

1Malaysia Racing Team (UK) Limited
Annual report and financial statements
for the year ended 31 December 2011

Registered Number: 07042086

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Macfarlanes LLP
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London
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1Malaysia Racing Team (UK) Limited

Annual report and financial statements for the year ended 31 December 2011

Contents	Page
Officers and advisers	1
Directors' report	2
Independent auditors' report to the members of 1Malaysia Racing Team (UK) Limited	5
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10

1Malaysia Racing Team (UK) Limited

Officers and advisers

DIRECTORS

Anthony Francis Fernandes
Kamarudin Bin Meranun
Sheikh Mohd Nasarudin
Michael Robert Gascoyne

REGISTERED OFFICE

22 - 30 Ironside Way
Hingham Industrial Estate
Hingham
Norfolk NR9 4LF

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
9 Greyfriars Road
Reading
Berkshire
RG1 1JG

1Malaysia Racing Team (UK) Limited

Directors' report for the year ended 31 December 2011

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 2011

Principal activities

The company is principally engaged in providing design services, testing services and race support services to its parent company, 1Malaysia Racing Team Sdn Bhd, a company incorporated in Malaysia

Business review and future developments

The directors consider race performance, championship performance, cost base and cash flow to be the principal key performance indicators to assess progress towards strategic goals

After the efforts of the team in the past year, the main goal in 2011 was to consolidate the 10th place position in the FIA Constructors Championship. With the improvements made in the team in terms of technical expertise contributed mainly by human resource enhancement and the consistent performances from both drivers, Heikki Kovalainen and Jarno Trulli, this target was achieved.

Turnover was derived mainly from management fee received from the holding company and other ancillary income.

The directors look forward to defending the 10th place in the 2012 season as well improving the technical capabilities of the cars to enable a more sustained competitive challenge against the other teams in future seasons.

Going concern

The financial statements have been prepared on a going concern basis that assumes that the company will continue in operational existence for the foreseeable future.

The shareholders will continue to provide such additional funding as is required to meet the future development objectives of the company through shareholder loans for the foreseeable future, being at least 12 months from the date of approval of these financial statements. This funding will continue until the Company becomes self-sufficient and cash flow positive. The Directors are satisfied that such funds are available and accordingly, the financial statements have been prepared on a going concern basis.

Principal risks and uncertainties

The company's principal risk is the level of financial contributions it receives to support the racing programme. These financial contributions are now mainly derived from the holding company which in turn is significantly dependent on sponsorship income and shareholders' loans.

Financial risk management

The company's operations expose it to a variety of financial risks as follows:

Currency risk

The company operates internationally, giving rise to exposures to changes in foreign exchange rates between a number of currencies. The company does not take out hedging instruments to mitigate the risk.

1Malaysia Racing Team (UK) Limited

Directors' report for the year ended 31 December 2011 (continued)

Liquidity risk

The company retains sufficient cash and short term borrowing facilities to ensure it has sufficient funds for its daily operations. The directors are actively sourcing other funding options to ensure that the company has adequate resources for its operations.

Results and dividends

The company's turnover for the year ended 31 December 2011 was £21,471,000 (2010 £17,244,000) and the profit on ordinary activities after taxation for the financial year was £1,637,000 (2010 £1,238,000). No dividends were declared in the period.

Directors

The directors of the company who served during the year and subsequently to the date of this report are listed below.

Anthony Francis Fernandes
Kamarudin Bin Meranun
Sheikh Mohd Nasarudin
Michael Robert Gascoyne

Disabled employees

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

1Malaysia Racing Team (UK) Limited

Directors' report for the year ended 31 December 2011 (continued)

Employee involvement

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its operations. The group encourages the involvement of employee's by systematic provision of relevant information to employees and achieving awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Provision of information to auditors

The directors of the company have each taken all steps that they ought to have taken as directors in order to make themselves aware of any information needed by the company's auditors in connection with preparing their report and to establish that the auditors are aware of that information and, so far as the directors are aware, there is no such information of which the company's auditors are unaware.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Statement of directors' responsibilities

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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

1Malaysia Racing Team (UK) Limited

Directors' report for the year ended 31 December 2011 (continued)

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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors
and signed by order of the Board



Anthony Francis Fernandes
Director

27 December 2012

1Malaysia Racing Team (UK) Limited

Independent auditors' report to the members of 1Malaysia Racing Team (UK) Limited

We have audited the financial statements of 1Malaysia Racing Team (UK) Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities 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.

