Registered number: 01967717 (England and Wales)

Strategic Report, Report of the Directors and

Financial Statements for the Year Ended 31 December 2020

for

McLaren Automotive Limited

McLaren Automotive Limited (Registered number: 01967717)

Contents of the Financial Statements
for the Year Ended 31 December 2020

McLaren Automotive Limited

Company Information
for the Year Ended 31 December 2020

DIRECTORS:	Mike Flewitt Catherine Ferry Paul Buddin (resigned 4 May 2021)
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 40 Clarendon Road Watford Hertfordshire WD17 1JJ
SOLICITORS:	Ashurst LLP London Fruit & Wool Exchange 1 Duval Square London E1 6PW

McLaren Automotive Limited (Registered number: 01967717)

Strategic Report
for the Year Ended 31 December 2020

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 then launched its first series of products in 2011 starting with the 12C. Today, McLaren Automotive Limited has a range of luxury high performance supercars across four product families: GT, Sports Series, Super Series, and Ultimate Series. It has produced ground-breaking cars such as the iconic McLaren P1TM, the McLaren Speedtail, the McLaren Sabre and the McLaren Elva. Moving into 2021 McLaren Automotive Limited is due to launch the McLaren Artura, which will bring in a new era of hybrid engines. Current and future models continue to command premium pricing and a strong order bank.

The development of the new McLaren Group

The Group is now managed along the three business lines of Automotive, Racing and Applied and the Group's 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 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.

On the 18th March 2020, the Group announced Paul Walsh had been appointed as Executive Chairman to help guide the next phase of its strategic development. Paul brings a wealth of business experience to McLaren having been Chief Executive Officer of FTSE 100 listed drinks company Diageo for 13 years following over three decades with the company.

Strategic Report
for the Year Ended 31 December 2020

BUSINESS REVIEW AND OUTLOOK
Turnover for the Company has decreased significantly from £1,098.8m in 2019 to £518.5m in 2020, with the operating performance reducing from a £91.1m profit in 2019 to a loss of £222.9m in 2020. The net result for 2020 is a loss after tax of £207.4m (2019: profit after tax of £60.3m).

McLaren Automotive Limited had a successful 2019 delivering 4,662 wholesale units. McLaren Automotive Limited entered 2020 with an updated plan designed to stimulate demand by restricting supply. This plan would have seen the company deliver around 4,000 units in 2020 but, because the mix would have been skewed towards higher margin Ultimate and LT products, it would have seen financial growth year-over-year.

However, the company then saw a significant impact from COVID-19 in 2020. Initially, while the supply chain issues during February and March were managed across most vehicle lines, deliveries of Speedtail components delayed the planned production of Ultimate units. This was then magnified in March 2020 as retailers began to close around the world and neither Speedtails nor other production units could be delivered.

This resulted in a further significant fall in volumes. Throughout April 2020 the global retailer network was closed (except for China) along with all production and development facilities. In May 2020, the retailers, production and development facilities began to re-open. While all facilities are now open and most retailers trading, this shut down in the first half of the year had a significant impact on the results. The plan followed for 2020 was instead part of a new five-year business plan implemented post-COVID, and one that was drawn up at a time when the recovery of markets was not easy to predict. It focused on the premium vehicles (765LT, 620R, Elva and Speedtail) to ensure robust delivery. McLaren also delayed the launch of a new supercar (Artura) from Q3 2020 to Q4 2021. Despite strong retail demand, and because of the delayed Artura launch, McLaren Automotive Group did not alter production and therefore delivered 1,659 wholesale units for 2020. Sales volumes for the year by region are:

Region	2020	2019	YoY Decline
Europe	500	1,176	(57%)
North America	595	2,051	(71%)
Asia Pacific	271	811	(67%)
China	182	276	(34%)
Rest of World	111	348	(68%)
Global	**1,659**	**4,662**	**(64%)**

The 765LT promise of being "limited to the few" is also fulfilled, with just 765 individually numbered cars available globally for customer order. This vehicle went into production in Q3 2020 and the order book for this limited series model is full. Q4 2020 also saw the McLaren Elva go into production, with 25 vehicles delivered before the close of the year.

Despite the delay, 2021 will see the launch of a new product; the McLaren Artura. This is a very significant launch in the history of McLaren Automotive Limited, as this is the first vehicle to benefit from the new McLaren electrified architecture that has been under development for the last four years. Management has invested heavily in McLaren's move to electrification via the development of a world-class hybrid platform, which will lead to a significant reduction in investment over the next cycle. Future capital expenditure is expected to be between £110m and £170m annually, compared to the £222.8m additions in 2020. With Artura, we started with a clean sheet. The McLaren Carbon Fibre Lightweight Architecture (MCLA) at its core is all-new. As is the High Performance Hybrid powertrain. Our relentless pursuit of lightness reaches another level. Aerodynamic efficiency is more advanced than ever. Helping to shape a minimal, beautiful new design. From the rear suspension to the advanced E-differential, every new element contributes to a uniquely intense driving experience.

Production was impacted by the closure of the facilities during Q2 2020 and the decision to re-open at one shift per day in H2 2020, compared to two shifts in prior years, resulting in production falling to 1,642 (2019: 4,765). The production plan for the year was set in Q2 2020 when there was considerable uncertainty in respect of the economic consequences and timing of the recovery from COVID-19.

Intangible Investment
McLaren Automotive Limited has continued to invest in new road car projects. During 2020, the Company invested £209.6m (2019: £287.4m) in new road car projects including new Ultimate, Super and Sports Series models.

Post balance sheet event

In April 2021, McLaren Group announced it had entered into a Sale & Leaseback transaction with Global Net Lease to sell the McLaren Technology Centre and McLaren Production Centre for proceeds of £170.0m, entering a 20-year lease. In August 2021, McLaren Group raised £550m, strengthening its capital structure and powering long-term, sustainable growth plans. New investors, being funds managed by the Private Equity and Credit Groups of Ares Management Corporation and Public Investment Fund, invested a total of £400m in McLaren Group Limited in the form of preference shares and equity warrants, bringing capital as well as significant financial and strategic expertise to the McLaren Group. Existing shareholders alongside a limited number of new private investors, invested a total of £150m in the form of convertible preference shares. The McLaren Group raised USD$620m through the issue of senior secured notes and entered into a new revolving credit facility with initial commitments of £95m and an accordion of a further £15m future commitments permitted. The Group used the proceeds described above to redeem and repurchase the outstanding existing senior secured notes due in 2022, repay and cancel the existing revolving credit facility, and add cash to the Group's balance sheet.

Brexit consideration

The UK has now left the European Union (EU) and a Free Trade Agreement (FTA) has been obtained which was of significant benefit to the Group as a whole. Most significantly, the FTA negated any tariffs that could have applied on vehicle sales to the EU or parts imported from the EU.

