

McLAREN INTERNATIONAL LIMITED

REPORT AND FINANCIAL STATEMENTS

31 October 1986

Touche Ross & Co.
Hill House
1 Little New Street
London
EC4A 3TR.



McLAREN INTERNATIONAL LIMITED

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McLAREN INTERNATIONAL LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

M.A. Ojje (Chairman)
R. Dennis (Managing)
R.J. Illman
A. Ojje
D.P. Trezise
S.C. Brown
I.G. Murray

Secretary

R.J. Illman

Registered Office

Woking Business Park
Albert Drive
Woking
Surrey
GU21 5JY

Auditors

Touche Ross & Co.

McLAREN INTERNATIONAL LIMITED

DIRECTORS' REPORT

The directors submit their report and audited financial statements for the year ended 31 October 1986.

1. RESULTS

The trading loss for the year after taxation amounted to £717,293.

2. DIVIDENDS

The directors do not recommend the payment of a dividend, accordingly the loss for the year of £717,293 has been transferred to reserves.

3. PRINCIPAL ACTIVITY

The company's principal activity during the year was that of participation in worldwide motor racing events.

4. REVIEW OF THE BUSINESS

The company had a successful year on the race track, but incurred many financial costs in achieving it.

5. EVENTS SINCE THE END OF THE YEAR

There have been no events since the balance sheet date which affect the state of affairs shown in these financial statements.

6. DIRECTORS

The directors during the year and their interests in the share capital of the company were as follows:

	31 October 1986			1 November 1985		
	Ordinary shares			Ordinary shares		
	A	B	C	A	B	C
R. Dennis	-	20,040	-	-	20,040	-
S.C. Brown	-	-	-	-	-	-
R.J. Illman	-	-	-	-	-	-
M.A. Ojje (Saudi Arabia)	-	-	-	-	-	-
A. Ojje (Saudi Arabia)	-	-	-	-	-	-
D.P. Trezise (American)	-	-	-	-	-	-
J.E. Barnard resigned 24 October 1986	-	-	-	-	-	-
R. Muir (American) resigned	-	-	-	-	-	-
17 November 1986	-	-	-	-	-	-
I.G. Murray appointed 27 October 1986	-	-	-	-	-	-

McLAREN INTERNATIONAL LIMITED

DIRECTORS' REPORT

7. FIXED ASSETS

Substantial additions to fixed assets took place during the year due to the move to new premises in Woking. Movements in fixed assets can be found in Note 7 to the financial statements.

8. SUBSTANTIAL SHAREHOLDER

TAG Group SA owns 60% of the shares in the company.

9. AUDITORS

Touche Ross & Co. have expressed their willingness to continue in office and a resolution to re-appoint them will be put to the members at the Annual General Meeting.

By Order of the Board



Secretary

11 December 1987

Touche Ross & Co
Bill House
1 Little New Street
London EC4A 3TR
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Telegrams (Gp 3): 01 583 8517

 **Touche Ross**

Chartered Accountants

McLAREN INTERNATIONAL LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 15 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 October 1986 and of the loss and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

Touche Ross & Co

Chartered Accountants
London

11 December 1987

McLaren International Limited, 100, The Strand, London WC2N 2AR. Registered in England.
The company is a public company limited by shares. The company is a member of the group.
The company is a member of the group.

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McLAREN INTERNATIONAL LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 October 1986

