



McLAREN INTERNATIONAL LIMITED

Report and Financial Statements

31 October 1995

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



**REPORT AND FINANCIAL STATEMENTS 1995**

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REPORT AND FINANCIAL STATEMENTS 1995

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 1995.

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 anticipate that the current profit level will continue for the foreseeable future.

RESULTS

The profit for the year after taxation amounted to £2,726,728 (1994 profit - £7,357,646).

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 1995 of £1,536,699 (1994 - £ nil). The retained profit for the year of £1,190,029 (1994 £7,357,646) has been transferred to reserves.

DIRECTORS

The membership of the Board is as set out on page 1.

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

On 1 February 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name. 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 1996

**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

Deloitte & Touche
Hill House
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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 1995 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

21 August 1996


PROFIT AND LOSS ACCOUNT
Year ended 31 October 1995

| | Note | 1995 £ | 1994 £ |
|----------------------------------------------------------------------------|------|------------------|------------------|
| TURNOVER - continuing operations | 1 | 48,426,776 | 45,257,219 |
| Cost of sales | | (28,896,087) | (24,358,727) |
| Gross profit | | 19,530,689 | 20,898,492 |
| Administrative expenses | | (14,005,690) | (9,492,554) |
| OPERATING PROFIT- continuing operations | | 5,524,999 | 11,405,938 |
| Other interest receivable and similar income | | 743,550 | 189,737 |
| Interest payable and similar charges | 3 | (285,110) | (438,462) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 4 | 5,983,439 | 11,157,213 |
| Tax on profit on ordinary activities | 5 | (3,256,711) | (3,799,567) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR | | 2,726,728 | 7,357,646 |
| Dividends | 6 | (1,536,699) | - |
| Retained profit for the financial year | | 1,190,029 | 7,357,646 |
| Profit and loss account brought forward | | 6,653,089 | (704,557) |
| Profit and loss account carried forward | | <u>7,843,118</u> | <u>6,653,089</u> |

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


BALANCE SHEET
31 October 1995

| | Note | £ | 1995 £ | £ | 1994 £ |
|----------------------------------------------------------------|------|-------------------|-------------------|-------------------|-------------------|
| FIXED ASSETS | | | | | |
| Tangible assets | 7 | | 9,176,180 | | 8,409,840 |
| Investments | 8 | | 19,180,775 | | 8,029,404 |
| | | | <u>28,356,955</u> | | <u>16,439,244</u> |
| CURRENT ASSETS | | | | | |
| Stocks | 9 | 199,500 | | 158,700 | |
| Debtors | 10 | 5,270,688 | | 11,288,663 | |
| Cash at bank and in hand | | 313,764 | | 394,285 | |
| | | <u>5,783,952</u> | | <u>11,841,648</u> | |
| CREDITORS: amounts falling due within one year | | | | | |
| Bank loans and overdrafts | | 1,653,110 | | 1,106,311 | |
| Trade creditors | | 1,777,156 | | 1,184,467 | |
| Amounts owed to group companies | 11 | 5,194,690 | | 1,037,471 | |
| Other creditors including taxation and social security | 12 | 5,912,071 | | 5,128,562 | |
| Accruals and deferred income | | 8,989,178 | | 8,506,935 | |
| | | <u>23,526,205</u> | | <u>16,963,746</u> | |
| NET CURRENT LIABILITIES | | | (17,742,253) | | (5,122,098) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>10,614,702</u> | | <u>11,317,146</u> |
| CREDITORS: amounts falling due after more than one year | | | | | |
| | 13 | | (2,000,000) | | (4,000,000) |
| PROVISIONS FOR LIABILITIES AND CHARGES | | | | | |
| | 14 | | (721,434) | | (613,907) |
| | | | <u>7,893,268</u> | | <u>6,703,239</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 15 | | 50,150 | | 50,150 |
| Profit and loss account | | | 7,843,118 | | 6,653,089 |
| EQUITY SHAREHOLDERS' FUNDS | | | <u>7,893,268</u> | | <u>6,703,239</u> |

These financial statements were approved by the Board of Directors on 21 August 1996
 Signed on behalf of the Board of Directors

Director

**NOTES TO THE ACCOUNTS**
Year ended 31 October 1995**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 in equal annual instalments over the estimated useful lives of the assets at the following rates:

| | |
|-----------------------------------------|----------------------------------------|
| Fixtures, fittings, tools and equipment | 20% of reducing balance |
| Plant and machinery | 20% of reducing balance |
| Motor vehicles | 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.


