

**Company Registration No. 1517478**

**McLAREN RACING LIMITED**

**Report and Financial Statements**

**14 months ended 31 December 2004**



**McLAREN RACING LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2004**

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# **McLAREN RACING LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2004**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

R Dennis  
J Cooper (Appointed 25 February 2005)  
E Cordes (Appointed 8 December 2004)  
J Hubbert (Resigned 8 December 2004) (German)  
R J Illman (Resigned 31 October 2004)  
T Murnane  
A Newey  
J Neale  
A Ojje (Saudi Arabian)  
M A Ojje (Saudi Arabian)  
D P Trezise (American)  
M R Whitmarsh

#### **SECRETARY**

T Murnane (Appointed 1 September 2004)

#### **REGISTERED OFFICE**

McLaren Technology Centre  
Chertsey Road  
Woking  
Surrey  
GU21 4YH

#### **AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
Reading

# **McLAREN RACING LIMITED**

## **DIRECTORS' REPORT**

The directors submit their report and the audited financial statements for the 14 months ended 31 December 2004.

### **PRINCIPAL ACTIVITY**

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

### **REVIEW OF THE BUSINESS AND FUTURE PROSPECTS**

Turnover and hence profits were boosted in 2004 by several nonrecurring items. The company has maintained its commitment to an ambitious racing programme whilst reducing the direct costs involved.

The directors recognize the challenges that they face in 2005 but nonetheless look forward with confidence.

### **CHANGE OF ACCOUNTING REFERENCE DATE**

During the period the company changed its accounting reference date from 31 October to 31 December. Accordingly, these accounts reflect the results for the 14 month period ended 31 December 2004.

### **RESULTS**

The profit for the period after taxation amounted to £2,676,944 (year ended 31 October 2003 as restated: loss of £14,762,012).

### **DIVIDENDS**

The directors propose that there should be no dividend for the 14 months ended 31 December 2004 (year ended 31 October 2003: £nil).

### **DIRECTORS**

The membership of the Board is as set out on page 1. The directors served throughout the period unless otherwise stated.

None of the directors had any interests in the shares of the company during the period. Their interests in the United Kingdom parent company, McLaren Group Limited, are shown in the financial statements of that company. The directors had no interests in any other group company incorporated in Great Britain.

### **EMPLOYMENT OF DISABLED PERSONS**

The policy of the company is to give full and fair consideration to employment applications by disabled persons and to ensure that disabled employees receive appropriate training and career development opportunities.

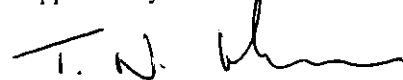
### **EMPLOYEE INVOLVEMENT**

Employees are provided with information on matters concerning them as employees. When decisions are taken which are likely to effect employees' interests, their involvement is encouraged.

### **AUDITORS**

Deloitte & Touche LLP 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



T Murnane

Secretary

20 October 2005

# **McLAREN RACING LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period 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; and
- prepare the financial statements on a 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 1985. They are also responsible for the systems of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **McLAREN RACING LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF McLAREN RACING LIMITED**

We have audited the financial statements of McLaren Racing Limited for the 14 month period from 1 November 2003 to 31 December 2004 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

#### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

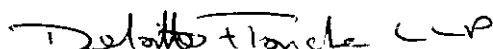
#### **Basis of opinion**

We conducted our audit in accordance with United Kingdom 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 December 2004 and of its profit for the 14 month period from 1 November 2003 to 31 December 2004 and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**