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.

Scope of the audit of the financial statements

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. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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

1Malaysia Racing Team (UK) Limited

Independent auditors' report to the members of 1Malaysia Racing Team (UK) Limited (continued)

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

Gavin Crawford (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading, UK
27 December 2012

1Malaysia Racing Team (UK) Limited

Profit and loss account for the year ended 31 December 2011

	Note	2011 £'000	15 months period ended 2010 £'000
Turnover		21,471	17,244
Cost of sales		(14,215)	(11,324)
Gross profit		7,256	5,920
Administrative expenses		(5,382)	(4,530)
Operating profit		1,874	1,390
Interest payable and similar charges	2	(237)	(152)
Profit on ordinary activities before taxation	3	1,637	1,238
Tax on profit on ordinary activities	6	-	-
Profit for the financial year	13, 14	1,637	1,238

The results above relate wholly to continuing operations

There are no recognised gains or losses other than as shown above and hence no Statement of Total Recognised Gains and Losses is presented

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

1Malaysia Racing Team (UK) Limited

Balance sheet as at 31 December 2011

	Note	31 December 2011 £'000	31 December 2010 £'000
Fixed assets			
Tangible assets	7	2,612	2,854
Current assets			
Stock		-	158
Debtors	8	5,580	3,570
Cash at bank and in hand		156	4
		5,736	3,732
Creditors: amounts falling due within one year	9	(5,057)	(3,973)
Net current assets/(liabilities)		679	(241)
Total assets less current liabilities		3,291	2,613
Creditors amounts falling due after more than one year	10, 11	(416)	(1,375)
Net assets		2,875	1,238
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	2,875	1,238
Total shareholders' funds	13, 14	2,875	1,238

The financial statements on pages 8 to 19 of 1Malaysia Racing Team (UK) Limited, registered number 07042086, were approved by the Board of Directors on **27 December 2012** and were signed on its behalf by



Anthony Francis Fernandes
Director
 27 December 2012

1Malaysia Racing Team (UK) Limited

Notes to the financial statements for the year ended 31 December 2011

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. A summary follows of the more important accounting policies. These have been reviewed by the directors under Financial Reporting Standard ("FRS") 18 "Accounting Policies" and applied consistently in the year ended 31 December 2011.

Going concern

The financial statements have been prepared on a going concern basis that assumes that the company will continue in operational existence for the foreseeable future.

The shareholders will continue to provide such additional funding as is required to meet the future development objectives of the company through shareholder loans for the foreseeable future, being at least 12 months from the date of approval of these financial statements. This funding will continue until the Company becomes self sufficient and cash flow positive. The Directors are satisfied that such funds are available and accordingly, the financial statements have been prepared on a going concern basis.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation.

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. The company does not capitalise finance costs.

Fixed assets are depreciated on a straight line basis over periods not exceeding their useful lives from the date they become operational, principally as follows:

Plant and equipment	5-10 years
Furniture and fittings	5 years
Vehicles	3-5 years
IT equipment	3-5 years

Stock

Stock is stated at the lower of cost and net realisable value.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation

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

1Malaysia Racing Team (UK) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

1 Principal accounting policies (continued)

expenditure in taxation computations in years different from those in which they are included in 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 recorded in the local currency at actual exchange rates as at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Financial Instruments

The company does not have any financial instruments other than cash, debtors and creditors. These are all measured at cost on the date the transaction was entered into. The company considers the fair value of these items to equal their carrying value.

Leases

Fixed assets held under finance leases are capitalised, with the capital element of leasing commitments shown as obligations under finance leases. The capital element of lease rentals is then applied to reduce the outstanding obligations, and the interest element charged in profit and loss. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Turnover

Turnover comprises the value of sales (excluding VAT) of services rendered in the normal course of business and is derived mainly from the cost of providing design services, testing services and race support services recharged to 1Malaysia Racing Team Sdn Bhd. Turnover is recognised in the profit and loss account when the services are rendered.

