McLaren Performance Limited

Annual report and financial Statements

Registered number 04557358

31 December 2014

Contents

Officers and professional advisers

Directors	R Dennis T Murnane I Rhodes – appointed 15/05/15 M Whitmarsh – resigned 23/07/14
Secretary	T Murnane
Registered office	McLaren Technology Centre Chertsey Road Woking Surrey GU21 4YH
Independent auditor	PricewaterhouseCoopers LLP 1 Embankment Place LONDON WC2N 6RH

Strategic report

Principal activities

On 2 January 2014, McLaren Applied Technologies Limited changed its name to McLaren Performance Limited. At that time the majority of the activities were transferred and merged with the existing McLaren Electronics business. The activities retained by McLaren Performance Limited were that of technical support for Formula One teams.

Results

Turnover for the year was £10,157,339 *(2013: £22,558,589)* and profit on ordinary activities for the year after taxation amounted to £497,081 *(2013: profit of £750,975).* The detailed result is shown in the profit and loss account on page 8.

Business review

The merger with McLaren Electronics saw the transfer of various activities including performance management in the fields of sports, health and wellness. This is reflected in the overall fall in turnover and profit. The Company's results and operations are reviewed on a regular basis to ensure that customer contracts retain overall profitability at a gross and net margin level.

Future developments, risks and uncertainties

Under the new name of McLaren Performance Limited and a redefined focus, the company will continue to provide technical support for Formula One teams. Retention and development of these types of contracts is fundamental to the business and the tough economic conditions that many teams within F1 currently find themselves presents the key risk to this type of technical consultancy.

By order of the board

T. N. M

T Murnane
Secretary

22 October 2015

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

Registered name and registered number

On 2 January 2014 the company's registered name was changed from McLaren Applied Technologies Limited to McLaren Performance Limited. The company's registered number is 04557358.

Results

The profit on ordinary activities for the year after taxation amounted to £497,081 *(2013: profit of £750,975).*

Dividends

The directors do not propose a dividend for the year ended 31 December 2014 *(2013: £nil).*

Directors

The directors who served during the year are as reported on page 1. The directors served throughout the year and up to the date of signing the financial statements unless otherwise stated.

Employment of disabled persons

The policy of the company is to give full and fair consideration to employment application by disabled persons and to ensure that disabled employees receive appropriate training and career development opportunities. Employees who become disabled during their working life will be retained in employment wherever possible, with appropriate retraining being given if necessary.

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.

Future developments

The future developments of the company are explained in the strategic report on page 2.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in note 1 on page 10.

Disclosure of information to auditors

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 auditor is 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 auditor is aware of that information.

Directors' report *(continued)*

Independent auditor

KPMG had been the company's external auditors since 2005 and was responsible for the audit of the company's financial statements for the year ended 31 December 2013. Due to a strategic alliance between the McLaren Technology Group and KPMG entered into during 2014, KPMG resigned as auditors and management appointed PricewaterhouseCoopers LLP as the external auditor for the year ended 31 December 2014.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting.

By order of the board

T. N. Mu

T Murnane
Secretary

22 October 2015

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 judgements 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, 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of McLaren Performance Limited

Report on the financial statements

Our opinion

In our opinion, McLaren Performance Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of McLaren Performance Limited *(continued)*

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Mark Gill (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

22 October 2015

Profit and loss account
for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Turnover	*1*	**10,157**	22,559
Cost of sales		**(9,385)**	(18,770)
Gross profit		**772**	3,789
Administrative expenses		**(290)**	(2,700)
Operating profit		**482**	1,089
Interest receivable and similar income	*3*	**134**	-
Interest payable and similar charges	*4*	**-**	(61)
Profit on ordinary activities before taxation	*5*	**616**	1,028
Tax on profit on ordinary activities	*6*	**(119)**	(277)
Profit for the financial year	*15*	**497**	751

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 2014

	Note		2014		2013
		£000	£000	£000	£000
Fixed assets					
Intangible assets	7		-		121
Tangible assets	8		7		668
Investments	9		-		-
			7		789
Current assets					
Debtors	11	13,496		10,458	
Creditors: amounts falling due within one year	13	(6,807)		(5,048)	
Net current assets			6,689		5,410
Net assets			6,696		6,199
Capital and reserves					
Called up share capital	14		-		-
Profit and loss account	15		6,696		6,199
Total shareholders' funds	16		6,696		6,199

These financial statements were approved by the board of directors on 22 October 2015 and were signed on its 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 on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. The particular accounting policies adopted are described below, and have been applied consistently throughout the current and preceding year.

