

17th

Co. No. 1517478.

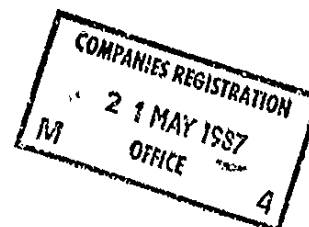
△ Touche Ross

MCLAREN INTERNATIONAL LIMITED

REPORT AND FINANCIAL STATEMENTS

31 October 1986

Touche Ross & Co.
Hill House
1 Little New Street
London
EC4A 3TR.



McLAREN INTERNATIONAL LIMITED

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2 - 3
Auditors' report	4
Profit and loss account	5
Balance sheets	6 - 7
Statement of source and application of funds	8
Statement of accounting policies	9
Notes on the financial statements	10 - 15
Audit report on additional information	16
Detailed profit and loss account	17

McLAREN INTERNATIONAL LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

M.A. Ojfeh (Chairman)
R. Dennis (Managing)
J.E. Barnard (resigned 24 October 1986)
R.J. Illman
A. Ojfeh
R. Muir (resigned 17 November 1986)
D.P. Trezise
S.C. Brown

Secretary

R.J. Illman

Registered Office

14-16 Great Portland Street,
London W.1.

Auditors

Touche Ross & Co.

MCLAREN INTERNATIONAL LIMITED

DIRECTORS' REPORT

The directors submit their report and audited financial statements for the year ended 31 October 1985.

1. RESULTS

The trading profit for the year after taxation but before extraordinary items amounted to £337,082.

2. DIVIDENDS

The directors do not recommend the payment of a dividend.

3. PRINCIPAL ACTIVITY

The company's principal activity during the year was that of participation in worldwide motor racing events.

4. REVIEW OF THE BUSINESS

The company had a successful year on the race circuit and the directors are hopeful that the results will continue at a similar level in the forthcoming year.

5. EVENTS SINCE THE END OF THE YEAR

There have been no events since the balance sheet date which affect the state of affairs shown in these financial statements.

6. DIRECTORS

The directors during the year and their interests in the share capital of the company were as follows:

	31 October 1985			1 November 1984		
	Ordinary shares			Ordinary shares		
	A	B	C	A	B	C
R. Dennis	-	20,040	-	-	20,040	-
J.E. Barnard	-	-	-	-	-	-
resigned 24 October 1986	-	-	-	-	-	-
S.C. Brown	-	-	-	-	-	-
R.J. Illman	-	-	-	-	-	-
M.A. Ojfeh (Saudi Arabia)	-	-	-	-	-	-
appointed 22 October 1984	-	-	-	-	-	-
A. Ojfeh (Saudi Arabia)	-	-	-	-	-	-
appointed 22 October 1984	-	-	-	-	-	-
R. Muir (American)	-	-	-	-	-	-
appointed 22 October 1984	-	-	-	-	-	-
resigned 17 November 1986	-	-	-	-	-	-
D.P. Trezise (American)	-	-	-	-	-	-
appointed 22 October 1984	-	-	-	-	-	-

MCLAREN INTERNATIONAL LIMITED

DIRECTORS' REPORT

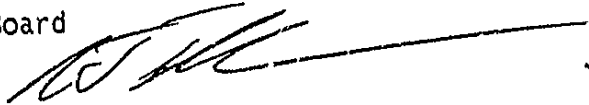
7. SUBSTANTIAL SHAREHOLDER

TAG Group SA owns 60% of the shares in the company.

8. AUDITORS

Blinkhorn Lyon Golding & Co. resigned as auditors during the year. Touche Ross & Co. were appointed to fill the casual vacancy. Touche Ross & Co. have expressed their willingness to continue in office and a resolution to appoint them will be put to the members at the annual general meeting.