Cash flow statement

Under the provisions of FRS 1 "Cash Flow Statements", the company has not prepared a cash flow statement because its ultimate parent undertaking, 1Malaysia Sdn Bhd, a company incorporated in Malaysia, prepares consolidated financial statements which are publicly available (see note 17).

2 Interest payable and similar charges

	2011 £'000	15 months period ended 2010 £'000
Finance lease interest	237	152

1Malaysia Racing Team (UK) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2011 £'000	15 months period ended 2010 £'000
Depreciation of tangible fixed assets:		
- Owned assets	402	193
- Leased assets	1,045	300
Services provided by the company's auditor		
- Fees payable for the audit	35	50
- Fees payable for other services – tax services	65	52
Operating lease charges		
- Other	238	222

4 Staff costs

Particulars of employees (including executive directors) are shown below

	2011 £'000	15 months period ended 2010 £'000
Wages and salaries	12,844	9,501
Social security costs	1,411	903
	14,255	10,404

No contributions (2010 nil) were made by the company on behalf of its employees into pension schemes

The average monthly number of persons employed by the company during the year was as follows

	2011 Number	15 months period ended 2010 Number
Administration	46	53
Production	207	164
	253	217

1Malaysia Racing Team (UK) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

5 Directors' remuneration

The total amounts for directors' remuneration were as follows

	2011 £'000	15 months period ended 2010 £'000
Aggregate emoluments	1,006	1,500

No retirement benefits are accruing to directors as at 31 December 2011 (2010 nil). All emoluments above are in respect of the highest paid director, and no other directors received emoluments in the year. Certain directors are remunerated by other group companies for their services to the group as a whole. None of their remuneration relates specifically to qualifying services in respect of 1Malaysia Racing Team (UK) Limited.

6 Tax on profit on ordinary activities

The tax charge comprises

	2011 £'000	15 months period ended 2010 £'000
Corporation tax		
Current year	-	-
Total current tax	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	-	-

The current tax charge for the year is lower than (2010: lower) than the standard rate of taxation in the UK of 26.5% (15 months period ended 2010: 21%). The differences are explained below:

	2011 £'000	15 months period ended 2010 £'000
Profit on ordinary activities before taxation	1,637	1,238
Corporation tax charge at 26.5% (15 months period ended 2010: 21%)	434	260
Accelerated capital allowances	(43)	(29)
Expenses not deductible for tax purposes	162	9
Research and development tax credit	(735)	(247)
Trading losses not relieved	182	7
Actual current taxation charge	-	-

1Malaysia Racing Team (UK) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

At the balance sheet date, the company had unutilised tax losses of £1,061,940 (15 months period ended 2010 £35,573) available for offset against future profits. No deferred tax has been recognised in respect of unused tax losses due to the unpredictability of future profits.

Factors affecting current and future tax charges

A change in the UK main corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and was effective from 1 April 2011. A further change in the UK main corporation tax to 26% was substantively enacted on 29 March 2011. Accordingly, the profits of the company are taxed at an effective rate of 26.5%.

In addition to the changes in rates of corporation tax disclosed above, a number of further changes to the UK corporation tax system were announced in the March 2012 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was substantively enacted on 3 July 2012. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

7 Tangible fixed assets

	Plant and equipment £'000	Furniture and fittings £'000	Vehicles £'000	IT equipment £'000	Assets under construction £'000	Total £'000
Cost						
At 31 December 2010	252	2	2,083	623	387	3,347
Additions	316	14	766	128	2,847	4,071
Disposals	-	-	-	-	(2,866)	(2,866)
At 31 December 2011	568	16	2,849	751	368	4,552
Accumulated depreciation						
At 31 December 2010	19	-	304	170	-	493
Charge for the year	124	3	1,099	221	-	1,447
Disposals	-	-	-	-	-	-
At 31 December 2011	143	3	1,403	391	-	1,940
Net book amount						
At 31 December 2011	425	13	1,446	360	368	2,612
At 31 December 2010	233	2	1,779	453	387	2,854

1Malaysia Racing Team (UK) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

7 Tangible fixed assets (continued)

Assets held under finance leases, capitalised and included in tangible fixed assets

	2011 £'000	2010 £'000
Cost	2,605	2,207
Accumulated depreciation	(1,345)	(300)
Net book amount	1,260	1,907

