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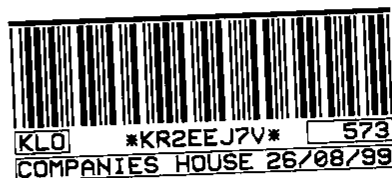
Company Registration No. 1517478

**McLAREN INTERNATIONAL LIMITED**

**Report and Financial Statements**

**31 October 1998**

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





**REPORT AND FINANCIAL STATEMENTS 1998**

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**REPORT AND FINANCIAL STATEMENTS 1998**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

MA OjjeH (Saudi Arabian) (Chairman)  
R Dennis  
R J Illman  
M R Whitmarsh  
A OjjeH (Saudi Arabian)  
D P Trezise (American)  
A Newey

**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 1998.

**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 £14,458,048 (1997 - £2,062,001).

**DIVIDENDS**

The directors propose a dividend for the year ended 31 October 1998 of £3,306,866 (1997 - £2,143,743).

**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.

**YEAR 2000**

The company has made an assessment of the potential problems associated with the year 2000 in relationship to both computer hardware and software. All the necessary steps have been taken so as to ensure a smooth transition into the millennium and, fortunately, the costs of this exercise are small enough to be immaterial.

**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

R J Illman

Secretary

19 May 1999

**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 1985. 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.



## 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 1998 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

18 May 1999


**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 October 1998**

	Note	1998 £	1997 £
<b>TURNOVER - continuing operations</b>	1	82,738,441	58,149,291
Cost of sales		(38,604,523)	(28,119,027)
Gross profit		44,133,918	30,030,264
Administrative expenses		(24,226,244)	(26,577,046)
<b>OPERATING PROFIT- continuing operations</b>		19,907,674	3,453,218
Other interest receivable and similar income	3	1,737,802	1,594,932
Interest payable and similar charges	4	(51,645)	(124,998)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	21,593,831	4,923,152
Tax on profit on ordinary activities	6	(7,135,783)	(2,861,151)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		14,458,048	2,062,001
Dividends		(3,306,866)	(2,143,743)
Retained profit/(loss) for the financial year		11,151,182	(81,742)
Profit and loss account brought forward		10,116,508	10,198,250
<b>Profit and loss account carried forward</b>		<u>21,267,690</u>	<u>10,116,508</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 1998**

	Note	1998 £	1997 £
<b>FIXED ASSETS</b>			
Tangible assets	7	13,395,066	10,677,935
Investments	8	8,924,643	6,767,045
		<u>22,319,709</u>	<u>17,444,980</u>
<b>CURRENT ASSETS</b>			
Stocks	9	1,412,283	788,944
Debtors	10	19,670,322	11,138,725
Cash at bank and in hand		16,444,124	17,482,993
		<u>37,526,729</u>	<u>29,410,662</u>
<b>CREDITORS: amounts falling due within one year</b>			
Bank loans and overdrafts		21,664	1,000,000
Trade creditors		1,851,411	2,834,286
Amounts owed to group companies		18,705,790	13,930,962
Other creditors including taxation and social security	11	3,659,472	4,010,878
Accruals and deferred income		12,808,741	13,817,945
		<u>37,047,078</u>	<u>35,594,071</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>479,651</u>	<u>(6,183,409)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>22,799,360</u>	<u>11,261,571</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	12	<u>(1,481,520)</u>	<u>(1,094,913)</u>
		<u>21,317,840</u>	<u>10,166,658</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	50,150	50,150
Profit and loss account		21,267,690	10,116,508
<b>EQUITY SHAREHOLDERS' FUNDS</b>	15	<u>21,317,840</u>	<u>10,166,658</u>

These financial statements were approved by the Board of Directors on 18 May 1999.

Signed on behalf of the Board of Directors

  
R. Dennis

Director

**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998****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 and F1 road 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.