The plans that were established have meant that overall there has been no material impact to date of Brexit on McLaren Automotive Limited, with parts continuing to flow into the McLaren Production Centre and vehicles continuing to be delivered into the EU (albeit under a new regime).

Section 172 Companies Act 2006

This sets out how the Directors comply with the requirements of Section 172 Companies Act 2006 and how these requirements have impacted the Board's decision making throughout 2020.

In June 2018 the Government introduced secondary legislation that requires all companies that meet specified size requirements to provide a corporate governance statement. Corporate Governance refers to the way that the Company is governed as well as the interaction between its managerial bodies, its shareholders and other stakeholders. The purpose is to adopt appropriate rules and procedures to support and improve the internal controls systems. The Company has always maintained strong governance procedures and welcomes the opportunity to make a formal disclosure. The Company has reviewed the available Codes and decided that it will apply the Wates Corporate Governance Principles for large Private Companies. The disclosures which provide support for how the directors meet the requirements of Section 172 Companies Act 2006 is included in the Governance Report on pages 7 to 10.

Section 172 Decisions

a) The likely consequence of any decision in the long-term

The McLaren Automotive Limited board minutes evidence detailed discussions at board level. Executive Management approves a 5-year plan annually, or where the need arises (i.e. COVID-19), against which it monitors both operational and financial performance. The Board agree a set of performance indicators and reviews its funding requirements against these. The plan provides a clear roadmap for future vehicles, production and technology that will allow the brand to continue to position itself as a major global player in the sportscar and supercar market. In approving the strategy, the Directors also consider external factors including the development of the automotive industry together with the global economic and market conditions impacting the general business environment.

b) The interest of the Company's employees

The Company understands the importance and benefit of having a broad range of skills, experiences, perspectives and backgrounds in our teams and continuously strives to attract, engage and retain a diverse range of talented people. Understanding the importance of the Company's employees to the long-term success of the business, it regularly communicates to its employees through presentations, internal group wide emails and newsletters. The Group's intranet and structure give our employees the opportunity to interact with members of the Board and other key management personnel. The business has town hall presentations, open to all employees, at which the Automotive Executive and Technical management inform and update employees on the company's performance, plans and outlook. Employees are encouraged to ask questions about the team's purpose, goals and direction. Employee surveys are undertaken to receive feedback about the employee experience at McLaren, the results of which are carefully analysed and discussed by the Board. Employees are offered a range of development opportunities including formal programmes, mentoring, coaching and e-learning that enable the Board to identify and develop the skills and knowledge it needs to succeed now and in the future.

Section 172 Decisions - continued

c) The need to foster the Company's business relationships with suppliers, customers and others

The Board regularly reviews how the company maintains positive relationships with all its stakeholders which is an important element in the communication of the development plan. It understands the importance of the company's supply chain in delivering the long-term plans of itself and of the Group.

The Executive of the McLaren Automotive Limited team brings a wealth of relevant knowledge and experience. Mike Flewitt, CEO, was Vice President, Manufacturing, Ford of Europe, and prior to that he held senior manufacturing and operations roles at TWR Group Limited, Rolls-Royce and Bentley Motor Cars Limited. The Company's principal risks and uncertainties set out risks that can impact its long-term success and how these risks interact with our stakeholders. The Board actively seek information on the interaction with stakeholders to ensure that they have enough information to reach appropriate conclusions about the risks faced by the Company and how these are reflected within the long-term plans.

d) The impact of the Company's operations on the community and environment

The McLaren Group's environmental policy, to which McLaren Automotive Limited subscribes, outlines the Group's commitment to protect against the long-term critical depletion of natural resources and lasting damage to species, habitats, biodiversity and climate.

McLaren Automotive Limited is conscious of its responsibilities as a car manufacturer to provide both short-term and long-term solutions for designing and engineering exciting cars that innovate and offer new standards of technology to customers. That development in technological solutions includes lowering carbon emissions and improving our carbon efficiency CO_2 to significantly below what is expected in sports cars.

McLaren supports communities in several ways and aims to make a positive contribution to improving people's life chances, especially those of young people. Developing the next generation of automotive expertise is vitally important to McLaren. As the company continues to grow, the need for a skilled workforce to design, develop, build and sell its cars is also expanding. McLaren Automotive Limited backs the UK STEM Awards (which has seen previous winners secure permanent roles at McLaren) and has partnered with the BBC on educational science programming for primary school age groups and above.

e) The desirability of the Company maintaining a reputation for high standards of business conduct

The Directors take the reputation of the Company and Group seriously which is not limited to only operational and financial performance. The Board follows and approves a suite of controls that include adherence to anti-corruption, bribery, anti-slavery and Dealing Code. The Board has committed to having a workforce that reflects society as a whole. It has considered the data, and narrative, relevant to the Group's Gender Pay Reporting in preparation for external publication, including proposed improvement plans to enhance performance.

f) The need to act fairly as between members of the company

McLaren is nearly 60 years old and remains privately owned. The Automotive Team is supported by the Group shareholders and debt funding through the Group's combined resources to provide the capital to further its business objectives. These stakeholders rely on the Board to protect and manage their investment in a responsible and sustainable way that generates value for them. The Group hold regular management meetings for all the Executive to share knowledge and ensure consistency across operations. The Group interfaces with the stakeholders on a regular basis through corporate events and the Group Board meetings, held at the Woking office, which contains independent non-executives alongside the executive directors.

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 80 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 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:

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Catherine Ferry - Director

Date: 30/09/21

Report of the Directors
for the Year Ended 31 December 2020

The directors present their report with the audited financial statements of the company for the year ended 31 December 2020.

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

DIVIDENDS
The Directors do not propose a dividend for the year ended 31 December 2020 (2019 £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 and important events affecting McLaren Automotive Limited since year end have been discussed in the Strategic Report on pages 2 to 6.

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.

Statement of corporate governance arrangements
In June 2018 the Government introduced secondary legislation that requires all companies that meet specified size requirements to provide a corporate governance statement. Corporate Governance refers to the way that the Company is governed as well as the interaction between its managerial bodies, its shareholders and other stakeholders. The purpose is to adopt appropriate rules and procedures to support and improve the internal controls systems. The Company has reviewed the available Codes and decided that it will apply the Wates Corporate Governance Principles for large Private Companies. They provide a framework for the Company to demonstrate how the Board makes decisions for the long-term success of its stakeholders together with a disclosure as to how they ensure compliance with the requirements of Section 172 of the Companies Act 2016.