Chartered Accountants & registered auditors

Reading

21 October 2005

# McLAREN RACING LIMITED

## PROFIT AND LOSS ACCOUNT 14 months ended 31 December 2004

	Note	14 months ended 31 December 2004 £	Year ended 31 October 2003 Restated £
<b>TURNOVER</b>	1	106,609,308	79,499,448
Cost of sales		(80,408,310)	(83,205,810)
Gross profit/(loss)		26,200,998	(3,706,362)
Administrative expenses		(44,029,068)	(19,380,080)
Other operating income	3	21,221,067	-
<b>OPERATING PROFIT / (LOSS)</b>		3,392,997	(23,086,442)
Income from shares in group undertakings		-	6,399
Other interest receivable and similar income	4	34,769	1,047,721
Interest payable and similar charges	5	(1,188,786)	(11,260)
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	2,238,980	(22,043,582)
Tax credit on profit / (loss) on ordinary activities	7	437,964	7,281,570
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		2,676,944	(14,762,012)
<b>Profit and loss account brought forward</b>		12,327,452	27,089,464
<b>Profit and loss account carried forward</b>		15,004,396	12,327,452

All amounts are derived from continuing operations.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Note	14 months ended 31 December 2004 £	Year ended 31 October 2003 Restated £
Profit/(loss) for the financial period		2,676,944	(14,762,012)
Total recognised gains and losses relating to the year		2,676,944	(14,762,012)
Prior period adjustment	22	9,038,897	
Total gains and losses recognised since last annual report		11,715,841	

# McLAREN RACING LIMITED

## BALANCE SHEET 31 December 2004

	Note	£	31 December 2004 £	£	31 October 2003 Restated £
<b>FIXED ASSETS</b>					
Tangible assets	8		28,480,165		26,350,156
Investments	9		3,153,771		3,153,771
			<u>31,633,936</u>		<u>29,503,927</u>
<b>CURRENT ASSETS</b>					
Stocks	10	20,013,014		9,301,561	
Debtors	11	99,005,958		19,558,109	
Cash at bank and in hand		<u>11,074,323</u>		<u>3,200,139</u>	
		130,093,295		32,059,809	
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(146,534,689)</u>		<u>(48,315,771)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(16,441,394)</u>		<u>(16,255,962)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			15,192,542		13,247,965
<b>CREDITORS: amounts falling due after more than one year</b>	13		( 137,996)		(364,860)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14		<u>-</u>		<u>(505,502)</u>
<b>NET ASSETS</b>			<u>15,054,546</u>		<u>12,377,602</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		50,150		50,150
Profit and loss account			<u>15,004,396</u>		<u>12,327,452</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	17		<u>15,054,546</u>		<u>12,377,602</u>

These financial statements were approved by the Board of Directors on ~~10 October~~ 2005.

Signed on behalf of the Board of Directors

  
R. Dennis  
Director



# McLAREN RACING LIMITED

## NOTES TO THE ACCOUNTS

14 months ended 31 December 2004

### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. These have been applied consistently in the current and preceding accounting period, with the exception of the policy for racing car development costs (see note 22).

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention.

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.

#### **Turnover**

Turnover represents sponsorship fees and other motor racing revenue receivables, excluding Value Added Tax.

In certain cases, the company enters into agreements with suppliers whereby goods and services are received in exchange for the provision of various sponsorship and marketing activities. In such cases, turnover is recorded at the fair value of the goods or services received.

The company uses engines from DaimlerChrysler AG. Due to the developmental nature of the engines the directors do not believe that it is possible to provide a reliable estimate of their cost. Accordingly, turnover and cost of sales do not include any amounts in respect of these engines.

All turnover originates in the United Kingdom. An analysis of turnover, operating profit and net assets by geographical destination has not been included as the directors believe that the group operates in a single global market, and that the allocation to geographical destination segments would be seriously prejudicial to the company.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided over the estimated useful lives of the assets at the following rates:

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

Due to the move to new premises certain assets are subject to accelerated depreciation.

#### **Fixed assets – motor vehicles**

Motor vehicles include £5,221,787 (2003: £5,711,733) of historic racing cars. These cars are carried at their historic cost plus costs of refurbishment. They are not depreciated on the basis that estimated residual values exceed their historic costs. Maintenance costs are expensed as incurred.

#### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

# **McLAREN RACING LIMITED**

## **NOTES TO THE ACCOUNTS**

**14 months ended 31 December 2004**

### **1. ACCOUNTING POLICIES (continued)**

#### **Stocks, work in progress and expenditure on racing cars.**

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

Racing cars have an expected life of one year and all expenditure on the production and maintenance of such cars is charged to profit and loss account during the racing season in which the racing car is used. The Board considers that research and development continues to play a vital role in the group's success. The group carries forward to the following year certain development costs incurred in the current year which relate to the production of next season's car. This represents a change in accounting policy (see note 22).

The directors consider this policy to be more appropriate because the considerable and valuable effort expended in preparing a racing car is recognised as an asset and charged in the period in which the corresponding racing arises and benefit is therefore derived.

#### **Foreign currencies and financial instruments**

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 period end rates. All foreign currency differences are dealt with through the profit and loss account.

Derivative instruments utilised by the company are forward exchange contracts. The company does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the company in line with the company's risk management policies.

Transactions denominated in foreign currencies are recorded at the rate ruling on the date of the transaction, unless matching forward foreign exchange contracts have been entered into, in which case the rate specified in the relevant contract is used. At the balance sheet date unhedged monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date.

#### **Finance Leases**

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases. Assets held under finance leases are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of the future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of the capital repayments outstanding.

#### **Fixed asset investments**

Investments are unlisted and are stated at cost less any provision for any impairment.

#### **Pension costs**

The company operates a defined contribution pension scheme. The amounts payable to the scheme during the period are charged to the profit and loss account.

# McLAREN RACING LIMITED

## NOTES TO THE ACCOUNTS

14 months ended 31 December 2004

### 2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	14 months ended 31 December 2004 £	Year ended 31 October 2003 £
<b>Directors' emoluments:</b>		
Emoluments (excluding pension contributions)	1,081,436	1,680,836
Highest paid director's emoluments	6,706,120	5,552,483
Aggregate of emoluments (excluding pension contributions)	7,787,556	7,233,319
Pension contributions	166,801	153,473
Highest paid director's contributions	17,010	13,149
Aggregate pension contributions	183,811	166,622
	<b>Number</b>	<b>Number</b>
Number of directors who are members of a defined contribution pension scheme	5	5

R Dennis, M Whitmarsh and T Murnane are also directors of the holding company McLaren Group Limited and their remuneration for services to the Group have been borne by the holding company. The share of the total emoluments of these directors allocated in respect of services to this company is £1,190,401 (year ended 31 October 2003: £542,018).

	14 months ended 31 December 2004 £	Year ended 31 October 2003 £
<b>Employee costs during the period (including directors)</b>		
Wages and salaries	36,263,888	30,804,723
Social security costs	4,308,066	3,549,404
Other pension costs	483,585	340,207
	41,055,539	34,694,334
	<b>No.</b>	<b>No.</b>
<b>Average number of persons employed</b>		
Production	315	345
Engineering	147	132
Administration	62	72
	524	549

# McLAREN RACING LIMITED

## NOTES TO THE ACCOUNTS

14 months ended 31 December 2004

### 3. OTHER OPERATING INCOME

Other operating income relates to non-recurring income received in relation to certain sponsorship agreements.

### 4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	14 months ended 31 December 2004 £	Year ended 31 October 2003 £
On group company loans	33,731	1,022,759
Other interest receivable	1,038	24,962
	<u>34,769</u>	<u>1,047,721</u>

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	14 months ended 31 December 2004 £	Year ended 31 October 2003 £
On bank loans and overdrafts	1,147,373	-
On group company loans	-	11,149
Other interest payable and finance charges	41,413	111
	<u>1,188,786</u>	<u>11,260</u>

# McLAREN RACING LIMITED

## NOTES TO THE ACCOUNTS

14 months ended 31 December 2004

### 6. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	14 months ended 31 December 2004 £	Year ended 31 October 2003 £
Profit / (loss) on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation – owned assets	5,452,892	2,374,960
Rentals under operating leases – other	4,814,425	1,134,954
Auditors' remuneration:		
- audit	23,000	12,000
- other services	471,222	159,281
Net exchange translation loss	3,187,238	1,333,874
Net gain on disposal of fixed assets	(419,867)	(200,924)

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 United Kingdom.

