

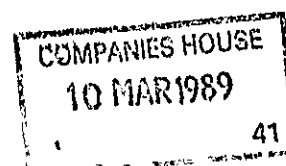
G No
1517478

McLAREN INTERNATIONAL LIMITED

REPORT AND FINANCIAL STATEMENTS

31 October 1987

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



McLAREN INTERNATIONAL LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

M.A. Ojje (Chairman)
R. Dennis (Managing)
R.J. Illman
A. Ojje
D.P. Trezise
S.C. Brown
I.G. Murray

Secretary

R.J. Illman

Registered Office

Woking Business Park
Albert Drive
Woking
Surrey
GU21 5JY

Auditors

Touche Ross & Co.
Chartered Accountants

McLAREN INTERNATIONAL LIMITED

DIRECTORS' REPORT

The directors submit their report and audited financial statements for the year ended 31 October 1987.

1. RESULTS

The trading loss for the year after taxation amounted to £1,817,667.

2. DIVIDENDS

The directors do not recommend the payment of a dividend accordingly the loss for the year of £1,817,667 has been transferred to reserves.

3. PRINCIPAL ACTIVITY

The company moved to new premises during the year, but due to careful planning was still able to gain 3 Grand Prix wins. The loss incurred by the company reflects the high costs in achieving success.

4. REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company had a successful year on the race track, but incurred many financial costs in achieving it.

The directors are optimistic that the company will have another successful year on the race track in 1988 but will again incur many financial costs in achieving it.

5. DIRECTORS

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

	31 October 1987			1 November 1986		
	Ordinary shares			Ordinary shares		
	A	B	C	A	B	C
R. Dennis	-	20,040	-	-	20,040	-
S.C. Brown	-	-	-	-	-	-
R.J. Illman	-	-	-	-	-	-
M.A. Ojje (Saudi Arabian)	-	-	-	-	-	-
A. Ojje (Saudi Arabian)	-	-	-	-	-	-
D.P. Trezise (American)	-	-	-	-	-	-
R. Muir (American) resigned	-	-	-	-	-	-
17 November 1986	-	-	-	-	-	-
I.G. Murray	-	-	-	-	-	-

McLAREN INTERNATIONAL LIMITED

DIRECTORS' REPORT

6. AUDITORS

Touche Ross & Co. have expressed their willingness to continue in office and a resolution to re-appoint them will be put to the members at the Annual General Meeting.

By Order of the Board

Secretary



3.3.84

Touche Ross & Co
33-34 Chancery Lane
London WC2A 1EW
Telephone: National 01 405 8799
International +44 1 405 8799
Telex: 251296 TRCHAN G
Telecopier (Gp. 3): 01 831 2628

 **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 1987 and of the loss and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.



Chartered Accountants
London

3 March 1988

Partners acting as receivers contract without personal liability

Aberdeen, Birmingham, Bracknell, Bristol, Cardiff, Chepstow, Crawley, Dartford, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes, Newcastle upon Tyne, Newport, 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

Authorised by the Institute of Chartered Accountants in England and Wales
to carry on investment business

McLAREN INTERNATIONAL LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 October 1987

	Note	1987 £	1986 £
Turnover		13,715,918	13,922,489
Cost of sales		<u>12,395,855</u>	<u>12,922,627</u>
Gross profit		1,320,063	999,862
Administrative expenses		<u>3,244,159</u>	<u>1,813,538</u>
Operating loss		(1,924,096)	(813,676)
Other interest receivable and similar income		69,784	136,356
Amounts written off goodwill	5	(273,484)	(273,484)
Interest payable and similar charges	2	<u>(10,871)</u>	<u>(9,489)</u>
Loss on ordinary activities before taxation	3	(2,138,667)	(960,293)
Tax credit on loss on ordinary activities	4	<u>321,000</u>	<u>243,000</u>
Loss on ordinary activities after taxation		(1,817,667)	(717,293)
Profit and loss account brought forward		<u>(752,435)</u>	<u>(35,142)</u>
Profit and loss account carried forward		<u>£(2,570,102)</u>	<u>£ (752,435)</u>