Principle 1 - Purpose and leadership
The McLaren Group was founded by Bruce McLaren and his ethos still permeates the organisation to date. Bruce worked his way up through club races in and around his native Auckland and won his first grand prix at just 22. Thriving in the summit of the luxury automotive and motorsport world has bread a spirit of dedication. Our people maintain that commitment, courage and creativity throughout the business in the unremitting search for excellence.

McLaren exists to win, and it is this philosophy that has driven the company to its current position as one of the world's most illustrious luxury automotive, motorsports and technology brands. We do not compromise.

Principle 1 - Purpose and leadership - continued
McLaren Group Limited operates in the three distinct areas of Automotive, Racing and Applied, the "operating companies", and perpetuates stakeholder engagement through a formal shareholder agreement and by shareholder representation on the Board. Through concurrent meetings of the operating companies Management with the Board achieve a consistent approach and governance.

We support the communities we are proud to be part of and aim to make a positive contribution to improving people's life chances, especially those of young people. We understand the importance and benefit of having a broad range of skills, experiences, perspectives and backgrounds in our teams and that's why we continuously strive to attract, engage and retain a diverse range of talented people. Our purpose is communicated to the people through the intranet, weekly updates and regular Town Hall briefings led by the CEO and Executive Directors. To sustain our high level of engagement we regularly conduct surveys to understand employee insights to better appreciate what our people value most about working at McLaren. We also offer a range of development opportunities, including formal programmes, mentoring, coaching and e-learning that enable us to identify and develop the skills and knowledge we need to succeed now and in the future.

Principle 2 - Board Composition
The Group has a two-tier management structure where powers and responsibilities are distributed between the Group Board of Directors and the Executive Management. The Board of McLaren Group Limited reflects the interest and ambitions of our stakeholders and introduces perspectives originating in businesses outside those in which the Group operates. The Executive Management represent the Board of McLaren Automotive Limited and have responsibility for the day-to-day management of the business and ensuring compliance with the strategic direction of the business.
McLaren Automotive Limited has a Chief Executive Officer with a management team who bring a wealth of automotive experience. The CEO meets the other Group CEO's at regular intervals to ensure that the values, approach and decision making across the Group is consistent and sustained. The Group believe that the size and composition of the Boards with their breadth of experience is appropriate to our business. The Remunerations and Nominations Committee has a planned Board Effectiveness review as part of their remit.

Principle 3 - Director Responsibilities
The Board has always maintained strong levels of corporate governance in the form of regular Board meetings of McLaren Automotive Limited where the board actively engages with the process. As noted above the company has an Executive who makes key decisions with the advice of his management team and advisors using his specific industry experience. The roles of the directors are clearly established, and each has a clear understanding of his accountability and responsibilities.

The Board has a formalised programme of meetings that is established at the start of each year and allows for time with each Executive and his team to understand the decisions made and devote the necessary time to strategic planning. The Directors are subject to a formal Dealing Policy that ensures that they do not abuse, and do not place themselves under suspicion of abusing, Inside Information. The Company Secretary is responsible for ensuring that annually the Directors disclose that they do not have any conflicts of interest.

The Board receive monthly data on the main business activities for the company including the financial performances, legal and operational matters. The information is collated by the Automotive finance team who are recruited with the skills and expertise to safeguard the quality of the data produced. The Group does not currently have an internal audit function. Where understanding of control deficiencies is required, Automotive will establish a project team with the requisite skills or request that an independent advisor review the area in detail.

Principle 4 - Opportunity and Risk
The responsibility for maintaining sufficient and effective internal controls and risk management systems in relation to financial reporting is secured by Executive management. The Group has an Audit and Risk Committee that consists of Executive Committee members. The Committee's remit is to ensure that the inherent risks in all the business units are identified and managed appropriately, consistently and in a timely manner.

Principle 4 - Opportunity and Risk - continued
The Company has systems and controls in place that manage, rather than eliminate, the risk of failure to achieve its annual plan. The Committee has endorsed a formal process for the collection and mitigation of risks which promotes a consistent risk register across all businesses to assess commonality in risks and trends. McLaren Automotive Limited completed the appropriate review of risks and fed into this process. The output provides reasonable but not an absolute assurance against a risk materialising. The Committee has a stated desire to enhance the risk management framework as the results are collected and consolidated. Once the risks are analysed based on likelihood and impact of occurrence they are debated by senior management and the intention is to deep dive into the key and recurring items. Similarly, data collection will allow presentations to the committee that will focus on the changes to those measures over time. Once considered by the Committee, the risk register is presented to the Group Audit and Risk Committee and the Group Board. Any points raised by the Board will be discussed in the subsequent Committee meeting. The Group promotes a culture of risk awareness and as such all employees should have the ability to identify key risks and a responsibility for the management of that risk. The risks themselves remain the responsibility of the relevant process owner.

PricewaterhouseCoopers LLP were re-appointed as the Company's external auditors in 2020. The Board assesses the effectiveness of their performance every year after completion of the annual audit.

Principle 5 - Remuneration
The Remuneration and Nominations Committee's primary objective is to establish that remuneration is established in such a way that the Company and Group secures and retains quality senior management who can deliver the Group's strategy in a manner consistent with both its purpose and the interests of its shareholders. The Committee has clearly defined terms of reference and is responsible for making recommendations to the Board concerning the remuneration strategy and recruitment framework. Remuneration is aligned to the divisional performance targets. The directors' remuneration is disclosed in the Group and subsidiary financial statements.

In 2018, the Group reported its Gender Pay Reporting for the first time. We are confident that men and women are paid equally for doing equivalent jobs. McLaren operate in the innovation, manufacturing, engineering and motorsports industries which all have historically higher proportions of male employees. Our gender pay gap is driven by the high proportion of men we employ within our business - within our most senior roles - coupled with the relative scarcity of women within our sector's talent pipelines. Each of our businesses has developed their own action plans to address their gender pay gaps but also pool resources and share best practice across the Group where appropriate.

Principle 6 - Stakeholders
The Board supports good governance practices within our businesses to deliver our Business Plan and to protect the brand, reputation and dealings with all our stakeholders including, but not limited to, our shareholders, customers, employees, suppliers, Government bodies and the local communities in which we work. The Board approves an annually updated Business Plan that aligns the company's strategy with the shareholders' long-term objectives for sustainability and growth.

The Board is committed to social responsibility, community engagement and environmental sustainability. The Company has a sustainable business strategy with mature and well-designed sites and processes, external accreditations and a number of environmental awards. We are also working to extend environmental standards through our supply chain. McLaren assigns key individuals with the responsibility for implementation and provides the necessary management support and resources to enable these individuals to carry out their role. We encourage employee contributions, views, involvement and dialogue in all environmental matters. We will provide suitable training and support to all employees in relation to this policy, giving them ownership and pride in achieving our objectives and goals and recognising contribution as part of a fulfilling career at McLaren.

