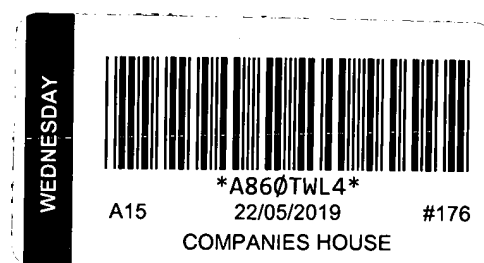


**Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2018**
for
McLaren Automotive Limited



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for the Year Ended 31 December 2018**

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McLaren Automotive Limited

**Company Information
for the Year Ended 31 December 2018**

DIRECTORS:

Mike Flewitt
Paul Buddin

SECRETARY:

Ruth Nic Aoidh

REGISTERED OFFICE:

McLaren Technology Centre
Chertsey Road
Woking
Surrey
GU21 4YH

REGISTERED NUMBER:

01967717 (England and Wales)

INDEPENDENT AUDITORS:

PricewaterhouseCoopers LLP
1 Harefield Road
Uxbridge
UB8 1EX

SOLICITORS:

Ashurst LLP
Broadwalk House
5 Appold Street
London
EC2A 2HA

**Strategic Report
for the Year Ended 31 December 2018**

This strategic report has been prepared for the company, McLaren Automotive Limited.

Principal Activities

McLaren Automotive Limited is a global leader in the design and manufacture of luxury high performance sportscars and supercars.

McLaren Automotive Limited 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 MP4-12C. Today, McLaren Automotive Limited has a range of luxury high performance cars across three defined product families (Sports Series, Super Series and Ultimate Series) and 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 McLaren Automotive Limited, not least because it reached the production rates required to achieve the c5,000 units per year originally promised in Track22. Further to this, McLaren Automotive Limited 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 development of the new McLaren Group

2017 saw the consolidation of the McLaren Technology Group (holding the Racing and the Applied Technologies divisions) and McLaren Automotive Limited 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. From 20 July 2017 onwards, all long-term financing for McLaren Automotive Limited is provided by its parent entity, McLaren Holdings Limited.

Following the change, McLaren Automotive Limited no longer presents consolidated accounts as these accounts are consolidated into the parent company, McLaren Holdings Limited.

Strategic Report

for the Year Ended 31 December 2018

BUSINESS REVIEW AND OUTLOOK

Turnover for the Company has increased significantly from £526.9m in 2017 to £928.3m in 2018. The Company is also pleased to report a significant improvement in the operating performance of the business during 2018. This performance has improved from a £33.2m loss in 2017 to a profit of £67.1m in 2018. The net result for 2018 is a profit after tax of £46.2m (2017: loss after tax of £42.6m).

McLaren Automotive Limited forecast sales growing to c5,000 units per annum when the Track22 strategy was first announced at the Geneva motor show in 2015. McLaren Automotive Limited 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 McLaren 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 Automotive, 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 the Middle East and Africa is a region where declining sales were recorded (down 7%) which was driven by the economic climate in the region.

Sales volumes for 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.

McLaren Automotive Limited 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, McLaren Automotive Limited 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 McLaren Automotive Limited 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.

The development of the McLaren Automotive Limited 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 later this year. 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 McLaren Automotive Limited business plan, Track25. Updated and expanded, Track25 takes McLaren Automotive Limited from the middle of 2018 until 2025 and includes:

**Strategic Report
for the Year Ended 31 December 2018**

- £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 business. McLaren Automotive Limited 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 Company's 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, into H2 2019. The Company 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 McLaren Automotive Limited in 2019 and further demonstrates that the Company is on plan to deliver the targets set out in Track25.

Intangible Investment

McLaren Automotive Limited has continued to invest in new road car projects. During 2018, the Company invested £240.4m (2017: £169.8m) 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 business plan and are part of taking the Company to volumes over 6,000 units by 2025.

