ANNUAL RESULTS

McLAREN GROUP LIMITED
Annual report and consolidated
Financial statements
Registered number 10720174
31 December 2018

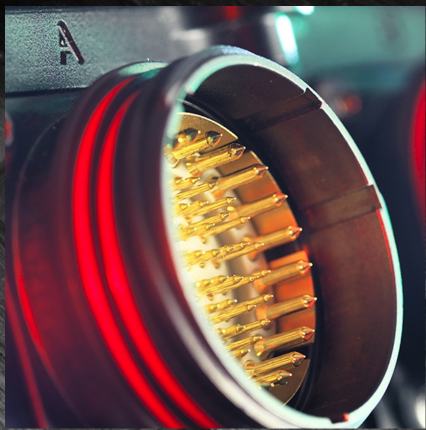

TABLE OF CONTENTS

Strategic report 3

Directors' report 10

Independent auditors' report to the members of McLaren Group Limited 15

Consolidated profit and loss account 20

Consolidated statement of comprehensive income 21

Consolidated balance sheet 22

Company balance sheet 23

Consolidated statement of changes in equity 24

Company statement of changes in equity 25

Consolidated statement of cash flows 26

Notes to the financial statements 27

Strategic report

Principal Activities

McLaren Group Limited (the "Group") is a global leader in luxury automotive high performance sports cars and super cars, motorsport and technology. The Group is constituted from three divisions: Automotive, Racing and Applied Technologies.

Founded in 1963, the Racing division has been one of the most successful teams in motorsport history. Since its foundation, the team have won 20 Formula 1 World Championships, the Indy 500 three times and the Le Mans 24 Hour race.

The Automotive division first produced the iconic McLaren F1 road car in 1992 and more recently launched its new series of products in 2011 starting with the McLaren 12C. Today, Automotive has a range of luxury high performance cars across three defined product families: Sports Series, Super Series and Ultimate Series. It has produced further ground-breaking cars such as the McLaren P1™, the McLaren 600LT and the McLaren Senna. 2018 has been an extraordinary year for Automotive, not least because it reached the production rates required to achieve the c5,000 units per year originally promised in Track22. Further to this, Automotive put the McLaren Senna into production and revealed and launched the McLaren 600LT. All current and future models continue to command premium pricing and a strong order bank.

The Applied Technologies division focuses on the application of McLaren's technological know-how in a wide variety of fields. Starting from a successful motorsports division which to this day is still the sole supplier of electronic components to Formula 1, NASCAR, Indycar and Formula E. Applied Technologies has expanded to focus on three further market segments: automotive, public transport and health. Success in these areas has included taking McLaren know-how in high speed data transmission from Formula 1 and applying it to public transport where it has worked with several train operating companies to design, test and introduce new systems that enable reliable high speed WIFI on trains. Applied Technologies is also working with new entrants to the connected and autonomous vehicle sectors.

The development of the new McLaren Group Limited 2018

The Group has continued to develop during 2018. 2017 saw the consolidation of the McLaren Technology Group (holding the Racing and the Applied Technologies divisions) and McLaren Automotive under the ownership of McLaren Group Limited. This transaction was completed on 20 July 2017. At the same time, the Group issued a sterling Bond of £370m and a dollar Bond of $250m traded on The International Stock Exchange.

The Group is now managed along the three business lines of Automotive, Racing and Applied Technologies and the Group legal structure has been changed to reflect this. During 2018 and completed on 2 January 2019, the assets and liabilities of McLaren Marketing Limited and Team McLaren Limited were hived into McLaren Racing Limited to form one single racing company. The ownership of McLaren Racing Limited and McLaren Applied Technologies Limited were also transferred to McLaren Holdings Limited from McLaren Technology Group Limited. McLaren Technology Group Limited was then renamed McLaren Services Limited and continues to provide IT, Facilities Management and similar services to the operating entities.

Further, after the end of the year, the management team of the Group was further strengthened with the announcement that Anthony Murray was joining as the CEO of Applied Technologies and that Paul Buddin would take up the role of Group CFO on a full-time basis.

Business review and outlook

Turnover for the Group has increased significantly from £871.3m in 2017 to £1,256.6m in 2018. The Group is also pleased to report a significant reduction in the Operating Loss of the business during 2018. This loss has improved from £43.4m in 2017 to just £4.8m in 2018. The net result for 2018 is a loss after tax of £61.8m (2017: £66.0m). Both the operating loss and the loss after tax in 2018 is stated after charging £7.4m of one-off costs due to restructuring in 2018.

Strategic report *(continued)*

Automotive

The Automotive division forecast sales growing to c5,000 units per annum within the 7 year Track22 strategy which was first announced at the Geneva motor show in 2015. Automotive is pleased that in 2018 production rates were consistently achieved in order to allow the Company to achieve this annual volume. This led to a 45% increase in global wholesales, with sales of 4,829 reported for 2018 compared to 3,340 for 2017. Moreover, with the successful launch into production of the McLaren Senna in June 2018, for the first time in Automotive's history, it has products on sale from each of the three product lines (Ultimate, Super and Sports) plus motorsport.

Deliveries are up significantly in all markets, except one. North America continues to be a strong market for McLaren, with sales volumes up 42%. North America now accounts for 36% of McLaren's global sales. Sales in China have also bucked industry trends and have increased by 141%. The launch of the McLaren 570S Spider and the McLaren 720S into China has been highly successful following the homologation issues that impacted the 2017 result. Only Rest of World recorded declining sales (down 7%) which was driven by the economic climate in the Middle East and Africa.

Sales volumes in the year are:

Region	2018	2017	YoY Growth %
Europe	1,599	1,115	43%
North America	1,748	1,234	42%
Asia Pacific	843	538	57%
China	354	147	141%
Rest of World	285	306	(7%)
Global	4,829	3,340	**45%**

The above wholesale figures include 259 wholesales of the McLaren Senna. Production and sales of the McLaren Senna were accelerated in Q4 2018 such that approximately half of the 500 units in the production run were delivered by the end of the year.

Automotive continued to announce and launch new products in 2018. Following up on the McLaren Senna reveal in late 2017, at the 2018 Geneva Motor Show, Automotive revealed a track only version of the McLaren Senna – the McLaren Senna GTR. Again, the 75 units available were sold out within days of its announcement but this vehicle will not be delivered until late 2019.

2018 also saw Automotive reveal the McLaren 600LT to the world at the Goodwood Festival of Speed in July 2018. Production of the vehicle commenced in Q4 2018 with the first units being delivered to customers in October 2018. This is the next chapter in the storied history of the McLaren 'Longtail'. Only the fourth McLaren in two decades to receive the LT – or 'Longtail' – name, it lives and breathes the relentless spirit of its 'Longtail' predecessors which were all united by the same singular focus - to push performance and driving to the absolute edge.

Strategic report *(continued)*

Automotive (continued)

The development of the McLaren Automotive product portfolio continued with the McLaren Speedtail breaking cover for the first time. The design model was first shown to customers in September 2018 with the full global release of the images taking place in October 2018 ahead of the running of the first prototypes in late 2019. Some of the key figures for the car were also released, with the car boasting a top speed of 403km/h (250mph) and acceleration from 0-300km/h being achieved in 12.8 seconds, all being powered by a hybrid unit developing 1,050 PS.

Finally, product launches were completed at the McLaren Automotive Winter Ball in December 2018, where the Company revealed the McLaren 720S Spider for the first time. The car brings a convertible version of the highly successful Coupe back to the Super Series segment with deliveries of this vehicle due to commence in February 2019.

Goodwood 2018 did not just reveal a new vehicle but also an updated version of the Automotive business plan, Track25. Updated and expanded, Track25 takes the Automotive division from the middle of 2018 until 2025 and includes:

- £1.2bn investment in new products, all funded from free cash flow
- 18 new models and derivatives to be launched
- McLaren sportscar and supercar range to be 100 per cent hybrid by 2025
- A new Ultimate Series car as a successor to the McLaren P1™
- An evaluation of "augmentation" technology to introduce a step-change in driving experience
- New retail markets
- Production to reach 6,000 mid-engined sportscars and supercars a year

The announcement of Track25 back in the summer underlined the strengths of the Automotive business unit. The division is well placed to face future uncertainties with a globally diversified sales structure supported by 95 franchised dealers globally and all products selling well in all markets. In particular, export markets outside of the EU represent an opportunity for growth and development. On the supply side, strong supplier relationships underpin the supply chain and the recently announced opening of the McLaren Composites Technology Centre in Sheffield is an example of how the division is innovating in light weighting and carbon fibre composite manufacture. Light weighting, as well as hybridisation (also included in Track25), is a key enabler to reducing emissions as well as improving performance. Further, the Group's petrol and petrol-hybrid strategy makes it immune from the changes in diesel regulation.

The order book continues to be strong. The order book totalled 1,856 units at 31 December 2018 and takes Super Series order cover into H2 2019 and Sports Series cover, including the McLaren 600LT, also into H2 2019. The Group will continue to capitalise on this demand in 2019 now that the production capacity has been demonstrated consistently. This, along with the delivery of the remaining McLaren Senna's and Senna GTRs in 2019 and the launch of the McLaren 720S Spider in Q1 2019, is expected to contribute to further growth in revenue and EBITDA from the Automotive division in 2019 and further demonstrates that Automotive is on plan to deliver the targets set out in Track25.

McLaren Racing

McLaren entered the year with the continued driver partnership of Stoffel Vandoorne and Fernando Alonso and a new engine partnership with Renault. McLaren finished sixth in the Formula 1 World Constructors' Championship with 62 points. This is a good step forward on 2017 when the team finished ninth with just 30 points. This will lead to an increase in the prize money that the team will receive in 2019, as compared to 2018, as the allocation of prize money is based on prior year Championship position.