The Board promotes transparency in the Group's dealing with external stakeholders and representatives of government supported by an active engagement across industry bodies and our stakeholder community. The Automotive team maintains an active engagement with the SMMT and the way in which the industry is managed. Automotive customers expect the service from a luxury car company that is met by a dedicated retailer network, after sales events and ongoing customer satisfaction engagement.

Principle 6 – Stakeholders - continued
Together with the Executive Committee, the Board has overseen several initiatives to improve employee relations by encouraging more flexible working practices and updating the intranet platform to share information, best practice, achievements and success. In addition to regular town hall briefings, half-yearly employee briefings delivered by senior management and recorded for delivery to all employees provides an awareness of the company's performance and allows individuals to raise questions and concerns. The Executive is aware of the results which are used to assess and react to workforce issues including corporate culture, employee engagement and satisfaction. The Company operates a defined contribution scheme in conjunction with advisors who are independent of the Group. The Pensions Committee meets regularly to ensure that the decisions made in relation to the Scheme reflect the interest of all stakeholders. The Group has a formal whistleblowing policy to support any employee who wishes to report any concern that they have while remaining anonymous.

Climate, environment and sustainability
The company recognises its responsibility to comply with relevant environmental and climate obligations and to consider and address the impact of our business activities on the environment and the likely consequence of business decisions in the long term. The Board of directors review the resilience of the business model and asset resilience assumptions in the presence of risks and uncertainties of climate change but consider no adjustments necessary. The company also realises the opportunities to identify and drive further financial savings and lower climate impact where appropriate. In 2019 the board of directors reviewed and agreed a sustainability framework and governance process based on the relevant aspects of the United Nations 17 Sustainable Development Goals.
This consists of;

a. A sustainable business strategy
b. A sustainable environmental impact strategy
c. Environmental compliance and measures
d. A sustainable culture and organisational strategy

and we remain committed and compliant.

Environmental policy
We recognise that we are operating in a world where many natural resources that our business relies on, such as fossil fuels, raw materials and water, are limited. Measuring and managing our environmental impact is not only important for the planet, but also essential for the financial sustainability of our supply chain and business. Our environmental policy outlines our commitment to protect against the long-term critical depletion of natural resources and lasting damage to species, habitats, biodiversity and climate. Of particular focus is our commitment to:

- Manage our energy consumption and CO2 emissions,
- Establish effective resource utilisation,
- Manage waste and recycling practices,
- Maintain control over our transport and logistics operations

Objectives
As part of our drive and ambition for professionalism in all areas of our work, the environmental commitments sit integrated with many aspects of our day-to-day work and specifically alongside our prime commitment to health and safety.

This environmental policy statement commits McLaren Automotive Limited to:

- Preventing and reducing pollution, including a reduction in CO2 emissions of 2.5% year on year, and zero waste to landfill.
- Fulfilling all applicable regulatory and other obligations in terms of environmental protection as our bare minimum level of performance.
- Compliance with all permits issued under Local Authority Pollution Prevention and Control legislation.
- Encouraging employee contributions, views, involvement and dialogue in all environmental matters. We will provide suitable training and support to all employees in relation to this policy, giving them ownership and pride in achieving our objectives and goals and recognising contribution as part of a fulfilling career at McLaren.
- Ensuring that stakeholders in our business are aware of our Environmental Policy and that the policy and standards are promoted to our suppliers, partners and customers, encouraging others to implement environmental management measures in their own businesses.

Objectives – continued

- Embedding the principles of 'best performance' (health and safety, quality and environmental concerns) to our design, development, manufacturing and operational processes at MTC.
- Manage water in a way that conserves this scarce resource by minimising unnecessary water consumption.
- Periodically evaluate our activities to identify significant environmental concerns and put in place management action plans.
- Manage our land holdings to promote biodiversity and conserve the natural environment.

Risk is assessed in terms of the impact of climate change on the business, and conversely the direct and indirect impact of the business on climate and the environment.

<u>The significant risks associated with the impact of climate change on the business are assessed as;</u>

1. The reputational risk from stakeholders both internal and external to the business as a result of being perceived to be anything other than proactive, compliant and evidence based in regards any climate or environmental consideration. The work we do in this area is not undertaken in isolation and we work with our blue-chip commercial partners sharing best practice and concentrating efforts were possible for greater impact. The external accreditation and evidence-based commitment to climate and environment issues is supported by renewed certification from The Carbon Trust. The process of certification measures absolute footprint and carbon intensity reduction in tonnes of CO_2 and includes a qualitative assessment of environmental management including waste as well as scoring the business on a benchmark with industry peers. The boundary defined for certification is for all McLaren's UK operations which covers out principal engineering, manufacturing and commercial activities together with all international travel and freight.
2. The revenue risk associated with a global shift away from dependence on fossil fuels to sustainable and renewable energy sources. The global trend to sustainable and renewable energy sources, supported by international regulatory requirements directly impacts automotive vehicle product certification directly for vehicle emissions and power train technology and indirectly for required capital investment in associated technology and capability. The company welcomes these macro trends and our business plans and product strategy reflects the developing requirements. McLaren Automotive Limited continuously monitors the impact of climate change policies on vehicle regulations globally, and actively contributes to ongoing Government discussions particularly within the UK, EU and more specifically for our segment in the US and China. We welcome and support the ambition to end the sale of diesel and petrol vehicles globally and are actively looking at and considering the technology approach for our products including our pioneering McLaren Carbon Lightweight Architecture. Our fleet will be hybrid by 2026, with ambitions for a fully electric car by the end of the decade.
3. Infrastructure resilience risk in our engineering and manufacturing support systems such as IT server rooms, building control systems, as a result of the rising temperature and associated flood risks. The McLaren Technology Centre and McLaren Production Centres were developed with sustainability and biodiversity in mind and maintained and developed to a high standard. Over the 20 years since its construction, what were once considered one-in-twenty-year climate events have measurably increased. We monitor and track these risks and adapted our technology in financial plans and policies accordingly for greater resilience as well business scalability and continuity. We do not consider any other assets as at risk.

<u>The significant risks associated with the business impact on climate and the environment are assessed as;</u>

1. Reputational risk from harm to the environment either from excessive or uncontrolled waste management to land, water or air. Specialist environmental management teams have been working across the business for many years ensuring that we publicly state and comply with our environmental policy and targets including;
   a. Prevent and reduce pollution including CO_2 emissions of 2.5% year on year.
   b. Maintain our commitment to zero waste to landfill. This was initially achieved in 2016, and still is in 2020; We continue to make significant progress in recycling and the management of plastics to protect land and water. We have also implemented controlled waste streaming processes resulting in greater amounts of waste to energy recovery
   c. Fulfil all regulatory requirements and obligations to environmental protection as a minimum.
   d. Comply with all permits issued under local authority pollution, prevention and control legislation.
   e. Encourage employee contribution in environmental matters including training and support to relevant employees giving them ownership and pride in achieving our objectives.
2. Reputational and revenue risk from potential product non-compliance in rapidly changing global vehicle emissions regulations in our automotive business.