Consolidated financial statements

The company is a wholly owned subsidiary of a company incorporated in Great Britain and therefore has taken advantage of the exemption under Section 400 Companies Act 2006 not to produce consolidated financial statements.

Going Concern

The company's activities, together with the factors likely to affect its future development and position are set out in the Strategic Report on page 2.

McLaren Performance 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 Technology 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 Technology 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% reducing balance
Plant & machinery, tools & equipment	- 20% reducing balance
Office fixtures & fittings	- 20% reducing balance
Computer equipment	- 20% reducing balance

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

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment

The carrying amount of the group's assets is reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss. The recoverable amount of fixed assets is the greater of their net realisable value and value in 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.

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.

Notes *(continued)*

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 £23,676 *(2013: £69,393)*.

	2014	2013
	£000	£000
Employees costs during the period (including directors):		
Wages and salaries	**494**	2,525
Social security costs	**57**	298
Other pension costs	**21**	81
	572	2,904

	Number	Number
Average number of persons employed:		
Design & production	**7**	37
Administration	**-**	7
	7	44

3 Interest receivable and similar income

	2014	2013
	£000	£000
On group company advances	**27**	-
Other interest receivable	**107**	-
	134	-

4 Interest payable and similar charges

	2014	2013
	£000	£000
On group company advances	**-**	52
Net exchange losses	**-**	9
	-	61

5 Profit on ordinary activities before taxation

		2014	2013
		£000	£000
Profit on ordinary activities before taxation is stated after charging:			
Depreciation and amortisation		**1**	520
Operating lease rentals	- other	**-**	20
Auditor's remuneration	- audit fees	**6**	12
Loss on disposal of fixed assets		**-**	1

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

	2014 £000	2013 £000
United Kingdom corporation tax at 21.5% *(2013: 23.25%)*	**132**	323
Adjustment in respect of prior year	**(13)**	(81)
Total current tax	**119**	242
Deferred taxation:		
Origination and reversal of timing differences	**-**	(33)
Adjustment in respect of prior years	**-**	68
	119	277

Factors affecting tax charge for the current year

The current tax charge for the year is lower *(2013: higher)* than the standard rate of corporation tax in the UK of 21.5% *(2013: 23.25%)*. The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before taxation	**616**	1,028
Tax at 21.5 % *(2013: 23.25%)* thereon	**132**	239
Effects of:		
Expenses not deductible for tax purposes	**-**	27
Depreciation in excess of capital allowances	**-**	59
R&D tax credits	**-**	(2)
Adjustment in respect of prior year	**(13)**	(81)
Total actual amount of current tax	**119**	242

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted during 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes *(continued)*

7 Intangible fixed assets

	Development costs £000
Cost:	
At 1 January 2014	910
Transfers to another group company	(910)
At 31 December 2014	-
Amortisation:	
At 1 January 2014	789
Transfers to another group company	(789)
At 31 December 2014	-
Net book value:	
At 31 December 2014	**-**
At 31 December 2013	121

During the year the intangible assets were transferred to another McLaren Technology Group Limited subsidiary, McLaren Applied Technologies Limited, at net book value.

8 Tangible fixed assets

	Premises improvements £000	Plant and machinery, tools and equipment £000	Office equipment and fixtures and fittings £000	Total £000
Cost:				
At 1 January 2014	22	1,026	207	1,255
Disposals	-	-	(2)	(2)
Transfers to another group company	(22)	(1,015)	(204)	(1,241)
At 31 December 2014	-	11	1	12
Accumulated depreciation:				
At 1 January 2014	4	465	118	587
Charge for the year	-	1	-	1
Disposals	-	-	(1)	(1)
Transfers to another group company	(4)	(461)	(117)	(582)
At 31 December 2014	-	5	-	5
Net book value:				
At 31 December 2014	**-**	**6**	**1**	**7**
At 31 December 2013	18	561	89	668

Notes *(continued)*

9 Investments

On 2 January 2014, the entire share capital of McLaren Applied Technologies PTE Ltd, incorporated in Singapore, was transferred to McLaren Applied Technologies Limited, at net book value. The cost and net book value of this investment was 1 share priced at $1.00 SGD.