McLAREN INTERNATIONAL LIMITED

CONSOLIDATED BALANCE SHEET 31 October 1987

	Note	£	1987 £	£	1986 £
FIXED ASSETS					
Intangible assets	5	-		273,484	
Tangible assets	6	<u>4,299,102</u>		<u>3,429,044</u>	
			4,299,102		3,702,528
CURRENT ASSETS					
Stocks	8	120,950		539,100	
Debtors	9	703,502		1,358,277	
Cash at bank and in hand		<u>437,108</u>		<u>501,114</u>	
		<u>1,261,560</u>		<u>2,398,491</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Bank loans and overdrafts		11,220		6,640	
Trade creditors		748,231		1,445,519	
Amounts owed to group companies	10	2,834,245		2,778,821	
Other creditors including taxation and social security	11	547,566		330,958	
Accruals and deferred income		<u>2,939,352</u>		<u>1,920,366</u>	
		<u>(7,080,614)</u>		<u>6,482,304</u>	
NET CURRENT LIABILITIES			(5,819,054)		(4,083,813)
TOTAL ASSETS LESS CURRENT LIABILITIES			(1,519,952)		(381,285)
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Amounts owed to group company	12		(1,000,000)		-
PROVISION FOR LIABILITIES AND CHARGES	13		-		(321,000)
			£(2,519,952)		£ (702,285)
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	14		50,150		50,150
Profit and loss account	15		<u>(2,570,102)</u>		<u>(752,435)</u>
			£(2,519,952)		£ (702,285)
			=====		=====

The financial statements were approved by the Board of Directors on 3.3.88

Directors

MCLAREN INTERNATIONAL LIMITED

BALANCE SHEET 31 October 1987

	Note	£	1987 £	£	1986 £
FIXED ASSETS					
Tangible assets	6	4,277,330		3,405,277	
Investments	7	<u>94,710</u>		<u>368,745</u>	
			4,372,040		3,774,022
CURRENT ASSETS					
Stocks	8	120,200		538,600	
Debtors	9	689,941		1,370,716	
Cash at bank and in hand		<u>436,334</u>		<u>500,156</u>	
		<u>1,246,475</u>		<u>2,409,472</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Trade creditors		726,471		1,441,668	
Amounts owed to group companies	10	2,926,287		2,871,764	
Other creditors including taxation and social security	11	545,908		330,264	
Accruals and deferred income		<u>2,938,163</u>		<u>1,918,450</u>	
		<u>7,136,829</u>		<u>6,562,146</u>	
NET CURRENT LIABILITIES			(5,890,354)		(4,152,674)
TOTAL ASSETS LESS CURRENT LIABILITIES			(1,518,314)		(378,652)
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Amounts owed to group company 12			(1,000,000)		-
PROVISIONS FOR LIABILITIES AND CHARGES					
	13				(321,000)
			£(2,518,314)		£ (699,652)
CAPITAL AND RESERVES					
Called up share capital	14		50,150		50,150
Profit and loss account	15		<u>(2,568,464)</u>		<u>(749,802)</u>
			£(2,518,314)		£ (699,652)

The financial statements were approved by the Board of Directors on 3.3.88

Directors

0405

MCLAREN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS Year ended 31 October 1987

	1987 £	1986 £
TOTAL ABSORBED FROM OPERATIONS		
Loss on ordinary activities before taxation	2,138,667	960,293
Adjustments for items not involving the movement of funds:		
Depreciation and write off of goodwill	(857,274)	(616,656)
Profit on sale of tangible fixed assets	<u>41,219</u>	<u>14,506</u>
Total absorbed from operations	1,322,612	358,143
SOURCES OF FUNDS		
Tax recoverable	-	304,000
Decrease in debtors	654,775	36,332
Proceeds on sale of tangible fixed assets	206,347	16,000
Increase in amounts owed to group companies	55,424	1,867,556
Decrease in stocks	418,150	-
Increase in trade and other creditors	538,306	254,148
Decrease in investments	-	50,000
Increase in long term loans	<u>1,000,000</u>	<u>-</u>
	<u>1,550,390</u>	<u>2,169,893</u>
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	1,618,976	2,349,499
Increase in stocks	<u>-</u>	<u>68,600</u>
	<u>1,618,976</u>	<u>2,418,099</u>
DECREASE IN NET LIQUID FUNDS	<u>£ 68,586</u>	<u>£ 248,206</u>

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

McLAREN INTERNATIONAL LIMITED

STATEMENT OF ACCOUNTING POLICIES Year ended 31 October 1987

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(b) Depreciation

Depreciation is provided in equal 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 and aircraft	-	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.

