

**Touche
Ross**

Deloitte Touche
Tohmatsu
International



Company Registration No. 1517478

McLAREN INTERNATIONAL LIMITED

Report and Financial Statements

31 October 1994

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



REPORT AND FINANCIAL STATEMENTS 1994

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**REPORT AND FINANCIAL STATEMENTS 1994****OFFICERS AND PROFESSIONAL ADVISERS****DIRECTORS**

MA Ojeh (Saudi Arabian) (Chairman)
R Dennis (Managing)
RJ Illman
M Whitmarsh
A Ojeh (Saudi Arabian)
DP Trezise (American)
SC Brown (resigned 1 February 1994)
IG Murray (resigned 1 February 1994)

SECRETARY

RJ Illman

REGISTERED OFFICE

Woking Business Park
Albert Drive
Woking
Surrey
GU21 5JY

AUDITORS

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

DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements for the year ended 31 October 1994.

PRINCIPAL ACTIVITY

The company's principal activity during the year was that of participating in Formula One motor racing events throughout the world.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The directors anticipate that the current profit level will continue for the foreseeable future.

RESULTS

The profit for the year after taxation amounted to £7,357,646 (1993 loss - £1,168,995).

FIXED ASSETS

The company's policy is to ensure that fixed assets are both available and appropriate to the needs of a Formula One Racing Team.

DIVIDENDS AND TRANSFER TO RESERVES

The directors do not propose to recommend a dividend accordingly the profit of £7,357,646 (1993 - loss £1,168,995) is transferred to reserves.

DIRECTORS

The membership of the Board is as set out on page 1.

None of the directors had any interests in the shares of the company during the year. Their interests in the parent company, TAG McLaren Holdings Limited, are shown in the accounts of that company. The directors had no interests in any other group company incorporated in Great Britain.

AUDITORS

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Secretary

29 August 1995

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those 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 accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. 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.



Chartered Accountants

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McLAREN INTERNATIONAL LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 October 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

29 August 1995


PROFIT AND LOSS ACCOUNT
Year ended 31 October 1994

	Note	1994 £	1993 £
TURNOVER - continuing operations	1	45,257,219	45,033,707
Cost of sales		(24,358,727)	(37,795,336)
Gross profit		20,898,492	7,238,371
Administrative expenses		(9,335,206)	(8,842,754)
OPERATING PROFIT/(LOSS)			
- continuing operations		11,563,286	(1,604,383)
Other interest receivable and similar income		189,737	341,829
Provision against inter company loans		(157,348)	(35,950)
Interest payable and similar charges	3	(438,462)	(460,395)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4	11,157,213	(1,758,899)
Tax (charge)/credit on profit/(loss) on ordinary activities	5	(3,799,567)	589,904
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		7,357,646	(1,168,995)
Profit and loss account brought forward		(704,557)	464,438
Profit and loss account carried forward		6,653,089	(704,557)

The company has no recognised gains or losses other than the profit for the current year and the loss for the preceding year.



BALANCE SHEET
31 October 1994

	Note	1994	1993
		£	£
FIXED ASSETS			
Tangible assets	6	8,409,840	8,680,769
Investments	7	8,029,404	7,087,696
		<u>16,439,244</u>	<u>15,768,465</u>
CURRENT ASSETS			
Stocks	8	158,700	752,855
Debtors	9	11,288,663	8,345,766
Cash at bank and in hand		394,285	1,395,887
		<u>11,841,648</u>	<u>10,494,508</u>
CREDITORS: amounts falling due within one year			
Bank loans and overdrafts		1,106,311	1,578,314
Trade creditors		1,184,467	1,960,941
Amounts owed to group companies	10	1,037,471	3,422,393
Other creditors including taxation and social security	11	5,128,562	1,565,311
Accruals and deferred income		8,506,935	13,792,358
		<u>16,963,746</u>	<u>22,319,317</u>
NET CURRENT LIABILITIES		<u>(5,122,098)</u>	<u>(11,824,809)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,317,146</u>	<u>3,943,656</u>
CREDITORS: amounts falling due after more than one year	12	(4,000,000)	(4,000,000)
PROVISIONS FOR LIABILITIES AND CHARGES	13	<u>(613,907)</u>	<u>(598,063)</u>
		<u>6,703,239</u>	<u>(654,407)</u>
CAPITAL AND RESERVES			
Called up share capital	14	50,150	50,150
Profit and loss account		6,653,089	(704,557)
EQUITY SHAREHOLDERS' FUNDS		<u>6,703,239</u>	<u>(654,407)</u>

These financial statements were approved by the Board of Directors on *29 August* 1995

Signed on behalf of the Board of Directors

Director

NOTES TO THE ACCOUNTS
Year ended 31 October 1994

1. ACCOUNTING POLICIES

The comparatives for the prior year for investments (note 7) and provisions for liabilities and charges (note 13) have been restated to reflect the provisions against inter company loans being set off against the value held in investments.