Brexit consideration

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 Company to be low. However, the Management Team have considered the risks that exiting the EU poses and established that the following risks exist:

- The Company 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 Company 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 Company'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 Company'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 Company'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 Company 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 Company's Government Affairs department, the Company has strong engagement with Government through bodies such as the Automotive Council and the Society of Motor Manufacturers and Traders.
- The Company has worked towards obtaining AEO accreditation.
- The Company 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
for the Year Ended 31 December 2018**

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 Limited to leverage a competitive advantage, demand from the brand and also the economic position of key markets into which cars are sold.

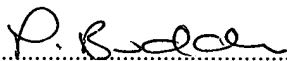
As with any company active on a global stage, foreign exchange volatility presents a risk. Currency exposure will remain high as 70 per cent of worldwide sales revenues are denominated in non-Sterling currencies. McLaren Automotive Limited operates in an international environment with revenues denominated 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 Automotive 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 for the Company. McLaren Automotive Limited's financing is provided through its parent company, McLaren Holdings Limited. The interest rate on the revolving credit facility is linked to LIBOR whereas the rate contracted with the high-yield bond holders is fixed.

KEY PERFORMANCE INDICATORS

The directors consider turnover, sales and production volumes, earnings before interest and tax, 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 Company's strategies over the medium term and performance against these measures is reviewed regularly.

ON BEHALF OF THE BOARD:


.....

Paul Buddin - Director

Date:10/5/2019.....

**Report of the Directors
for the Year Ended 31 December 2018**

The directors present their report with the financial statements of the company for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

The principal activity of the Company is the design, development, manufacture and sale of high performance sports cars.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2018 (2017 - £nil).

RESEARCH AND DEVELOPMENT

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

FUTURE DEVELOPMENTS

Future developments of the business have been discussed in the Strategic Report on pages 2 to 5.

DISABLED EMPLOYEES

The policy of the Company is to give full and fair consideration to employment application by disabled persons and to ensure that disabled employees received appropriate training and career development opportunities. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE CONSULTATION

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

The Company does take 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' 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.

DIRECTORS

Mike Flewitt has held office during the whole of the period from 1 January 2018 to the date of this report.

Changes in directors holding office are as follows:

Paul Buddin - appointed 31 July 2018
M A Ojjeh - resigned 1 August 2018
Shaikh Mohammed Bin Essa Alkhalifa - resigned 1 August 2018
Mahmood Al Kooheji - resigned 1 August 2018
Hisham Al Saie - resigned 1 August 2018
Lay Hoon Chan - resigned 1 August 2018
Roberto Aguirre - resigned 1 August 2018
Peter Lim - resigned 1 August 2018

The changes in Directorships were due to the corporate restructure that took place in 2018, following the creation of the McLaren Group in 2017.

**Report of the Directors
for the Year Ended 31 December 2018**

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses a mixture of foreign exchange forward contracts and interest rate swap contracts to hedge this exposure based on forecast cash inflows and out flows over a 36 month period.

The Company 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.

Credit risk

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

The Company's credit risk is primarily attributable to its trade receivables. The Company is at risk to the extent that a customer may be unable to the debt it is due. The risk is mitigated by the strong on-going customer relationships with a dealership network carefully selected by McLaren Automotive Limited. 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 of event which, based on previous experience, is evidence of a reduction in the recoverability of 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 Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, some of whom 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 company uses a mixture of long-term and short-term debt finance.

Further details regarding liquidity risk can be found in the accounting policies, note 1 in the financial statements.

POLITICAL AND CHARITABLE DONATIONS

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

EXISTENCE OF BRANCHES OUTSIDE THE UK

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

- Bahrain
- Spain

GOING CONCERN

The directors continue to adopt the going concern basis in preparing the annual financial statements on the basis of support provided by the parent company as confirmed via a letter of support.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements.

**Report of the Directors
for the Year Ended 31 December 2018**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' confirmations

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITORS

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

ON BEHALF OF THE BOARD:



Paul Buddin - Director

Date: 10/5/2019

Independent auditors' report to the members of McLaren Automotive Limited

Report on the audit of the financial statements

Opinion

In our opinion, McLaren Automotive Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit 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 Strategic Report, Report of the Directors and Financial Statements for the Year Ended 31 December 2018 for McLaren Automotive Limited (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the income statement, the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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 company 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.