By Order of the Board



R.J. ILLMAN

Secretary

25 February 1987

Touche Ross & Co.
Hill House
1 Little New Street
London EC4A 3TR
Telephone: National 01 353 8011
International +44 1 353 8011
Telex: 884739 TRLNDN G
Telecopier (Gp. 3) 01 583 8517

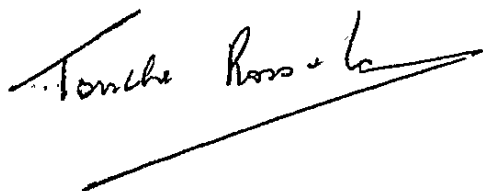
 **Touche Ross**
Chartered Accountants

McLAREN INTERNATIONAL LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 15 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 October 1985 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.



Chartered Accountants
London

25 February 1987

Aberdeen, Birmingham, Bracknell, Bristol, Cardiff, Chepstow, Crawley, Dartford, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Lutterworth, Manchester, Newcastle upon Tyne, Newport, Plymouth, Swansea, and Wolverhampton

Principal place of business at which a list of partners' names is available:
Hill House, 1 Little New Street, London EC4A 3TR

Touche Ross International

McLAREN INTERNATIONAL LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 October 1985

	Note	1985 £	1984 £
Turnover	1(e)	13,320,443	7,138,992
Cost of sales		<u>11,540,646</u>	<u>6,630,437</u>
Gross profit		1,779,797	508,555
Administrative expenses		<u>822,535</u>	<u>532,510</u>
Operating profit/(loss)		957,262	(29,955)
Other interest receivable and similar income		224,449	26,199
Amounts written off investments	2	(273,485)	(273,468)
Interest payable and similar charges	3	<u>(7,803)</u>	<u>(23,651)</u>
Profit/(loss) on ordinary activities before taxation	4	900,423	(300,875)
Tax on profit/(loss) on ordinary activities	5	<u>(563,341)</u>	<u>(7)</u>
Profit/(loss) on ordinary activities after taxation		337,082	(300,882)
Extraordinary items (1984 - surplus on disposal of freehold property)		<u>-</u>	<u>116,284</u>
		337,082	(184,598)
Profit and loss account brought forward		(372,224)	(137,576)
Capitalisation of reserves		<u>-</u>	<u>(50,050)</u>
Profit and loss account carried forward		<u>£ (35,142)</u> =====	<u>£ (372,224)</u> =====

McLAREN INTERNATIONAL LIMITED

Touche Ross

CONSOLIDATED BALANCE SHEET 31 October 1985

	Note	£	1985 £	£	1984 £
FIXED ASSETS					
Intangible assets	1(f)/6	546,968		820,453	
Tangible assets	7	1,424,211		306,699	
Investment	8	<u>50,000</u>		<u>-</u>	
			2,021,179		1,127,152
CURRENT ASSETS					
Stocks	8	470,500		634,600	
Debtors	10	1,394,609		821,084	
Cash at bank and in hand		<u>742,680</u>		<u>1,317,904</u>	
		<u>2,607,789</u>		<u>2,773,588</u>	
CRÉDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Trade creditors		837,128		3,641,994	
Amounts owed to group companies	11	911,265		-	
Other creditors including taxation and social security	12	936,069		332,824	
Accruals and deferred income		<u>1,669,498</u>		<u>247,996</u>	
		<u>4,353,960</u>		<u>4,222,814</u>	
NET CURRENT LIABILITIES			<u>(1,746,171)</u>		<u>(1,449,226)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			275,008		(322,074)
PROVISION FOR LIABILITIES AND CHARGES	13		<u>(260,000)</u>		<u>-</u>
			£ 15,008		£ (222,074)
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	14		50,150		50,150
Profit and loss account			<u>(35,142)</u>		<u>(372,224)</u>
			£ 15,008		£ (322,074)
			=====		=====

The financial statements were approved by the Board of Directors on
25 February 1987.