Specialist engineering teams with management oversight ensure product compliance is managed rigorously via the gateway engineering, development and validation processes. The company also plays a proactive role on industry bodies consulting on evolving emissions regulations.

2020 has been a challenging year with global pandemic impacting our business. Global travel and site occupancy have been greatly restricted. Consequently, energy consumption and waste production have reduced this year which in turn will have driven down our environmental impact. The company remains committed to our long-term goals and objectives on sustainability. In addition to the specialist environmental management teams the company has strengthened its risk management processes and governance by implementing a board level Risk and Audit committee to oversee these and other material business risks.

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.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

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

Mike Flewitt has held office during the whole of the period from 1 January 2020 to the date of this report.

Other changes in directors holding office are as follows:

Catherine Ferry was appointed as a director on 4 May 2021.

Paul Buddin ceased to be a director on 4 May 2021.

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 pay the debt when it falls 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 DONATIONS

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

We do not support any political party, and do not partake in any activity that could be interpreted as mutual dependence/favour with any political body or person.

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

As at the year end McLaren Automotive Limited was in a net current liability position of £633.9m (2019: £433.4m). 2018 saw the consolidation of McLaren Technology Group Limited (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 McLaren Technology Group Limited, 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 Company participates in the Group's centralised treasury arrangements and shares banking arrangements with its parent and subsidiaries. The Company has received confirmation from its parent Company McLaren Group Limited that it will provide support to the Company for at least 12 months from the date of approval of these financial statements. In April 2021, the Group announced that it had completed the sale of its global headquarters for gross consideration of £170m. As part of the transaction, the Group agreed a 20-year lease whereby the site will remain the Group's headquarters.

Going concern - continued
In August 2021 the Group completed a £550m equity raise, strengthening its capital structure and powering long-term, sustainable growth plans. Furthermore the Group raised USD$620m through the issue of senior secured notes and entered into a new revolving credit facility with initial commitments of £95m. The Group used the proceeds described above to redeem and repurchase the outstanding existing senior secured notes due in 2022, repay and cancel the existing £130m revolving credit facility under which £68.9m was drawn as of 30 June 2021, and add cash to the Group's balance sheet. These activities strengthened the Group's balance sheet through providing it greater liquidity, more available cash and a longer tenure on its financing facilities. The Group's long-range forecasts, being the annual budget and any subsequent reforecasts, alongside the longer-term 5 year plan, which are approved by the board of the Group, have been used to carry out the assessment of going concern. These cash flow forecast have taken into account typical cash cycles of the Group, expected operational milestones (e.g. product launches), timings of cash inflows and outflows and the impact of these on available liquidity and covenant requirements. The assessment has been carried out taking into account the impact of severe but plausible downside scenarios arising from the Group's principal risks and uncertainties, especially those which have the potential to have the greatest impact on the Group for the period under review. In particular the Board has considered the potential impact of delays to new product launches, over-spend on capital expenditure programmes, below forecast trading results due to competitive pressures or factors such as COVID-19 and adverse impacts from foreign exchange fluctuations. Based on this assessment, the Board have a reasonable expectation that the Group has sufficient resources to continue its operations for the foreseeable future and accordingly the going concern basis is applied when preparing these financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, Report of the Directors 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, 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 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 will continue in business.

The directors are 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 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.

Directors' confirmations
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.

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:

....
Catherine Ferry - Director
Date: ....30/09/21..........

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 2020 and of its loss 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 2020 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; 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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- considering the adequacy of the disclosures in the financial statements, particularly Note 23, Events after the end of the reporting period, and Note 1, Accounting policies - going concern; and
- considering the extent to which the company's future cash flows might be adversely affected by COVID-19; reviewing management's cash flow forecasts including a severe but plausible downside scenario; assessing the existing sources of finance and considering the overall impact on liquidity; and performing a reverse stress test on management's model applying significant downside assumptions.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

Independent Auditors' Report to the Members of McLaren Automotive Limited

Reporting on other information - continued

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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 in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, health and safety legislation and other legislation specific to the industry in which the company operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management about existing and potential litigation and claims, and known or suspected instances of non-compliance with laws and regulations and fraud;
- addressing the risk of fraud through management override of controls by testing the appropriateness of journal entries, including journal entries with unusual account combinations;
- challenging assumptions and judgements made by management in their significant accounting estimates that involved considering future events that are inherently uncertain. In particular, in relation to the capitalisation and amortisation of research and development costs; and
- communicating relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and reminding them to be alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditors' Report to the Members of McLaren Automotive Limited

Auditors' responsibilities for the audit of the financial statements - continued
There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

Greg Briggs

Gregory Briggs (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
Date: 30 September 2021

McLaren Automotive Limited (Registered number: 01967717)

Income Statement
for the Year Ended 31 December 2020

	Note	2020 £'000	2019 £'000
TURNOVER	3	518,476	1,098,758
Cost of sales		(619,159)	(862,366)
GROSS (LOSS)/PROFIT		(100,683)	236,392
Administrative expenses		(154,363)	(168,602)
Other operating income	4	32,161	23,338
OPERATING (LOSS)/PROFIT	6	(222,885)	91,128
Other interest receivable and similar income		426	453
Interest payable and similar expenses	7	(36,311)	(15,707)
(LOSS)/PROFIT BEFORE TAXATION		(258,770)	75,874
Tax on (loss)/profit	8	51,358	(15,597)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(207,412)	60,277

All items dealt with in arriving at the loss before taxation relate to continuing operations

The notes on pages 22 to 39 form an integral part of these financial statements

McLaren Automotive Limited (Registered number: 01967717)

Statement of Comprehensive Income for the Year Ended 31 December 2020

	2020 £'000	2019 £'000
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	(207,412)	60,277
OTHER COMPREHENSIVE INCOME		
Cashflow hedging reserve	9,971	24,786
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(197,441)	85,063

The notes on pages 22 to 39 form an integral part of these financial statements

McLaren Automotive Limited (Registered number: 01967717)

