

McLaren Marketing Limited

**Directors' report and financial
statements**

Registered number 01967716

31 December 2005



Contents

Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent Auditors' Report to the Members of McLaren Marketing Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

Officers and professional advisers

Directors

R Dennis
M A Ojjeh (Saudi Arabian)
A Ojjeh (Saudi Arabian)
E Sami
D P Trezise (American) (Resigned 17/10/2005)
A Myers

Secretary

T Murnane

Registered office

McLaren Technology Centre
Chertsey Road
Woking
Surrey
GU21 4YH

Auditors

KPMG LLP
1 Forest Gate
Crawley
West Sussex
RH11 9PT

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activity

The company's principal activity was that of providing marketing and advertising services. These activities are based in the United Kingdom.

Results

The profit on ordinary activities for the year after taxation amounted to £958,574 (2004: profit of £3,478,888).

Business review and future prospects

The directors were satisfied with the level of profits reported for the year and expect that the company will maintain this level of profitability next year.

Dividends

The directors do not propose a dividend for the year ended 31 December 2005 (2004: £nil).

Directors and their interests

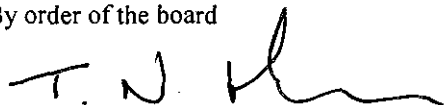
The membership of the Board is set out on page 1. All the directors served throughout the period, unless otherwise stated.

None of the directors held any interests in the shares of the company during the period under review. The interests of the directors in the shares of the United Kingdom parent company are disclosed in the financial statements of that company. The directors had no interests in any other group company incorporated in Great Britain.

Auditors

Deloitte & Touche LLP resigned during the year and KPMG LLP were appointed in their place. In accordance with Section 384 of the Companies Act 1985, 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 Murnane
Secretary

Date: 23/10/06

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.

The financial statements are required by law to 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985.

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 Marketing Limited

We have audited the financial statements of McLaren Marketing Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 auditor's 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 on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you if, in our opinion, the Directors' Report is not consistent with the 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

Chartered Accountants
Registered Auditor

27/10/06

1 Forest Gate
Brighton Road
Crawley RH11 9PT

Profit and loss account
for the year ended 31 December 2005

	<i>Note</i>	Year ended 31 December 2005 £000	14 months ended 31 December 2004 £000
Turnover	<i>1</i>	14,353	19,124
Cost of sales		(8,270)	(8,653)
Gross profit		6,083	10,471
Administrative expenses		(5,449)	(6,313)
Operating profit	<i>2</i>	634	4,158
Other interest receivable and similar income	<i>4</i>	729	935
Interest payable and similar charges	<i>5</i>	(7)	(54)
Profit on ordinary activities before taxation		1,356	5,039
Tax on profit on ordinary activities	<i>6</i>	(397)	(1,560)
Profit on ordinary activities	<i>12</i>	959	3,479

All the amounts derive from continuing activities.

There have been no recognised gains or losses other than the profit as shown above for the current period and the preceding year. Accordingly, a statement of total recognised gains and losses has not been provided.

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 2005

	<i>Note</i>	2005	2004
		£000	£000
Fixed assets			
Tangible assets	7	335	378
		<u>335</u>	<u>378</u>
Current assets			
Stocks – finished goods		75	131
Debtors	9	41,470	33,418
Cash at bank and in hand		151	62
		<u>41,696</u>	<u>33,611</u>
Creditors: amounts falling due within one year	11	<u>(8,186)</u>	<u>(1,103)</u>
Net current assets		<u>33,510</u>	<u>32,508</u>
Net assets		<u>33,845</u>	<u>32,886</u>
Capital and reserves			
Called up share capital	12	10	10
Profit and loss account	13	33,835	32,876
Equity shareholders' funds	14	<u>33,845</u>	<u>32,886</u>

These financial statements were approved by the board of directors on their behalf by:

25/10/06

and were signed on


R. Dennis
 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. The particular accounting policies adopted are described below, and have been applied consistently throughout the current and preceding period. The company adopted FRS21 during the year. This has had no impact on the result for the current or preceding period.

