McLaren Applied Technologies Limited

Directors' report and financial statements

Registered number 04557358

31 December 2008

Contents

Officers and professional advisers

Directors

R Dennis
M Whitmarsh
M Phillips
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
RH11 9PT

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

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 loss on ordinary activities for the year after taxation amounted to £561,895 *(2007: loss of £366,620).*

Business review and future prospects

During the year, the company agreed to supply the drivetrain together with an associated componentry to the Force India Formula One Team. The company is delighted to supply and be associated with such a prestigious and developing team.

Additional focus in 2008 was the development of couple of key areas, both of which are seen as good potential growth markets to generate income from 2009 onwards, namely:

- end-to-end medical systems, including so-called human telemetry and real-time data collection, distribution and aggregation; and
- traffic simulation work, primarily focused on aircraft movement on the ground at large airports.

The company also continued to develop business in other areas in which McLaren Intellectual Property was seen to deliver value to non-automotive applications, including UK Sport.

Principal risks and uncertainties

The general uncertainty in the marketplace, with the financial prudence that results, will put pressure upon some opportunities that are currently being pursued. However, the company is confident that currently it will continue to develop existing and new opportunities leveraging McLaren's unique intellectual property and know how. For further information on these risks and uncertainties, please refer to the Directors' Report of the company's ultimate parent, McLaren Group Limited.

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.

Dividends

The directors do not propose a dividend for the year ended 31 December 2008 *(2007: £nil).*

Directors

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

Directors' Report *(continued)*

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

Auditors

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. N. M

T Murnane
Secretary

29th October 2009

Company's Registered Number 04557358

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).

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 Applied Technologies Limited

We have audited the financial statements of McLaren Applied Technologies Limited for the year ended 31 December 2008 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you, if in our opinion, 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 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
29th October 2009
Chartered Accountants
Registered Auditor

1 Forest Gate
Brighton Road
Crawley
RH11 9PT

Profit and loss account
for the year ended 31 December 2008

	Note	**2008**	2007
		£000	£000
Turnover	*1*	**298**	1,160
Cost of sales		**(565)**	(734)
Gross (loss)/ profit		**(267)**	426
Administrative expenses		**(362)**	(890)
Operating loss		**(629)**	(464)
Interest receivable and similar income	*3*	**35**	-
Interest payable and similar charges	*4*	**(18)**	(27)
Loss on ordinary activities before taxation	*5*	**(612)**	(491)
Tax on loss on ordinary activities	*6*	**50**	124
Loss for the financial year	*12*	**(562)**	(367)

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 2008

	Note	£000	2008 £000	£000	2007 £000
Fixed assets					
Tangible assets	*7*		**39**		109
Current assets					
Stock – raw materials		**-**		197	
Debtors	*8*	**7,623**		924	
Cash at bank and in hand		**1**		-	
		7,624		1,121	
Creditors: amounts falling due within one year	*10*	**(7,675)**		(680)	
Net current (liabilities)/ assets			**(51)**		441
Net (liabilities)/ assets			**(12)**		550
Capital and reserves					
Called up share capital	*11*		**-**		-
Profit and loss account	*12*		**(12)**		550
Equity	*13*		**(12)**		550

These financial statements were approved by the board of directors on 29th October 2009 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 financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £51,000 and net liabilities of £12,000, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by McLaren Racing Limited, the company's immediate parent. McLaren Racing Limited has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

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.

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:

Plant, machinery, tools and equipment - 20% of reducing balance

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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

	2008 £000	2007 £000
Directors' emoluments (excluding pension contributions)	**83**	131
Aggregate of emoluments (excluding pension contributions)	**83**	131
Directors' pension contributions	**5**	8
	5	8
	Number	Number
Number of directors who are members of a defined contribution scheme	**1**	1

R Dennis, M Whitmarsh and T Murnane were also directors of other group companies during the year 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 £119,548 *(2007:£ 39,344)*.