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 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 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 company's trade, customers, suppliers and the wider economy.

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 Report of the Directors, 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 Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors 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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

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 set out on page 8, 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 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 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.

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.

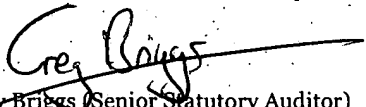
Other required reporting

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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.


Gregory Briggs (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
10 May 2019

**Income Statement
for the Year Ended 31 December 2018**

	Notes	2018 £'000	2017 £'000
TURNOVER	3	928,309	526,916
Cost of sales		<u>(745,345)</u>	<u>(437,971)</u>
GROSS PROFIT		182,964	88,945
Administrative expenses		(152,490)	(144,862)
Other operating income	4	<u>36,674</u>	<u>22,765</u>
OPERATING PROFIT/(LOSS)	6	67,148	(33,152)
Other interest receivable and similar income		519	300
Interest payable and similar expenses	7	<u>(11,036)</u>	<u>(10,101)</u>
PROFIT/(LOSS) BEFORE TAXATION		56,631	(42,953)
Tax on profit/(loss)	8	<u>(10,408)</u>	<u>390</u>
PROFIT/(LOSS) FOR THE YEAR		<u><u>46,223</u></u>	<u><u>(42,563)</u></u>


**Statement of Comprehensive Income
for the Year Ended 31 December 2018**

	2018 £'000	2017 £'000
PROFIT/(LOSS) FOR THE YEAR	46,223	(42,563)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Capital contribution reserve	-	2,039
Foreign currency translation reserve	(27,074)	22,784
	<hr/>	<hr/>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX	<u>(27,074)</u>	<u>24,823</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u><u>19,149</u></u>	<u><u>(17,740)</u></u>

Balance Sheet
as at 31 December 2018

	Notes	2018 £'000	2017 £'000
FIXED ASSETS			
Intangible assets	9	670,460	559,215
Tangible assets	10	75,856	62,955
Investments	11	<u>1</u>	<u>1</u>
		<u>746,317</u>	<u>622,171</u>
CURRENT ASSETS			
Stocks	12	96,783	70,178
Debtors	13	170,727	138,845
Cash at bank and in hand		<u>65,896</u>	<u>89,057</u>
		333,406	298,080
CREDITORS			
Amounts falling due within one year	14	<u>(722,256)</u>	<u>(585,711)</u>
NET CURRENT LIABILITIES		<u>(388,850)</u>	<u>(287,631)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		357,467	334,540
CREDITORS			
Amounts falling due after more than one year	15	(12,386)	(7,509)
PROVISIONS FOR LIABILITIES	18	<u>(7,114)</u>	<u>(8,213)</u>
NET ASSETS		<u>337,967</u>	<u>318,818</u>
CAPITAL AND RESERVES			
Called up share capital	19	27	27
Share premium account	20	490,451	490,451
Other reserves	20	2,039	2,039
Foreign currency translation reserve	20	(22,756)	4,318
Accumulated losses	20	<u>(131,794)</u>	<u>(178,017)</u>
TOTAL SHAREHOLDERS' FUNDS		<u>337,967</u>	<u>318,818</u>

The financial statements on pages 11 to 29 were approved by the Board of Directors on 10/5/2019 and were signed on its behalf by:


Paul Buddin - Director

**Statement of Changes in Equity
for the Year Ended 31 December 2018**

	Called up share capital £'000	Accumulated losses £'000	Share premium account £'000
Balance at 1 January 2017	27	(135,454)	490,451
Total comprehensive loss	-	(42,563)	-
Balance at 31 December 2017	27	(178,017)	490,451
Total comprehensive income	-	46,223	-
Balance at 31 December 2018	27	(131,794)	490,451

	Other reserves £'000	Foreign currency translation reserve £'000	Total equity £'000
Balance at 1 January 2017	-	(18,466)	336,558
Total comprehensive loss	2,039	22,784	(17,740)
Balance at 31 December 2017	2,039	4,318	318,818
Total comprehensive income	-	(27,074)	19,149
Balance at 31 December 2018	2,039	(22,756)	337,967

**Notes to the Financial Statements
for the Year Ended 31 December 2018**

1. ACCOUNTING POLICIES

Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

McLaren Automotive Limited is a company incorporated in the United Kingdom under the Companies Act.