Whilst this is a good step forward, this is not where the team forecast to be but the fundamental aerodynamic weaknesses in the design of the 2018 car have been identified and the 2019 car is a big improvement on its predecessor. The team is therefore confident that in 2019 McLaren can move up the grid.

Strategic report *(continued)*

McLaren Racing (continued)

Sponsorship acquisition in 2018 improved with the performance but was not as strong as forecast, given the steps made by the car were not as much as expected. However, some of the new contracts signed in 2018 have built a solid foundation for 2019 and the team has a number of significant prospects in the pipeline for 2019 which will all help to recover the financial position of the Racing Team.

For 2019, the team announced that Carlos Sainz Junior was joining the team (replacing Fernando Alonso who is not racing in Formula 1 in 2019) and that he will be partnered by Lando Norris. Lando has been part of the McLaren Young Driver Programme since early 2017, when he officially joined the team as a Test and Simulator Driver. He graduates to a race seat having been the McLaren Test and Reserve Driver in 2018 as well as contesting the 2018 FIA Formula 2 Championship. In addition, Sergio Sette Camara takes Lando's place as Test and Development driver for 2019.

Racing have also announced that they will return to the Indy 500 for the second time in three years when they contest the 103rd running of the race in May 2019. Fernando Alonso has been signed up to race for McLaren in the race.

Off the track, Zak Brown (CEO, McLaren Racing Limited) has completed a full review of the Racing structure following his appointment earlier in the year and has been restructuring his management team. In particular, Racing has announced that they have secured the services of James Key as Technical Director and Andreas Seidl as Managing Director of McLaren F1. These, and other new appointments, will strengthen the team and bring a wealth of experience into McLaren over the next 12 months. The team have also turned their focus to sponsorship acquisition for the new 2019 season and have a significant number of potential prospects. For 2019 McLaren has added British American Tobacco, Huski Chocolate and Coca Cola to its impressive list of partners. All the changes that have been made throughout the team in 2018, mean that McLaren is more confident going into the 2019 season and hopes to improve upon the points total that it achieved in 2018.

In respect of the wider Formula 1 commercial environment, McLaren continues to work with the FIA and Formula 1 Management in order to create a more sustainable sport. The current commercial framework for Formula 1 ends at the end of 2020 and all parties are looking to sign a long-term agreement that will both improve the sport and also the financial returns for all parties involved. The aim of these changes is to grow the size of Formula 1 as a business and ultimately the value of the team franchises from 2021 and beyond.

The key items for discussion and decision are:

- the control of costs and cost capping
- more equitable revenue distribution of prize money
- the growth of Formula 1 as a business with a wider fan base reaching new markets
- exploitation of digital channels and environments such as e-sports.

The Group's strategy is to build performance in the team, looking forward to the new regulations which are due to come into force from 2021. McLaren is playing its full part in agreeing these regulations and welcomes the measures to control costs and improve revenues for teams. As a result, the Group plans to reduce the net cost of competing in Formula 1 over the next five years but at the same time take advantage of the new regulations to improve the competitiveness of the team.

As a result of our racing programme, over the past 50 years the Group has established a large collection of heritage race cars and other vehicles which chronicle our racing history and have been used to serve as promotional vehicles for the brand within the McLaren Technology Centre ("MTC") and also at museums, retailers and heritage track days around the world. Each year, three vehicles are typically added to this collection which are the cars that have run in that season's Formula 1 World Championship.

Strategic report *(continued)*

McLaren Racing (continued)

Managing such a large collection takes significant resource and during 2017 Executive management of the Group made the decision to establish a programme to sell a specific and limited number of these cars to specialist collectors from around the world. Deposits have been received for the cars identified for sale and, while a small number were delivered in 2017, the majority were prepared and delivered through 2018 with the balance to be delivered in 2019. The results for 2018 include profits on sales of heritage cars of £10.0m (Refer to note 12).

Applied Technologies

McLaren Applied Technologies' planned growth has continued with year to date turnover of £64.6m up 10.3% on 2018. 2018 has seen the installation of seat sensors on Virgin East Coast trains commence and also further successful testing and racing of the new Formula E car, which contains the MAT designed battery. Ongoing work in the autonomous vehicle development programme and development of sales prospects for our vehicle dynamic simulator continue.

Intangible Investment

The Group continued to invest in new products and services, investing £240.4m. The majority of this was invested by the Automotive division in new road car projects including new Ultimate, Super and Sports Series models. These new models are part of the commitments made in the Track25 plan and are part of taking the Company to volumes over 6,000 units by 2025.

Subsequent Events

On 14 May 2018 McLaren Group Limited announced that it had agreed to issue 888,135 new ordinary shares in return for cash of £203.1m representing a 10% share of the Group. The capital injection will be made in four instalments over the year to May 2019, with the first and second tranche totalling £150.0m already received. The new capital was purchased by Nidala (BVI) Limited, a company controlled by Michael Latifi. On 1 February 2019, Nidala (BVI) Limited injected a further £49.4m of the remaining investment, with the balance to be received in May 2019.

As a result, McLaren Holdings Limited will issue new shares to McLaren Group Limited for £203.1m as the proceeds are received by McLaren Group Limited. On the 14 May 2018, McLaren Holdings issued £100.0m of new shares to McLaren Group Limited. On the 16 November 2018, McLaren Holdings issued £50.0m of new shares to McLaren Group Limited. On the 1 February 2019, McLaren Holdings issued £49.4m of new shared to McLaren Group Limited. The new capital, which is part of the Group's simplification over the last 12 months, will significantly strengthen the Group's balance sheet and underpins its ambitious growth plans laid out in its five-year business plan.

Key performance indicators

The Directors consider turnover, sales and production volumes, position in the FIA Formula 1 World Championship, earnings before interest, tax, depreciation and amortisation, profit before tax, cash flow and performance against engineering programme milestones to be the principal Key Performance Indicators (KPIs). These are used to assess progress towards achieving the Group's strategies over the medium term and performance against these measures is reviewed regularly.

Principal risks and uncertainties

The risks associated with the manufacture of luxury road cars relate primarily to the costs associated with the development of future vehicles, the ability of McLaren Automotive to leverage a competitive advantage, demand for the brand and also the economic position of key markets into which cars are sold.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Further, the Group is exposed to the performance of Formula 1 as a global sports entertainment business and on-track performance. On-track performance impacts income from prize money and the renewal and acquisition of sponsorship.

As with any company active on a global stage, foreign exchange volatility presents a risk. Currency exposure will remain high as 66 per cent of worldwide sales revenues are denominated in non-Sterling currencies. McLaren Group Limited operates in an international environment with revenues denominated primarily in US dollars, Japanese Yen, Chinese Yuan and Euros. Purchases are transacted primarily in Sterling and Euros. The principal risks, however, are exposure to the US Dollar and Euro. McLaren Group Limited operates under a treasury policy and accordingly has a hedging portfolio in place to cover a proportion of these cash flows.

Interest exposure is governed by the rate at which long-term loans are agreed and the rate contracted with high-yield bond holders and the banking group supporting the revolving credit facility. The interest rate on the revolving credit facility is linked to LIBOR whereas the rate contracted with the high-yield bond holders is fixed.

Brexit considerations

The current uncertainty regarding the way the UK leaves the EU makes it very difficult to plan for, with multiple scenarios having to be considered and addressed. The Group continues to keep the progress of the exit discussions under review but considers the impact of the UK's exit on the financial results of the Group to be low. However, the Management Team have considered the risks that exiting the EU poses and established that the following risks exist:

- The Group sources approximately 50% of supplies from the EU, in terms of value, and is therefore dependent on the movement of goods into the UK to maintain production. The Group could be required to hold additional stocks of parts or slow production during the Brexit period which would have a short, temporary impact on cash flow.
- The Group's imports could become subject to tariffs due to the cessation of free trade arrangements as a result of Brexit. This could have an impact on the Group's input costs.
- There is uncertainty over the rights of EU nationals to work in the UK which could increase the risk of hiring talent.
- Exchange rate volatility could impact the Group's revenues, profits and cash flows.

However, the Management Team have taken a number of actions in order to mitigate any potential impact. These actions include:

- Establishing a cross-functional team of subject matter experts to monitor the impact of Brexit and report their findings to the Management team and, ultimately, the board.
- The Group has ensured that it has sufficient cash reserves forecast to be in place through the Brexit period in order to allow additional stocks to be held or production to be slowed or to cover any additional costs. This has been further helped by the receipt of equity earlier than planned on 1 February 2019.
- Through the Group's Government Affairs department, the Group has strong engagement with Government through bodies such as the Automotive Council and the Society of Motor Manufacturers and Traders.
- The Automotive division has worked towards obtaining AEO accreditation.
- The Group has continued to follow its hedging policy, as described elsewhere in these accounts, in order to mitigate any short-term volatility in exchange rates.

Strategic report *(continued)*

Signed by order of the board

T. N. M

T Murnane
Company secretary, McLaren Group Limited

16th April 2019

Registered Office:
McLaren Technology Centre
Chertsey Road
Woking
Surrey
GU21 4YH

Directors' report

The Directors present their Annual report and the audited financial statements of the Group and Company for the year ended 31 December 2018.

Results

The consolidated loss for the financial year after taxation amounted to £61,779k (2017: £65,957k).

Future developments

The future developments of the Group are explained in the Strategic report on pages 3 to 9.

Research and development

By the nature of its activities, the Group has an ongoing investment into research and development across all of its motoring and engineering operations.