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Depreciation

Depreciation is provided in equal annual instalments over the estimated useful lives of the assets at the following rates:

Fixtures, fittings, tools and equipment	20% of reducing balance
Plant and machinery	20% of reducing balance
Motor vehicles	25% of reducing balance
Leasehold premises and improvements	Written off over the life of the lease

Historic cars are not depreciated. No depreciation is provided until the assets are brought into use.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing 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.

Stocks

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

Turnover

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

Foreign currency

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

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Fixed asset investments

The investments are unlisted and are stated at cost less any provision for permanent diminution in value.



NOTES TO THE ACCOUNTS

Year ended 31 October 1994

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1994	1993
	£	£
Directors' emoluments		
Fees	-	-
Other emoluments	1,372,353	1,076,246
	<u>1,372,353</u>	<u>1,076,246</u>
Remuneration of the chairman	400	-
Remuneration of the highest paid director	<u>839,881</u>	<u>595,803</u>
Scale of other directors' remuneration	No.	No
£ 0 - £ 5,000	3	3
£ 15,001 - £ 20,000	1	1
£ 210,001 - £ 215,000	-	1
£ 230,001 - £ 235,000	1	-
£ 250,001 - £ 255,000	-	1
£ 290,001 - £ 295,000	1	-
	<u>1</u>	<u>-</u>
Employee costs during the year	£	£
(including directors)		
Wages and salaries	8,825,143	8,261,001
Social security costs	<u>895,197</u>	<u>857,570</u>
Average number of persons employed	No.	No
Production	173	169
Administration	<u>76</u>	<u>70</u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

	1994	1993
	£	£
Bank loans, overdrafts and other loans repayable within five years	<u>438,462</u>	<u>460,395</u>



NOTES TO THE ACCOUNTS
Year ended 31 October 1994

4. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	1994 £	1993 £
Profit/(loss) on ordinary activities before taxation is after charging/(crediting):		
Research and development	997,491	1,143,455
Depreciation	1,290,675	1,359,454
Auditors' remuneration:		
- audit	11,758	11,198
- other services	26,200	20,422
Exchange translation (gain)/loss	(154,198)	(178,564)
Other operating leases	696,150	611,000

5. TAX (CHARGE)/CREDIT ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1994 £	1993 £
United Kingdom corporation tax at 33% (1993 - 33%) based on the profit/(loss) for the year	3,657,562	(435,515)
Group relief	109,766	(123,579)
Deferred taxation	595	46,893
Overseas taxation	43,630	59,716
Adjustment in respect of prior years:		
- corporation tax	(27,235)	(126,589)
- deferred tax	15,249	(10,830)
	<u>3,799,567</u>	<u>(589,904)</u>

6. TANGIBLE FIXED ASSETS

	Leasehold premises and improvements £	Plant and machinery £	Motor vehicles and historic cars £	Fixtures, fittings, tools and equipment £	Total £
Cost					
At 1 November 1993	3,011,619	2,611,934	3,105,997	5,672,316	14,401,866
Additions	119,243	176,933	237,809	583,898	1,117,883
Disposals	-	(2,300)	(228,426)	(13,278)	(244,004)
At 31 October 1994	<u>3,130,862</u>	<u>2,786,567</u>	<u>3,115,380</u>	<u>6,242,936</u>	<u>15,275,745</u>
Accumulated depreciation					
At 1 November 1993	576,931	1,389,334	714,855	3,039,977	5,721,097
Charge for the year	179,257	259,808	268,004	583,606	1,290,675
Disposals	-	-	(145,867)	-	(145,867)
At 31 October 1994	<u>756,188</u>	<u>1,649,142</u>	<u>836,992</u>	<u>3,623,583</u>	<u>6,865,905</u>
Net book value					
At 31 October 1994	<u>2,374,674</u>	<u>1,137,425</u>	<u>2,278,388</u>	<u>2,619,353</u>	<u>8,409,840</u>
At 31 October 1993	<u>2,434,688</u>	<u>1,222,600</u>	<u>2,391,142</u>	<u>2,632,339</u>	<u>8,680,769</u>

Historic cars are not depreciated. Their gross cost at 31 October 1994 is £1,347,590 (1993 - £1,297,333).