Notes *(continued)*

2 Information regarding directors and employees *(continued)*

	2008 £000	2007 £000
Employees costs during the period (including directors):		
Wages and salaries	**255**	334
Social security costs	**30**	40
Other pension costs	**12**	12
	297	386

	Number	Number
Average number of persons employed:		
Production	**3**	3
Administration	**1**	3
	4	6

3 Interest receivable and similar income

	2008 £000	2007 £000
On group company loans	**35**	-

4 Interest payable and similar charges

	2008 £000	2007 £000
On group company loans	**-**	27
Net exchange losses	**18**	-
	18	27

5 Loss on ordinary activities before taxation

		2008 £000	2007 £000
Loss on ordinary activities before taxation is stated after charging:			
Depreciation		**23**	185
Operating lease rentals	- other	**55**	70
Auditors' remuneration	- audit fees	**4**	5
Loss on disposal of fixed assets		**-**	281

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 loss on ordinary activities

	Year to 31 December 2008 £000	Year to 31 December 2007 £000
United Kingdom corporation tax at 28.5% *(2007: 30%)*	**(200)**	(7)
Adjustment in respect of prior year	**(44)**	3
Total current tax	**(244)**	(4)
Deferred taxation:		
Origination and reversal of timing differences	**(5)**	(140)
Changes in tax rates	**-**	21
Adjustment in respect of prior years	**199**	(1)
	(50)	(124)

Factors affecting tax credit for the current year

The current tax charge for the year is higher *(2007:* lower*)* than the standard rate of corporation tax in the UK of 28.5% *(2007: 30%)*. The differences are explained below:

	Year to 31 December 2008 £000	Year to 31 December 2007 £000
Loss on ordinary activities before taxation	**(612)**	(491)
Tax at 28.5% thereon	**174**	147
Effects of:		
Expenses not deductible for tax purposes	**2**	(1)
Depreciation in excess of capital allowances	**(7)**	(139)
R&D tax credits	**31**	-
Adjustment in respect of prior year	**44**	(3)
Total actual amount of current tax	**244**	4

Notes *(continued)*

7 Tangible fixed assets

	Plant and machinery, tools and equipment £000
Cost:	
At 1 January 2008	119
Additions	34
Disposals	(108)
At 31 December 2008	45
Accumulated depreciation:	
At 1 January 2008	10
Charge for the year	23
Disposals	(27)
At 31 December 2008	6
Net book value:	
At 31 December 2008	**39**
At 31 December 2007	109

8 Debtors

	2008 **£000**	2007 £000
Trade debtors	**522**	90
Amounts owed by group undertakings	**6,888**	534
Prepayments and accrued income	**108**	5
Deferred tax asset (note 9)	**101**	295
Other debtors	**4**	-
	7,623	924

Notes *(continued)*

9 Deferred tax asset

	2008 £000	2007 £000
Opening balance	295	174
Credit to profit and loss account	(194)	121
Closing balance	101	295
The deferred tax asset consists of:		
Depreciation in excess of capital allowances	101	291
Short-term timing differences	-	4
	101	295

10 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	4	118
Amounts owed to group undertakings	353	374
Taxation and social security	1,124	46
Accruals and deferred income	6,194	142
	7,675	680

11 Called up share capital

	2008 £000	2007 £000
Authorised:		
1,000 ordinary shares of £1 each	1	1
Called up, allotted and fully paid:		
1 ordinary share of £1	-	-

Notes *(continued)*

12 Profit and loss account

	£000
At 1 January 2008	550
Loss for the year	(562)
At 31 December 2008	**(12)**

13 Reconciliation of movement in shareholders' funds

	2008 £000	2007 £000
Loss for the year	**(562)**	(367)
Net change in shareholders' funds	**(562)**	(367)
Opening shareholders' funds	550	917
Closing shareholders' funds	**(12)**	550

14 Operating lease commitments

At 31 December 2008, the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings	
	2008	2007
	£000	£000
Leases which expire:		
After five years	-	70

15 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 the McLaren Group by its bankers. As at 31 December 2008 the balance guaranteed was £30,349,000 *(2007:£8,130,000)*.

Notes *(continued)*

16 Related party transactions

Transactions with related companies during the period were as follows:

	Year to 31 December 2008 £000	Year to 31 December 2007 £000	**Balance outstanding at 31 December 2008 £000**	Balance outstanding at 31 December 2007 £000
Sales to related parties:				
Mercedes-Benz High Performance Engines Ltd	-	-	-	-
Purchases from related parties:				
Absolute Taste Ltd	1	1	-	-

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.

17 Ultimate parent company

In the opinion of the directors, the company's immediate parent is McLaren Racing Limited and its controlling entity is McLaren Group Limited, a company registered in England and Wales. This is also the parent undertakings 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 2008 was as follows: 40% Daimler AG (incorporated in Germany), 30% Bahrain Mumtalakat Holding Company (incorporated in Bahrain), 15% Mr R Dennis and 15% TAG Group (Holdings) SA (incorporated in Luxembourg).