Balance Sheet
as at 31 December 2020

	Note	2020 £'000	2019 £'000
FIXED ASSETS			
Intangible assets	9	817,634	811,909
Tangible assets	10	84,525	78,252
Investments	11	1	1
		902,160	890,162
CURRENT ASSETS			
Stocks	12	101,231	93,947
Debtors	13	279,181	244,252
Cash at bank and in hand		1,141	24,899
		381,553	363,098
CREDITORS			
Amounts falling due within one year	14	(1,015,466)	(796,532)
NET CURRENT LIABILITIES		(633,913)	(433,434)
TOTAL ASSETS LESS CURRENT LIABILITIES		268,247	456,728
CREDITORS			
Amounts falling due after more than one year	15	(9,159)	(9,509)
PROVISIONS FOR LIABILITIES	18	(33,499)	(24,189)
NET ASSETS		225,589	423,030
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
Cashflow hedging reserve	20	12,001	2,030
Accumulated losses	20	(278,929)	(71,517)
TOTAL EQUITY		225,589	423,030

The financial statements on pages 18 to 39 were approved by the Board of Directors on 30/09/21 and were signed on its behalf by:

....
Catherine Ferry - Director

The notes on pages 22 to 39 form an integral part of these financial statements

McLaren Automotive Limited (Registered number: 01967717)

Statement of Changes in Equity
for the Year Ended 31 December 2020

	Called up share capital £'000	Accumulated losses £'000	Share premium account £'000
Balance at 1 January 2019	27	(131,794)	490,451
Total comprehensive income for the year	-	60,277	-
Balance at 31 December 2019	27	(71,517)	490,451
Total comprehensive loss for the year	-	(207,412)	-
Balance at 31 December 2020	27	(278,929)	490,451

	Other reserves £'000	Cashflow hedging reserve £'000	Total equity £'000
Balance at 1 January 2019	2,039	(22,756)	337,967
Total comprehensive income for the year	-	24,786	85,063
Balance at 31 December 2019	2,039	2,030	423,030
Total comprehensive loss for the year	-	9,971	(197,441)
Balance at 31 December 2020	2,039	12,001	225,589

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 14. 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 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.

Going concern
As at the year end McLaren Automotive Limited was in a net current liability position of £633.9m (2019: £433.4m). 2018 saw the consolidation of McLaren Technology Group Limited (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 McLaren Technology Group Limited, 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 Company participates in the Group's centralised treasury arrangements and shares banking arrangements with its parent and subsidiaries. The Company has received confirmation from its parent Company McLaren Group Limited that it will provide support to the Company for at least 12 months from the date of approval of these financial statements. In April 2021, the Group announced that it had completed the sale of its global headquarters for gross consideration of £170m. As part of the transaction, the Group agreed a 20-year lease whereby the site will remain the Group's headquarters.

In August 2021 the Group raised £550m, strengthening its capital structure and powering long-term, sustainable growth plans. Furthermore the Group raised USD$620m through the issue of senior secured notes and entered into a new revolving credit facility with initial commitments of £95m. The Group used the proceeds described above to redeem and repurchase the outstanding existing senior secured notes due in 2022, repay and cancel the existing £130m revolving credit facility under which £68.9m was drawn as of 30 June 2021, and add cash to the Group's balance sheet. These activities strengthened the Group's balance sheet through providing it greater liquidity, more available cash and a longer tenure on its financing facilities. The Group's long-range forecasts, being the annual budget and any subsequent reforecasts, alongside the longer-term 5 year plan, which are approved by the board of the Group, have been used to carry out the assessment of going concern. These cash flow forecast have taken into account typical cash cycles of the Group, expected operational milestones (e.g. product launches), timings of cash inflows and outflows and the impact of these on available liquidity and covenant requirements. The assessment has been carried out taking into account the impact of severe but plausible downside scenarios arising from the Group's principal risks and uncertainties, especially those which have the potential to have the greatest impact on the Group for the period under review. In particular the Board has considered the potential impact of delays to new product launches, over-spend on capital expenditure programmes, below forecast trading results due to competitive pressures or factors such as COVID-19 and adverse impacts from foreign exchange fluctuations. Based on this assessment, the Board have a reasonable expectation that the Group has sufficient resources to continue its operations for the foreseeable future and accordingly the going concern basis is applied when preparing these financial statements.

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.

1. **ACCOUNTING POLICIES - continued**

Exemptions for qualifying entities under FRS 102 – continued
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 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 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. 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.

A government grant is assistance by government in the form of a transfer of resources to an entity in return for past or future compliance with specified conditions relating to the operating activities of the entity.

The Company classify grants either as grants relating to revenue or grants relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the periods in which the group recognises the related costs for which the grant is intended to compensate.

A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs is recognised in income in the period in which it becomes receivable. Under the COVID-19 Job Retention Scheme (CJRS), HMRC will reimburse up to 80% of the wages of employees who have been furloughed but who are being kept on the payroll. The scheme is designed to compensate for staff costs, and so amounts received are recognised in the income statement over the same period as the costs to which they relate.

1. **ACCOUNTING POLICIES - continued**

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 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

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 less impairment.

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

1. **ACCOUNTING POLICIES - continued**

Financial instruments - continued

(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.

Trade Finance liabilities are recognised at the present value of future cash flows. On the raising of an invoice, the debt is settled by the lender, to which McLaren Automotive Limited will repay the original invoice amount plus an agreed interest rate on approved terms with the lender. In the meantime, the dealer base will settle the invoice at the maturity of the original invoice due date and amount.

(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.

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.

1. ACCOUNTING POLICIES - continued

Taxation - continued
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.

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.

1. ACCOUNTING POLICIES - continued

Hedge accounting - continued

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 passage of time is recognised as a finance cost.

For warranties, an estimated provision is made against all vehicles based on the historical average warranty claims made on the vehicles by the customers, together with the average amount reclaimed from the customers. The estimates and underlying assumptions are reviewed on an ongoing basis.

Additionally, McLaren Automotive Limited offers leases on McLaren vehicles through Private Contract Purchase (PCP) deals to the end customer. The lease term is typically for 36 months, with the end customer making the monthly repayments to the financial institutions over the course of the term. The provision is made for the Company's obligation to provide a residual value guarantee to the finance provider on the Personal Contract Purchase (PCP) arrangements between the retailers and customer. The provision covers estimated losses on these contracts based on the contractually agreed residual value between the Company and the bank, and the forecast resale price for a used vehicle. The provision is expected to be utilised over the length of the lease which is usually 3 years but is adjusted quarterly for new cars sold and market conditions.

Contingencies

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.

1. ACCOUNTING POLICIES – continued

Employee benefits

Defined contribution pension plans
The Company 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 Company pays fixed contributions to qualified employees. Once the contributions have been paid the Company 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 Company in independently administered funds.

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.

Annual bonus plan
The Company operates a number of annual bonus plans for employees. An expense is recognised in the profit and loss account when the Company 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.

