

McLaren Applied Technologies Limited

**Directors' report and financial
statements**

Registered number 04557358

31 December 2012

WEDNESDAY



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Contents

Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	4
Independent auditor's report to the members of McLaren Applied Technologies Limited	5
Profit and loss account	6
Balance sheet	7
Notes	8

Officers and professional advisers

Directors

R Dennis
M Whitmarsh
T Murnane

Secretary

T Murnane

Registered office

McLaren Technology Centre
Chertsey Road
Woking
Surrey
GU21 4YH

Auditors

KPMG LLP
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

Registered number

The company's registered number is 04557358

Principal activity

The principal activity of the company is the commercial exploitation of intellectual property, capability and brand from the McLaren Group. This activity is based in the United Kingdom.

Results

The profit on ordinary activities for the year after taxation amounted to £1,698,101 (2011 profit of £1,803,777)

Business review and future prospects

McLaren Applied Technologies has a mission to deliver breakthroughs in performance through the application of advanced technology and design. It fulfilled its strategic goals this year while growing in size and contribution throughout the year. Key milestones reached throughout the year include the following:

- Launched the High Performance Programme for professional race teams to train drivers and teams in a simulated race environment
- Completed the development of a system for measurement of human performance in the context of sports, health and wellness
- Established a track record for high performance design with leading brand partners, such as Specialized
- Managed a strategic partnership with GSK that delivered measurable benefits and successful outcomes in areas of pharmaceutical research and manufacturing
- Continued provision of technical support to two Formula One teams

In 2013, McLaren Applied Technologies will focus on three areas:

- High Performance Design – realising new levels of performance for leading brand products
- Performance Management Systems – analysing and managing man and machine performance
- Simulation Systems – optimising design, strategy and decision making

Principal risk and uncertainties

McLaren Applied Technologies will succeed in its mission if it can create strategic partnerships to co-develop and co-market products to market. A successful partner network is important to overcome the challenge of achieving rapid development of multiple solutions and will ensure global reach and growth in our business.

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.

Directors' report *(continued)*

Dividends

The directors do not propose a dividend for the year ended 31 December 2012 *(2011 £nil)*

Directors

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

Donations

During the year the company made no charitable donations *(2011 £nil)* and no political donations *(2011 £nil)*

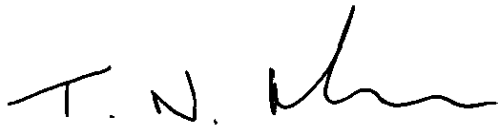
Disclosure of information

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with Section 487 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 Murnane
Secretary

18 September 2013

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 auditor's report to the members of McLaren Applied Technologies Limited

We have audited the financial statements of McLaren Applied Technologies Limited for the year ended 31 December 2012 set out on pages 6 to 15. 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 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 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 and express an opinion on 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 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 Financial Reporting Council's website at www.frc.org.uk/apb/scope/auditscopeukprivate.

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 2012 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.



Tim 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

23/9/2013

Profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Turnover	<i>1</i>	26,056	22,323
Cost of sales		(22,019)	(19,167)
Gross profit		4,037	3,156
Administrative expenses		(1,718)	(705)
Operating profit		2,319	2,451
Interest receivable and similar income	<i>3</i>	-	5
Interest payable and similar charges	<i>4</i>	(57)	(42)
Profit on ordinary activities before taxation	<i>5</i>	2,262	2,414
Tax on profit on ordinary activities	<i>6</i>	(564)	(610)
Profit for the financial year	<i>13</i>	1,698	1,804

In both the current year and preceding year, 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 2012

	Note	2012 £000	2011 £000
Fixed assets			
Intangible assets	7	708	438
Tangible assets	8	898	1,068
		<u>1,606</u>	<u>1,506</u>
Current assets			
Stock		10	10
Debtors	9	18,105	14,163
Cash at bank and in hand		107	40
		<u>18,222</u>	<u>14,213</u>
Creditors' amounts falling due within one year	11	<u>(14,380)</u>	<u>(11,969)</u>
Net current assets		<u>3,842</u>	<u>2,244</u>
Net assets		<u>5,448</u>	<u>3,750</u>
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	5,448	3,750
Equity	14	<u>5,448</u>	<u>3,750</u>

These financial statements were approved by the board of directors on 18 September 2013 and were signed on their behalf by


R. Dennis
Director

Notes

(Information 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 company's activities, together with the factors likely to affect its future development and position are set out in the Business Review section of the Directors' Report on page 2.