NOTES TO THE ACCOUNTS
Year ended 31 October 1995
2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | 1995 £ | 1994 £ |
|-----------------------------------------------------------------|------------------|------------------|
| Directors' emoluments | | |
| Fees | - | - |
| Other emoluments | 1,925,890 | 1,372,353 |
| | <u>1,925,890</u> | <u>1,372,353</u> |
| Remuneration of the chairman | 1,596 | 400 |
| Remuneration of the highest paid director | <u>1,332,867</u> | <u>839,881</u> |
| | No. | No. |
| Scale of other directors' remuneration | | |
| £ 0 - £ 5,000 | 1 | 3 |
| £ 15,001 - £ 20,000 | 1 | 1 |
| £ 230,001 - £ 235,000 | - | 1 |
| £ 265,001 - £ 270,000 | 1 | - |
| £ 290,001 - £ 295,000 | - | 1 |
| £ 315,001 - £ 320,000 | 1 | - |
| | <u>£</u> | <u>£</u> |
| Employee costs during the year (including directors) | | |
| Wages and salaries | 10,159,683 | 8,825,143 |
| Social security costs | <u>959,517</u> | <u>895,197</u> |
| | No. | No. |
| Average number of persons employed | | |
| Production | 178 | 173 |
| Administration | <u>79</u> | <u>76</u> |

3. INTEREST PAYABLE AND SIMILAR CHARGES

| | 1995 £ | 1994 £ |
|-----------------------------------------------------------------------|----------------|----------------|
| Bank loans, overdrafts and other loans repayable within five years | <u>285,110</u> | <u>438,462</u> |

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 1995 £ | 1994 £ |
|------------------------------------------------------------------------------|----------------|----------------|
| Profit on ordinary activities before taxation is after charging/(crediting): | | |
| Research and development | 1,210,142 | 997,491 |
| Depreciation | 1,258,387 | 1,290,675 |
| Auditors' remuneration: | | |
| - audit | 12,135 | 11,758 |
| - other services | 23,790 | 26,200 |
| Exchange translation (gain)/loss | (225,177) | (154,198) |
| Other operating leases | <u>634,000</u> | <u>696,150</u> |


NOTES TO THE ACCOUNTS
Year ended 31 October 1995
5. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 1995 £ | 1994 £ |
|----------------------------------------------------------------------------------------|------------------|------------------|
| United Kingdom corporation tax at 33% (1994 - 33%) based on the profit for the year | 2,339,098 | 3,657,562 |
| Group relief | 793,213 | 109,766 |
| Deferred taxation | 93,964 | 595 |
| Overseas taxation | - | 43,630 |
| Adjustment in respect of prior years: | | |
| - corporation tax | 16,873 | (27,235) |
| - deferred tax | 13,563 | 15,249 |
| | <u>3,256,711</u> | <u>3,799,567</u> |

6. DIVIDENDS

| | 1995 £ | 1994 £ |
|-------------------------------------------------------------|------------------|-----------|
| Final proposed - £30.64 per ordinary share (1994 - £nil) | <u>1,536,699</u> | <u>-</u> |

7. 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 1994 | 3,130,862 | 2,786,567 | 3,115,380 | 6,242,936 | 15,275,745 |
| Additions | 90,069 | 164,476 | 1,065,215 | 892,495 | 2,212,255 |
| Disposals | - | - | (299,533) | - | (299,533) |
| At 31 October 1995 | <u>3,220,931</u> | <u>2,951,043</u> | <u>3,881,062</u> | <u>7,135,431</u> | <u>17,188,467</u> |
| Accumulated depreciation | | | | | |
| At 1 November 1994 | 756,188 | 1,649,142 | 836,992 | 3,623,583 | 6,865,905 |
| Charge for the year | 201,167 | 247,106 | 194,429 | 615,685 | 1,258,387 |
| Disposals | - | - | (112,005) | - | (112,005) |
| At 31 October 1995 | <u>957,355</u> | <u>1,896,248</u> | <u>919,416</u> | <u>4,239,268</u> | <u>8,012,287</u> |
| Net book value | | | | | |
| 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> |
| At 31 October 1994 | <u>2,374,674</u> | <u>1,137,425</u> | <u>2,278,388</u> | <u>2,619,353</u> | <u>8,409,840</u> |

Historic cars and an F1 road car are not depreciated. Their gross cost at 31 October 1995 is £1,891,415 (1994 - £1,347,590).