Termination benefits
The Company recognises termination benefits as a liability and an expense when it is able to demonstrate a detailed formal plan for the termination without realistic possibility of withdrawal from the plan. The termination benefit is measured at the best estimate of the expenditure that would be required to settle the obligation at the reporting date.

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.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Impairment of intangible assets – accounting judgement
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.

Valuation and recoverability of deferred tax assets - estimation uncertainty
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 estimates regarding the prudent forecasting of future taxable profits of the business.

Based on the business plans, the tax losses are considered recoverable.

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.

Warranty provisions - estimation uncertainty
An estimated provision is made against all vehicles once wholesaled on a per car basis. This provision considers 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.

Impairment of intangible assets – estimation uncertainty
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.

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

	2020	2019
	£'000	£'000
Management fee income	15,228	16,906
Grant income	16,933	6,432
	32,161	23,338

5. EMPLOYEES AND DIRECTORS

	2020 £'000	2019 £'000
Wages and salaries	121,012	133,460
Social security costs	12,751	15,227
Other pension costs	5,340	5,600
	139,103	154,287

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

	2020 Number	2019 Number
Production	729	852
Engineering	722	738
Administration	1,190	1,227
	2,641	2,817

	2020 £	2019 £
Directors' remuneration	1,119,200	2,374,764

The number of directors to whom retirement benefits were accruing was as follows:

	2020 Number	2019 Number
Defined benefit schemes	1	1

Information regarding the highest paid director is as follows:

	2020 £	2019 £
Emoluments etc	786,700	1,666,149

The Company's highest paid director does not have any share options (2019: None) and has not received nor is due to receive any shares in respect of qualifying services under a long-term incentive scheme (2019: None).

6. OPERATING (LOSS)/PROFIT

The operating loss (2019 - operating profit) is stated after charging:

	2020 £'000	2019 £'000
Operating leases	1,320	3,671
Depreciation - owned assets	5,752	4,944
New production development costs amortisation	198,502	142,500
IT systems development costs amortisation	6,551	6,470
Auditors' remuneration – company (Audit fees)	200	157
Auditors' remuneration – company (Non audit fees)	-	30
Foreign exchange differences	14,145	19,269
Research and development	2,956	1,678
Restructuring costs	6,380	-

The company auditors also received remuneration in relation to its associates of £12,000 (2019: £15,000). Restructuring costs comprise of costs of redundancies and legal advice.

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £'000	2019 £'000
Bank interest	34,825	14,627
Other finance charges	1,486	1,080
	36,311	15,707

8. TAX ON (LOSS)/PROFIT

Analysis of the tax (credit)/charge

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

	2020 £'000	2019 £'000
Current tax:		
Corporation tax	-	15,749
Adjustments in respect of prior periods	3,050	174
Total current tax	3,050	15,923
Deferred tax:		
Origination and reversal of timing differences	(46,525)	(1,050)
Adjustments in respect of prior periods	(2,689)	753
Impact of change in Tax Rate	(5,194)	(29)
Total Deferred tax	(54,408)	(326)
Tax on (loss)/profit	(51,358)	15,597

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

The tax assessed for the year is lower than (2019: higher than) the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £'000	2019 £'000
(Loss)/profit before tax	(258,770)	75,874
(Loss)/profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(49,166)	14,416
Effects of:		
Expenses not deductible for tax purposes	382	191
Adjustments to tax charge in respect of previous periods	361	927
Deferred Taxation not provided	2,259	-
Overseas taxes paid	-	92
Effect of tax rate changes	(5,194)	(29)
Total tax (credit)/charge	(51,358)	15,597

Tax effects relating to effects of other comprehensive income

	Gross £'000		2020 Net £'000
Cashflow hedging reserve	9,971		9,971

	Gross £'000	Tax £'000	2019 Net £'000
Cashflow hedging reserve	24,786	-	24,786

TAX ON (LOSS)/PROFIT - continued

Any changes in the rate of UK corporation tax will have an impact on the future tax charge. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These included reductions to the main rate to reduce the rate to 17% from 1 April 2020. On 11 March 2020, it was announced that this reduction to the main rate of corporation tax would no longer go ahead and that the rate would remain at 19% for both the financial years commencing 1 April 2020 and 1 April 2021. This change had been substantively enacted at the balance sheet date and therefore the impact is included in these financial statements. The budget of 3 March 2021 announced further changes to UK corporation tax rates with effect from 1 April 2023, with the rate increasing to 25%. The impact of this has not been included in these financial statements as the Finance Bill 2021 had not yet been substantively enacted at the point in time in which these financial statements are prepared.

9. INTANGIBLE ASSETS

	New production development costs £'000	IT systems development costs £'000	Totals £'000
COST			
At 1 January 2020	1,374,971	67,147	1,442,118
Additions	209,595	1,183	210,778
At 31 December 2020	1,584,566	68,330	1,652,896
ACCUMULATED AMORTISATION			
At 1 January 2020	603,956	26,253	630,209
Amortisation for year	198,502	6,551	205,053
At 31 December 2020	802,458	32,804	835,262
NET BOOK VALUE			
At 31 December 2020	782,108	35,526	817,634
At 31 December 2019	771,015	40,894	811,909

10. TANGIBLE ASSETS

	Freehold land and buildings £'000	Leasehold premises and improvements £'000	Plant, machinery, tools and equipment £'000
COST			
At 1 January 2020	52,789	11,767	27,960
Additions	-	10,164	293
At 31 December 2020	52,789	21,931	28,253
ACCUMULATED DEPRECIATION			
At 1 January 2020	7,826	1,353	16,587
Charge for year	1,011	1,154	2,274
At 31 December 2020	8,837	2,507	18,861
NET BOOK VALUE			
At 31 December 2020	43,952	19,424	9,392
At 31 December 2019	44,963	10,414	11,373

10. **TANGIBLE ASSETS - continued**

	Fixtures, fittings and office equipment £'000	Motor vehicles £'000	Totals £'000
COST			
At 1 January 2020	13,013	2,821	108,350
Additions	1,568	-	12,025
At 31 December 2020	14,581	2,821	120,375
ACCUMULATED DEPRECIATION			
At 1 January 2020	3,565	767	30,098
Charge for year	992	321	5,752
At 31 December 2020	4,557	1,088	35,850
NET BOOK VALUE			
At 31 December 2020	10,024	1,733	84,525
At 31 December 2019	9,448	2,054	78,252

Plant, machinery, tools and equipment includes finance leased assets with a cost of £463,015 (2019: £489,763) and accumulated depreciation of £388,898 (2019: £415,898). The depreciation charge on these assets for the year was £17,457 (2019: £18,466).