The Company is a private Company limited by shares and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report and the report of the directors on pages 2 to 8.

The financial statements of McLaren Automotive 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.

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit or loss.

The functional currency of McLaren Automotive Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

McLaren Automotive Limited has taken the exemption according to section 400 of the Companies Act not to prepare consolidated financial statements on the basis that the company and all of its subsidiary undertakings are included in consolidated financial statements of McLaren Group Limited.

Going concern

As at the year end McLaren Automotive Limited was in a net current liability position of £393.7m. 2017 saw the consolidation of McLaren Technology Group (holding Racing and Applied Technologies divisions) and McLaren Automotive Limited under the ownership of McLaren Group Limited. Following the group reorganisation and the merger with the McLaren Technology Group, the Company is now financed through an intercompany debt with McLaren Holdings Limited, which is classified as a creditor falling due within one year.

The intercompany debt facility as noted above, the future prospects of the business and the letter of support as provided by McLaren Group Limited, provides assurance over the Company's ability to continue to trade for the foreseeable future. Accordingly, the directors have prepared the financial statements on a going concern basis.

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 its ultimate parent company, McLaren Group Limited, includes the Company's cash flows in its own consolidated financial statements;
- (ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.41 to 11.48 and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statements disclosure; and
- (iii) from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Consolidated financial statements

The Company is a wholly owned subsidiary of McLaren Group Limited. It is included in the consolidated financial statements of McLaren Group Limited which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2018**

1. ACCOUNTING POLICIES - continued

Consolidated financial statements - continued

financial statements. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is McLaren Group Limited. The address of the parent's registered office is McLaren Technology Centre, Chertsey Road, Woking, Surrey, GU21 4YH.

Turnover

Turnover represents the value of goods sold and services provided in the year, exclusive of value added tax.

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 depending on the respective INCO terms agreed of which the majority will either be point of despatch to the dealer, when the car is imported into the destination country, or when the vehicles are received by the dealer.

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.

Turnover 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 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.

Other operating income

Other operating income consists of income not directly related to the sale of vehicles. It mainly comprises of income for the provision of management services to its subsidiary companies and income in relation to the development of new and advanced technologies.

Intangible assets - new production development

Intangible fixed assets represent development costs incurred on new car programmes and are capitalised in accordance with section 18 of FRS 102. These are stated at historical cost and will be 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. Research expenditure is expensed as incurred. The intangible fixed asset balance is amortised over the sales life-cycle volumes of the associated car programme, in accordance with the receipt of benefit.

Intangible assets - IT systems development

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

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line/reducing balance basis over its expected useful life, as follows:

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

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

1. ACCOUNTING POLICIES - continued

Tangible fixed assets – continued

No depreciation is provided until the assets are brought into use. Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is valued on an average cost basis and includes expenditure incurred to bring the stock to its current location and condition. For work in progress and finished goods manufactured by the Company, cost is taken as production cost which includes an appropriate proportion of attributable overheads based on normal operating capacity.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Balance Sheet when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Derivative financial instruments

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

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the statement of comprehensive income immediately.

(iii) 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.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2018**

1. ACCOUNTING POLICIES - continued

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet 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 balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Other exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see above);
- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

Leases

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Pension costs and other post-retirement benefits

The Company pays contributions to personal pension schemes, with the costs being charged to the profit and loss account.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the total of the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2018**

1. ACCOUNTING POLICIES - continued

Hedge accounting

The Company 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 Company determines and documents causes for hedge ineffectiveness.

Note 17 sets out details of the fair values of the derivative instruments used for hedging purposes.

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 Company 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.

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.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Provisions and contingencies

Provisions

Provisions are recognised when the Company 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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. The increase in the provision due to the passage of time is recognised as a finance cost.

Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

2. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in note 1, 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. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Financial instruments - accounting judgement

When the fair values of financial assets and financial liabilities recorded in the Balance Sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including a discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Details of fair value measurements can be found in note 17.

Capitalisation of research and development costs – accounting judgement

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.

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 18.

Capitalisation of research and development costs – estimation uncertainty

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.

3. **TURNOVER**

The directors consider there to be only one class of business operated by the Company, being the manufacture and sale of high-performance sports motor vehicles and associated revenue streams. All amounts presented in these financial statements are from that one class of business. An analysis of turnover by 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.

4. **OTHER OPERATING INCOME**

	2018	2017
	£'000	£'000
Management fee income	29,673	16,149
Grant income	<u>7,001</u>	<u>6,616</u>
	<u>36,674</u>	<u>22,765</u>

5. **EMPLOYEES AND DIRECTORS**

	2018	2017
	£'000	£'000
Wages and salaries	99,863	66,834
Social security costs	7,701	5,780
Other pension costs	<u>1,785</u>	<u>1,297</u>
	<u>109,349</u>	<u>73,911</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

5. **EMPLOYEES AND DIRECTORS - continued**

The average monthly number of employees during the year was as follows:

	2018 Number	2017 Number
Production	881	674
Engineering	567	467
Administration	690	558
	<u>2,138</u>	<u>1,699</u>

	2018 £	2017 £
Directors' remuneration	<u>1,319,263</u>	<u>1,384,058</u>

The number of directors to whom retirement benefits were accruing was as follows:	2018 Number	2017 Number
Defined Contribution	<u>2</u>	<u>1</u>

Information regarding the highest paid director is as follows:

	2018 £	2017 £
Emoluments etc.	<u>865,263</u>	<u>1,384,058</u>

The Company's highest paid director does not have any share options (2017: None) and has not received nor is due to receive any shares in respect of qualifying services under a long-term incentive scheme (2017: None).

6. **OPERATING PROFIT/(LOSS)**

The operating profit (2017 - operating loss) is stated after charging:

	2018 £'000	2017 £'000
Operating leases	3,711	3,402
Depreciation - owned assets	3,812	3,963
New production development costs amortisation	127,000	73,082
IT systems development costs amortisation	6,851	6,149
Auditors' remuneration - company	111	93
Foreign exchange differences	8,328	3,686
Research and development	<u>621</u>	<u>482</u>

The company auditors also received remuneration in relation to its associates of £23,000 (2017: £17,300).

7. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2018 £'000	2017 £'000
Bank interest	10,644	7,712
Other finance charges	<u>392</u>	<u>2,389</u>
	<u>11,036</u>	<u>10,101</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

8. TAX ON PROFIT/(LOSS)

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit/(loss) for the year was as follows:

	2018	2017
	£'000	£'000
Current tax:		
UK corporation tax	12,030	117
Adjustment to tax charge in respect of previous periods	-	(117)
Deferred tax	<u>(1,622)</u>	<u>(390)</u>
Tax on profit/(loss)	<u>10,408</u>	<u>(390)</u>

Reconciliation of total tax charge/(credit) included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2018	2017
	£'000	£'000
Profit/(loss) before tax	<u>56,631</u>	<u>(42,953)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	10,760	(8,268)
Effects of:		
Expenses not deductible for tax purposes	325	281
Adjustments to tax charge in respect of previous periods	(754)	(117)
Effective tax rates	49	2,595
Differential in rates	28	5,119
Total tax charge/(credit)	<u>10,408</u>	<u>(390)</u>

Tax effects relating to effects of other comprehensive income

	Gross	2018
	£'000	Net
		£'000
Capital contribution reserve	2,039	2,039
Foreign currency translation reserve	<u>(27,074)</u>	<u>(27,074)</u>
	<u>(25,035)</u>	<u>(25,035)</u>
	Gross	2017
	£'000	Net
		£'000
Capital contribution reserve	2,039	2,039
Foreign currency translation reserve	<u>22,784</u>	<u>22,784</u>
	<u>24,823</u>	<u>24,823</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