Existence of branches outside of the UK

The Group has branches, as defined in section 1046(3) of the Companies Act 2006, outside of the UK as follows:

- Bahrain
- Spain
- Japan

Going concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 3b on page 28.

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including foreign exchange risk, credit risk, and liquidity risk.

Foreign exchange risk

The Group is exposed to currency exchange rate risk due to a significant proportion of its receivables and operating expenses being denominated in non-Sterling currencies. The Group uses a mixture of foreign exchange forward contracts and interest rate swap contracts to hedge this exposure based on forecast cash inflows and outflows over a 36 month period.

The Group aims to reduce the magnitude of foreign currency exposures, operationally offset the impact of foreign currency volatility and ultimately use its hedging strategies to smooth the profit and cash effects of foreign currency. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

Directors' report _(continued)_

Financial risk management objectives and policies _(continued)_

Credit risk

The Group's principal financial assets are bank balances and cash and trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The Group is at risk to the extent that a customer may be unable to pay the debt as it is due. The risk is mitigated by the strong on-going customer relationships with a dealership network carefully selected by McLaren. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. In addition, the majority of our Automotive customers have supplied bank guarantees.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt finance.

The objective of the Group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the Group has credit facilities available. This current revolving credit facility expires in January 2022 and the high-yield debt is due for repayment in July 2022.

Heritage Assets

Over the last 50 years McLaren Racing Limited has established a large collection of heritage race cars and other vehicles which chronicle our racing heritage and have been used to serve as promotional vehicles for the brand within the McLaren Technology Centre (MTC) and also at museums, dealerships and heritage track days around the world. Each year, 3 vehicles are typically added to this collection which are the cars that have run in that season's Formula One World Championship. As at 31 December 2018 the collection numbered some 176 vehicles which were held at a deemed cost of £71.5m, of which £13.7m were held in inventory. McLaren Automotive also held 2 P1 vehicles at deemed cost of £425k.

Managing such a large collection takes significant resource and during 2017 Executive management of the Group made the decision to establish a programme to sell a specific and limited number of these cars to specialist collectors from around the world.

Dividends

The Directors do not propose a dividend for the year ended 31 December 2018 (2017: £nil)

Directors' report *(continued)*

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

M Al Khalifa
M Alkooheji
M Ojjeh
H Al Saie
R Aguirre
L Chan
P Lim
R Al Masri
H Kirikian – resigned 30/05/18
W Griffiths
M Latifi – appointed 30/05/18

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Political donations

No political donations were made during the current or previous year.

Disabled employees

The policy of the Company and its subsidiaries is to give full and fair consideration to employment applications 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.

Employee consultation

The Group 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 Group 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)*

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Group and profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006.

Disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditors

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

Directors' report *(continued)*

The financial statements on pages 20 to 59 were approved by the Board of Directors on and signed by order of the board:

T. N. M

T Murnane
Company secretary, McLaren Group Limited

16th April 2019

Registered Office:
McLaren Technology Centre
Chertsey Road
Woking
Surrey
GU21 4YH

Independent auditors' report to the members of McLaren Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, McLaren Group Limited's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and Consolidated financial statements (the "Annual report"), which comprise: the Consolidated and Company balance sheets as at 31 December 2018; the Consolidated profit and loss account and Consolidated statement of comprehensive income, the Consolidated statement of cash flows and the Consolidated and Company statements of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall Group materiality: £12.6m (2017: £8.7m), based on 1% of revenue.
- Overall Company materiality: £1.6m (2017: £0.2m), based on 1% of total assets.

The locations included and work performed were:

- Full scope audits of McLaren Automotive Limited and McLaren Automotive Incorporated performed in the UK.
- Audit of certain financial statement line items of McLaren Group Limited, McLaren Holdings Limited, McLaren Finance plc, McLaren Services Limited (Formerly known as McLaren Technology Group Limited), McLaren Racing Limited and McLaren Automotive Asia Pte Limited performed in the UK.

- Capitalisation of research and development costs (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Capitalisation of research and development costs (Group) As identified in Note 10, included within intangible assets, the Group has £623.8 million of capitalised research and development costs incurred on new car programmes as at 31 December 2018 (£512.1 million as at 31 December 2017). In some instances there is judgement involved in determining whether or not such research and development costs meet the relevant criteria for capitalisation under FRS 102 and this increases the risk of error or misstatement. Management deem the most appropriate basis of amortisation of capitalised car programme costs to be over the estimated sales life-cycle volumes of the associated car programme. Management's projections of sales volumes over the life-cycle of each car programme contain a number of judgements and estimates and changes to these assumptions could materially alter the carrying value of these intangible assets.	We have performed the following audit procedures to ensure the capitalisation and amortisation of research and development costs is in line with the relevant section of FRS 102: • reviewed and tested the consistent application of management's capitalisation criteria of research and development costs on new car programmes; • understood and evaluated the design of management's control and tested its operating effectiveness whereby all car programme related costs are reviewed and approved for capitalisation; • verified the existence and accuracy of capitalised car programme costs by substantively testing a sample of costs capitalised in the year, back to supporting documentation; • agreed the sales life-cycle volumes for each car programme back to Board approved business plans, performed retrospective analysis, and recalculated the amortisation expense for the year; and • performed a benchmark exercise of the amortisation policy against those used by other automotive businesses. Overall, we considered the accounting treatment to be appropriate.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

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

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	***Company financial statements***
Overall group materiality	£12.6m (2017: £8.7m).	£1.6m (2017: £0.2m).
How we determined it	1% of revenue.	1% of total assets.
Rationale for benchmark applied	The Group's principle focus is selling luxury sports cars, winning races and developing the McLaren brand and reputation using its high technology skills and knowledge to build the world's finest sports and supercars. The business plan reiterates a commitment to invest in research and development for future products and technology. As a result, revenue rather than profit or loss is considered to be the most relevant measure of performance.	The Company is the ultimate parent Company of the Group's investments and is not in itself profit-oriented. The strength of the balance sheet is the key measure of financial health that is important to the shareholders.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1.6m and £11.1m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Company that we would report to them misstatements identified during our audit above £628,250 (Group audit) (2017: £435,245) and £84,950 (Company audit) (2017: £19,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

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

Reporting on other information

The other information comprises all of the information in the Annual report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Greg Briggs

Gregory Briggs (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

16th April 2019

Consolidated profit and loss account

for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	5	**1,256,555**	871,270
Cost of Sales		**(897,049)**	(613,769)
Gross profit		**359,506**	257,501
Administrative expenses		**(238,016)**	(239,764)
Other operating income		**27,865**	27,248
Operating profit before depreciation and amortisation		**149,355**	44,985
Depreciation		**(21,175)**	(16,585)
Amortisation		**(132,972)**	(71,806)
Operating loss	6	**(4,792)**	(43,406)
Interest receivable and similar income	8	**308**	18,415
Interest payable and similar expenses	8	**(64,978)**	(35,801)
Loss before taxation		**(69,462)**	(60,792)
Tax on loss	9	**7,683**	(5,165)
Loss for the financial year		**(61,779)**	(65,957)

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The loss for the year is presented in the Company balance sheet on page 23.

References in the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated balance sheet, company balance sheet, consolidated statement of changes in equity and consolidated statement of cash flows relate to notes on pages 27 to 59, which form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2018	Note	**2018** **£000**	2017 £000
Loss for the financial year		**(61,779)**	(65,957)
Other comprehensive income/(expense):			
Deferred tax credit on revaluation reserve	9	**795**	26
(Loss)/gain on cash flow hedges arising during the year		**(27,101)**	22,811
Gain/(loss) on foreign currency translation reserve		**7,718**	(737)
Total comprehensive expense for the year		**(80,367)**	(43,857)

Consolidated balance sheet

as at 31 December 2018

	Note	2018 £000	2017 £000 Restated*
Fixed assets			
Intangible assets	10	**693,424**	574,555
Tangible assets	11	**288,034**	273,381
Heritage assets	12	**58,186**	56,551
		1,039,644	904,487
Current assets			
Inventories	14	**155,393**	124,003
Debtors	15	**296,577**	212,899
Cash at bank and in hand		**97,347**	99,336
		549,317	436,238
Creditors: Amounts falling due within one year	16	**(671,470)**	(471,033)
Net current liabilities		**(122,153)**	(34,795)
Total assets less current liabilities		**917,491**	869,692
Creditors: Amounts falling due after more than one year	17	**(590,760)**	(607,535)
Provisions for liabilities	19	**(8,413)**	(9,815)
Deferred capital funding	21	**(100,150)**	(103,807)
Net assets		**218,168**	148,535
Capital and reserves			
Called up share capital	24	**87**	80
Share premium account		**149,993**	-
Revaluation reserve		**52,804**	56,109
Capital contribution reserve		**2,039**	2,039
Merger reserve		**218,547**	218,547
Foreign currency translation reserve		**(14,630)**	4,753
Accumulated losses		**(190,672)**	(132,993)
Total equity		**218,168**	148,535

*Certain amounts here do not correspond to the 2017 financial statements and reflect restatements made. Refer to notes 16 and 17.