### 7. TAX CREDIT ON PROFIT/ (LOSS) ON ORDINARY ACTIVITIES

	14 months ended 31 December 2004 £	Year ended 31 October 2003 £
United Kingdom corporation tax at 30% (2003 – 30%)	-	-
Adjustments in respect of prior years:		
- corporation tax	153,957	46,299
	153,957	46,299
Group relief	-	7,136,534
Total current tax	153,957	7,182,833
Deferred taxation		
- origination and reversal of timing differences	(811,693)	114,871
- adjustments in respect of prior years	1,095,700	(16,134)
Tax credit on profit/(loss) on ordinary activities	437,937	7,281,570

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 30%. The actual tax assessed for the period differs from the standard rate for the reasons set out in the following reconciliation.

# McLAREN RACING LIMITED

## NOTES TO THE ACCOUNTS

14 months ended 31 December 2004

### 7. TAX CREDIT ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (continued)

	14 months ended 31 December 2004 £	Year ended 31 October 2003 restated £
Profit/(loss) on ordinary activities before tax	2,238,980	(22,043,582)
Tax at 30% thereon	(671,694)	6,613,075
Expenses not deductible for tax purposes	(139,999)	(281,280)
Prior period adjustment to cost of sales	(2,711,669)	917,691
Capital allowances in excess of depreciation	809,735	(237,092)
Movement in short term timing differences	1,958	122,220
UK dividend income	-	1,920
Tax losses utilised	2,711,669	-
Prior period adjustments	153,957	46,299
Total actual amount of current tax	153,957	7,182,833

### 8. TANGIBLE FIXED ASSETS

	Leasehold premises and improvements £	Assets in the course of construction £	Plant, machinery, tools and equipment £	Motor vehicles and historic cars £	Fixtures, fittings and office equipment £	Total £
<b>Cost</b>						
At 1 November 2003	4,382,587	-	22,636,361	12,982,473	13,779,236	53,780,657
Additions	-	256,950	7,756,733	331,188	1,141,251	9,488,122
Disposals	(4,382,587)	-	(10,122,188)	(619,825)	(9,105)	(15,133,705)
At 31 December 2004	-	256,950	20,270,906	12,695,836	14,911,382	48,135,074
<b>Accumulated depreciation</b>						
At 1 November 2003	4,374,436	-	10,102,281	3,168,654	9,785,130	27,430,501
Charge for the period	679	-	2,856,796	1,454,782	1,140,635	5,452,892
Disposal	(4,375,115)	-	(8,769,922)	(79,912)	(3,535)	(13,228,484)
At 31 December 2004	-	-	4,189,155	4,543,524	10,922,230	19,654,909
<b>Net book value</b>						
At 31 December 2004	-	256,950	16,081,751	8,152,312	3,989,152	28,480,165
At 31 October 2003	8,151	-	12,534,080	9,813,819	3,994,106	26,350,156

Included above are assets held under finance leases with net book values of £312,910 (2003 - £521,517).

# McLAREN RACING LIMITED

## NOTES TO THE ACCOUNTS

14 months ended 31 December 2004

### 9. INVESTMENTS HELD AS FIXED ASSETS

	Shares in group companies £
<b>Cost</b>	
At 1 November 2003 and 31 December 2004	6,000,899
<b>Permanent impairment</b>	
At 1 November 2003 and 31 December 2004	2,847,128
<b>Net Book value</b>	
At 31 October 2003 and 31 December 2004	3,153,771

The subsidiaries are:

Name	Activity	Holding	Country of incorporation
Lydden Circuit Limited	Race track	100%	Great Britain
Absolute Taste Limited	Catering services	55%	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.

