	-	353,470
Pension surplus		43,749	-	43,749
		<u>397,219</u>	<u>-</u>	<u>397,219</u>
Current assets				
Inventories		672,785	-	672,785
Trade and other receivables	c	341,402	(1,800)	339,602
Contract assets	c	-	3,308	3,308
Bank and cash		2,772	-	2,772
		<u>1,016,959</u>	<u>1,508</u>	<u>1,018,467</u>

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

25 IFRS Transition

(Continued)

	Notes	At 31 December 2017		
		Previously reported £ 000's	IFRS 15 As restated Transition £ 000's	£ 000's
Current liabilities				
Taxation and social security		7,497	-	7,497
Trade and other payables	c, d	975,885	(247,145)	728,740
Contract liabilities	c, d	-	249,008	249,008
		<u>983,382</u>	<u>1,863</u>	<u>985,245</u>
Net current assets		<u>33,577</u>	<u>(355)</u>	<u>33,222</u>
Total assets less current liabilities		<u>430,796</u>	<u>(355)</u>	<u>430,441</u>
Non-current liabilities				
Trade and other payables	d	56,575	(25,279)	31,296
Contract Liabilities	d	-	25,279	25,279
		<u>56,575</u>	<u>-</u>	<u>56,575</u>
Provisions for liabilities				
Deferred tax	c	5,903	(68)	5,835
Other provisions		133,204	-	133,204
		<u>139,107</u>	<u>(68)</u>	<u>139,039</u>
Net assets		<u>235,114</u>	<u>(287)</u>	<u>234,827</u>
Equity				
Called up share capital		50,000	-	50,000
Pension reserve		34,356	-	34,356
Retained earnings	c	150,758	(287)	150,471
Total equity		<u>235,114</u>	<u>(287)</u>	<u>234,827</u>

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

25 IFRS Transition

(Continued)

		At 31 December 2017		
		Previously reported	IFRS 15 As restated	
		£ 000's	Transition	£ 000's
Notes				
Reconciliation of profit for the financial period				
		Year ended 31 December 2017		
		Previously reported	IFRS 15	As restated
		£ 000's	Transition	£ 000's
Notes				
Revenue	a, b, c	4,949,817	25,027	4,974,844
Cost of sales	a, b, c	(4,692,926)	(21,151)	(4,714,077)
Gross profit		256,891	3,876	260,767
Distribution costs		(10,975)	-	(10,975)
Administrative expenses	a	(165,226)	(4,231)	(169,457)
Other operating income		38,600	-	38,600
Operating profit		119,290	(355)	118,935
Investment income		1,402	-	1,402
Finance costs		(1,752)	-	(1,752)
Profit before taxation		118,940	(355)	118,585
Taxation	c	(22,072)	68	(22,004)
Profit for the financial period		96,868	(287)	96,581

MERCEDES-BENZ CARS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

25 IFRS Transition

(Continued)

Notes to reconciliations

a)

Disclosure of licenses in Revenue - Licenses which have been determined to be related to a primary business activity have been reclassified to above the gross margin under IFRS 15. This has resulted in the following reclassifications:

Credit Revenue (£19,186,000), Debit CoS £14,955,000, Debit Selling Costs £4,231,000

b)

Disclosure of Vehicle Registration Income in Revenue - Vehicle Registrations which have been determined to be related to a primary business activity have been reclassified to above the gross margin under IFRS 15. This has resulted in the following reclassifications:

Credit Revenue (£7,704,000), Debit CoS £7,704,000

c)

Other Adjustments - The amount recognised as revenue for spare parts has been adjusted for expected returns under IFRS 15, which is estimated based on the historical data for specific parts types, adjusted as necessary to estimate returns for new models. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for products expected to be returned. This resulted in the following reclassifications:

Credit Deferred Tax Asset (£67,554), Credit Other non-financial assets non-current (£3,308,000), Debit Other financial assets current £1,800,000, Debit Retained Earnings £287,995, Debit Other financial liabilities current £1,670,000, Credit Contract liabilities (£3,533,000)

Other Adjustments Retained Earnings breakdown - Debit Revenue £1,863,000, Credit CoS (£1,508,000), Credit Deferred Tax Expenses (£67,554)

d)

Contract Liabilities - Under IFRS15, the provision for sales incentives was deemed to be a contract liability, rather than a provision. Accordingly, a presentational adjustment has been made to restate this provision as a contract liability. The following reclassifications were made:

Debit Deferred Income non-current £25,279,000, Credit Contract Liabilities non-current (£25,279,000), Debit Provision for sales expenses current £150,389,000, Debit Other financial liabilities current £74,359,000, Debit Other deferred income current £20,727,000, Credit Contract Liabilities current (£245,475,000)