(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 group to outside customers excluding value added tax.

(f) Consolidation

The consolidated financial statements incorporate the financial statements of McLaren International Limited and its subsidiaries Team McLaren Limited and Grand Prix Engineering Services Limited made up to 31 October 1987. 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 loss for the financial year includes a loss of £1,818,662 (1986 loss - £714,660) 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 1987

1. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1987 £	1986 £
Directors' emoluments:		
Fees	-	-
Other emoluments	<u>497,581</u>	<u>260,970</u>
	<u>£497,581</u>	<u>£260,970</u>
Remuneration of the chairman	£ -	£ -
Remuneration of the highest paid director	<u>£156,640</u>	<u>£100,000</u>
Scale of other directors' remuneration:	Number	Number
£ 0 - £ 5,000	4	5
£ 35,000 - £ 40,000	-	1
£ 50,000 - £ 55,000	1	-
£100,000 - £105,000	-	1
£125,000 - £130,000	1	-
	<u>===</u>	<u>===</u>
Employee costs during the year:	1987 £	1986 £
Wages and salaries	1,869,790	1,636,240
Social security costs	<u>219,046</u>	<u>128,855</u>
Average number of persons employed:	Number	Number
Production	93	70
Administration	<u>22</u>	<u>17</u>
	<u>===</u>	<u>===</u>

McLAREN INTERNATIONAL LIMITED

NOTES ON THE FINANCIAL STATEMENTS Year ended 31 October 1987

2. INTEREST PAYABLE AND SIMILAR CHARGES

	1987 £	1986 £
Bank loans, overdrafts and other loans repayable within five years	10,871 =====	9,489 =====

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before
taxation is after charging:

	1987 £	1986 £
Depreciation	583,790	343,172
Auditors' remuneration	6,515	6,500
Exchange translation loss/(gain)	172,482 =====	(117,139) =====

4. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	1987 £	1986 £
Deferred taxation - current year	-	-
- prior years - credit	321,000	243,000
	£321,000 =====	£243,000 =====

The group has losses of approximately £1,116,000 (1986 - £64,000) (company £998,000) (1986 £Nil) available for use against future profits subject to agreement with the Inland Revenue.

5. INTANGIBLE ASSETS - GOODWILL

	£	£
At 1 November 1986	273,484	546,968
Amount written off	(273,484)	(273,484)
At 31 October 1987	£ - =====	£273,484 =====

McLAREN INTERNATIONAL LIMITED

NOTES ON THE FINANCIAL STATEMENTS Year ended 31 October 1987

6. TANGIBLE FIXED ASSETS

	Leasehold premises and improvements £	Plant and machinery £	Motor vehicles, historic cars and aircraft £	Fixtures, fittings, tools and equipment £	Total £
<u>The Group</u>					
COST					
At 1 November 1986	717,017	484,277	1,442,671	1,347,715	3,991,680
Additions	199,916	246,408	525,864	646,788	1,613,976
Disposals	(50,524)	(11,350)	(145,442)	(19,000)	(226,316)
At 31 October 1987	<u>866,409</u>	<u>719,335</u>	<u>1,823,093</u>	<u>1,975,503</u>	<u>5,384,340</u>
DEPRECIATION					
At 1 November 1986	19,179	148,460	342,636	52,361	562,636
Charge for the year	41,804	89,161	111,694	341,131	583,790
Disposals	(21,037)	-	(40,151)	-	(61,188)
At 31 October 1987	<u>39,946</u>	<u>237,621</u>	<u>414,179</u>	<u>393,492</u>	<u>1,085,238</u>
NET BOOK VALUE					
At 31 October 1987	£826,463 =====	£481,714 =====	£1,408,914 =====	£1,582,011 =====	£4,299,102 =====
At 31 October 1986	£697,838 =====	£335,817 =====	£1,100,035 =====	£1,295,354 =====	£3,429,044 =====
<u>The Company</u>					
COST					
At 1 November 1986	702,118	476,983	1,440,671	1,346,205	3,965,977
Additions	199,916	244,771	524,664	646,203	1,615,554
Disposals	(50,524)	(11,350)	(145,442)	(19,000)	(226,316)
At 31 October 1987	<u>851,510</u>	<u>710,404</u>	<u>1,819,893</u>	<u>1,973,408</u>	<u>5,355,215</u>
DEPRECIATION					
At 1 November 1986	19,179	147,299	342,092	52,130	560,700
Charge for the year	38,052	88,116	111,331	340,874	578,373
Disposals	(21,037)	-	(40,151)	-	(61,188)
At 31 October 1987	<u>36,194</u>	<u>235,415</u>	<u>413,272</u>	<u>393,004</u>	<u>1,077,885</u>
NET BOOK VALUE					
At 31 October 1987	815,316 =====	474,989 =====	1,406,621 =====	1,580,404 =====	4,277,330 =====
At 31 October 1986	682,939 =====	329,684 =====	1,098,579 =====	1,294,075 =====	3,405,277 =====