### 10. STOCKS

	31 December 2004 £	31 October 2003 restated £
Racing car development costs	19,389,921	9,038,897
Raw materials and consumables	454,930	129,465
Finished goods	168,164	133,199
	<u>20,013,015</u>	<u>9,301,561</u>

# McLAREN RACING LIMITED

## NOTES TO THE ACCOUNTS

14 months ended 31 December 2004

### 11. DEBTORS

	31 December 2004 £	31 October 2003 £
Trade debtors	30,731,042	6,679,565
Amounts owed by group undertakings	49,859,273	7,467,855
Amounts owed by related parties	13,266,511	307,854
Other debtors	4,121,692	4,608,510
Prepayments and accrued income	799,841	450,026
Corporation tax receivable	160,821	44,299
Deferred tax asset (see note 14)	66,778	-
	<u>99,005,958</u>	<u>19,558,109</u>

### 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2004 £	31 October 2003 £
Bank overdraft (note 19)	35,903,422	1,587,783
Obligations under finance leases and hire purchase contracts	208,681	261,183
Trade creditors	5,411,452	5,660,850
Amounts owed to group undertakings	25,553,495	31,065,795
Amounts owed to related parties	60,314	432,178
Taxation and social security	1,418,851	1,088,004
Other creditors	83,714	2,560,401
Accruals and deferred income	77,894,760	5,659,577
	<u>146,534,689</u>	<u>48,315,771</u>

### 13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2004 £	31 October 2003 £
Amounts owed to group undertakings	93,560	-
Obligations under finance leases and hire purchase contracts	44,436	364,860
	<u>137,996</u>	<u>364,860</u>
<b>Finance leases are repayable as follows:</b>		
In less than one year	208,681	261,183
Between one and two years	44,436	208,492
Between two and five years	-	156,368
	<u>253,117</u>	<u>626,043</u>

Obligations under finance leases are secured against the related assets.



# McLAREN RACING LIMITED

## NOTES TO THE ACCOUNTS

14 months ended 31 December 2004

### 14. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £	Dilapidation provision £	Total £
At 1 November 2003	217,230	288,272	505,502
Credit to profit and loss account	(217,230)	(288,272)	(505,502)
At 31 December 2004	-	-	-

The dilapidation provision was to meet the contractual obligation to reinstate the lease premises to their original condition upon cessation of the lease. Following the move to new offices the previous lease to which the dilapidation provision related has been reassigned to McLaren Group Ltd, therefore the dilapidation provision has been released.

The deferred tax (asset) / provision consists of the following amounts:

	31 December 2004 £	31 October 2003 £
Capital allowances (lower than) / in excess of depreciation	(28,911)	549,527
Short term timing differences	(37,867)	(332,297)
	(66,778)	217,230

There are tax losses available for offset against future profits arising from the same trade, subject to the approval of the Inland Revenue, of £1,694,230 (31 October 2003: £nil). The total deferred tax asset that is not recognised in the financial statements in relation to losses carried forward and other timing differences is £508,269 (31 October 2003: £nil). The deferred tax asset has not been recognised as there is insufficient evidence that the asset will be recovered. The deferred tax asset will be utilised when taxable profits are foreseen with certainty in the future.

### 15. CALLED UP SHARE CAPITAL

	31 December 2004 £	31 October 2003 £
Authorised, called up allotted and fully paid:		
50,150 ordinary shares of £1 each	50,150	50,150

# McLAREN RACING LIMITED

## NOTES TO THE ACCOUNTS

14 months ended 31 December 2004

### 16. OPERATING LEASE COMMITMENTS

At 31 December 2004 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 31 December 2004 £	Land and buildings 31 October 2003 £
Leases which expire:		
Within one year	-	28,570
Within two to five years	-	205,000
After five years	5,921,352	473,000
	<u>5,921,352</u>	<u>706,570</u>

### 17. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	31 December 2004 £	31 October 2003 £
Profit / (loss) for the financial period	2,676,944	(14,762,012)
Increase / (decrease) in equity shareholders' funds	<u>2,676,944</u>	<u>(14,762,012)</u>
Opening equity shareholders funds as previously stated	3,338,705	21,159,689
Prior period adjustments (see note 22)	<u>9,038,897</u>	<u>5,979,925</u>
Opening equity shareholders' funds as restated	<u>12,377,602</u>	<u>27,139,614</u>
Closing equity shareholders' funds	<u>15,054,546</u>	<u>12,377,602</u>

### 18. ULTIMATE PARENT COMPANY

In the opinion of the directors, the company's controlling entity is McLaren Group Limited, a company registered in England and Wales. This is also the parent undertaking of the largest and only group which includes the company and for which group accounts are prepared. Copies of the group financial statements of McLaren Group Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

Ownership of McLaren Group Limited is as follows: 40% DaimlerChrysler AG (incorporated in Germany), 30% Mr R Dennis and 30% TAG Group (Holdings) SA (incorporated in Luxembourg).

