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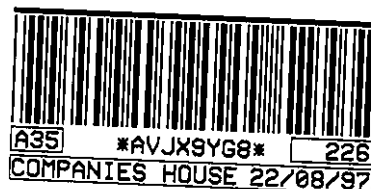
Company Registration No. 1517478

McLAREN INTERNATIONAL LIMITED

Report and Financial Statements

31 October 1996

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**



**REPORT AND FINANCIAL STATEMENTS 1996**

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REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

MA Ojeh (Saudi Arabian) (Chairman)
R Dennis (Managing)
RJ Illman
M Whitmarsh
A Ojeh (Saudi Arabian)
DP Trezise (American)

SECRETARY

RJ Illman

REGISTERED OFFICE

Woking Business Park
Albert Drive
Woking
Surrey
GU21 5JY

AUDITORS

Deloitte & Touche
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 1996.

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 are pleased with the company's performance and anticipate that the current profit level will continue for the foreseeable future.

RESULTS

The profit for the year after taxation amounted to £3,741,332 (1995 - £2,726,728).

SUPPLIERS

It is the company's policy to pay suppliers as the debt falls due under the terms of trade agreed with the individual supplier.

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 propose a dividend for the year ended 31 October 1996 of £1,386,200 (1995 - £1,536,699). The retained profit for the year of £2,355,132 (1995 £1,190,029) has been transferred to reserves.

DIRECTORS

The membership of the Board is as set out on page 1. The directors served throughout the year.

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

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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

Secretary

21 August 1997

**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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Hill House
1 Little New Street
London EC4A 3TR

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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 1996 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

27 August 1997


PROFIT AND LOSS ACCOUNT
Year ended 31 October 1996

	Note	1996 £	1995 £
TURNOVER - continuing operations	1	48,532,476	48,426,776
Cost of sales		(30,520,438)	(28,896,087)
Gross profit		18,012,038	19,530,689
Administrative expenses		(13,073,341)	(14,005,690)
OPERATING PROFIT- continuing operations		4,938,697	5,524,999
Other interest receivable and similar income	3	1,159,554	743,550
Interest payable and similar charges	4	(205,993)	(285,110)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	5,892,258	5,983,439
Tax on profit on ordinary activities	6	(2,150,926)	(3,256,711)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,741,332	2,726,728
Dividends	7	(1,386,200)	(1,536,699)
Retained profit for the financial year		2,355,132	1,190,029
Profit and loss account brought forward		7,843,118	6,653,089
Profit and loss account carried forward		<u>10,198,250</u>	<u>7,843,118</u>

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


BALANCE SHEET
31 October 1996

	Note	1996	1995
		£	£
FIXED ASSETS			
Tangible assets	8	10,369,140	9,176,180
Investments	9	13,622,687	19,180,775
		<u>23,991,827</u>	<u>28,356,955</u>
CURRENT ASSETS			
Stocks	10	206,777	199,500
Debtors	11	4,445,004	5,270,688
Cash at bank and in hand		7,796,639	313,764
		<u>12,448,420</u>	<u>5,783,952</u>
CREDITORS: amounts falling due within one year			
Bank loans and overdrafts		1,000,000	1,653,110
Trade creditors		1,720,901	1,777,156
Amounts owed to group companies	12	10,732,551	5,194,690
Other creditors including taxation and social security	13	2,502,412	5,912,071
Accruals and deferred income		8,485,392	8,989,178
		<u>24,441,256</u>	<u>23,526,205</u>
NET CURRENT LIABILITIES		<u>(11,992,836)</u>	<u>(17,742,253)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		11,998,991	10,614,702
CREDITORS: amounts falling due after more than one year	14	(1,000,000)	(2,000,000)
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(750,591)</u>	<u>(721,434)</u>
		<u>10,248,400</u>	<u>7,893,268</u>
CAPITAL AND RESERVES			
Called up share capital	16	50,150	50,150
Profit and loss account		10,198,250	7,843,118
EQUITY SHAREHOLDERS' FUNDS		<u>10,248,400</u>	<u>7,893,268</u>

These financial statements were approved by the Board of Directors on 21 August 1997

Signed on behalf of the Board of Directors

Director

**NOTES TO THE ACCOUNTS****Year ended 31 October 1996****1. ACCOUNTING POLICIES**

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 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.

