McLaren Racing Limited

Directors' report and financial statements

Registered number 01517478

31 December 2009

Contents

Officers and professional advisers

Directors	J Cooper T Murnane J Neale A Ojjeh (French) M A Ojjeh (French) M Whitmarsh N Haug (German) (Resigned 10/11/ 2009) R Dennis (Resigned 28/05/ 2009)
Secretary	T Murnane
Registered office	McLaren Technology Centre Chertsey Road Woking Surrey GU21 4YH
Auditors	KPMG LLP 1 Forest Gate Brighton Road Crawley RH11 9PT

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

Registered number

The company's registered number is 01517478

Principal activity

The company's principal activity during the year was that of participating in Formula One ("F1") motor racing events throughout the world This includes the design, development, manufacture and racing of F1 cars

Business review and future prospects

The directors consider race performance, turnover, cost base, profit before tax and cash flow to be the principle key performance indicators to assess progress towards their strategic goals

Lewis Hamilton secured two wins, five podiums and four pole positions Lewis, the World Champion of 2008, will race alongside Jenson Button, the 2009 and current World Champion, in 2010

Turnover has increased from £139m to £175m, largely as a result of signing a new Concorde Agreement committing Vodafone McLaren Mercedes to Formula One for the future

The team's partners remain relatively unchanged We would like to thank them for their continued support

The team's cost base remains firmly under control with cost of sales increasing from £82m to £88m and administrative expenses increasing from £43m to £45m

Principal risks and uncertainties

The key risks and uncertainties faced by the business are continuing to be competitive in F1, ability to gain and retain sponsorship, control of the cost base of developing F1 cars and staff recruitment and retention All of these are obviously linked In addition to these objectives, the company will comply with the Resource Restriction Agreement signed by all teams competing in Formula One

McLaren has remained competitive over many years and aims to continue to win races in the 2010 season, where we have seen many technical rule changes, including prohibition of refuelling during the race, thinner front tyres and adjustments to the qualifying format Although the company drives itself to achieve efficiencies in developing and manufacturing cars and components, costs remain a key challenge in today's tough economic conditions

Results

The profit on ordinary activities for the year after taxation amounted to £50,167,000 *(2008 profit £5,985,000)*

Dividends

During the year, a dividend of £15m was paid to McLaren Group Limited, as the company's ultimate parent company The directors do not propose any further dividend for the year ended 31 December 2009 *(2008 £nil)*

Directors' Report *(continued)*

Directors

The directors who served during the year are as reported on page 1 The directors served throughout the year unless otherwise stated

Employment of disabled persons

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

Employment policies

The company is committed to ensuring that its people are actively engaged in the ongoing management and future direction of the business Regular formal and informal briefings are held with all sections of the workforce

The company takes reasonable steps to ensure that all employees, existing and prospective, are given fair and equal opportunity, regardless of sex, race, ethnicity, religion or disability

Disclosure of information

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with Section 485 & 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

T N. M

T Murnane
Secretary

20 September 2010

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Independent auditors' report to the members of McLaren Racing Limited

We have audited the financial statements of McLaren Racing Limited for the year ended 31 December 2009 set out on pages 6 to 17 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's report and for not 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 explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

T.M. Widdas (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

20/9/10

Profit and loss account
for the year ended 31 December 2009

	Note	2009 £000	2008 £000
Turnover	*1*	**174,830**	139,090
Cost of sales		**(87,806)**	(82,124)
Gross profit		**87,024**	56,966
Administrative expenses		**(44,533)**	(43,062)
Operating profit		**42,491**	13,904
Interest receivable and similar income	*3*	**11**	211
Interest payable and similar charges	*4*	**(21)**	(31)
Profit on ordinary activities before taxation	*5*	**42,481**	14,084
Tax on profit on ordinary activities	*6*	**7,686**	(8,099)
Profit for the financial year	*16*	**50,167**	5,985

In both the current year and preceding period, the company made no material acquisitions and had no discontinued operations

There were no recognised gains or losses in either the current or preceding year other than those disclosed in the profit and loss account, and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the result reported in the profit and loss account and the result on an unmodified historical cost basis