The financial statements on pages 20 to 59 were approved by the Board of Directors on 16th April 2019 and signed on its behalf by:

M Al Khalifa
Director

Registered number: 10720174

Company balance sheet
as at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Investments	13	**152,119**	2,119
		152,119	2,119
Current assets			
Debtors	15	**17,685**	19,073
Cash at bank and in hand		**131**	20
		17,816	19,093
Creditors: Amounts falling due within one year	16	**(556)**	(2,076)
Net current assets		**17,260**	17,017
Total assets less current liabilities		**169,379**	19,136
Creditors: Amounts falling due after more than one year	17	**(35,172)**	(33,347)
Net assets/(liabilities)		**134,207**	(14,211)
Capital and reserves			
Called up share capital	24	**87**	80
Share premium account		**149,993**	-
Capital contribution reserve		**2,039**	2,039
Accumulated losses		**(16,330)**	-
Loss for the Year		**(1,582)**	(16,330)
Total equity		**134,207**	(14,211)

The financial statements of McLaren Group Limited were authorised for issue by the Board of Directors on 16th April 2019 and signed on its behalf by:

M Al Khalifa
Director

Registered number: 10720174

Consolidated statement of changes in equity
for the year ended 31 December 2018

	Called up share capital	Share premium account	Merger reserve	Capital redemption reserve	Capital contribution reserve	Foreign currency translation reserve	Revaluation reserve	Accumulated Losses	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 January 2017	57	490,451	-	20	-	(17,321)	58,127	(69,080)	**462,254**
Loss for the financial year	-	-	-	-	-	-	-	(65,957)	**(65,957)**
Other comprehensive income for the year	-	-	-	-	-	22,074	(2,018)	2,044	**22,100**
Total comprehensive expense	-	-	-	-	-	22,074	(2,018)	(63,913)	**(43,857)**
Adjustments on Group reconstruction	23	(490,451)	218,547	(20)	2,039	-	-	-	**(269,862)**
At 31 December 2017	**80**	**-**	**218,547**	**-**	**2,039**	**4,753**	**56,109**	**(132,993)**	**148,535**
At 1 January 2018	80	-	218,547	-	2,039	4,753	56,109	(132,993)	**148,535**
Loss for the financial year	-	-	-	-	-	-	-	**(61,779)**	**(61,779)**
Other comprehensive expense for the year	-	-	-	-	-	**(19,383)**	**(3,305)**	**4,100**	**(18,588)**
Total comprehensive expense	-	-	-	-	-	**(19,383)**	**(3,305)**	**(57,679)**	**(80,367)**
Share Issue	7	149,993	-	-	-	-	-	-	**150,000**
At 31 December 2018	**87**	**149,993**	**218,547**	**-**	**2,039**	**(14,630)**	**52,804**	**(190,672)**	**218,168**

In May 2018 McLaren Group Limited issued 444,067 ordinary 1p shares and in Nov 2018 McLaren Group Limited issued 222,034 ordinary 1p shares. The shares were issued at a consideration of £225.19 per share.

The foreign currency translation reserve represents a combination of the movement on the effective portion of cash flow hedges and revaluation of foreign subsidiaries.

Company statement of changes in equity
for the year ended 31 December 2018

	Called up share capital	Share Premium account	Capital contribution reserve	Accumulated losses	Total equity
	£000	£000	£000	£000	£000
At 11 April 2017	-	-	-	-	-
Share issue on incorporation	80	-	-	-	**80**
Capital contribution from shareholder	-	-	2,039	-	**2,039**
Loss for the financial period	-	-	-	(16,330)	**(16,330)**
At 31 December 2017	**80**	**-**	**2,039**	**(16,330)**	**(14,211)**

	Called up share capital	Share Premium account	Capital contribution reserve	Accumulated losses	Total equity
	£000	£000	£000	£000	£000
At 1 January 2018	80	-	2,039	(16,330)	**(14,211)**
Share issue	7	149,993	-	-	**150,000**
Loss for the financial year	-	-	-	(1,582)	**(1,582)**
At 31 December 2018	**87**	**149,993**	**2,039**	**(17,912)**	**134,207**

Consolidated statement of cash flows
for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Net cash flows from operating activities	25	**188,991**	162,922
Taxation paid		**(9,054)**	(2,778)
Net cash inflow from operating activities		**179,937**	160,144
Cash flow from investing activities			
Addition of intangible assets		**(252,231)**	(179,285)
Addition of tangible assets		**(37,917)**	(17,527)
Addition of heritage assets		**(317)**	(1,649)
Proceeds from disposal of tangible assets		**386**	342
Interest received		**308**	349
Net cash outflow from investing activities		**(289,771)**	(197,770)
Cash flow from financing activities			
Repayments of obligations under finance lease		**(847)**	(823)
Repayments of revolver loan facility		**(10,019)**	(165,250)
Interest paid		**(32,619)**	(2,311)
Proceeds from issue of ordinary share capital		**150,000**	-
Proceeds from Bond issuance		-	562,976
Transaction fees on Bond		-	(38,030)
Buyout of shareholder		-	(247,003)
Net cash inflow from financing activities		**106,515**	109,559
Net (decrease)/increase in cash and cash equivalents		**(3,319)**	71,933
Cash and cash equivalents at beginning of year		**99,336**	28,477
Effect of foreign exchange rate changes		**852**	(1,074)
Cash and cash equivalents at end of year		**96,869**	99,336
Cash and cash equivalents consists of:			
Cash at bank and in hand		**97,347**	99,336
Overdraft		**(478)**	-
Cash and cash equivalents		**96,869**	99,336

Notes to the financial statements

1. General information

McLaren Group Limited ("the Company") and its subsidiaries (together "the Group") is privately owned and incorporated in the United Kingdom. The address of the registered office is given on page 9. The nature of the Group's operations and its principal activities are set out in the Strategic report on pages 3 to 9.

The Company is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of its registered office is McLaren Technology Centre, Chertsey Road, Woking, Surrey, GU21 4YH.

2. Statement of compliance

The Group and individual financial statements of McLaren Group Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented.

a. Basis of preparation

On 20 July 2017, the shareholders of both McLaren Technology Group and McLaren Automotive Limited combined both Groups under a newly formed company, McLaren Holdings Limited, which is owned 100% by the newly formed ultimate parent company McLaren Group Limited. A new financing arrangement was put in place at a holding company level through issuance of a five year high yield Bond worth circa £560m, with the funds used to buy out one of the shareholders, pay down existing bank loan facilities and leave a cash surplus of circa £93m. A new revolving credit facility for £90m was also put in place.

The introduction of a new holding company constitutes a Group reconstruction and has been accounted for using merger accounting principles. Therefore, although the Group reconstruction did not become effective until 20 July 2017, the consolidated financial statements of McLaren Group Limited for the year ended 31st December 2017 are presented as if McLaren Technology Group and McLaren Automotive Limited had always been part of the same Group. As such, the comparative results and cash flows of the combining entities have been brought into these consolidated financial statements from the beginning of the financial period.

The consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

Following the Group simplification, certain expenses of the Group, previously included in the cost of sales for the year ended 31st December 2017, have been reclassified to administrative expenses to conform with the presentation of such expenses in 2018. The amount of this reclassification is £54.0m. The new presentation is felt to be a fairer representation of the new Group.

Notes to the financial statements *(continued)*

3. Summary of significant accounting policies *(continued)*

b. Going concern

The financial statements have been drawn up on a going concern basis. Following the raising of the bond in July 2017 and the issue of new equity of £203.1m during 2018 and 2019, the Directors have assessed the updated Business plan and future cash flows for the Group and are assured of the ongoing funding of the Company and have therefore prepared the financial statements on a going concern basis.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 3 to 9.

The Directors believe that the Company is well placed to manage its business risk successfully, despite the current uncertainties in global economic markets. The Directors made enquiries of, and considered the Company's performance against its plans and objectives and satisfied themselves that the Company is performing as expected.

The Directors have also considered the Company's ability to provide ongoing support to those subsidiaries which may require it, and have concluded that the Company has sufficient resources to provide the support required by those subsidiaries.

c. Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

(i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flow;

(ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.41 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statements disclosure;

(iii) from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Notes to the financial statements *(continued)*

3. Summary of significant accounting policies *(continued)*

d. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

e. Foreign currency

The Group's financial statements are presented in pound sterling and rounded to thousands. The Company's functional and presentational currency is the pound sterling.

Foreign currency transactions are translated into the functional currency at the rates ruling at the beginning of the month in which the transactions took place, unless they are deemed to be materially different to the spot rate, in which case spot exchange rates are used.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash and cash equivalents are presented in the profit and loss account within interest receivable/(payable).The trading results of overseas undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits and losses at average rates are recognised in 'Other comprehensive income'.

f. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Group and value added taxes. The Group bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Notes to the financial statements *(continued)*

3. Summary of significant accounting policies *(continued)*

f. Revenue recognition (continued)

Revenue represents sponsorship fees, sale of vehicles and other goods to external customers, supply of services, and other motor racing revenue receivables, excluding value added tax. The Group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Group's sales channels have been met, as described below.

(i) Income from the sale of goods, including income associated with heritage cars, is recognised when the risks and rewards of the goods have passed to the customer. On the sale of vehicles, International Commercial Terms (INCO) are agreed with each dealer and revenue is recognised at the point of which risk and reward transfers. This will differ based on terms of agreement, of which the majority will either be the point of despatch to the dealer, when the car is imported into the destination country, or when the vehicles are received by the dealer.

(ii) Where a customer has purchased a package including race events, revenue for the vehicle is recognised when the car is made available to the customer. Revenue for each event is recognised once the event has taken place.

(iii) Sponsorship income is deferred and recognised over the period in which the Group performs its obligations under the sponsorship contract.

(iv) Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date, turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

(v) Other motor racing revenue is recognised when the Group has performed its obligations in order to earn the revenue.

In certain cases, the Group enters into agreements with suppliers whereby goods and services are received in exchange for various sponsorship and marketing activities. In such cases revenue is recorded at the fair value of the goods or services rendered.

Where the Group is party to a joint arrangement which is not an entity, its part of the income and expenditure, assets, liabilities and cash flows have been included in these financial statements.