### 19. CONTINGENT LIABILITY

McLaren Racing Limited is party to a group debenture securing all monies due or to become due in respect of the overdraft and loan facility provided to the McLaren Group by its bankers. As at 31 December 2004, the balance guaranteed was £71,221,796 (31 October 2003: £81,785,226).

# McLAREN RACING LIMITED

## NOTES TO THE ACCOUNTS

14 months ended 31 December 2004

### 20. CASH FLOW STATEMENT

The Company is a wholly owned subsidiary of McLaren Group Limited and is included in the consolidated financial statements of McLaren Group Limited, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Revised 1996).

### 21. RELATED PARTY TRANSACTIONS

Sales at normal trade prices to:	Total of sales during 2004 £	Balance outstanding at 31 December 2004 £	Total of sales during 2003 £	Balance outstanding at 31 October 2003 £
DaimlerChrysler AG	27,662,639	13,266,596	14,869,849	301,583
TAG Group (Holdings) SA and its subsidiaries	(73)	-	854	854
TAG McLaren Audio Ltd	13,240	-	7,471	458
L'Escargot Creations Ltd	448	-	-	-
Greyscape Ltd	4,075	(85)	19,322	4,959
Absolute Taste Ltd	261,807	14,382	315,335	78,312
R Dennis	38,386	-	42,388	-
R Illman	10,782	-	78	-
J Neale	109	-	110	-
A Newey	342	-	4,546	-
M Whitmarsh	7,843	-	5,241	-

The balance outstanding is included within debtors.

Purchases at normal trade prices from:	Total of purchases during 2004 £	Balance outstanding at 31 December 2004 £	Total of purchases during 2003 £	Balance outstanding at 31 October 2003 £
DaimlerChrysler AG	1,220,413	45,314	845,075	407,049
TAG Group (Holdings) SA and its subsidiaries	67,250	15,000	23,879	7,629
Absolute Taste Ltd	2,906,429	135,202	2,100,124	15,508

The balance outstanding is included within creditors due within one year.

#### Other related party transactions

	14 Months ended 31 December 2004 £	Year ended 31 October 2003 £
From DaimlerChrysler AG	21,989,738	20,574,944

Pursuant to the exemption granted by Financial Reporting Standard 8, 'Related Party Disclosures', transactions with other undertakings within the McLaren Group have not been disclosed within these financial statements.

# McLAREN RACING LIMITED

## NOTES TO THE ACCOUNTS

14 months ended 31 December 2004

### 22. PRIOR PERIOD ADJUSTMENT

The accounting policy for development costs relating to the production of next season's racing cars was changed during the period, such that certain of these costs are carried forward to the following year instead of being charged to the profit and loss account as incurred.

The comparative figures in the primary statements and notes have been restated to reflect the new policy.

The effects of change in policy are summarised below:

	14 months ended 31 December 2004 £	Year ended 31 October 2003 £
<b>Profit and Loss Account</b>		
Decrease in cost of sales due to costs deferred to following year	19,389,921	9,038,897
Increase in cost of sales due to costs deferred in previous year	(9,038,897)	(5,979,925)
	<hr/>	<hr/>
Increase in profit for the period	10,351,024	3,058,972
	<hr/>	<hr/>
	31 December 2004 £	31 October 2003 £
<b>Balance Sheet</b>		
Increase in stocks and work in progress	19,389,921	9,038,897
	<hr/>	<hr/>
Increase in net assets	19,389,921	9,038,897
	<hr/>	<hr/>