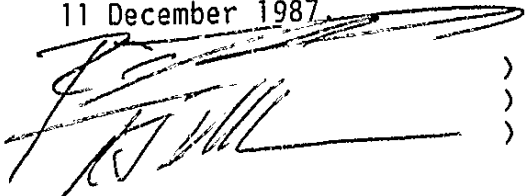
	Note	1986 £	1985 £
Turnover		13,922,489	13,320,443
Cost of sales		<u>12,922,627</u>	<u>11,540,646</u>
Gross profit		999,862	1,779,797
Administrative expenses		<u>1,813,536</u>	<u>822,535</u>
Operating (loss)/profit		(813,674)	957,262
Other interest receivable and similar income		136,354	224,449
Amounts written off investments	2	(273,484)	(273,485)
Interest payable and similar charges	3	<u>(9,489)</u>	<u>(7,803)</u>
(Loss)/profit on ordinary activities before taxation	4	(960,293)	900,423
Tax on (loss)/profit on ordinary activities	5	<u>243,000</u>	<u>(563,341)</u>
(Loss)/profit on ordinary activities after taxation		(717,293)	337,082
Profit and loss account brought forward		<u>(35,142)</u>	<u>(372,224)</u>
Profit and loss account carried forward		<u>£ (752,435)</u> =====	<u>£ (35,142)</u> =====

McLAREN INTERNATIONAL LIMITED

CONSOLIDATED BALANCE SHEET 31 October 1986

	Note	£	1986 £	£	1985 £
FIXED ASSETS					
Intangible assets	6	273,484		546,968	
Tangible assets	7	3,429,044		1,424,211	
Investment	8	<u>-</u>		<u>50,000</u>	
			3,702,528		2,021,179
CURRENT ASSETS					
Stocks	9	539,100		470,500	
Debtors	10	1,358,277		1,394,609	
Cash at bank and in hand		<u>501,114</u>		<u>742,680</u>	
		<u>2,398,491</u>		<u>2,607,789</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Trade creditors		1,445,519		837,128	
Amounts due to group companies	11	2,778,821		911,265	
Other creditors including taxation and social security	12	330,958		936,069	
Accruals and deferred income		1,920,366		1,669,498	
Bank overdraft		<u>6,640</u>		<u>-</u>	
		<u>6,482,304</u>		<u>4,353,960</u>	
NET CURRENT LIABILITIES			(4,083,813)		(1,746,171)
TOTAL ASSETS LESS CURRENT LIABILITIES			(381,285)		275,008
PROVISION FOR LIABILITIES AND CHARGES	13		(321,000)		(260,000)
			£ (702,285)		£ 15,008
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	14		50,150		50,150
Profit and loss account			<u>(752,435)</u>		<u>(35,142)</u>
			£ (702,285)		£ 15,008
			=====		=====

The financial statements were approved by the Board of Directors on
11 December 1987.

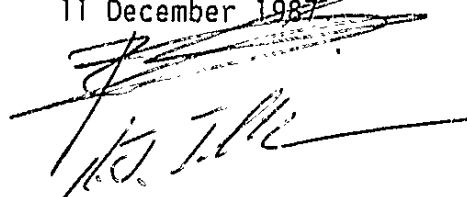
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) Directors
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McLAREN INTERNATIONAL LIMITED

BALANCE SHEET
31 October 1986

	Note	£	1986 £	£	1985 £
FIXED ASSETS					
Tangible assets	7	3,405,277		1,424,211	
Investments	8	<u>368,745</u>		<u>690,052</u>	
			3,774,022		2,114,263
CURRENT ASSETS					
Stocks	9	538,600		470,500	
Debtors	10	1,370,716		1,393,769	
Cash at bank and in hand		<u>500,156</u>		<u>741,984</u>	
		<u>2,409,472</u>		<u>2,606,253</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Trade creditors		1,441,668		837,128	
Amounts due to group companies	11	2,871,764		1,003,307	
Other creditors including taxation and social security	12	330,264		936,069	
Accruals and deferred income		<u>1,918,450</u>		<u>1,669,004</u>	
		<u>6,562,146</u>		<u>4,445,508</u>	
NET CURRENT LIABILITIES			(4,152,674)		(1,839,255)
TOTAL ASSETS LESS CURRENT LIABILITIES			(378,652)		275,008
PROVISION FOR LIABILITIES AND CHARGES	13		<u>(321,000)</u>		<u>(260,000)</u>
			£ (699,652)		£ 15,008
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	14		50,150		50,150
Profit and loss account			<u>(749,802)</u>		<u>(35,142)</u>
			£ (699,652)		£ 15,008
			=====		=====