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

g. Long-term contracts

Long-term contract balances represent costs incurred on specific contracts, net of amounts transferred to cost of sales in respect of work recorded as turnover, less foreseeable losses and payments on account not matched with turnover. Contract work in progress is recorded as turnover on the following bases.

(i) On contracts which provide for delivery of own manufactured units or components, turnover is recorded when deliveries are made to customers.

Notes to the financial statements *(continued)*

3. Summary of significant accounting policies *(continued)*

g. Long-term contracts (continued)

(ii) In respect of initial research and development contracts, turnover is determined by reference to the value of work carried out to date. No profit is recognised until the contract has advanced to a stage where the total profit can be assessed with reasonable certainty. Provision is made for the full amount of foreseeable losses on contracts.

h. Employee benefits

(i) Defined contribution pension plans

The Group operates a defined contribution pension scheme and also pays contributions to personal pension schemes of certain employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

(ii) Short term benefits

Short term benefits, including holiday pay and other similar monetary benefits, are recognised as an expense in the period in which the service is rendered.

(iii) Annual bonus plan

The Group operates a number of annual bonus plans for employees. An expense is recognised in the profit and loss account when the Group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

i. Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax, including UK corporation tax and foreign tax, is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from inclusion of income and expenses in the tax assessments of different periods than those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the reporting date.

Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the financial statements *(continued)*

3. Summary of significant accounting policies *(continued)*

i. Taxation (continued)

(ii) *Deferred tax (continued)*

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

j. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Research expenditure is written off in the period it is incurred. In accordance with section 18 of FRS 102, development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are not expected to exceed related future sales and adequate resources exist to enable the project to be completed.

Intangible fixed assets representing development costs incurred on new car programmes are capitalised at historical cost and amortised over the lifecycle of the car programme to which they relate. Development costs include materials, direct labour and the cost of work outsourced to third parties.

Development costs on each programme are capitalised up to the point at which the vehicle is formally handed over to production, which normally occurs 90 days following the first production vehicle being produced. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit and loss account as it is incurred.

IT Infrastructure expenditure is capitalised and amortised over 10 years from the date of implementation.

For all other intangible assets, amortisation is calculated using the straight line method to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, up to 10 years for development costs.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Notes to the financial statements *(continued)*

3. Summary of significant accounting policies *(continued)*

k. Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided over the estimated useful lives of the assets at the following rates:

Freehold buildings	-	2% - 10% straight line
Leasehold premises and improvements	-	written off over the life of the lease
Plant, machinery, tools and equipment	-	5 - 20% of reducing balance or 5 years straight line
Motor vehicles	-	25% of reducing balance or 4 years straight line
Fixtures, fittings and office equipment	-	20% of reducing balance or 3-5 years straight line

Depreciation is not provided on freehold land as in the Directors' opinion the residual value exceeds cost.

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

The assets residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss account.

Repairs, maintenance and minor inspection costs are expensed as incurred.

l. Deferred capital funding

Capital based funding received for the construction of the McLaren Technology Centre is treated as deferred income and is credited to the profit and loss account in annual instalments over the estimated useful lives of the fixed assets concerned.

m. Heritage assets

McLaren Racing Limited and McLaren Automotive has a collection of heritage vehicles, made up of 148 racing cars, 4 F1 road cars, 4 historic vehicles, 20 spare F1 racing car monocoques and 2 P1 vehicles. Under previous UK GAAP the Group had a policy of revaluing Heritage assets every 5 years. On transition to FRS 102 the Group elected to follow the cost model and use the previous revaluation at 31 December 2013 as the deemed cost for the assets. Heritage assets are stated at cost less accumulated impairment losses. Cost includes any costs that are directly attributable to bringing the asset to its working condition for its intended use.

The vehicles are maintained by the business on a regular basis with maintenance costs being charged to the profit and loss account when incurred. The cars are deemed to have indeterminate lives and therefore depreciation is charged at 0%. The Directors do not consider that an impairment loss is required for the year.

In addition, McLaren Racing Limited has a collection of racing memorabilia, including trophies and helmets, which the Directors have not sought to value and is therefore not recognised on the balance sheet.

Notes to the financial statements *(continued)*

3. Summary of significant accounting policies *(continued)*

n. *Borrowing costs*

All borrowing costs are recognised in profit and loss in the period in which they are incurred.

o. *Leased assets*

At inception the Group assesses agreements that transfer the right to use assets.

The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

(ii) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(iii) Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments. Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

p. *Impairment of non-financial assets*

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

Notes to the financial statements *(continued)*

3. Summary of significant accounting policies *(continued)*

p. Impairment of non-financial assets (continued)

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

q. Investments - Company

Investments in subsidiary companies are held at cost less accumulated impairment losses.

r. Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimating selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate. Standard costs are used to value stock.

Racing cars are expected to be used for one season. All expenditure on the production and maintenance of such cars is charged to profit and loss account during the racing season in which the racing car is used. The board considers that research and development continues to play a vital role in the Group's success. The Group carries forward to the following year certain development costs incurred in the current year which relate to the production of next season's racing car.

Heritage assets are reclassified to inventory once they have been identified for sale.

The Directors consider this policy to be appropriate because the considerable and valuable effort expended in preparing a racing car is recognised as an asset and charged in the period in which the corresponding racing arises and benefit is therefore derived.

s. Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank overdrafts.

Bank overdrafts are shown within borrowing in current liabilities.

t. Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

In particular:

- restructuring provisions are recognised when the Group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and

- provision is not made for future operating losses.

Notes to the financial statements _(continued)_

3. Summary of significant accounting policies _(continued)_

t. Provisions and contingencies (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

u. Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables (except for prepayments) and cash and bank balances are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets original effective interest rate.

The impairment loss is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables (except for deferred income), bank loans and loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Notes to the financial statements *(continued)*

3. Summary of significant accounting policies *(continued)*

u. Financial instruments (continued)

(iii) Derivative financial instruments

Derivatives, including forward foreign exchange contracts, are not basic financial instruments.

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the profit and loss in finance costs or finance income as appropriate.

(iv) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

(v) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

v. Hedge accounting

The Group designates certain derivatives as hedging instruments in cash flow hedges.

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the Group determines and documents causes for hedge ineffectiveness.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

Notes to the financial statements *(continued)*

3. Summary of significant accounting policies *(continued)*

w. *Share Capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

x. *Related party transactions*

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

The Company does not disclose transactions with members of the same Group that are wholly owned.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The judgements, estimates and assumptions which are of most significance in preparing the Group's financial statements are:

(a) Critical judgements in applying the Group's accounting policies:

(i) Impairment of intangible assets

The Directors regularly consider factors that could indicate that the carrying amount of intangible assets could be impaired, including comparing actual cash flow generation with that in the business plan, and relevant economic factors.

(ii) Capitalisation of research and development costs

The Directors assess whether all the criteria for capitalisation of research and development costs have been met. This includes determining whether there is a clearly defined project, whether the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are not expected to exceed related future sales and adequate resources exist to enable the project to be completed.

(iii) Valuation and recoverability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Recognition, therefore, involves judgement regarding the prudent forecasting of future taxable profits of the business. Based on the business plans of the Group's subsidiaries, the recoverability of tax losses is determined.

Notes to the financial statements *(continued)*

4. Critical accounting judgements and key sources of estimation uncertainty *(continued)*

(b) Key accounting estimates and assumptions

(i) Impairment of intangible assets

If there are events or changes in circumstances that indicate that the carrying amount of the intangible assets will not be recovered, there is a need to estimate recoverable amount by determining future cash flows and applying an appropriate discount rate (refer to Note 3p for further details).

(ii) Warranty provisions – estimation uncertainty

An estimated provision is made against all vehicles once wholesaled on a per car basis. This provision takes into account the historical average warranty claims made on vehicles by customers, together with the average amount reclaimed from suppliers. The required level of provision is sensitive to a change in actual warranty claims incurred.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. For further understanding of the impact of the estimation uncertainty, see note 19.

(iii) Capitalisation of research and development costs

In determining the development expenditure to be capitalised, the Directors make estimates and assumptions based on expected future economic benefits (forecasted revenue less costs) generated by products that are the result of these development expenditures, and the expected useful economic life.

Notes to the financial statements *(continued)*

5. Turnover

	2018 £000	2017 £000
Automotive	**1,066,064**	604,701
Racing	**132,784**	209,129
Applied Technologies	**64,634**	58,573
Corporate services	**75,018**	83,241
	1,338,500	955,644
Less inter-segmental turnover	**(81,945)**	(84,374)
	1,256,555	871,270

An analysis of geographical location has not been included as it is deemed by the Directors that such information would lead to a competitive advantage to the Company's key competitors.

6. Operating loss is stated after charging/(crediting)

	2018 £000	2017 £000
Wages and salaries	**175,727**	176,311
Social security costs	**25,261**	20,352
Pension costs	**6,549**	5,200
Staff costs charged to profit and loss	**207,537**	201,863
Loss on disposal of tangible assets	**31**	59
Profit on sale of heritage assets	**9,960**	27,546
Depreciation of tangible assets	**21,175**	16,585
Amortisation of intangible assets	**136,629**	75,463
Amortisation of deferred capital funding	**(3,657)**	(3,657)
Impairment/(impairment reversal) of trade receivables	**231**	(350)
Inventory recognised as an expense	**440,221**	303,839
R&D tax credits	**(19,182)**	(8,842)
Operating lease charges	**6,120**	5,195
Fees payable to the Company's auditors and its associates for the audit of the Company's and the Group's consolidated financial statements	**93**	30
Fees payable to the Company's auditors and its associates for other services:		
- The audit of the Company's subsidiaries	**320**	365
- Audit-related assurance services	**86**	408
Total amount payable to the Company's auditors and its associates	**499**	803

Included within the staff costs charged to the profit and loss are non-recurring costs in relation to staff restructuring of £7,400K (2017: £3,400K)

Notes to the financial statements *(continued)*

7. Employees and Directors

Employees

The average monthly number of persons (including executive Directors) employed by the Group during the year was:

	2018 Number	2017 Number
Production	**1,326**	1,006
Design & Engineering	**1,362**	1,024
Administration	**1,110**	1,148
	3,798	3,178

Directors

No Directors, employed by the Group, received any emoluments in the year (2017: no directors). Details of transactions with Directors and members during the year are disclosed in note 27.