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption from preparing a cash flow statement as permitted by FRS 1 (Revised) as the company's results are included in the consolidated financial statements of McLaren Group Limited, which are available to the public.

The company has taken advantage of the exemption available to subsidiary companies under s228 Companies Act 1985 and has not prepared consolidated financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Turnover

Turnover represents the invoiced value of commissions and marketing services provided excluding value added tax. All turnover originates in the United Kingdom. An analysis of turnover, operating profits and net assets by geographical destination has not been included as the directors believe the group operates in a single global market, and that the allocation to geographical destination segments would be seriously prejudicial to the interest of the company.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset at the following rates:

Leasehold premises & improvements	- 20% of reducing balance
Motor vehicles	- 25% of reducing balance
Fixtures, fittings & office equipment	- 20% of reducing balance
Plant, machinery, tools & equipment	- 20% of reducing balance

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

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 translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Notes (continued)

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

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.

2 Operating profit

	Year ended 31 December 2005 £	14 months ended 31 December 2004 £
Operating profit is stated after charging/(crediting):		
Depreciation	97	115
Rentals under operating leases		
- land and buildings	446	529
- other	8	18
Auditors' remuneration		
- audit fees	5	5
- other fees	7	15
	<hr/> <hr/>	<hr/> <hr/>

3 Information regarding directors and employees

	Year ended 31 December 2005 £	14 months ended 31 December 2004 £
Directors' emoluments:		
Highest paid director's emoluments	916	993
	<hr/> <hr/>	<hr/> <hr/>

Only one director received remuneration from the company during the current and proceeding period. R Dennis and A Myers were also directors of other group companies during the period 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 £331,516 (2004:£346,939). The company has made no pension contributions on behalf of directors within the period.

Notes (continued)

3 Information regarding directors and employees (continued)

	Year ended 31 December 2005 £000	14 months ended 31 December 2004 £000
Employee costs during the period (including directors):		
Wages and salaries	2,529	2,864
Social security costs	301	328
Other pension costs	38	46
	<u>2,868</u>	<u>3,238</u>
	Number	Number
Average number of persons employed:		
Administration	<u>49</u>	<u>48</u>

4 Other interest receivable and similar income

	Year ended 31 December 2005 £000	14 months ended 31 December 2004 £000
On group company loans	685	929
Other interest receivable	2	6
Net exchange gains	42	-
	<u>729</u>	<u>935</u>

5 Interest payable and similar charges

	Year ended 31 December 2005 £000	14 months ended 31 December 2004 £000
Other interest payable and finance charges	7	10
Net exchange losses	-	44
	<u>7</u>	<u>54</u>

Notes (continued)

6 Tax on profit on ordinary activities

	Year ended 31 December 2005 £000	14 months ended 31 December 2004 £000
United Kingdom corporation tax at 30% (2004: 30%)	417	1,563
Adjustments in respect of prior years:		
- corporation tax	5	(20)
	<hr/>	<hr/>
Total current tax	422	1,543
Deferred taxation		
- origination and reversal of timing differences	22	17
- adjustments in respect of prior years	(47)	-
	<hr/>	<hr/>
Tax on profits on ordinary activities	397	1,560
	<hr/>	<hr/>

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.

	Year ended 31 December 2005 £	14 months ended 31 December 2004 £
Profit on ordinary activities before tax	1,356	5,039
	<hr/>	<hr/>
Tax at 30% thereon	407	1,511
Expenses not deductible for tax purposes	29	68
Capital allowances in excess of depreciation	(19)	(17)
Movement in short term timing differences	-	1
Prior period adjustments	5	(20)
	<hr/>	<hr/>
Total actual amount of current tax	422	1,543
	<hr/>	<hr/>

Notes (continued)