8 Debtors

	2011 £'000	2010 £'000
Trade debtors	126	-
Amounts owed by group undertakings	-	222
Other debtors	5,019	3,288
Prepayments and accrued income	435	60
	5,580	3,570

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and repayable on demand

9 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	1,426	1,783
Other creditors	-	2
Amounts owed to group undertakings	1,592	-
Finance leases (note 11)	1,351	1,109
Taxation and social security	608	427
Accruals and deferred income	80	652
	5,057	3,973

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

1Malaysia Racing Team (UK) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

10 Creditors: amounts falling after more than one year

	2011 £'000	2010 £'000
Finance leases (note 11)	416	1,375

11 Finance leases

Future minimum payments under finance leases are as follows

	2011 £'000	2010 £'000
Within one year	1,351	1,109
In more than one year, but not more than five years	416	1,375
Total gross payments	1,767	2,484
Less finance charges included above	(131)	(287)
	1,636	2,197

12 Called up share capital

	2011 £'000	2010 £'000
Allotted, called up and fully paid		
1 (2010 1) ordinary shares of £1 each	-	-

1 ordinary share was issued for cash during the 15 months period ended 2010. The nominal value of this share, and consideration received, was £1.

1Malaysia Racing Team (UK) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

13 Reserves

	Profit and loss account £'000
At 1 January 2011	1,238
Profit for the year ended 31 December 2011	1,637
At 31 December 2011	2,875

14 Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Profit for the year	1,637	1,238
Net increase in shareholders' funds	1,637	1,238
Opening shareholders' funds	1,238	-
Closing shareholders' funds	2,875	1,238

15 Financial commitments

Capital commitments

The company had commitments amounting to £228,000 (15 months period ended 2010 £252,000) at 31 December 2011 for capital equipment contracted for but not delivered

Operating lease commitments

The company had commitments under non-cancellable operating leases for land and buildings expiring as follows

	2011 £'000	2010 £'000
Within one year	228	228
Within two to five years	34	229
	262	457

1Malaysia Racing Team (UK) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

16 Related party transactions

The company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" not to disclose information relating to transactions with its parent company

Transactions with related companies during the year were as follows

Company	Nature of transactions	Year ended 31 December 2011 £'000	Balance outstanding at 31 December 2011 £'000	15 months ended 31 December 2010 £'000	Balance outstanding at 31 December 2010 £'000
EQ8 Limited	Payment on behalf	448	523	75	75
Caterham Merchandising Limited	Settlement	3	-	(3)	(3)
Dinato Racing Limited	Payment on behalf	1,335	1,760	425	425
Tune Group	Payment on behalf	4	4	-	-
Air Asia	Payment on behalf	2	2	-	-
Caterham Factory Limited	Property rental charges	155	2,362	2,517	2,517
Caterham Ventures Limited	Payment on behalf	110	133	23	23
Caterham Enterprises Limited	Payment on behalf	1	1	-	-
MGI Motorsport Limited	Payment on behalf	-	-	46	-

17 Ultimate parent company and controlling party

The ultimate parent undertaking and controlling party is 1Malaysia Racing Team Sdn Bhd, a company incorporated in Malaysia. The consolidated financial statements of 1Malaysia Racing Team Sdn Bhd, which is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements, may be obtained from its registered office at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

1Malaysia Racing Team (UK) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

18 Post balance sheet event

On 26 July 2012, the share capital of 1Malaysia Racing Team Sdn Bhd, the ultimate parent undertaking and controlling party of the company, was increased from RM 100 to RM 67,500,100. Shares of RM 67,500,000 shares at nominal value of RM 1 each were allotted to the following parties

- Tune Sport Sdn Bhd – 45,000,000 shares
- SM Nasarudin – 22,500,000 shares

On 27 July 2012, the share capital of 1Malaysia Racing Team Sdn Bhd was increased further to RM 141,729,100. Shares at nominal value of RM 1 each equivalent to £15,000,000 were allotted to the following parties

- SM Nasarudin – £5,000,000 (shares of 24,743,000)
- Caterham Enterprises Limited - £10,000,000 (shares of 49,486,000)

All of the above shares rank pari passu with the existing shares of 1Malaysia Racing Team Sdn Bhd