8. Net interest expense

	2018 £000	2017 £000
(a) Interest receivable and similar income		
Bank interest received	**240**	300
Other interest received	**68**	50
Gains on derivative financial instruments	**-**	18,065
	308	18,415

Notes to the financial statements *(continued)*

8. Net interest expense *(continued)*

	2018 £000	2017 £000
(b) Interest payable and similar expenses		
Interest payable on related party loans	**(778)**	(658)
Finance lease interest	**(75)**	(76)
Interest payable on bank loans and overdrafts	**(1,850)**	(1,357)
Interest payable on senior secured notes	**(33,219)**	(14,816)
Other interest payable and finance charges	**(3,813)**	(6,513)
Net exchange losses	**(21,248)**	(12,381)
Losses on derivative financial instruments	**(3,995)**	-
	(64,978)	(35,801)

9. Tax on loss

(a) Tax (credit)/expense included in profit or loss	2018 £000	2017 £000
Current tax:		
- UK corporation tax on profits for the period	**3,991**	-
- Foreign corporation tax on profits for the year	**5,361**	5,843
- Adjustments in respect of prior years	**119**	2,960
Total current tax	**9,471**	8,803
Deferred tax:		
- Origination and reversal of timing differences	**(18,188)**	(13,454)
- Adjustments in respect of prior years	**(525)**	3,485
- Impact of change in tax rate	**1,559**	6,331
Total deferred tax (note 20)	**(17,154)**	(3,638)
Tax (credit)/expense on loss	**(7,683)**	5,165

(b) Tax credit included in other comprehensive income/(expense)	2018 £000	2017 £000
Deferred tax:		
- Origination and reversal of timing differences	**(795)**	(26)
Tax credit included in other comprehensive income/(expense)	**(795)**	(26)

Notes to the financial statements *(continued)*

9. Tax on loss *(continued)*

(c) Reconciliation of tax (credit)/charge:

The current tax charge for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
Loss before taxation	**(69,462)**	(60,792)
Loss before taxation multiplied by the standard rate of tax in the UK of 19% *(2017: 19.25%)*	**(13,198)**	(11,702)
Effects of:		
- Income not subject to tax	**(695)**	(1,231)
- Unrecognised deferred tax	**376**	(1,841)
- Expenses not deductible for tax purposes	**2,634**	4,725
- Impact of overseas tax rates	**2,312**	3,211
- Adjustments in respect of prior years	**(406)**	6,445
- Withholding tax suffered	**76**	23
- Tax incentives	**(341)**	(796)
- Re-measurement of deferred tax	**1,559**	6,331
Total tax (credit)/charge for year	**(7,683)**	5,165

(d) Tax rate changes

The current UK corporation tax rate is 19%. The UK Finance Act 2016 was enacted during the year ended 31 March 2017, which included provisions for a reduction in the UK corporation tax rate to 17% with effect from 1 April 2020. Deferred tax balances at 31 December 2018 are measured at the rate at which they are expected to reverse.

Notes to the financial statements *(continued)*

10. Intangible assets

Group	New production development costs	IT systems development costs	Internally developed software	Other development costs	Total
	£000	£000	£000	£000	£000
Cost:					
At 1 January 2018	847,151	59,975	8,645	5,754	921,525
Additions	240,411	1,418	1,177	9,225	252,231
Reclassification	-	6,103	-	-	6,103
At 31 December 2018	**1,087,562**	**67,496**	**9,822**	**14,979**	**1,179,859**
Accumulated amortisation:					
At 1 January 2018	335,009	10,542	-	1,419	346,970
Charge for the year	128,709	7,522	-	398	136,629
Reclassification	-	2,836	-	-	2,836
At 31 December 2018	**463,718**	**20,900**	**-**	**1,817**	**486,435**
Net book value:					
At 31 December 2018	**623,844**	**46,596**	**9,822**	**13,162**	**693,424**
At 31 December 2017	512,142	49,433	8,645	4,335	574,555

The Company had no intangible assets at 31 December 2018 (2017: £nil).

Notes to the financial statements *(continued)*

11. Tangible assets

Group	Freehold land and buildings	Leasehold premises and improve-ments	Plant, machinery, tools and equipment	Motor vehicles	Fixtures, fittings and office equipment	Assets in the course of construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost:							
At 1 January 2018	279,119	10,256	92,505	8,592	78,914	7,361	476,747
Additions	-	9,782	19,723	1,373	5,768	2,858	39,504
Disposals	-	-	(2,028)	(1,183)	(206)	(15)	(3,432)
Reclassification	-	(214)	1,672	-	(5,044)	(2,517)	(6,103)
Exchange adjustment	-	-	-	-	21	-	21
At 31 December 2018	**279,119**	**19,824**	**111,872**	**8,782**	**79,453**	**7,687**	**506,737**
Accumulated depreciation:							
At 1 January 2018	65,311	4,736	65,966	8,082	59,271	-	203,366
Charge for the year	5,965	618	8,994	214	5,384	-	21,175
Disposals	-	-	(1,674)	(1,183)	(158)	-	(3,015)
Reclassification	-	-	-	-	(2,836)	-	(2,836)
Exchange adjustment	-	-	-	-	13	-	13
At 31 December 2018	**71,276**	**5,354**	**73,286**	**7,113**	**61,674**	**-**	**218,703**
Net book value:							
At 31 December 2018	**207,843**	**14,470**	**38,586**	**1,669**	**17,779**	**7,687**	**288,034**
At 31 December 2017	213,808	5,520	26,539	510	19,643	7,361	273,381

The net carrying amount of assets held under finance leases included in plant, machinery, tools and equipment is £1,340k (2017: £1,412k) and within fixtures, fittings and office equipment is £661k (2017: £337k).

Freehold land and buildings includes land with a net book value of £28,330k (2017: £28,330k).

The Company had no tangible assets at 31 December 2018 (2017: £nil).

Notes to the financial statements *(continued)*

12. Heritage assets

McLaren Racing Limited and McLaren Automotive has a collection of heritage vehicles, made up of 148 racing cars, 4 F1 road cars, 4 historic vehicles, 20 spare F1 racing car monocoques and 2 P1 vehicles. The collection is held in several locations; at the McLaren Technology Centre, most of which is on display to visitors and employees; at McLaren Automotive Dealerships; and the remainder is held in secure storage. These assets are held on the balance sheet at cost.

Under previous UK GAAP the Company had a policy of revaluing Heritage assets every 5 years. On transition to FRS 102 the Company elected to follow the cost model and use the previous revaluation at 31 December 2013 as the deemed cost for the assets. Heritage assets are stated at cost less accumulated impairment losses. Cost includes any costs that are directly attributable to bringing the asset to its working condition for its intended use. The vehicles are maintained by the business on a regular basis with maintenance costs being charged to the profit and loss account when incurred. The cars are deemed to have indeterminate lives and therefore depreciation is charged at 0%. The Directors do not consider that an impairment loss is required for the year.

Managing such a large collection takes significant resource and during 2017 executive management of McLaren Technology Group Limited and McLaren Racing Limited made the decision to establish a programme to sell a specific and limited number of these cars to specialist collectors from around the world, this programme has continued in 2018. Those cars highlighted for sale are reclassified from heritage assets to inventory pending recognition of the sale in line with the revenue recognition accounting policy.

In addition, McLaren Racing Limited has a collection of racing memorabilia, including trophies and helmets, which the Directors have not sought to value and is therefore not recognised on the balance sheet.

Group	**Historic Cars**
	£000
Cost and net book value:	
At 1 January 2018	56,551
Additions	317
Reclass from Inventory	1,318
At 31 December 2018	**58,186**

Five year financial summary of heritage asset transactions:

	2018	**2017**	**2016**	**2015**	**2014**
	£000	**£000**	**£000**	**£000**	**£000**
Additions	**317**	1,649	225	225	300
Disposals:					
Carrying value	-	-	-	(125)	-
Sales proceeds	-	-	-	600	-

In 2018, disposals of Heritage assets with a carrying value of £4,100k (2017: £3,200k) were made from inventory. Preparation costs were incurred of £1,940k (2017: £106k). Sales proceeds on these disposals were £16,000k (2017: £30,852k).

The Company had no Heritage assets at 31 December 2018 (2017: £ nil).

Notes to the financial statements *(continued)*

13. Investments

Company

	2018 £000	2017 £000
Shares in group undertakings	**152,119**	2,119

In the Directors' opinion, the aggregate net value of the subsidiaries is not less than their aggregate cost.

Further information on the investments is contained in note 31.

14. Inventories

Group

	2018 £000	2017 £000
Raw materials and consumables	**53,851**	42,974
Work in progress	**53,881**	44,793
Finished goods and goods for resale	**47,661**	36,236
	155,393	124,003

The Company had no inventories at 31 December 2018 (2017: £nil).