Balance sheet
as at 31 December 2009

	Note		2009		2008
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*7*		**24,472**		23,854
Investments	*8*		**1,336**		1,416
			25,808		25,270
Current assets					
Stocks	*9*	**22,500**		24,101	
Debtors	*10*	**96,578**		50,902	
Cash at bank and in hand		**69**		63	
		119,147		75,066	
Creditors amounts falling due within one year	*11*	**(121,792)**		(110,164)	
Net current liabilities			**(2,645)**		(35,098)
Total assets less current liabilities			**23,163**		(9,828)
Provisions for liabilities and charges					
Deferred tax liability	*12*		**-**		(2,176)
			23,163		(12,004)
Capital and reserves					
Called up share capital	*14*		**50**		50
Profit and loss account	*15*		**23,113**		(12,054)
Equity	*16*		**23,163**		(12,004)

These financial statements were approved by the board of directors on 20 September 2010 and were signed on their behalf by

M Whitmarsh
Director

Notes

(Forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, and under the historical cost accounting rules The particular accounting policies adopted are described below, and have been applied consistently throughout the current and preceding period

Going Concern

The financial statements have been prepared on the going concern basis, not withstanding net current liabilities of £2,645,000 *(2008 £35,098,000)*, which the directors believe to be appropriate for the following reasons The company is dependent for its working capital on funds provided to it by McLaren Group Limited, the company's ultimate parent McLaren Group Limited has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment

Consolidation

Consolidated financial statements 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

Joint arrangements

Where the company is party to a joint arrangement which is not an entity, its part of the income and expenditure, assets and liabilities have been included in these financial statements

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

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

No depreciation is provided until the assets are brought into use

Fixed assets – motor vehicles

Motor vehicles include £5,242,000 *(2008 £5,242,000)* 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 cost Maintenance costs are expensed as incurred

Fixed asset investments

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

Stocks, work in progress and expenditure on racing cars

Stocks are valued at the lower of invoiced 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 the 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

Notes *(continued)*

Turnover

Turnover represents sponsorship income and other motor racing related revenue receivables, excluding value added tax Turnover relating to sponsorship contracts is recognised over the term of that agreement

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

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

Taxation

Current taxation, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using 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 the 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

Foreign currencies

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 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 any existing underlying exposure of the company in line with the company's risk management policies

Leases

Assets held under finance leases are initially reported at the fair value of the asset with equivalent liability categorised as appropriate under creditors due within or after one year The assets are depreciated over the shorter of the lease term and their useful economic lives Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of charge on the outstanding balance Rentals are apportioned between finance charges and reduction of the liability, and allocated to cost of sales and other operating expenses as appropriate Hire purchase transactions are dealt with similarly except that assets are depreciated over their useful economic lives

Rental costs under operating leases are charged on a straight-line basis over the lease term

Pensions

The company participates in a defined contribution pension scheme operated by McLaren Group Limited and also pays contributions to personal pension schemes of certain employees The amounts payable to these schemes during the period are charged to the profit and loss account

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 exemption from preparing a cash flow statement as permitted under FRS 1 (revised 1996)

Notes *(continued)*

2 Information regarding directors and employees

	2009	2008
	£000	£000
Directors' emoluments		
Emoluments (excluding pension contributions)	**245**	200
Highest paid director's emoluments	**517**	561
Aggregate of emoluments (excluding pension contributions)	**762**	761
Pension contributions	**12**	10
Highest paid director's contributions	**29**	29
	41	39
	Number	Number
Number of directors who are members of a defined contribution scheme	**2**	2

M Whitmarsh and T Murnane are also directors of other group companies and their remuneration for services to the group have been borne by another group company The share of the total emoluments of these directors allocated in respect of services to this company is £922,334 *(2008 £1,621,320)*

	2009	2008
	£000	£000
Employees costs during the period (including directors)		
Wages and salaries	**31,005**	33,220
Social security costs	**3,546**	3,848
Other pension costs	**923**	895
	35,474	37,963
	Number	Number
Average number of persons employed		
Production	**367**	353
Engineering	**189**	173
Administration	**87**	85
	643	611