8. TAX ON PROFIT/(LOSS) - continued

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

9. INTANGIBLE ASSETS

	New production development costs £'000	IT systems development costs £'000	Totals £'000
COST			
At 1 January 2018	847,150	56,617	903,767
Additions	240,411	1,418	241,829
Reclassification/transfer	-	6,103	6,103
At 31 December 2018	<u>1,087,561</u>	<u>64,138</u>	<u>1,151,699</u>
AMORTISATION			
At 1 January 2018	334,456	10,096	344,552
Amortisation for year	127,000	6,851	133,851
Reclassification/transfer	-	2,836	2,836
At 31 December 2018	<u>461,456</u>	<u>19,783</u>	<u>481,239</u>
NET BOOK VALUE			
At 31 December 2018	<u>626,105</u>	<u>44,355</u>	<u>670,460</u>
At 31 December 2017	<u>512,694</u>	<u>46,521</u>	<u>559,215</u>

10. TANGIBLE ASSETS

	Freehold land and buildings £'000	Leasehold premises and improvements £'000	Plant, machinery, tools and equipment £'000
COST			
At 1 January 2018	52,789	5,784	20,428
Additions	-	8,936	6,705
At 31 December 2018	<u>52,789</u>	<u>14,720</u>	<u>27,133</u>
DEPRECIATION			
At 1 January 2018	5,804	3,434	13,083
Charge for year	1,011	258	1,724
Eliminated on disposal	-	-	-
Reclassification/transfer	-	-	-
At 31 December 2018	<u>6,815</u>	<u>3,692</u>	<u>14,807</u>
NET BOOK VALUE			
At 31 December 2018	<u>45,974</u>	<u>11,028</u>	<u>12,326</u>
At 31 December 2017	<u>46,985</u>	<u>2,350</u>	<u>7,345</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

10. TANGIBLE ASSETS - continued

	Fixtures, fittings and office equipment £'000	Motor vehicles £'000	Totals £'000
COST			
At 1 January 2018	10,736	1,609	91,346
Additions	2,542	1,797	19,980
Disposals	-	(1,118)	(1,118)
Reclassification/transfer	(6,103)	-	(6,103)
At 31 December 2018	<u>7,175</u>	<u>2,288</u>	<u>104,105</u>
DEPRECIATION			
At 1 January 2018	4,685	1,385	28,391
Charge for year	700	119	3,812
Eliminated on disposal	-	(1,118)	(1,118)
Reclassification/transfer	(2,836)	-	(2,836)
At 31 December 2018	<u>2,549</u>	<u>386</u>	<u>28,249</u>
NET BOOK VALUE			
At 31 December 2018	<u>4,626</u>	<u>1,902</u>	<u>75,856</u>
At 31 December 2017	<u>6,051</u>	<u>224</u>	<u>62,955</u>

Plant, machinery, tools and equipment includes finance leased assets with a cost of £489,763 (2017: £489,763) and accumulated depreciation of £397,432 (2017: £357,840). The depreciation charge on these assets for the year was £39,592 (2017: £90,437).

11. INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2018 and 31 December 2018	<u>1</u>
NET BOOK VALUE	
At 31 December 2018	<u>1</u>
At 31 December 2017	<u>1</u>

The company's investments at the Balance Sheet date in the share capital of companies include the following:

McLaren Automotive Incorporated

Registered office: Baker & McKenzie LLP, 1114 Avenue of the Americas, New York, New York 10036

Nature of business: Sports Car Retailer

Class of shares:	%
Ordinary	holding 100.00

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

11. INVESTMENTS - continued

McLaren Automotive Asia Pte Limited

Registered office: 7 Temasek Boulevard, Suntec Tower One 27-05, Singapore 038987

Nature of business: Sports Car Retailer

	%
Class of shares:	holding
Ordinary	100.00

McLaren Automotive Events Limited

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

Nature of business: Events Company

	%
Class of shares:	holding
Ordinary	100.00

12. STOCKS

	2018	2017
	£'000	£'000
Raw materials	49,592	37,689
Work-in-progress	27,868	17,491
Finished goods	<u>19,323</u>	<u>14,998</u>
	<u>96,783</u>	<u>70,178</u>

There is no significant difference between the replacement cost of raw materials, work in progress and finished goods and their carrying amounts (2017: Nil).