Goodwill

On the acquisition of a business fair values are attributed to the company's share of net assets. Where the cost of acquisition exceeds the values attributable to net assets, the difference is treated as purchased goodwill, and is capitalised in the balance sheet as an intangible asset. Goodwill is amortised over seven years.


NOTES TO THE ACCOUNTS
Year ended 31 October 1996
2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1996 £	1995 £
Directors' emoluments		
Fees	-	-
Other emoluments	2,249,650	1,925,890
	<u>2,249,650</u>	<u>1,925,890</u>
Remuneration of the chairman	1,378	1,596
Remuneration of the highest paid director	1,570,491	1,332,867
	<u>1,570,491</u>	<u>1,332,867</u>
	No.	No.
Scale of other directors' remuneration		
£ 0 - £ 5,000	1	1
£ 15,001 - £ 20,000	1	1
£ 265,001 - £ 270,000	-	1
£ 285,001 - £ 290,000	1	-
£ 315,001 - £ 320,000	-	1
£ 370,001 - £ 375,000	1	-
	<u>1</u>	<u>-</u>
	£	£
Employee costs during the year (including directors)		
Wages and salaries	12,445,841	10,148,304
Social security costs	1,182,122	959,517
Other pension costs	11,746	11,379
	<u>13,639,709</u>	<u>11,119,199</u>
	No.	No.
Average number of persons employed		
Production	187	178
Administration	81	79
	<u>268</u>	<u>257</u>

3. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1996 £	1995 £
Group company loans	660,126	550,113
Other interest receivable	499,428	193,437
	<u>1,159,554</u>	<u>743,550</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1996 £	1995 £
Group company loans	500	-
Bank loans, overdrafts and other loans repayable within five years	205,493	285,110
	<u>205,993</u>	<u>285,110</u>


NOTES TO THE ACCOUNTS
Year ended 31 October 1996
5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1996	1995
	£	£
Profit on ordinary activities before taxation is after charging/(crediting):		
Depreciation	1,389,619	1,258,387
Auditors' remuneration:		
- audit	12,055	12,135
- other services	8,650	23,790
Exchange translation loss/(gain)	253,061	(225,177)
	<u>2,041,064</u>	<u>2,339,098</u>

In the opinion of the directors the company operates one class of business, as disclosed in the directors' report, which is all based in the UK.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996	1995
	£	£
United Kingdom corporation tax at 33% (1995 - 33%) based on the profit for the year	2,041,064	2,339,098
Group relief	102,577	793,213
Deferred taxation	32,033	93,964
Adjustment in respect of prior years:		
- corporation tax	(21,872)	16,873
- deferred tax	(2,876)	13,563
	<u>2,150,926</u>	<u>3,256,711</u>

7. DIVIDENDS

	1996	1995
	£	£
Final proposed - £27.64 per ordinary share (1995 - £30.64)	<u>1,386,200</u>	<u>1,536,699</u>


NOTES TO THE ACCOUNTS
Year ended 31 October 1996
8. 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 1995	3,220,931	2,951,043	3,881,062	7,136,493	17,189,529
Additions	45,678	406,637	1,456,557	863,572	2,772,444
Disposals	-	(28,500)	(525,843)	(4,290)	(558,633)
At 31 October 1996	<u>3,266,609</u>	<u>3,329,180</u>	<u>4,811,776</u>	<u>7,995,775</u>	<u>19,403,340</u>
Accumulated depreciation					
At 1 November 1995	957,355	1,896,248	919,416	4,240,330	8,013,349
Charge for the year	165,712	263,051	299,051	661,805	1,389,619
Disposals	-	-	(368,768)	-	(368,768)
At 31 October 1996	<u>1,123,067</u>	<u>2,159,299</u>	<u>849,699</u>	<u>4,902,135</u>	<u>9,034,200</u>
Net book value					
At 31 October 1996	<u>2,143,542</u>	<u>1,169,881</u>	<u>3,962,077</u>	<u>3,093,640</u>	<u>10,369,140</u>
At 31 October 1995	<u>2,263,576</u>	<u>1,054,795</u>	<u>2,961,646</u>	<u>2,896,163</u>	<u>9,176,180</u>

Historic cars and F1 road cars are not depreciated. Their gross cost at 31 October 1996 is £2,463,415 (1995 - £1,891,415)