Notes to the financial statements *(continued)*

15. Debtors

	Group		Company	
	2018	**2017**	**2018**	**2017**
	£000	**£000**	**£000**	**£000**
Trade debtors	**132,974**	80,766	**-**	-
Amounts owed by Group undertakings	**-**	-	**16,976**	18,557
Amounts owed by related parties (note 27)	**274**	174	**-**	-
Taxation and social security	**22,425**	15,775	**106**	68
Other debtors	**20,545**	17,220	**-**	-
Deferred tax asset (note 20)	**75,780**	57,831	**433**	239
Derivative financial assets (notes 22 and 23)	**2,803**	12,294	**-**	-
Prepayments and accrued income	**41,776**	28,839	**170**	209
	296,577	212,899	**17,685**	19,073

Trade debtors are stated after provisions for impairment of £621k (2017: £548k).

Amounts owed by Group undertakings include business transactions, under normal commercial terms and conditions, and Group loans. £11,042k of the Group loans attract interest at 5.3%, are unsecured and repayable on demand. £5,885k of the Group loans are interest free (originally £7.5m discounted at a market rate of interest) and due after more than one year (repayable in July 2023).

Amounts owed by related parties repayable on demand, include business transactions, under normal commercial terms and conditions.

Notes to the financial statements *(continued)*

16. Creditors: amounts falling due within one year

	Group		Company	
	2018 £000	**2017 £000**	**2018 £000**	**2017 £000**
Bank loans (note 18)	-	10,019	-	-
Bank Overdraft	**478**	-	-	-
Obligations under finance leases (note 18)	**862**	576	-	-
Trade creditors	**75,881**	76,639	-	-
Amounts owed to Group undertakings	-	-	**461**	-
Other creditors	**184,648**	65,392	-	-
Taxation and social security	**9,700**	10,741	-	-
Derivative financial liabilities (note 22 and 23)	**22,451**	5,009	-	-
Accruals and deferred income	**377,450**	302,657	**95**	2,076
	671,470	471,033	**556**	2,076

Other Creditors includes £109,052K (2017: £44,811k) of Trade Finance which is used to support wholesales to McLaren dealers. The 2017 value has been reclassified from Accruals to Other Creditors.

Accruals and deferred income in 2017 includes a reclassification of £13,102k accrued interest due within 12 months, from the Senior secured notes balance within Creditors: amounts falling due after more than one year (See Note 17).

Company

Amounts owed to group undertakings include business transactions, under normal commercial terms, are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

17. Creditors: amounts falling due after more than one year

	Group		Company	
	2018 £000	**2017 £000**	**2018 £000**	**2017 £000**
Senior secured notes (note 18)	**549,653**	535,042	-	-
Obligations under finance leases (note 18)	**852**	1,028	-	-
Amounts owed to related parties (note 27)	**35,172**	33,347	**35,172**	33,347
Other creditors	-	36,267	-	-
Derivative financial liabilities (note 22 and 23)	**5,083**	1,851	-	-
	590,760	607,535	**35,172**	33,347

The Senior secured notes balance in 2017 includes a reclassification of £13,102k of accrued interest due within 12 months, to Accruals and deferred income under Creditors: amounts falling due within one year (see Note 16).

Notes to the financial statements *(continued)*

17. Creditors: amounts falling due after more than one year *(continued)*

As at 31 December 2018 the Group's subsidiaries had a £90.0 million undrawn (2017: £90,000k, £10,019k drawn, £79,981k undrawn) committed multi-currency revolving credit facility in place that matures in more than one year. A number of the Group's subsidiaries have provided guarantees in respect of the obligations under the revolving credit facility and also the outstanding bonds issued by McLaren Finance plc due to mature in 2022.

18. Loans and other borrowings

	Group		Company	
	2018 £000	**2017 £000**	**2018 £000**	**2017 £000**
Bank loans	-	10,019	-	-
Bank overdraft	**478**	-	-	-
Senior secured notes	**549,653**	535,042	-	-
Obligations under finance leases	**1,714**	1,604	-	-
Amounts owed to related parties	**35,172**	33,347	**35,172**	33,347
	587,017	580,012	**35,172**	33,347

Bank loans and Overdraft

At 31st December 2018 there was a bank overdraft of £478k which is unsecured and repayable on demand with interest rate of 4.25%. In 2017 the bank loans comprised of £10,019k drawings under a revolving credit facility which totals £90,000k with a final maturity date of 20 January 2022. The facility is secured by way of fixed and floating charges over the assets of the Group.

Senior secured notes

In July 2017, McLaren Finance Plc, a subsidiary of McLaren Group Limited, issued £370,000k of sterling-denominated 5% Senior Secured Notes due July 2022, and $250,000k of dollar-denominated 5.75% Senior Secured Notes due July 2022.

Finance leases

The future minimum finance lease payments are as follows:

	2018 £000	**2017 £000**
Not later than one year	**902**	629
Later than one year and not later than five years	**845**	1,045
Total gross payments	**1,747**	1,674
Less finance charges	**(33)**	(70)
Carrying amount of liability	**1,714**	1,604

The finance leases primarily relate to data storage systems and high performance and precision cutting tools. When the cutting tools lease terminates in 2020 the title of goods will pass following final payment under the contract and settlement of a nominal option to purchase fee.

Notes to the financial statements *(continued)*

18. Loans and other borrowings *(continued)*

Amounts owed to related parties

Amounts owed to related parties are unsecured loans from shareholders. £29,300k of the shareholder loans attract interest at 5.3% which is added to the outstanding balance. £5,900k of the shareholder loans are interest free (originally £7,500k discounted at a market rate of interest). Repayment of these loans can only be demanded if agreed by McLaren Group Limited board resolution.

19. Provisions for liabilities

	Group	
	2018 £000	**2017 £000**
Provision for charges relating to leased premises	**865**	865
Product warranties	**6,100**	7,720
Other provisions	**1,448**	1,230
	8,413	9,815

The provision for charges relating to leased premises relates to the contractual obligation to reinstate all leased premises to their original condition upon cessation of the lease. The cost is charged to the profit and loss as the obligation arises. The provision is expected to be utilised between 2019 and 2021 as the leases terminate. The provision for product warranties relates to expected warranty claims on vehicles sold in the last three years. The Group is liable for the parts and labour costs associated with repairing manufacturing faults arising on vehicles during the warranty period. Other provisions includes various legal matters where the outcome is not certain and has been estimated. This provision is expected to be utilised in 2019.

The Company had no provisions for liabilities at 31 December 2018 (2017: £nil).

20. Deferred tax asset

The deferred tax consists of the following deferred tax assets/ (liabilities):

	Group		Company	
	2018 £000	**2017 £000**	**2018 £000**	**2017 £000**
Depreciation in excess of capital allowances	**1,028**	94	-	-
Revaluation of tangible assets	**(11,085)**	(11,880)	-	-
Financial instruments	**1,212**	309	-	-
Other timing differences	**1,876**	3,459	-	-
Tax R&D incentives	**14,836**	10,724	-	-
Losses carried forward	**67,913**	55,125	**433**	239
	75,780	57,831	**433**	239

Notes to the financial statements *(continued)*

20. Deferred tax asset *(continued)*

The Group deferred tax assets expected to reverse in 2019 total £3,500k. This primarily relates to fixed asset timing differences and losses carried forward.

At 31 December 2018 the Group has losses amounting to £977k (2017 : £977k) in respect of UK subsidiaries which are only available for offset against future capital gains and since it is uncertain whether these losses will be utilised, no deferred tax asset has been recognised, in line with the prior year. There are also £5.4m (2017: £3.5m) of unrecognised trade losses relating to overseas jurisdictions where recovery is not certain.

21. Deferred capital funding

Group	**2018**	**2017**
	£000	**£000**
Cost:		
At 1 January 2018	**103,807**	107,464
Amortisation credit for the year	**(3,657)**	(3,657)
At 31 December 2018	**100,150**	103,807

22. Financial instruments

The Group has the following financial instruments:	**Group**	
	2018 £000	**2017 £000**
Financial assets measured at fair value through profit or loss		
- Derivative financial assets (note 15)	**2,803**	12,294
Financial assets that are debt instruments measured at amortised cost		
- Cash	**97,347**	99,336
- Trade debtors (note 15)	**132,974**	80,766
- Amounts owed by related parties (note 15)	**274**	174
- Other debtors (note 15)	**20,545**	17,220
- Accrued income (note 15)	**20,948**	13,870
	274,891	223,660

Notes to the financial statements *(continued)*

22. Financial instruments *(continued)*

Financial liabilities measured at fair value through profit or loss		
- Derivative financial liabilities (notes 16 and 17)	**27,534**	6,860
Financial liabilities measured at amortised cost		
- Bank loans (note 18)	**-**	10,019
- Bank overdrafts (note 18)	**478**	-
- Senior secured notes (note 18)	**549,653**	535,042
- Finance leases (note 18)	**1,714**	1,604
- Trade creditors (note 16)	**75,881**	76,639
- Amounts owed to related parties (note 18)	**35,172**	33,347
- Other creditors (notes 16 and 17)	**184,648**	56,848
- Accruals (note 16)	**189,394**	184,174
	1,064,474	904,533

23. Derivative financial instruments

Group	**Current**		**Non-current**	
	2018 £000	**2017 £000**	**2018 £000**	**2017 £000**
Assets				
Forward foreign currency contracts	**1,973**	10,056	**830**	2,238
Liabilities				
Forward foreign currency contracts	**(22,451)**	(5,009)	**(5,083)**	(1,851)
	(20,478)	5,047	**(4,253)**	387

The Group enters into forward foreign exchange contracts to mitigate the exchange rate risk exposure from payments and receipts in foreign currency.