During the year £2,100,000 (2017: £1,100,000) was expensed to the profit and loss account as a provision against stock parts relating to models that are no longer in production.

13. DEBTORS

	2018	2017
	£'000	£'000
Trade debtors	68,469	38,335
Amounts owed by group undertakings	6,588	15,767
Other debtors	15,270	11,048
Financial assets	2,653	10,350
Other taxes	7,429	2,541
Deferred tax asset	47,572	45,950
Prepayments and accrued income	<u>22,746</u>	<u>14,854</u>
	<u>170,727</u>	<u>138,845</u>

Deferred tax asset

	2018	2017
	£'000	£'000
Fixed asset timing differences	3,873	2,806
Other short term timing differences	2,362	2,866
Trading and other losses	<u>41,337</u>	<u>40,278</u>
	<u>47,572</u>	<u>45,950</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

13. **DEBTORS - continued**

During the year £nil (2017: £23,000) was expensed to the profit and loss account as a provision against assets. The company expects deferred assets of £850,000 to reverse in 2019. This primarily relates to losses brought forward. The losses carried forward have an indefinite life and the incentives do not expire. Amounts owed by group undertakings are unsecured and have no fixed date of repayment and are repayable on demand.

14. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018	2017
	£'000	£'000
Finance leases (see note 16)	15	46
Trade creditors	56,708	53,056
Amounts owed to group undertakings	297,265	298,244
Taxation and Social Security	3,333	2,520
Other creditors	72,678	44,682
Financial liabilities	20,331	5,370
Accruals and deferred income	271,926	181,793
	<u>722,256</u>	<u>585,711</u>

Amounts due to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Other Creditors includes £55,194,000 (2017: £24,700,000) of Trade Finance which is used to support wholesales to McLaren Automotive Limited dealers.

15. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2018	2017
	£'000	£'000
Finance leases (see note 16)	-	9
Amounts owed to group undertakings	7,500	7,500
Financial liabilities	4,886	-
	<u>12,386</u>	<u>7,509</u>

Amounts due to group undertakings are unsecured, interest free and falls due for repayment in July 2023.

16. **LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

	Finance leases	
	2018	2017
	£'000	£'000
Net obligations repayable:		
Within one year	15	46
Between one and five years	-	9
	<u>15</u>	<u>55</u>

The finance leases primarily relate to business use fork lift trucks and transporter vans.

	Non-cancellable operating leases	
	2018	2017
	£'000	£'000
Within one year	4,151	3,391
Between one and five years	5,965	4,029
In more than five years	8,607	3,421
	<u>18,723</u>	<u>10,841</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

17. FINANCIAL INSTRUMENTS

The carrying values of the Company's financial assets and liabilities are summarised by category below:

	2018 £000	2017 £000
Financial assets that are debt instruments measured at amortised cost		
- Trade debtors	68,469	38,335
- Amounts owed by group undertakings	6,588	15,767
- Other debtors	<u>15,270</u>	<u>11,048</u>
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial assets - forward foreign currency contracts	<u>2,653</u>	<u>10,350</u>
Financial Liabilities measured at amortised cost		
- Finance leases	15	46
- Trade creditors	56,708	53,056
- Amounts owed to group undertakings	297,265	298,244
- Other creditors	<u>72,678</u>	<u>44,682</u>
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial liabilities - forward foreign currency contracts	<u>20,231</u>	<u>5,370</u>
Non-Current Financial Liabilities		
Measured at amortised cost		
- Finance leases	-	9
- Amounts owed to group undertakings	7,500	7,500
- Derivative financial liabilities - forward foreign currency contracts	<u>4,866</u>	<u>-</u>