The financial statements were approved by the Board of Directors on
11 December 1987

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Directors

McLAREN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS Year ended 31 October 1986

	1986 £	1985 £
TOTAL (ABSORBED)/GENERATED FROM OPERATIONS		
(Loss)/profit on ordinary activities before taxation	(960,293)	900,423
Adjustments for items not involving the movement of funds:		
Depreciation and amortisation	616,656	359,040
(Profit)/loss on sale of tangible fixed assets	<u>(14,506)</u>	<u>1,223</u>
Total (absorbed)/generated from operations	(358,143)	1,260,686
SOURCES OF FUNDS		
Tax recoverable	304,000	-
Decrease in debtors	36,332	-
Proceeds on sale of tangible fixed assets	16,000	3,150
Increase in amounts due to group companies	1,867,556	911,265
Decrease in stocks	-	164,100
Increase in trade and other creditors	254,148	-
Decrease in investments	<u>50,000</u>	<u>-</u>
	2,169,893	2,339,201
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	2,349,499	1,207,440
Tax paid	-	(659)
Increase in investments	-	50,000
Increase in stocks	68,600	-
Increase in debtors	-	448,066
Increase in amounts owed by group companies	-	125,459
Decrease in creditors	<u>-</u>	<u>1,084,119</u>
	2,418,099	2,914,425
(DECREASE) IN NET LIQUID FUNDS	£ (248,206) =====	£ (575,224) =====

(Net liquid funds comprises cash at bank and in hand less bank overdrafts).

McLAREN INTERNATIONAL LIMITED

STATEMENT OF ACCOUNTING POLICIES Year ended 31 October 1986

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(b) Depreciation

Depreciation is provided in equal instalments over the estimated useful life of the assets at the following rates:

Office equipment	-	15% of reducing balance
Plant and machinery	-	20% of reducing balance
Motor vehicles	-	25% of reducing balance
Leasehold premises	-	Written off over 14½ years

No depreciation is provided until the assets are brought into use.

(c) Deferred taxation

Deferred taxation is provided at the anticipated tax rates on 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.

(d) Stocks

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

(e) Turnover

Turnover represents sponsorship fees, other motor racing revenue receivable and sales by the group to outside customers excluding value added tax.

(f) Consolidation

The consolidated financial statements incorporate the financial statements of McLaren International Limited and its subsidiaries Team McLaren Limited and Grand Prix Engineering Services Limited made up to 31 October 1986. Goodwill arising on consolidation is amortised over the estimated useful life of the asset and charged through the profit and loss account.

As permitted by Section 228(7) of the Companies Act 1985 the profit and loss account of the parent company is not presented. The consolidated loss for the financial year includes a loss of £714,660 (1985 profit - £334,799) which is dealt with in the financial statements of the parent company.

(g) Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling at the end of the month in which the transaction took place. Foreign currency assets and liabilities are translated into sterling at the year end rate. All foreign currency differences are dealt with through the profit and loss account.

McLAREN INTERNATIONAL LIMITED

NOTES ON THE FINANCIAL STATEMENTS Year ended 31 October 1986

1. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1986 £	1985 £
Directors' emoluments:		
Fees	-	10,000
Other emoluments	<u>260,970</u>	<u>425,166</u>
	<u>£260,970</u>	<u>£435,166</u>
Remuneration of the chairman	<u>£ -</u>	<u>£100,000</u>
Remuneration of the highest paid director	<u>£100,000</u>	<u>£200,000</u>
Scale of other directors' remuneration:	Number	Number
£ 0 - £ 5,000	5	4
£ 35,000 - £ 40,000	1	1
£100,000 - £105,000	1	1
	<u>===</u>	<u>===</u>
	1986 £	1985 £
Employee costs during the year:		
Wages and salaries	1,636,240	1,555,297
Social security costs	<u>128,855</u>	<u>95,583</u>
	<u>=====</u>	<u>=====</u>
Average number of persons employed:	Number	Number
Production	70	66
Administration	<u>17</u>	<u>14</u>
	<u>===</u>	<u>===</u>