10 Disposal of trade

On 2 January 2014, McLaren Performance Limited sold its non-Formula One technical support trade, assets and liabilities to McLaren Applied Technologies Limited, a fellow group undertaking, at net book value for consideration of £773,201. The principal activity of McLaren Performance Limited was the commercial exploitation of intellectual property, capability and brand, which McLaren Applied Technologies Limited now continues to operate. Net assets sold and related proceeds received were as follows:

	£000
Tangible assets	659
Intangible assets	121
Debtors	1,033
Creditors	(1,040)
Net assets sold	773
Disposal proceeds	773

11 Debtors

	2014 **£000**	2013 £000
Trade debtors	**3,950**	2,895
Amounts owed by group undertakings	**7,536**	7,072
Corporation tax	**-**	3
Prepayments and accrued income	**2,000**	81
Deferred tax asset (note 11)	**-**	166
Other debtors	**10**	241
	13,496	10,458

Amounts owed by group undertakings include business transactions, under normal commercial terms and conditions, and group loans. Group loans attract interest at Bank of England base rate.

Notes *(continued)*

12 Deferred tax asset

Reconciliation of movement in the deferred tax asset:	**2014 £000**	2013 £000
At 1 January	**166**	201
Charge to profit and loss account	**-**	(35)
Transferred to another group company	**(166)**	-
At 31 December	**-**	166

The deferred tax asset consists of:	**2014 £000**	2013 £000
Capital allowances in excess of depreciation	-	164
Short-term timing differences	-	2
	-	166

13 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	**-**	155
Amounts owed to group undertakings	**6,637**	3,403
Amounts owed to related parties (note 18)	**-**	1
Taxation and social security	**12**	219
Accruals and deferred income	**158**	1,270
	6,807	5,048

Amounts owed to group undertakings are business transactions under normal commercial terms and conditions.

Notes *(continued)*

14 Called up share capital

	2014	2013
	£	£
Called up, allotted and fully paid:		
1 ordinary share of £1	**1**	1

15 Profit and loss account

	£000
At 1 January 2014	6,199
Profit for the financial year	497
At 31 December 2014	**6,696**

16 Reconciliation of movement in shareholders' funds

	2014	2013
	£000	£000
Profit for the financial year	**497**	751
Net change in shareholders' funds	**497**	751
Opening shareholders' funds	**6,199**	5,448
Closing shareholders' funds	**6,696**	6,199

17 Operating lease commitments

At 31 December 2014, the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings	
	2014	2013
	£000	£000
Leases which expire:		
Within one year	**-**	20

Notes *(continued)*

18 Contingent liability

McLaren Performance 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 Technology Group Limited by its bankers. As at 31 December 2014 the balance guaranteed was £71,700,000 *(2013:£44,500,000)*.

19 Related party transactions

Transactions with related companies during the period were as follows:

	Year to 31 December 2014 £000	Year to 31 December 2013 £000	**Balance outstanding at 31 December 2014 £000**	Balance outstanding at 31 December 2013 £000
Purchases from related parties:				
Absolute Taste Limited	-	15	-	1

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 undertakings within the McLaren Technology Group have not been disclosed within these financial statements.

20 Ultimate parent company

In the opinion of the directors, the company's controlling entity is McLaren Technology 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 Technology Group Limited are available from Companies House, Crown Way, Cardiff CF14 3UZ.

Ownership of McLaren Technology Group Limited at 31 December 2014 was as follows: 50% Bahrain Mumtalakat Holding Company (incorporated in Bahrain), 25% Mr R Dennis and 25% TAG Group Limited (incorporated in Jersey).