MCLAREN INTERNATIONAL LIMITED

NOTES ON THE FINANCIAL STATEMENTS Year ended 31 October 1987

7. INVESTMENTS HELD AS FIXED ASSETS

	1987 £	1986 £
Shares in group companies:		
Cost	1,478,023	1,478,023
Less: Amortisation and provisions	<u>1,383,313</u>	<u>1,109,278</u>
	£ 94,710	£ 368,745
	=====	=====

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 has been written off from the date of purchase to 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.

The company owns 55% of Grand Prix Engineering Services Limited, a company engaged in the restoration of historic racing cars, which is incorporated in Great Britain.

8. STOCKS

	1987		1986	
	Group £	Company £	Group £	Company £
Raw materials and consumables	<u>120,950</u>	<u>120,200</u>	<u>539,100</u>	<u>538,600</u>
The replacement cost of each category of stocks	<u>2,095,700</u>	<u>2,094,700</u>	<u>2,251,400</u>	<u>2,250,700</u>

9. DEBTORS

	1987		1986	
	Group £	Company £	Group £	Company £
Trade debtors	245,331	243,939	883,849	857,758
Amounts owed by subsidiaries	-	-	-	24,323
Amounts owed by fellow subsidiaries	64,010	61,421	66,167	89,167
Other debtors	299,025	298,090	158,270	149,477
Prepayments and accrued income	<u>95,136</u>	<u>86,491</u>	<u>249,991</u>	<u>249,991</u>
	£703,502	£689,941	£1,358,277	£1,370,716
	=====	=====	=====	=====

McLAREN INTERNATIONAL LIMITED

NOTES ON THE FINANCIAL STATEMENTS Year ended 31 October 1987

10. AMOUNTS OWED TO GROUP COMPANIES

	1987		1986	
	Group £	Company £	Group £	Company £
Owed to subsidiaries	-	92,042	-	92,943
Owed to fellow subsidiaries	<u>2,834,245</u>	<u>2,834,245</u>	<u>2,778,821</u>	<u>2,778,821</u>
	<u>£2,834,245</u>	<u>£2,926,287</u>	<u>£2,778,821</u>	<u>£2,871,764</u>

11. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1987		1986	
	Group	Company	Group	Company
This heading includes:				
Taxation and social security	<u>£62,454</u>	<u>£62,454</u>	<u>£330,958</u>	<u>£330,264</u>

12. AMOUNTS OWED TO GROUP COMPANIES

The loan is repayable on 30 September 1992. The loan bears interest at 10% per annum.

13. PROVISIONS FOR LIABILITIES AND CHARGES

No provision has been made in the financial statements for deferred tax as in the opinion of the directors no deferred tax is likely to arise in the foreseeable future.

14. CALLED UP SHARE CAPITAL

	1987 £	1986 £
Authorised, allotted and fully paid ordinary shares of £1 each:		
A shares	30,060	30,060
B shares	20,040	20,040
C shares	<u>50</u>	<u>50</u>
	<u>£50,150</u>	<u>£50,150</u>

McLAREN INTERNATIONAL LIMITED

NOTES ON THE FINANCIAL STATEMENTS Year ended 31 October 1987

15. STATEMENT OF MOVEMENT ON RESERVES

	Group Profit and loss account £	Company Profit and loss account £
Balance at 1 November 1986	(752,435)	(749,802)
Loss for the year	<u>(1,817,667)</u>	<u>(1,818,652)</u>
Balance at 31 October 1987	<u>£(2,570,102)</u>	<u>£(2,568,464)</u>

16. ULTIMATE HOLDING COMPANY

TAG Group SA, which is incorporated in Luxembourg, owns 60% of the issued share capital of the company.