R. DENNIS)
R.J. ILLMAN) Directors

McLAREN INTERNATIONAL LIMITED

BALANCE SHEET
31 October 1985

	Note	£	1985 £	£	1984 £
FIXED ASSETS					
Tangible assets	7	1,424,211		306,699	
Investments	8	<u>690,052</u>		<u>912,881</u>	
			2,114,263		1,219,580
CURRENT ASSETS					
Stocks	9	470,500		634,600	
Debtors	10	1,393,769		820,244	
Cash at bank and in hand		<u>741,984</u>		<u>1,317,858</u>	
		<u>2,606,253</u>		<u>2,772,702</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Trade creditors		837,128		3,641,994	
Amounts owed to group companies	11	1,003,307		92,042	
Other creditors including taxation and social security	12	936,069		332,824	
Accruals and deferred income		<u>1,669,004</u>		<u>247,496</u>	
		<u>4,445,508</u>		<u>4,314,356</u>	
NET CURRENT LIABILITIES			(1,839,255)		(1,541,654)
TOTAL ASSETS LESS CURRENT LIABILITIES			275,008		(322,074)
PROVISION FOR LIABILITIES AND CHARGES	13		<u>(260,000)</u>		<u>—</u>
			£ 15,008		£ (322,074)
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	14		50,150		50,150
Profit and loss account			<u>(35,142)</u>		<u>(372,224)</u>
			£ 15,008		£ (322,074)
			=====		=====

The financial statements were approved by the Board of Directors on 25 February 1987.

R. DENNIS  Directors
R.J. TELMAN  Directors

McLAREN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS Year ended 31 October 1985

	1985 £	1984 £
SOURCE OF FUNDS		
Profit/(loss) on ordinary activities before taxation	900,423	(27,407)
Adjustments for items not involving the movement of funds:		
Depreciation and amortisation	359,040	50,849
Loss/(profit) on sale of tangible fixed assets	<u>1,223</u>	<u>(15,597)</u>
Total generated from operations	1,260,686	7,845
Proceeds on sale of tangible fixed assets	3,150	280,198
Increase in amounts owed to group companies	911,265	-
Decrease in stocks	164,100	-
Increase in creditors	<u>-</u>	<u>2,816,020</u>
	<u>2,339,201</u>	<u>3,104,063</u>
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	1,207,440	219,453
Tax paid	(659)	7
Increase in investments	50,000	-
Increase in stocks	-	562,000
Increase in debtors	448,066	564,317
Increase in amounts owed by group companies	125,459	-
Decrease in creditors	<u>1,084,119</u>	<u>-</u>
	<u>2,914,425</u>	<u>1,345,777</u>
(DECREASE)/INCREASE IN NET LIQUID FUNDS	<u>£ (575,224)</u>	<u>£1,758,286</u>

(Net liquid funds comprises cash at bank and in hand).

STATEMENT OF ACCOUNTING POLICIES Year ended 31 October 1985

(a) Accounting convention

The financial statements have been prepared under the historical cost convention. Where changes in presentation have been made comparatives have been adjusted accordingly.

(b) Depreciation

Depreciation is provided in equal instalments over the estimated useful life of the assets and is calculated on the cost of the assets.

The following rates are used:

Office equipment	-	15% of reducing balance
Plant and machinery	-	20% of reducing balance
Motor vehicle	-	25% of reducing balance
Leasehold premises	-	Written off over 14 years

(c) Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability will crystallise in the future.

(d) Stocks

Stocks are valued at the lower of invoiced cost and net realisable value.

(e) Turnover

Turnover represents sponsorship fees, other motor racing revenue receivable and sales by the company to outside customers excluding value added tax.

(f) Consolidation

The consolidated financial statements incorporate the financial statements of McLaren International Limited and its subsidiary Team McLaren Limited made up to 31 October 1985. Goodwill arising on consolidation is amortised over the estimated useful life of the asset and charged through the profit and loss account.

As permitted by Section 228(7) of the Companies Act 1985 the profit and loss account of the parent company is not presented. The consolidated profit for the financial year includes £334,799 (1984 - £(182,743)) which is dealt with in the financial statements of the parent company.

(g) Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling at the end of the month in which the transaction took place. Foreign currency assets and liabilities are translated into sterling at the year end rate. All foreign currency differences are dealt with through the profit and loss account.