NOTES TO THE ACCOUNTS
Year ended 31 October 1995
8. INVESTMENTS HELD AS FIXED ASSETS

| | 1995 £ | 1994 £ |
|-------------------------------------------------------|-------------------|------------------------------------------------|
| Shares in group companies | 4,681,630 | 5,923,646 |
| Loans to group companies due after more than one year | 14,499,145 | 2,105,758 |
| | <u>19,180,775</u> | <u>8,029,404</u> |
| | | Shares in group companies £ |
| At 1 November 1994 | | 5,923,646 |
| Transfer to loans to group companies | | (95,710) |
| Write down of investment | | <u>(1,146,306)</u> |
| At 31 October 1995 | | <u>4,681,630</u> |

The subsidiary is:

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

The subsidiary is registered in England and Wales. 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 £16,805,280 (1994 - £2,299,056) of loans to group companies is made up of a £12,023,906 (1994 - £796,380) 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 (1994 - £600,000) loan due after more than one year to TAG Electronic Systems Limited (no interest borne), and a £4,086,664 (1994 - £902,676) (no interest borne) loan due after more than one year to TAG McLaren GT Limited, and a £94,710 (1994 - £nil) (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 (1994 - £193,298).

9. STOCKS

| | 1995 £ | 1994 £ |
|--------------------------------|------------------|------------------|
| Raw materials and consumables | <u>199,500</u> | <u>158,700</u> |
| The replacement cost of stocks | <u>2,541,900</u> | <u>2,440,000</u> |


NOTES TO THE ACCOUNTS
Year ended 31 October 1995
10. DEBTORS

| | 1995 £ | 1994 £ |
|------------------------------------------|------------------|-------------------|
| Trade debtors | 823,542 | 1,041,435 |
| Amounts owed by immediate parent company | - | 717,807 |
| Amounts owed by fellow subsidiaries | 1,043,479 | 4,169,552 |
| Other debtors | 3,181,228 | 2,439,567 |
| Prepayments and accrued income | 222,439 | 2,920,302 |
| | <u>5,270,688</u> | <u>11,288,663</u> |

11. AMOUNTS OWED TO GROUP COMPANIES

| | 1995 £ | 1994 £ |
|----------------------------------|------------------|------------------|
| Owed to immediate parent company | 4,436,110 | - |
| Owed to subsidiaries | 221,898 | 316,508 |
| Owed to fellow subsidiaries | 536,682 | 720,963 |
| | <u>5,194,690</u> | <u>1,037,471</u> |

12. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

| | 1995 £ | 1994 £ |
|------------------------------|------------------|------------------|
| This heading includes: | | |
| Taxation and social security | <u>4,372,638</u> | <u>5,128,562</u> |

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

| | 1995 £ | 1994 £ |
|------------|------------------|------------------|
| Bank loans | <u>2,000,000</u> | <u>4,000,000</u> |

The bank loan of £2,000,000 is secured by a legal mortgage over the entire share capital of Lydden Circuit Limited. A further £1,000,000 of the £3,000,000 loan is included in creditors: amounts falling due within one year. The loan is payable at yearly intervals in tranches of £1,000,000.


NOTES TO THE ACCOUNTS
Year ended 31 October 1995
14. PROVISIONS FOR LIABILITIES AND CHARGES

| | Balance at 1 November 1994 £ | Charged to profit and loss account £ | Adjustment in respect of prior years £ | Balance at 31 October 1995 £ |
|-------------------|---------------------------------------|-----------------------------------------------|-------------------------------------------------|---------------------------------------|
| Deferred taxation | 613,907 | 93,964 | 13,563 | 721,434 |

The amounts of deferred tax provided in the accounts are:

| | 1995 £ | 1994 £ |
|----------------------------------------------|----------------|----------------|
| Deferred taxation: | | |
| Capital allowances in excess of depreciation | 563,196 | 562,972 |
| Other timing differences | 158,238 | 50,935 |
| | <u>721,434</u> | <u>613,907</u> |

There are no unprovided deferred tax liabilities.

15. CALLED UP SHARE CAPITAL

| | 1995 £ | 1994 £ |
|--------------------------------------------------------------------|---------------|---------------|
| 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> |

16. OPERATING LEASE COMMITMENTS

At 31 October 1995 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 | - |
| Within 2 to 5 years | 29,200 |
| After 5 years | 604,800 |
| | <u>634,000</u> |


NOTES TO THE ACCOUNTS
Year ended 31 October 1995
17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 1995 £ | 1994 £ |
|-------------------------------------|------------------|------------------|
| Profit for the financial year | 2,726,728 | 7,357,646 |
| Dividends | (1,536,699) | - |
| Net increase in shareholders' funds | 1,190,029 | 7,357,646 |
| Opening shareholders' funds | 6,703,239 | (654,407) |
| Closing shareholders' funds | <u>7,893,268</u> | <u>6,703,239</u> |

18. 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.