At 31 December 2018, the outstanding contracts mature out to December 2020.

Group companies have entered into fixed forward contracts and forward option contracts to sell various currencies, primarily USD. Group companies have also entered into fixed forward contracts and forward option contracts to purchase Euros.

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Notes to the financial statements *(continued)*

23. Derivative financial instruments *(continued)*

Forward foreign currency contracts

The following table details the forward foreign currency contracts outstanding as at the year end.

Outstanding contracts	Average contractual exchange rate		Notional value		Mark to Market	
	2018	2017	2018 £000	2017 £000	2018 £000	2017 £000
Sell						
USD	**1.3475**	1.3520	**483,431**	355,247	**(19,101)**	3,485
JPY	**146.0345**	146.0379	**58,411**	48,207	**(3,100)**	1,660
CNY	**9.1835**	9.0545	**93,009**	90,203	**(3,234)**	(1,297)
AUD	**1.7971**	1.7303	**16,860**	17,684	**231**	158
SGD		1.8864		530		(28)
HKD		10.0399		1,992		47
Buy						
EUR	**1.0905**	1.1151	**286,948**	175,114	**473**	1,409
					(24,731)	5,434

The Group has entered into forward foreign currency contracts to hedge the exchange rate risk arising from anticipated future transactions, which are designated as cash flow hedges. The hedged cash flows are expected to occur and to affect profit or loss within the next three financial years.

Losses of £3,995k (2017: gains of £18,065k) were recognised in profit or loss.

Notes to the financial statements *(continued)*

24. Called up share capital

Group and company

	2018 £000	2017 £000
Authorised, called-up and fully paid		
8,659,313 ordinary shares of 1p each (2017: 7,993,212 ordinary shares of 1p each)	**87**	80

The Company has one class of ordinary shares which carry no right to fixed income.

On 14 May 2018 McLaren Group Limited issued 444,067 ordinary shares for £100,000k.

On 16 Nov 2018 McLaren Group Limited issued 222,034 ordinary shares for £50,000k.

25. Statement of cash flows

Reconciliation of loss to net cash flow from operating activities

	2018 £000	2017 £000
Loss for the financial year	**(61,779)**	(65,957)
Adjustments for:		
Tax on loss	**(7,683)**	5,165
Net interest expense	**64,670**	17,386
Operating loss	**(4,792)**	(43,406)
Depreciation and amortisation charges	**154,147**	88,391
Research and Development expenditure credits	**(19,182)**	(8,842)
Advisory fees on Group refinancing	**-**	16,286
Exchange loss	**(15,741)**	(19,039)
Increase in stocks and work in progress	**(32,708)**	(33,899)
Increase in debtors	**(50,776)**	(28,053)
Increase in creditors	**159,441**	189,328
(Increase)/decrease in amounts due from related parties	**(100)**	1,208
(Decrease)/increase in provisions	**(1,402)**	1,239
Trade receivables impairment losses/(reversal)	**73**	(350)
Loss on disposal of fixed assets	**31**	59
Cash generated by operations	**188,991**	162,922

Non-cash transactions

During the year £883k (2017: £1,600k) in new tangible assets were acquired under finance leases and capitalised as the cost of the asset, being the present value of the minimum lease payments. In addition, £704k (2017: £2,681k) in new tangible assets were acquired but not settled, with amounts owing to third parties at year end reflected in trade creditors and accruals.

Notes to the financial statements *(continued)*

26. Financial commitments

At 31 December, the Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods

Group	2018 £000	2017 £000
Payments due:		
Not later than one year	**5,589**	2,840
Later than one year and not later than five years	**17,489**	5,588
Later than five years	**36,781**	3,421
	59,859	11,849

27. Related party transactions

Transactions with related companies during the year were as follows:

Group	Year ended 31 December 2018 £000	Balance outstanding at 31 December 2018 £000	Year ended 31 December 2017 £000	Balance outstanding at 31 December 2017 £000
Sales to related parties				
R Dennis	-	-	31	-
Logically Applied Solutions Limited	-	-	45	-
TAG Group Limited	**53**	-	1	-
Directors	**1,181**	**274**	265	174
Amounts owed by related parties at 31 December		**274**		174
Split by:				
Amounts owed by related parties due < 1 year		**274**		174
Amounts owed by related parties due > 1 year		-		-
		274		174

Notes to the financial statements *(continued)*

27. Related party transactions *(continued)*

Group	Year ended 31 December 2018 £000	Balance outstanding at 31 December 2018 £000	Year ended 31 December 2017 £000	Balance outstanding at 31 December 2017 £000
Purchases from related parties				
TAG Group Limited	**34**	**-**	35	-
Loans from shareholders:				
Bahrain Mumtalakat Holding Company		**26,399**		25,029
TAG Group Limited		**8,773**		8,318
Amounts owed to related parties at 31 December		**35,172**		33,347
Split by:				
Amounts owed to related parties due < 1 year		**-**		-
Amounts owed to related parties due > 1 year		**35,172**		33,347
		35,172		33,347

Company	Balance outstanding at 31 December 2018 £000	Balance outstanding at 31 December 2017 £000
Loans from shareholders:		
Bahrain Mumtalakat Holding Company	**26,399**	25,029
TAG Group Limited	**8,773**	8,318
Amounts owed to related parties at 31 December	**35,172**	33,347
Split by:		
Amounts owed to related parties due < 1 year	**-**	-
Amounts owed to related parties due > 1 year	**35,172**	33,347
	35,172	33,347

Other than the transactions disclosed above the Company's other related party transactions were with wholly owned subsidiaries and so have not been disclosed.

Notes to the financial statements _(continued)_

28. Ultimate controlling party

Ownership of McLaren Group Limited at 31 December 2018 was as follows: 57.74% Bahrain Mumtalakat Holding Company, 14.67% TAG Group Limited, 7.69% Nidala (BVI) Limited, 5.91% Favorita Limited, 5.91% Perlman Investments Limited, 5.37% McKal Holdings Limited, 2.72% Acanitt Limited.

Bahrain Mumtalakat Holding Company (incorporated in Bahrain) is the parent Company of the largest Group of undertakings which included the Company and for which Group financial statements were prepared.

29. Other matters

In connection with an ongoing investigation, UK government authorities have approached the Group for information concerning certain third party companies and concerning executive and other persons who have been, or are currently, associated with the Group. Upon inquiry, we have been advised that neither the Company nor any of its subsidiaries are currently the subject of the investigation for which the requests for information relate, and we intend to fully cooperate with these requests for information.

Whether or not any such investigation is pursued, extended or results in any finding of culpability against those subject to the investigations, any negative publicity surrounding assertions against executive persons and other persons who have been, or are currently, associated with the Group could adversely affect the Group's brand and reputation and may consequently have a negative impact upon the financial performance of the Group.

30. Events after the end of the reporting period

On 14 May 2018 McLaren Group Limited announced that it had agreed to issue 888,135 new ordinary shares in return for cash of £203.1m representing a 10% share of the Group. The capital injection will be made in four instalments over the year to May 2019, with the first and second tranche totalling £150.0m already received. The new capital was purchased by Nidala (BVI) Limited, a company controlled by Michael Latifi. On 1 February 2019, Nidala (BVI) Limited injected a further £49.4m of the remaining investment, with the balance to be received in May 2019.

Notes to the financial statements _(continued)_

31. Subsidiaries and related undertakings

The related undertakings whose results or financial performance principally affect the figures shown in the consolidated financial statements are as follows:

Name	Principal activity	Holding ordinary share capital
Incorporated in the UK:		
McLaren Applied Technologies Limited	Engine management systems design and manufacture, and application of technologies within the Group	100%
McLaren Automotive Limited	Manufacture and sale of high performance sports cars	100%
McLaren Automotive Events Limited	Events Company	100%
McLaren Finance Plc	Financing Company	100%
McLaren Holdings Limited	Holding Company	100%
McLaren Marketing Limited	Marketing	100%
McLaren Racing Limited	Racing car constructor	100%
McLaren Services Limited formerly known as McLaren Technology Group Limited	Managed services	100%
Team McLaren Limited	Supporters' club	100%
Incorporated overseas:		
McLaren Applied Technologies Inc, incorporated in the United States of America	Marketing and sales of McLaren Applied Technologies Limited products	100%
McLaren Applied Technologies Pte Ltd, incorporated in Singapore	Marketing and sales of McLaren Applied Technologies Limited products	100%
McLaren Automotive Inc, incorporated in the United States of America	Sports car retailer	100%
McLaren Automotive Asia Pte Limited, incorporated in Singapore	Sports car retailer	100%
McLaren Automotive Distribution (Shanghai) Company Limited, incorporated China	Sports car retailer	100%

The registered office for all UK incorporated companies is: McLaren Technology Centre, Chertsey Road, Woking, Surrey, GU21 4YH.

McLaren Applied Technologies Inc registered office is: 2711 Centerville Road, Suite 400, City of Wilmington, DE 19808.

McLaren Applied Technologies Pte Ltd registered office is: 8 Marina Boulevard, #05-02 Marina Bay Financial Centre, Singapore, 018981.

McLaren Automotive Inc registered office is: Baker & McKenzie LLP, 1114 Avenue of the Americas, New York, New York, 10036.

McLaren Automotive Asia Pte Ltd registered office is: 7 Temasek Boulevard, Suntec Tower One #27-05, Singapore 038987.

McLaren Automotive Distribution (Shanghai) Company Ltd registered office is: Unit 11-02, West Tower, 1299 Minsheng Road, Pudong District, Shanghai, 200135, P.R. China.


McLaren