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk. Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Outstanding contracts	Average Contractual exchange rate		Notional value		MTM	
	2018	2017	2018 £000	2017 £000	2018 £000	2017 £000
Sell						
USD	1.3445	1.3495	421,734	268,276	(16,817)	2,957
JPY	146.0345	146.0379	58,411	46,164	(3,100)	1,660
CNY	9.1835	9.0545	93,009	65,327	(3,234)	(1,297)
AUD	1.7971	1.7303	16,860	17,407	231	158
SGD	-	1.8864	-	5,433	-	(28)
HKD	-	10.0399	-	7,708	-	47
Buy						
EUR	0.887	1.1171	250,880	99,443	<u>356</u>	<u>1,484</u>
					<u>(22,564)</u>	<u>4,981</u>

The Company has entered into forward and option 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.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

Losses of £3,560,861 (2017: profits of £8,462,578) were recognised in profit or loss.

18. PROVISIONS FOR LIABILITIES

	2018 £'000	2017 £'000
Other provisions		
Warranty provision	6,684	7,809
End of service gratuity provision	41	15
Dilapidation provision	<u>389</u>	<u>389</u>
	<u>7,114</u>	<u>8,213</u>
		Other provisions £'000
Balance at 1 January 2018		8,213
Utilised during year		<u>(1,099)</u>
Balance at 31 December 2018		<u>7,114</u>

The warranty provision largely relates to the 3 year warranty given to customers with each vehicle purchased. The Company is liable for the parts and labour costs associated with repairing manufacturing faults arising on vehicles during the warranty period. It is expected that the majority of this expenditure will be incurred within three years of the balance sheet date.

The end of service gratuity provision relates to a payment that the Company have to make to all Bahrain based employees on termination of their employment with the Company.

The dilapidation provision relates to the Company's obligation to return its rental premises to its pre occupancy condition in line with the terms set out in the lease.

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2018	2017
Number:	Class:		£	£
2,691,263	Ordinary	£0.01	<u>26,913</u>	<u>26,913</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

20. RESERVES

	Accumulated losses £'000	Share premium account £'000	Other reserves £'000	Foreign currency translation reserve £'000	Totals £'000
At 1 January 2018	(178,017)	490,451	2,039	4,318	318,791
Profit for the year	46,223	-	-	-	46,223
Movement	-	-	-	(27,074)	(27,074)
At 31 December 2018	<u>(131,794)</u>	<u>490,451</u>	<u>2,039</u>	<u>(22,756)</u>	<u>337,940</u>

21. PENSION COMMITMENTS

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees of all divisions. The total expense charged to profit or loss in the year ended 31 December 2018 was £1,785,000 (2017: £1,297,000).

22. CONTINGENT LIABILITIES

McLaren Automotive Limited is party to an unlimited cross company guarantee securing all monies due, or to become due, in respect of the overdraft and £90m loan facility provided to McLaren Holdings Limited by its bankers. As at 31 December 2018 the balance guaranteed was £nil (2017: £10m). In addition, McLaren Automotive Limited is party to a guarantee securing all monies due, or to become due, in respect of £370m of sterling-denominated Senior Secured Notes and \$250m of dollar-denominated Senior Secured Notes issued by the Group in July 2017.

23. RELATED PARTY DISCLOSURES

The Company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Directors

	2018 £'000	2017 £'000
Sales	1,906	186
Purchases	202	-
Amounts due from related party	<u>274</u>	<u>174</u>

Other related parties

	2018 £'000	2017 £'000
Sales	-	1
Amounts due from related party	<u>-</u>	<u>1</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2018**

24. CONTROLLING PARTIES

The immediate parent undertaking is McLaren Holdings Limited.

The ultimate parent company and the ultimate controlling party is Bahrain Mumtalakat Holding Company.

The smallest group to consolidate the Company's financial statements is McLaren Group Limited. A copy of McLaren Group Limited's consolidated financial statements can be obtained from McLaren Technology Centre, Chertsey Road, Woking, Surrey, GU21 4YH. The largest group to consolidate the Company's financial statements is Bahrain Mumtalakat Holding Company, a company registered in Bahrain.