Notes *(continued)*

3 Interest receivable and similar income

	2009 £000	2008 £000
On group company loans	-	205
Other interest receivable	-	6
Net exchange gains	11	-
	11	211

4 Interest payable and similar charges

	2009 £000	2008 £000
On group company loans	19	-
Other interest payable and finance charges	2	6
Net exchange losses	-	25
	21	31

5 Profit on ordinary activities before taxation

		2009 £000	2008 £000
Profit on ordinary activities before taxation is stated after charging/(crediting)			
Depreciation	- owned	4,004	4,563
Operating lease rentals	- other	6,180	5 921
Auditors' remuneration	- audit of these financial statements	14	26
	- other services relating to taxation	57	112
	- all other services	2	1
Impairment of investments held as fixed assets		80	324
Loss on disposal of fixed assets		80	21

Notes *(continued)*

6 Tax on profit on ordinary activities

	2009 £000	2008 £000
United Kingdom corporation tax at 28% *(2008 28.5%)*	-	59
Adjustments in respect of prior years	**29**	850
Total current tax	**29**	909
Deferred taxation		
Origination and reversal of timing differences	**(7,695)**	(196)
Changes in tax rates	-	-
Adjustments in respect of prior years	**(20)**	7,386
	(7,686)	8,099

Factors affecting tax charge for the current year

The current tax charge for the year is lower *(2008 lower)* than the standard rate of corporation tax in the UK of 28% *(2008 28.5%)*. The differences are explained below

	2009 £000	2008 £000
Profit on ordinary activities before taxation	**42,481**	14,084
Tax at 28% thereon *(2008 28.5%)*	**(11,895)**	(4,014)
Effects of		
Expenses not deductible for tax purposes	**(161)**	(245)
Capital allowances in excess of depreciation	**240**	-
Depreciation in excess of capital allowances	-	(232)
Movement in short term timing differences	-	-
Utilisation of tax losses	**5,981**	-
Tax losses carried forward	-	(175)
Tax incentives	**5,880**	4,607
Provisions tax adjustment	**(45)**	-
Adjustments in respect of prior years	**(29)**	(850)
Total actual amount of current tax	**(29)**	(909)

Notes *(continued)*

7 Tangible fixed assets

	Leasehold premises and improvements £000	Plant and machinery, tools and equipment £000	Motor vehicles and historic cars £000	Fixtures, fittings and office equipment £000	Total £000
Cost					
At 1 January 2009	137	25,554	14,416	10,904	51 011
Additions	55	3,183	56	1,642	4,936
Disposals	-	(154)	(1,786)	(55)	(1,995)
At 31 December 2009	192	28,583	12,686	12,491	53,952
Accumulated depreciation					
At 1 January 2009	29	15,008	6,439	5,681	27,157
Charge for the year	22	2,180	656	1,146	4,004
Disposals	-	(41)	(1,622)	(18)	(1 681)
At 31 December 2009	51	17,147	5,473	6,809	29,480
Net book value					
At 31 December 2009	**141**	**11,436**	**7,213**	**5,682**	**24,472**
At 31 December 2008	108	10,546	7,977	5,223	23,854

Notes *(continued)*

8 Investment held as fixed assets

	Shares in group companies £000
Cost	
At 31 December 2009 and 31 December 2008	3,153
Provisions	
At 31 December 2008	(1,737)
Impairment during the year	(80)
At 31 December 2009	(1,817)
Net book value	
At 31 December 2009	**1,336**
At 31 December 2008	1,416

The subsidiaries are

Name	Activity	Holding (Ordinary Share Capital)	Net Assets at 31 Dec 2009	Loss for the year ended 31 Dec 2009
Lydden Circuit Limited	Race track operation	100%	£1,347,266	(£39,707)
Absolute Taste Limited	Catering services	55%	£463,783	(£134,186)

Consolidated financial statements 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

9 Stocks

	2009 £000	2008 £000
Racing car development costs	**20,559**	22,193
Raw materials and consumables	**1,521**	1,532
Finished goods	**420**	376
	22,500	24,101