McLaren Applied Technologies Limited is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors have made enquiries of the directors of the company's parent and following these enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of McLaren Group Limited to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position of the enquiries made of the directors of McLaren Group Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover represents the value of goods sold and services provided in the year, exclusive of value added tax. Sales are recognised when the goods are delivered to the customer.

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Amounts recoverable on contracts are included in debtors or creditors and represent turnover recognised in excess of payments on account.

Intangible fixed assets

Intangible fixed assets represent development costs capitalised in accordance with SSAP13 'Research and Development'. These are stated at historical cost and will be amortised over the lifecycle of the product. Development costs include labour costs from internal resources and externally purchased.

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:

Premises improvements	- 20% straight line
Plant & machinery, tools & equipment	- 20% straight line
Office fixtures & fittings	- 20% straight line
Computer equipment	- 33 3% straight line

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

Stock

Stocks are stated at the lower of cost and net realisable value. In determining cost a weighted average purchase price is used.

Notes (continued)

1 Accounting policies (continued)

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

Foreign currency transactions are translated into sterling at the rates ruling at the beginning of the month in which the transactions took place, unless matching forward foreign exchange contracts have been entered into. Foreign currency assets and liabilities are translated into sterling at the period-end rates. 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 an existing underlying exposure of the company in line with the company's risk management policies.

Pensions

The group operates a defined contribution pension scheme 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.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Assets leased to customers under agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases. Where the Company is a lessor under finance leases, the amounts due under the leases, after deduction of unearned charges, are included in debtors. Finance charges receivable are recognised over the periods of the leases in proportion to the funds invested.

Cash flow statement

Under FRS 1 (revised), the company is exempt from producing a cash flow statement as it is a subsidiary of a United Kingdom company which prepares a cash flow statement.

2 Information regarding directors and employees

R Dennis, M Whitmarsh and T Murnane were directors of other group companies during the year and their remuneration for services to the company 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 £103,424 (2011 £119,664).

Notes (continued)

2 Information regarding directors and employees (continued)

	2012 £000	2011 £000
<i>Employees costs during the period (including directors)</i>		
Wages and salaries	2,468	1,338
Social security costs	302	160
Other pension costs	70	30
	<u>2,840</u>	<u>1,528</u>
	Number	Number
<i>Average number of persons employed</i>		
Design & production	36	15
Administration	7	10
	<u>43</u>	<u>25</u>

3 Interest receivable and similar income

	2012 £000	2011 £000
Net exchange gains	-	5

4 Interest payable and similar charges

	2012 £000	2011 £000
On group company loans	53	42
Net exchange losses	4	-
	<u>57</u>	<u>42</u>

5 Profit on ordinary activities before taxation

	2012 £000	2011 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation and amortisation	311	70
Operating lease rentals - other	20	20
Auditor's remuneration - audit fees	11	8
- tax services	5	7
Loss on disposal of fixed assets	22	-

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 United Kingdom

Notes (continued)

6 Tax on profit on ordinary activities

	Year to 31 December 2012 £000	Year to 31 December 2011 £000
United Kingdom corporation tax at 24.5% (2011 26.5%)	618	629
Adjustment in respect of prior year	(3)	(7)
Total current tax	615	622
<i>Deferred taxation</i>		
Origination and reversal of timing differences	(60)	(12)
Adjustment in respect of prior years	9	-
	564	610

Factors affecting tax credit for the current year

The current tax charge for the year is higher (2011 lower) than the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

	2012 £000	2011 £000
Profit on ordinary activities before taxation	2,262	2,414
Tax at 24.5% (2011 26.5%) thereon	554	640
<i>Effects of</i>		
Expenses not deductible for tax purposes	9	4
Depreciation in excess of capital allowances	60	18
R&D tax credits	(5)	(33)
Adjustment in respect of prior year	(3)	(7)
Total actual amount of current tax	615	622