**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.


**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**
**2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1998 £	1997 £
<b>Directors' emoluments:</b>		
Emoluments (excluding pension contributions)	3,869,400	1,640,667
Highest paid director's emoluments:	2,113,926	1,909,076
Aggregate of emoluments (excluding pension contributions)	<u>5,983,326</u>	<u>3,549,743</u>
Pension contributions	20,230	12,231
Highest paid director's contributions	-	-
Aggregate pension contributions	<u>20,230</u>	<u>12,231</u>
	<b>Number</b>	<b>Number</b>
Number of directors who are members of a defined contribution pension scheme	<u>1</u>	<u>1</u>
	<b>£</b>	<b>£</b>
<b>Employee costs during the year (including directors)</b>		
Wages and salaries	17,942,677	13,592,747
Social security costs	1,813,315	1,260,195
Other pension costs	<u>20,230</u>	<u>12,231</u>
	<b>No.</b>	<b>No.</b>
Average number of persons employed		
Production	225	212
Administration	<u>109</u>	<u>97</u>

**3. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	1998 £	1997 £
Group company loans	403,993	531,255
Other interest receivable	<u>1,333,809</u>	<u>1,063,677</u>
	<u>1,737,802</u>	<u>1,594,932</u>

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	1998 £	1997 £
Bank loans and overdrafts	<u>51,645</u>	<u>124,998</u>
	<u>51,645</u>	<u>124,998</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**
**5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	1998 £	1997 £
Profit on ordinary activities before taxation is after charging/(crediting):		
Depreciation	2,303,353	2,296,232
Additional charge from the revision of the estimated useful life included in depreciation	316,177	606,796
Charges relating to property lease costs	616,550	822,066
Charges for bad debts	-	3,200,000
Auditors' remuneration:		
- audit	10,822	12,537
- other services	33,375	32,645
Exchange translation (gain)/loss	(909,875)	218,263
	<u>                    </u>	<u>                    </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**

	1998 £	1997 £
United Kingdom corporation tax at 31% (1997 - 31%)	4,259,737	3,031,648
Group relief	2,874,756	231,258
Deferred taxation	(225,671)	(476,912)
Tax credit on franked investment income	-	75,990
Adjustment in respect of prior years	226,961	(833)
	<u>                    </u>	<u>                    </u>
	<u>7,135,783</u>	<u>2,861,151</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**
**7. TANGIBLE FIXED ASSETS**

	Short Leasehold premises and improvements £	Plant and machinery £	Motor vehicles and historic cars £	Fixtures, fittings, tools and equipment £	Total £
Cost					
At 1 November 1997	3,383,806	3,896,573	5,489,165	9,136,490	21,906,034
Additions	703,327	1,261,087	2,131,143	1,098,695	5,194,252
Disposals	-	-	(225,316)	-	(225,316)
At 31 October 1997	<u>4,087,133</u>	<u>5,157,660</u>	<u>7,394,992</u>	<u>10,235,185</u>	<u>26,874,970</u>
Accumulated depreciation					
At 1 November 1997	1,621,886	2,482,870	1,237,100	5,886,243	11,228,099
Charge for the year	537,940	378,850	514,246	872,317	2,303,353
Disposals	-	-	(51,548)	-	(51,548)
At 31 October 1998	<u>2,159,826</u>	<u>2,861,720</u>	<u>1,699,798</u>	<u>6,758,560</u>	<u>13,479,904</u>
Net book value					
At 31 October 1998	<u>1,927,307</u>	<u>2,295,940</u>	<u>5,695,194</u>	<u>3,476,625</u>	<u>13,395,066</u>
At 31 October 1997	<u>1,761,920</u>	<u>1,413,703</u>	<u>4,252,065</u>	<u>3,250,247</u>	<u>10,677,935</u>

Historic cars and F1 road cars are not depreciated. Their gross cost at 31 October 1998 is £3,218,485 (1997 - £2,417,046).