Notes *(continued)*

10 Debtors

	2009 £000	2008 £000
Trade debtors	**22,688**	25,309
Amounts owed by group undertakings	**61,343**	380
Amounts owed by related parties	**411**	19,635
Other debtors	**5,874**	4,748
Prepayments and accrued income	**723**	830
Deferred tax assets (note 12)	**5,539**	-
	96,578	50 902

11 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Overdraft	**119**	-
Trade creditors	**6,189**	6,710
Amounts owed to group companies	**5,146**	30,664
Amounts owed to related parties	**68,999**	19,516
Taxation and social security	**1,567**	2,472
Other creditors	**36**	338
Accruals and deferred income	**39,736**	50,464
	121,792	110,164

12 Deferred Tax Asset

	2009 £000	2008 £000
At 1 January 2009	**(2,176)**	5,014
Credited/(charged) during the year	**7,715**	(7,190)
At 31 December 2009	**5,539**	(2,176)

	2009 £000	2008 £000
The Deferred tax consists of the following amounts		
Advanced Capital Allowances	**(2,625)**	(2,406)
Short-term timing differences	**41**	230
Trading losses carried forward	**8,123**	-
Deferred tax asset / (liability)	**5,539**	(2,176)

There are tax losses available to offset against future profits arising from the same trade of £71,511,884 *(2008 £90,422,637)* The total deferred tax asset that is not recognised in the financial statements in relation to losses carried forward and other timing differences is £10,199,747 *(2008 £25,318,388)* 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 realised when suitable taxable profits are generated by the company

Notes *(continued)*

13 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and Buildings	
	2009	2008
	£000	£000
Over five years	**2,986**	2,986

14 Called up share capital

	2009	2008
	£000	£000
Authorised, allotted, called up and fully paid		
50,150 ordinary shares of £1 each	**50**	50

15 Profit and loss account

	£000
At 1 January 2009	(12 054)
Profit retained for the year	50 167
Dividends	(15,000)
At 31 December 2009	**23,113**

16 Reconciliation of movement in shareholders' funds

	2009	2008
	£000	£000
Profit for the year	**50,167**	5,985
Dividends	**(15,000)**	-
Net change in shareholders' funds	**35,167**	5,985
Opening shareholders' funds	**(12,004)**	(17,989)
Closing shareholders' funds	**23,163**	(12,004)

Notes *(continued)*

17 Contingent liability

McLaren Racing Limited is party to an unlimited cross company guarantee 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 2009 the balance guaranteed was £63,000 *(2008 £30,349,000)*

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 financial statements 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 at 31 December 2009 was as follows 42% Bahrain Mumtalakat Holding Company (incorporated in Bahrain), 21% Mr R Dennis, 21% TAG Group (Holdings) SA (incorporated in Luxembourg) and 16% Daimler AG (incorporated in Germany)

19 Related party transactions

Transactions with related companies during the period were as follows

	Year ended 31 December 2009	Year ended 31 December 2008	**Balance Outstanding at 31 December 2009**	Balance outstanding at 31 December 2008
	£000	£000	**£000**	£000
Related party sales				
Daimler AG and related companies	**34,815**	44,291	**157**	19,355
TAG Group (Holdings) SA and its subsidiaries	-	1,031	-	-
Greyscape Limited	**3**	2	-	-
Absolute Taste Limited	**229**	366	**71**	218
Bahrain Mumtalakat Holding Company	**6**	-	-	62
McLaren Automotive Limited	-	-	**183**	-
Related party purchases				
Daimler AG and related companies	**800**	876	**68,881**	19,245
TAG Group (Holdings) SA and its subsidiaries	-	49	-	-
Bahrain Mumtalakat Holding Company	**41**	146	-	-
Absolute Taste Limited	**1,855**	2,472	**118**	271

During the year, Bahrain Mumtalakat Holding Company prepaid £62,000 to the Company for services to be provided in 2009

Pursuant to the exemptions granted by FRS 8 'Related Party Disclosures', transactions with other undertakings within the McLaren Group have not been disclosed within these financial statements