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

Notes (continued)

7 Intangible fixed assets

	Development costs £000
<i>Cost</i>	
At 1 January 2012	438
Additions	336
	<hr/>
At 31 December 2012	774
	<hr/>
<i>Amortisation</i>	
At 1 January 2012	-
Charge for the year	66
	<hr/>
At 31 December 2012	66
	<hr/>
<i>Net book value</i>	
At 31 December 2012	708
	<hr/>
At 31 December 2011	438
	<hr/>

8 Tangible fixed assets

	Premises improvements £000	Plant and machinery, tools and equipment £000	Office equipment and fixtures and fittings £000	Total £000
<i>Cost</i>				
At 1 January 2012	-	1,080	84	1,164
Additions	36	10	80	126
Disposals	-	(66)	-	(66)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	36	1,024	164	1,224
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>				
At 1 January 2012	-	53	43	96
Charge for the year	1	214	30	245
Disposals	-	(15)	-	(15)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	1	252	73	326
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2012	35	772	91	898
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2011	-	1,027	41	1,068
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

9 Debtors

	2012 £000	2011 £000
Trade debtors	9,416	5,206
Amounts owed by group undertakings	8,359	8,735
Amounts owed by related parties (note 17)	12	-
Corporation tax	3	-
Prepayments and accrued income	68	22
Deferred tax asset (note 10)	201	150
Other debtors	46	50
	<u>18,105</u>	<u>14,163</u>

10 Deferred tax asset

	2012 £000	2011 £000
<i>Reconciliation of movement in the deferred tax asset</i>		
At 1 January	150	138
Credit to profit and loss account	51	12
At 31 December	<u>201</u>	<u>150</u>

	2012 £000	2011 £000
<i>The deferred tax asset consists of</i>		
Capital allowances in excess of depreciation	199	149
Short-term timing differences	2	1
	<u>201</u>	<u>150</u>

11 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	77	449
Amounts owed to group undertakings	8,884	2,732
Amounts owed to related parties (note 17)	-	2
Taxation and social security	921	807
Accruals and deferred income	4,498	7,979
	<u>14,380</u>	<u>11,969</u>

Notes (continued)

12 Called up share capital

	2012 £	2011 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
	<u>£</u>	<u>£</u>
<i>Called up, allotted and fully paid</i>		
1 ordinary share of £1	1	1
	<u>£</u>	<u>£</u>

13 Profit and loss account

	£000
At 1 January 2012	3,750
Profit for the year	1,698
	<u>£</u>
At 31 December 2012	5,448
	<u>£</u>

14 Reconciliation of movement in shareholders' funds

	2012 £000	2011 £000
Profit for the year	1,698	1,804
	<u>£</u>	<u>£</u>
Net change in shareholders' funds	1,698	1,804
Opening shareholders' funds	3,750	1,946
	<u>£</u>	<u>£</u>
Closing shareholders' funds	5,448	3,750
	<u>£</u>	<u>£</u>

15 Operating lease commitments

At 31 December 2012, the company was committed to making the following payments during the next year in respect of operating leases

	Land and buildings 2012 £000	2011 £000
<i>Leases which expire</i>		
Within one year	20	20
	<u>£</u>	<u>£</u>

Notes (continued)

16 Contingent liability

McLaren Applied Technologies 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 McLaren Group Limited by its bankers. As at 31 December 2012 the balance guaranteed was £65,000,000 (2011 £80,000,000)

17 Related party transactions

Transactions with related companies during the period were as follows

	Year to 31 December 2012 £000	Year to 31 December 2011 £000	Balance outstanding at 31 December 2012 £000	Balance outstanding at 31 December 2011 £000
Sales to Directors:				
Mr R Dennis	-	198	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Purchases from related parties:				
Absolute Taste Ltd	7	10	-	2
	<hr/>	<hr/>	<hr/>	<hr/>
Sales to related parties				
McLaren Automotive Ltd	201	-	12	-
	<hr/>	<hr/>	<hr/>	<hr/>

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

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

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 2012 was as follows: 50% Bahrain Mumtalakat Holding Company (incorporated in Bahrain), 25% Mr R Dennis and 25% TAG Group Limited (incorporated in Jersey)