7 Tangible fixed assets

	Leasehold premises & improvements £000	Motor vehicles £000	Fixtures, fittings & office equipment £000	Plant & machinery tools & equipment £000	Total £000
Cost:					
At 1 January 2005	482	6	971	949	2,408
Additions	-	-	-	58	58
Disposals	-	(6)	-	-	(6)
At 31 December 2005	482	-	971	1,007	2,460
Accumulated depreciation					
At 1 January 2005	469	2	792	767	2,030
Charge for the period	3	1	35	59	98
Disposals	-	(3)	-	-	(3)
At 31 December 2005	471	-	828	826	2,125
Net book value					
At 31 December 2005	11	-	143	181	335
At 31 December 2004	13	4	179	182	378

8 Investments

The company owns the entire share capital of Team McLaren Limited. Team McLaren Limited is incorporated in England and Wales, and its principal activity is that of a supporters' club and merchandising company. The value of this investment is £200 and has remained unchanged in the year.

9 Debtors

	2005 £000	2004 £000
Trade debtors	778	592
Amounts owed by group undertakings	39,696	32,073
Amounts owed by related parties	244	21
Other debtors	365	352
Deferred tax asset (see note 10)	55	31
Prepayments and accrued income	332	349
	41,470	33,418

Notes (continued)

10 Deferred tax asset

	2005	2004
	£000	£000
At the start of the period	30	30
Credit to the profit and loss account	25	-
	<hr/>	<hr/>
At the end of the period	55	30
	<hr/>	<hr/>

	2005	2004
	£000	£000
The deferred tax asset consists of the following:		
Capital allowances in excess of depreciation	53	28
Short term timing differences	2	2
	<hr/>	<hr/>
	55	30
	<hr/>	<hr/>

11 Creditors: amounts falling due within one year

	2005	2004
	£000	£000
Trade creditors	485	269
Amounts owed to group undertakings	6,927	228
Amounts owed to related parties	363	2
Taxation and social security	123	104
Other creditors	12	36
Accruals and deferred income	276	464
	<hr/>	<hr/>
	8,186	1,103
	<hr/>	<hr/>

12 Called up share capital

	2005	2004
	£000	£000
Authorised, called up, allotted and fully paid:		
10,000 ordinary shares of £1 each	10	10
	<hr/>	<hr/>

Notes (continued)

13 Profit and loss account

	£000
At 1 January 2005	32,876
Profit for the year	959
	<hr/>
At 31 December 2005	33,835
	<hr/>

14 Reconciliation of movements in shareholders' funds

	2005 £000	2004 £000
Profit for the financial period	959	3,479
Dividends	-	-
	<hr/>	<hr/>
Net addition to shareholders' funds	959	3,479
Opening shareholders' funds	32,886	29,407
	<hr/>	<hr/>
Closing shareholders' funds	33,845	32,886
	<hr/>	<hr/>

15 Operating Lease Commitments

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

	Motor vehicles 31 December 2005 £	Motor vehicles 31 December 2004 £	Land and buildings 31 December 2005 £	Land and buildings 31 December 2004 £
Leases which expire:				
Within one year	-	-	-	
After five years	-	-		445,812
	<hr/>	<hr/>	<hr/>	<hr/>

16 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).

Notes (continued)

17 Contingent liability

McLaren Marketing 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 HSBC Bank plc. As at 31 December 2005 the balance guaranteed was £69,200,069 (2004:£71,221,796).

18 Related parties

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.

	Total sales during period ended 31 December 2005 £000	Balance outstanding at 31 December 2005 £000	Total sales during period ended 31 December 2004 £000	Balance outstanding at 31 December 2004 £000
Sales to related parties				
Absolute Taste	10	-	-	-
DaimlerChrysler AG	849	242	811	21
TAG Group (Holdings) SA	138	1	87	-
R Dennis	10	1	2	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Total purchases during period ended 31 December 2005 £000	Balance outstanding at 31 December 2005 £000	Total purchases during period ended 31 December 2004 £000	Balance outstanding at 31 December 2004 £000
Purchases from related parties				
DaimlerChrysler AG	357	363	12	2
Absolute Taste	202	7	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

All related party transactions have been made under normal commercial terms and conditions.