McLAREN INTERNATIONAL LIMITED

NOTES ON THE FINANCIAL STATEMENTS
Year ended 31 October 1985

1. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1985 £	1984 £
--	-----------	-----------

Directors' emoluments:

Fees	10,000	-
Other emoluments	<u>425,166</u>	<u>118,000</u>
	<u>£435,166</u>	<u>£118,000</u>

Remuneration of the chairman	<u>£100,000</u>	<u>£ 50,000</u>
------------------------------	-----------------	-----------------

Remuneration of the highest paid director	<u>£200,000</u>	<u>£ 50,000</u>
---	-----------------	-----------------

	Number	Number
--	--------	--------

Scale of other directors' remuneration:

£ 0 - £ 5,000	-	5
£15,001 - £20,000	-	1
£35,000 - £40,000	1	-
£100,000 - £105,000	1	-
	<u>===</u>	<u>===</u>

	1985 £	1984 £
--	-----------	-----------

Employee costs during the year:

Wages and salaries	1,555,297	961,097
Social security costs	<u>95,583</u>	<u>100,687</u>
	<u>=====</u>	<u>=====</u>

	Number	Number
--	--------	--------

Average number of persons employed:

Production	66	53
Administration	<u>14</u>	<u>10</u>
	<u>===</u>	<u>===</u>

McLAREN INTERNATIONAL LIMITED

NOTES ON THE FINANCIAL STATEMENTS
Year ended 31 October 1985

2. AMOUNTS WRITTEN OFF INVESTMENTS

	1985 £	1984 £
Goodwill	£273,485 =====	£273,468 =====

3. INTEREST PAYABLE AND SIMILAR CHARGES

Bank loans, overdrafts and other loans repayable within five years	7,803 =====	23,651 =====
--	----------------	-----------------

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is after charging:

Depreciation	85,555	50,849
Auditors' remuneration	6,500	5,500
Exchange translation (gain)/loss	497,693 =====	(36,889) =====

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

Corporation tax based on the profit for the year at 42.08%	304,000	-
Adjustment in respect of earlier years	(659)	7
Deferred taxation at 35%	260,000 =====	- =====
	£563,341 =====	£ 7 =====

The tax rate is high due to the disallowance of certain items included in the profit and loss account.

6. INTANGIBLE ASSETS

	£
At 1 November 1984	820,453
Amount written off investment	273,485 =====
At 31 October 1985	546,968 =====

McLAREN INTERNATIONAL LIMITED

NOTES ON THE FINANCIAL STATEMENTS
Year ended 31 October 1985

7. TANGIBLE FIXED ASSETS

The Group and Company

	Leasehold improvements £	Plant and machinery £	Motor vehicles and aircraft £	Fixtures, fittings, tools and equipment £	Total £
COST					
At 1 November 1984	45,874	228,803	114,003	60,331	449,011
Additions	-	29,800	1,117,986	59,654	1,207,440
Disposals	-	-	(6,120)	(1,150)	(7,270)
At 31 October 1985	<u>45,874</u>	<u>258,603</u>	<u>1,225,869</u>	<u>118,835</u>	<u>1,649,181</u>
DEPRECIATION					
At 1 November 1984	12,809	84,601	21,074	23,828	142,312
Charge for the year	3,185	34,873	32,725	14,772	85,555
Disposals	-	-	(2,897)	-	(2,897)
At 31 October 1985	<u>15,994</u>	<u>119,474</u>	<u>50,902</u>	<u>38,600</u>	<u>224,970</u>
NET BOOK VALUE					
At 31 October 1985	<u>£29,880</u> =====	<u>£139,129</u> =====	<u>£1,174,967</u> =====	<u>£ 80,235</u> =====	<u>£1,424,211</u> =====
At 31 October 1984	<u>£33,065</u> =====	<u>£144,202</u> =====	<u>£ 92,929</u> =====	<u>£ 36,503</u> =====	<u>£ 306,699</u> =====