NOTES TO THE ACCOUNTS
Year ended 31 October 1994
7. INVESTMENTS HELD AS FIXED ASSETS

	1994 £	1993 £
Shares in group companies	5,923,646	5,923,646
Loans to group companies due after more than one year	2,105,758	1,164,050
	<u>8,029,404</u>	<u>7,087,696</u>

	Shares in group companies £
At 1 November 1993	5,923,646
Additions in year	-
At 31 October 1994	<u>5,923,646</u>

Subsidiaries are:

Name	Activity	Holding	Country of incorporation
Lydden Circuit Limited	Race track	100%	Great Britain
Team McLaren Limited	Dormant	100%	Great Britain
Woodhurst Equipments Limited	Dormant	100%	Great Britain
Grand Prix Engineering Services Limited	Engineering	100%	Great Britain

All subsidiaries are registered in England and Wales. Consolidated accounts have not been prepared as the company is a wholly owned subsidiary of a company registered in England and Wales.

The £2,299,056 (1993 - £1,200,000) of loans to group companies is made up of a £796,380 (1993 - £600,000) loan due after more than one year to McLaren Cars Limited, interest borne at 1% above Barclays Bank PLC base rate per annum, and a £600,000 (1993 - £600,000) loan due after more than one year to TAG Electronic Systems Limited (no interest borne). During the year a new loan was made to TAG McLaren GT Limited of £902,676 (no interest borne).

These loans are shown in investments to reflect their long term nature and net of provisions of £193,298 (1993 - £35,950).

8. STOCKS

	1994 £	1993 £
Raw materials and consumables	<u>158,700</u>	<u>752,855</u>
The replacement cost of stocks	<u>2,440,000</u>	<u>3,414,555</u>



NOTES TO THE ACCOUNTS
Year ended 31 October 1994

9. DEBTORS

	1994 £	1993 £
Trade debtors	1,041,435	955,520
Amounts owed by immediate parent company	717,807	87,707
Amounts owed by subsidiaries:		
- amounts falling due within one year	-	6,000
- amounts falling due after more than one year	-	179,906
Amounts owed by fellow subsidiaries	4,169,552	691,941
Other debtors	2,439,567	3,205,755
Prepayments and accrued income	2,920,302	3,218,937
	<u>11,288,663</u>	<u>8,345,766</u>

10. AMOUNTS OWED TO GROUP COMPANIES

	1994 £	1993 £
Owed to subsidiaries	316,508	316,382
Owed to fellow subsidiaries	720,963	3,106,011
	<u>1,037,471</u>	<u>3,422,393</u>

11. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1994 £	1993 £
This heading comprises:		
Taxation and social security	5,128,562	1,565,311
	<u>5,128,562</u>	<u>1,565,311</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1994 £	1993 £
Bank loans	4,000,000	4,000,000
	<u>4,000,000</u>	<u>4,000,000</u>

The bank loan of £4,000,000 is secured by a legal mortgage over the entire share capital of Lydden Circuit Limited.



NOTES TO THE ACCOUNTS
Year ended 31 October 1994

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 1 November 1993 £	Charged to profit and loss account £	Adjustment in respect of prior years £	Balance at 31 October 1994 £
Deferred taxation	598,063	595	15,249	613,907

The amounts of deferred tax provided in the accounts are:

	1994 £	1993 £
Deferred taxation:		
Capital allowances in excess of depreciation	562,972	598,063
Other timing differences	50,935	-
	<u>613,907</u>	<u>598,063</u>

There are no unprovided deferred tax liabilities.

14. CALLED UP SHARE CAPITAL

	1994 £	1993 £
Authorised, allotted and fully paid ordinary shares of £1 each:		
30,090 'A' shares	30,090	30,090
20,060 'B' shares	20,060	20,060
	<u>50,150</u>	<u>50,150</u>

15. OPERATING LEASE COMMITMENTS

At 31 October 1994 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings £
Leases which expire:	
Within one year	-
Within 2 to 5 years	29,200
After 5 years	<u>604,800</u>



NOTES TO THE ACCOUNTS
Year ended 31 October 1994

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1994 £	1993 £
Profit/(loss) for the financial year	7,357,646	(1,168,995)
Net increase/(reduction) in shareholders' funds	7,357,646	(1,168,995)
Opening shareholders' funds	(654,407)	514,588
Closing shareholders' funds	<u>6,703,239</u>	<u>(654,407)</u>

17. PARENT COMPANY

In the opinion of the directors, the company's ultimate parent company is TAG Group SA, a company incorporated in Luxembourg. This is also the parent undertaking of the largest group which includes the company and for which group accounts are prepared. The parent undertaking of the smallest such group is TAG McLaren Holdings Limited, a company registered in England and Wales. Copies of the group financial statements of TAG Group SA are available from TAG Group SA 41, Boulevard du Prince Henri, L-1724-Luxembourg. Copies of the group financial statements of TAG McLaren Holdings Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.