**8. INVESTMENTS HELD AS FIXED ASSETS**

	1998 £	1997 £
Shares in group companies	3,555,873	3,937,976
Loans to group companies due after more than one year	<u>5,368,770</u>	<u>2,829,069</u>
	<u>8,924,643</u>	<u>6,767,045</u>
		£
Shares in group companies:		
At 1 November 1997		3,937,976
Write down of investment		(382,103)
At 31 October 1998		<u>3,555,873</u>
Loans to group companies due after more than one year:		£
At 1 November 1997		2,829,069
Additions		<u>2,539,701</u>
At 31 October 1998		<u>5,368,770</u>

These loans are shown in investments to reflect their long term nature and are net of provisions of £2,306,135 (1997 - £2,306,135).


**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**
**8. INVESTMENTS HELD AS FIXED ASSETS (continued)**

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.

**9. STOCKS**

	1998 £	1997 £
Raw materials and consumables	976,933	252,570
Work in progress	435,350	536,374
	<u>1,412,283</u>	<u>788,944</u>
The replacement cost of stocks	<u>3,474,762</u>	<u>3,004,570</u>

**10. DEBTORS**

	1998 £	1997 £
Trade debtors	3,732,571	4,026,021
Amounts owed by group undertakings	5,294,708	4,303,183
Other debtors	10,442,951	2,521,910
Prepayments and accrued income	200,092	287,611
	<u>19,670,322</u>	<u>11,138,725</u>

**11. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY**

	1998 £	1997 £
This heading includes:		
Taxation and social security	<u>3,242,505</u>	<u>3,719,972</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**
**12. PROVISIONS FOR LIABILITIES AND CHARGES**

	Balance at 1 November 1997	Charged/ (Credited) to profit and loss account	Adjustment in respect of prior years	Balance at 31 October 1998
	£	£	£	£
Provision for charges relating to leased premises	822,067	616,550	-	1,438,617
Deferred taxation	272,846	(225,671)	(4,272)	42,903
	<u>1,094,913</u>	<u>390,879</u>	<u>(4,272)</u>	<u>1,481,520</u>

The amounts of deferred tax provided in the accounts are:

	1998 £	1997 £
Deferred taxation:		
Capital allowances in excess of depreciation	396,103	385,041
Other timing differences	(353,200)	(112,195)
	<u>42,903</u>	<u>272,846</u>

There are no unprovided deferred tax liabilities.

**13. CALLED UP SHARE CAPITAL**

	1998 £	1997 £
Authorised, called up 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>

**14. OPERATING LEASE COMMITMENTS**

At 31 October 1998 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and Buildings 1998 £	Land and Buildings 1997 £
Leases which expire:		
Within two to five years	68,566	-
After five years	604,800	663,200
	<u>673,366</u>	<u>663,200</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 October 1998**

**15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1998 £	1997 £
Profit for the financial year	14,458,048	2,062,001
Dividends	(3,306,866)	(2,143,743)
Increase/(decrease) in shareholders' funds	11,151,182	(81,742)
Opening shareholders' funds	10,166,658	10,248,400
Closing shareholders' funds	<u>21,317,840</u>	<u>10,166,658</u>

**16. ULTIMATE PARENT COMPANY**

In the opinion of the directors, the company's ultimate parent company and controlling party 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 incorporated in Great Britain. Copies of the group financial statements of TAG Group SA are available from TAG Group SA, 1 rue du St Esprit, L1475 Luxembourg. Copies of the group financial statements of TAG McLaren Holdings Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

**17. RELATED PARTY TRANSACTIONS**

During the year the company incurred a total of £192,289 of expenses on behalf of Ron Dennis, a director of the company. The amounts were all fully reimbursed in the year and none remained outstanding at the year end.

A non-interest bearing loan of £700,000 granted to Adrian Newey in 1997 was repaid in full in 1998. Sales (including management fee) by McLaren International Limited to Absolute Taste Limited amounted to £91,370. Purchases by McLaren International Limited from Absolute Taste Limited amounted to £118,467. Purchases by McLaren International from the TAG Group amounted to £665.

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