8. INVESTMENT HELD AS FIXED ASSETS

	<u>The Group</u>		<u>The Company</u>	
	1985 £	1984 £	1985 £	1984 £
Shares in group companies:				
Cost	-	-	1,477,473	1,427,473
Less: Amortisation	-	-	<u>787,421</u>	<u>514,592</u>
	<u>£ -</u> =====	<u>£ -</u> =====	<u>£ 690,052</u> =====	<u>£ 912,881</u> =====

The company owns 100% of the issued share capital of Team McLaren Limited, a non-trading company incorporated in Great Britain. The goodwill portion of the cost of shares will be written off in equal annual instalments over the next two years ie. by 31 October 1987.

Team McLaren Limited owns 100% of the issued share capital of Woodhurst Equipments Limited, a non-trading company incorporated in Great Britain. The value of this investment has been written off.

Included in investments is a loan to Grand Prix Engineering Services Limited of £50,000.

McLAREN INTERNATIONAL LIMITED

NOTES ON THE FINANCIAL STATEMENTS Year ended 31 October 1985

9. STOCKS - Group and Company

	1985 £	1984 £
Raw materials and consumables	£470,500 =====	£634,600 =====

The replacement cost of each category of stocks is as follows:

Raw materials and consumables	£1,570,200 =====	£936,600 =====
-------------------------------	---------------------	-------------------

10. DEBTORS

	1985		1984	
	Group £	Company £	Group £	Company £
Trade debtors	1,078,946	1,078,946	735,742	745,742
Amounts owed by group companies:				
Ultimate holding company	52,459	52,459	-	-
Other debtors	154,336	153,496	72,036	71,196
Prepayments and accrued income	108,868	108,868	13,306	13,306
	£1,394,609 =====	£1,393,769 =====	£821,084 =====	£820,244 =====

11. AMOUNTS OWED TO GROUP COMPANIES

	The Group		The Company	
	1985 £	1984 £	1985 £	1984 £
Due to subsidiary	-	-	92,042	92,042
Due to ultimate holding company	80,000	-	80,000	-
Due to fellow subsidiaries	831,265	-	831,265	-
	£911,265 =====	£- =====	£1,003,307 =====	£92,042 =====

McLAREN INTERNATIONAL LIMITED

NOTES ON THE FINANCIAL STATEMENTS
Year ended 31 October 1985

12. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

The Group and Company
1985 1984
£ £

This heading includes:

Taxation and social security

£694,038 £332,824
=====

13. PROVISIONS FOR LIABILITIES AND CHARGES

The amounts of deferred tax provided and unprovided in the financial statements:

	The Group and Company			
	Provided		Unprovided	
	1985	1984	1985	1984
	£	£	£	£
Capital allowances in excess of depreciation	260,000	-	-	103,455
Other	-	-	-	8,172
	260,000	-	-	111,627
Less: trading losses carried forward	-	-	-	(26,914)
	£260,000	£ -	£ -	£ 84,713
	=====	=====	=====	=====

14. CALLED UP SHARE CAPITAL

1985 1984
£ £

Authorised, allotted and fully paid ordinary shares of £1 each:

A shares
B shares
C shares

30,060 30,060
20,040 20,040
50 50
£50,150 £50,150
=====

15. CAPITAL COMMITMENTS

1985 1984
£ £

Contracted for but not provided in the financial statements

- -
=====

Authorised but not yet contracted for

1,793,000 -
=====

MCLAREN INTERNATIONAL LIMITED

NOTES ON THE FINANCIAL STATEMENTS Year ended 31 October 1985

16. POST BALANCE SHEET EVENT

On 1 November 1985 the company acquired 55% of the issued share capital of Grand Prix Engineering Services Limited. The company lent £50,000 to Grand Prix Engineering Services Limited during the year, which was capitalised after the year end.

17. ULTIMATE HOLDING COMPANY

TAG Group SA own 60% of the issued share capital of the company and is incorporated in Luxembourg.