9. INVESTMENTS HELD AS FIXED ASSETS

	1996 £	1995 £
Shares in group companies	4,300,528	4,681,630
Loans to group companies due after more than one year	<u>9,322,159</u>	<u>14,499,145</u>
	<u>13,622,687</u>	<u>19,180,775</u>
Shares in group companies:		
At 1 November 1995	4,681,630	
Write down of investment	<u>(381,102)</u>	
At 31 October 1996	<u>4,300,528</u>	


NOTES TO THE ACCOUNTS
Year ended 31 October 1996

The subsidiary is:

Name	Activity	Holding	Country of incorporation
Lydden Circuit Limited	Race track	100%	Great Britain

Consolidated accounts have not been prepared as the company is a wholly owned subsidiary of a company registered in England and Wales. Accordingly these financial statements present information about the company as an individual undertaking and not as a group.

The £11,628,294 (1995 - £16,805,280) of loans to group companies is made up of a £8,818,154 (1995 - £12,023,906) 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 (1995 - £600,000) loan due after more than one year to TAG Electronic Systems Limited (no interest borne), and a £2,115,430 (1995 - £4,086,664) (no interest borne) loan due after more than one year to TAG McLaren GT Limited, and a £94,710 (1995 - £94,710) (no interest borne) loan due after more than one year to Team McLaren Limited.

These loans are shown in investments to reflect their long term nature and net of provisions of £2,306,135 (1995 - £2,306,135).

10. STOCKS

	1996 £	1995 £
Raw materials and consumables	194,600	199,500
Work in progress	12,177	-
	<u>206,777</u>	<u>199,500</u>
The replacement cost of stocks	<u>2,837,600</u>	<u>2,541,900</u>

11. DEBTORS

	1996 £	1995 £
Trade debtors	986,940	823,542
Amounts owed by parent company and fellow subsidiaries	1,115	865,428
Amounts owed by subsidiaries	132,974	178,051
Other debtors	3,088,134	3,181,228
Prepayments and accrued income	235,841	222,439
	<u>4,445,004</u>	<u>5,270,688</u>


NOTES TO THE ACCOUNTS
Year ended 31 October 1996
12. AMOUNTS OWED TO GROUP COMPANIES

	1996 £	1995 £
Amount owed to immediate parent company	8,412,534	4,436,110
Amount owed to subsidiaries	412,520	221,898
Amount owed to fellow subsidiaries	1,907,497	536,682
	<u>10,732,551</u>	<u>5,194,690</u>

13. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1996 £	1995 £
This heading includes:		
Taxation and social security	2,429,974	4,372,638
	<u>2,429,974</u>	<u>4,372,638</u>

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

	1996 £	1995 £
Bank loans	1,000,000	2,000,000
	<u>1,000,000</u>	<u>2,000,000</u>

The bank loan of £1,000,000 is secured by a legal mortgage over the entire share capital of Lydden Circuit Limited. A further £1,000,000 of the £2,000,000 loan is included in creditors: amounts falling due within one year. The loan is payable at yearly intervals in tranches of £1,000,000.

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 1 November 1995 £	Credited to profit and loss account £	Adjustment in respect of prior years £	Balance at 31 October 1996 £
Deferred taxation	721,434	32,033	(2,876)	750,591
	<u>721,434</u>	<u>32,033</u>	<u>(2,876)</u>	<u>750,591</u>

The amounts of deferred tax provided in the accounts are:

	1996 £	1995 £
Deferred taxation:		
Capital allowances in excess of depreciation	589,222	563,196
Other timing differences	161,369	158,238
	<u>750,591</u>	<u>721,434</u>

There are no unprovided deferred tax liabilities.


NOTES TO THE ACCOUNTS
Year ended 31 October 1996
16. CALLED UP SHARE CAPITAL

	1996 £	1995 £
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>

17. OPERATING LEASE COMMITMENTS

At 31 October 1996 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	29,200
Within 2 to 5 years	Nil
After 5 years	<u>604,800</u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Profit for the financial year	3,741,332	2,726,728
Dividends	(1,386,200)	(1,536,699)
Net increase in shareholders' funds	2,355,132	1,190,029
Opening shareholders' funds	7,893,268	6,703,239
Closing shareholders' funds	<u>10,248,400</u>	<u>7,893,268</u>

19. ULTIMATE 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 35, Rue Glesener, L-1631-Luxembourg. Copies of the group financial statements of TAG McLaren Holdings Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.