McLAREN INTERNATIONAL LIMITED

NOTES ON THE FINANCIAL STATEMENTS
Year ended 31 October 1986

2. AMOUNTS WRITTEN OFF INVESTMENTS

	1986 £	1985 £
Goodwill	£273,484 =====	£273,485 =====

3. INTEREST PAYABLE AND SIMILAR CHARGES

Bank loans, overdrafts and other loans repayable within five years	£ 9,489 =====	£ 7,803 =====
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4. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before
taxation is after charging:

Depreciation	343,172	85,555
Auditors' remuneration	6,500	6,500
Exchange translation gain	(117,139) =====	(497,693) =====

5. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

Corporation tax based on the (loss)/profit for the year at 37.6% (1985 - 42.08%)	-	304,000
Adjustment in respect of earlier years	(304,000)	(659)
Deferred taxation at 35%	61,000 =====	260,000 =====
	£(243,000) =====	£563,541 =====

6. INTANGIBLE ASSETS - GOODWILL

	£
At 1 November 1985	546,968
Amount written off	(273,484) =====
At 31 October 1986	£273,484 =====

McLAREN INTERNATIONAL LIMITED

NOTES ON THE FINANCIAL STATEMENTS Year ended 31 October 1986

7. TANGIBLE FIXED ASSETS

<u>The Group</u>	Leasehold improvements and historic cars £	Plant and machinery £	Motor vehicles and aircraft £	Fixtures, fittings, tools and equipment £	Total £
COST					
At 1 November 1985	45,874	258,603	1,225,869	118,835	1,649,181
Additions	739,657	225,674	155,288	1,228,880	2,349,499
Disposals	-	-	(7,000)	-	(7,000)
At 31 October 1986	<u>785,531</u>	<u>484,277</u>	<u>1,374,157</u>	<u>1,347,715</u>	<u>3,991,680</u>
DEPRECIATION					
At 1 November 1985	15,994	119,474	50,902	38,600	224,970
Charge for the year	3,185	28,986	297,240	13,761	349,172
Disposals	-	-	(5,506)	-	(5,506)
At 31 October 1986	<u>19,179</u>	<u>148,460</u>	<u>342,636</u>	<u>52,361</u>	<u>562,636</u>
NET BOOK VALUE					
At 31 October 1986	<u>£766,352</u>	<u>£335,817</u>	<u>£1,031,521</u>	<u>£1,295,354</u>	<u>£3,429,044</u>
At 31 October 1985	<u>£ 29,880</u>	<u>£139,129</u>	<u>£1,174,967</u>	<u>£ 80,235</u>	<u>£1,424,211</u>
The Company					
COST					
At 1 November 1985	45,874	258,603	1,225,869	118,835	1,649,181
Additions	724,758	218,380	153,288	1,227,370	2,323,796
Disposals	-	-	(7,000)	-	(7,000)
At 31 October 1986	<u>770,632</u>	<u>476,983</u>	<u>1,372,157</u>	<u>1,346,205</u>	<u>3,965,977</u>
DEPRECIATION					
At 1 November 1985	15,994	119,474	50,902	38,600	224,970
Charge for the year	3,185	27,825	296,698	13,530	341,238
Disposals	-	-	(5,508)	-	(5,508)
At 31 October 1986	<u>19,179</u>	<u>147,299</u>	<u>342,092</u>	<u>52,130</u>	<u>560,700</u>
NET BOOK VALUE					
At 31 October 1986	<u>£751,453</u>	<u>£329,684</u>	<u>£1,030,065</u>	<u>£1,294,075</u>	<u>£3,405,277</u>
At 31 October 1985	<u>£ 29,880</u>	<u>£139,129</u>	<u>£1,174,967</u>	<u>£ 80,235</u>	<u>£1,424,211</u>

McLAREN INTERNATIONAL LIMITED

NOTES ON THE FINANCIAL STATEMENTS
Year ended 31 October 1986

8. INVESTMENT HELD AS FIXED ASSETS

	The Group		The Company	
	1986	1985	1986	1985
	£	£	£	£
Shares in group companies:				
Cost	-	-	1,478,023	1,477,473
Less: Amortisation	-	-	1,109,278	787,421
	£ -	£ -	£ 368,745	£ 690,052
	=====	=====	=====	=====

The company owns 100% of the issued share capital of Team McLaren Limited, a non-trading company incorporated in Great Britain. The goodwill portion of the cost of shares will be written off by 31 October 1987.

Team McLaren Limited owns 100% of the issued share capital of Woodhurst Equipments Limited, a non-trading company incorporated in Great Britain. The value of this investment has been written off.

The company owns 55% of Grand Prix Engineering Services Limited a company engaged in the restoration of historic racing cars.

9. STOCKS

	1986		1985	
	Group	Company	Group	Company
	£	£	£	£
Raw materials and consumables	£539,100	£538,600	£470,500	£470,500
	=====	=====	=====	=====
The replacement cost of each category of stocks	£2,551,400	£2,250,700	£1,570,200	£1,570,200
	=====	=====	=====	=====

10. DEBTORS

	1986		1985	
	Group	Company	Group	Company
	£	£	£	£
Trade debtors	883,849	857,758	1,078,946	1,078,946
Amounts owed by group companies	66,167	113,490	52,459	52,459
Other debtors	158,270	149,477	154,336	153,496
Prepayments and accrued income	249,991	249,991	108,868	108,868
	£1,358,277	£1,370,716	£1,394,609	£1,393,769
	=====	=====	=====	=====

McLAREN INTERNATIONAL LIMITED

NOTES ON THE FINANCIAL STATEMENTS
Year ended 31 October 1986

11. AMOUNTS DUE TO GROUP COMPANIES

	1986		1985	
	Group	Company	Group	Company
	£	£	£	£
Due to subsidiaries	-	92,943	-	92,042
Due to ultimate holding company	-	-	80,000	80,000
Due to fellow subsidiaries	<u>2,778,821</u>	<u>2,778,821</u>	<u>831,265</u>	<u>831,265</u>
	<u>£2,778,821</u>	<u>£2,871,764</u>	<u>£911,265</u>	<u>£1,003,307</u>
	=====	=====	=====	=====

12. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1986		1985
	Group	Company	The Group and Company
	£	£	£
This heading includes:			
Taxation and social security	<u>£330,958</u>	<u>£330,264</u>	<u>£694,038</u>
	=====	=====	=====

13. PROVISIONS FOR LIABILITIES AND CHARGES

The amounts of deferred tax provided and unprovided in the financial statements:

	The Group and Company			
	Provided		Unprovided	
	1986	1985	1986	1985
	£	£	£	£
Capital allowances in excess of depreciation	<u>321,000</u>	<u>260,000</u>	-	-
	<u>£321,000</u>	<u>£260,000</u>	<u>£ -</u>	<u>£ -</u>
	=====	=====	=====	=====

14. CALLED UP SHARE CAPITAL

Authorised, allotted and fully paid ordinary shares of £1 each:

	1986	1985
	£	£
A shares	30,060	30,060
B shares	20,040	20,040
C shares	<u>50</u>	<u>50</u>
	<u>£50,150</u>	<u>£50,150</u>
	=====	=====

McLAREN INTERNATIONAL LIMITED

NOTES ON THE FINANCIAL STATEMENTS
Year ended 31 October 1986

15. CAPITAL COMMITMENTS	1986 £	1985 £
Contracted for but not provided in the financial statements	- =====	- =====
Authorised but not yet contracted for-	- =====	1,793,000 =====

16. ULTIMATE HOLDING COMPANY

TAG Group SA which is incorporated in Luxembourg, owns 60% of the issued share capital of the company .