11. **INVESTMENTS**

	Shares in group undertakings £'000
COST	
At 1 January 2020 and 31 December 2020	1
NET BOOK VALUE	
At 31 December 2020	1
At 31 December 2019	1

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

McLaren Automotive Incorporated
Registered office: 1405 S Beltline Road, Suite 100, Coppell, Texas 75019
Nature of business: Sports Car Retailer

Class of shares:	% holding
Ordinary	100.00

McLaren Automotive Asia Pte Limited
Registered office: 7 Temaesk Boulevard, Suntec Tower One 27-05, Singapore 038987
Nature of business: Sports Car Retailer

Class of shares:	% holding
Ordinary	100.00

11. **INVESTMENTS - continued**

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

McLaren Automotive Distribution(Shanghai) Company
Registered office: Unit 1102, West tower, No.1299 Minsheng Road, Pudong District, Shanghai, 200135
Nature of business: Sports Car Retailer

Class of shares:	% holding
Ordinary	100.00

McLaren Automotive Europe S.LU
Registered office: Poligono Industrial de L'arbornar, S/N, Santa Oliva 43710, Tarragona
Nature of business: Maintenance and repair of motor vehicles

Class of shares:	% holding
Ordinary	100.00

12. **STOCKS**

	2020 £'000	2019 £'000
Raw materials	53,644	51,534
Work-in-progress	20,196	20,793
Finished goods	27,391	21,620
	101,231	93,947

There is no significant difference between the replacement cost of raw materials, work in progress and finished goods and their carrying amounts (2019: Nil). During the year £3,850,000 (2019: £14,900,000) 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**

	2020 £'000	2019 £'000
Trade debtors	90,504	113,983
Amounts owed by group undertakings	15,467	10,211
Other debtors	25,032	22,688
Derivative financial assets	16,734	12,795
Other taxes	3,638	5,159
Deferred tax asset	103,896	47,907
Prepayments and accrued income	23,910	31,509
	279,181	244,252

Deferred tax asset

	2020 £'000	2019 £'000
Fixed asset timing differences	4,760	3,887
Other short term timing differences	5,954	2,044
Trading and other losses	85,154	35,530
Tax Incentive Credits	8,028	6,446
	103,896	47,907

13. **DEBTORS - continued**

The company expects deferred tax assets of £Nil (2020 - £850,000) to reverse in the next 12 months. The losses carried forward have an indefinite life and the tax incentives do not expire.

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

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

	2020 £'000	2019 £'000
Finance leases (see note 16)	7	7
Trade creditors	60,292	95,138
Amounts owed to group undertakings	752,366	329,602
Taxation and Social Security	3,014	4,130
Other creditors	52,813	99,761
Derivative financial liabilities	2,784	8,562
Accruals and deferred income	144,190	259,332
	1,015,466	796,532

Within the amounts owed to group undertakings, includes £666.4m (2019: £228.1m) of group loans which attract interest at 6.25%, are unsecured and repayable on demand. The remainder of amounts due to group undertakings are unsecured, have no fixed date of repayment, are repayable on demand and are interest free. Other Creditors includes £26,724,000 (2019: £71,674,000) of Trade Finance which is used to support wholesales to McLaren Automotive Limited dealers. The total facility available is up to US$220,000k or equivalent, at an interest rate of LIBOR plus the difference between LIBOR and the bank's funding rate plus a margin of 1.125%. A Trade Credit Insurance Facility covers 95% of the Trade Finance balance.

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

	2020 £'000	2019 £'000
Amounts owed to group undertakings	7,500	7,500
Derivative financial liabilities	1,659	2,009
	9,159	9,509

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

16. **LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

	Finance leases 2020 £'000	Finance leases 2019 £'000
Net obligations repayable:		
Within one year	7	7

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

	Non-cancellable operating leases 2020 £'000	Non-cancellable operating leases 2019 £'000
Within one year	1,320	3,671
Between one and five years	4,920	5,195
In more than five years	6,195	7,240
	12,435	16,106

17. FINANCIAL INSTRUMENTS

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

	2020 £000	2019 £000
Financial assets that are debt instruments measured at amortised cost		
- Trade debtors	90,504	113,983
- Amounts owed by group undertakings	15,467	10,211
- Accrued income	15,003	22,720
- Other debtors	25,032	22,688
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial assets - forward foreign currency contracts	16,734	12,795
Financial Liabilities measured at amortised cost		
- Finance leases	7	7
- Trade creditors	60,292	95,138
- Amounts owed to group undertakings	752,366	329,602
- Other creditors	52,813	99,761
- Accruals and deferred income	144,190	259,332
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial liabilities - forward foreign currency contracts	2,784	8,562
Non-Current Financial Liabilities		
Measured at amortised cost		
- Amounts owed to group undertakings	7,500	7,500
- Derivative financial liabilities - forward foreign currency contracts	1,659	2,009

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 2020	2019	Notional value 2020 £000	2019 £000	Fair value 2020 £000	2019 £000
Sell						
USD	1.3123	1.3094	373,131	437,972	13,488	6,714
JPY	138.9865	140.7696	52,595	62,656	565	843
CNY	8.9242	9.0332	26,557	98,846	127	2,117
AUD	1.8360	1.8576	10,316	26,625	(164)	435
Buy						
EUR	1.0992	1.1179	216,972	279,096	(1,725)	(7,885)
					12,291	2,224

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.

Losses of £13,582,843 (2019: £26,152,184) were recognised in profit or loss.

18. PROVISIONS FOR LIABILITIES

	2020 £'000	2019 £'000
Warranty provision	26,283	22,118
End of Private Contract Purchase (PCP) provision	5,763	1,700
Dilapidation provision	320	320
Other provisions	1,133	51
	33,499	24,189

	£'000
Balance at 1 January 2020	24,189
Provided during year	38,417
Utilised during year	(29,107)
Balance at 31 December 2020	33,499

Warranty provision
The provision for product warranties relates to expected warranty claims on vehicles sold in the last three years. The Company is liable for the parts and labour costs associated with repairing manufacturing faults arising on vehicles during the warranty period.

End of contract provision
The provision is for the Company's obligation to provide a residual value guarantee to the finance provider on the Personal Contract Purchase (PCP) arrangements between the retailers and customer. The provision covers estimated losses on these contracts based on the contractually agreed residual value between the Company and the bank, and the forecast resale price for a used vehicle. The provision is expected to be utilised over the length of the lease which is usually three years but is adjusted quarterly for new cars sold and market conditions.

Dilapidation provision
The dilapidations provision relates to the contractual obligation to reinstate all leased premises to their original condition upon cessation of the lease. The provision is measured at the present value of the expenditures expected to be required to settle the obligation.

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020 £	2019 £
2,691,262	Ordinary	£0.01	26,913	26,913

20. RESERVES

	Accumulated losses £'000	Share premium account £'000	Other reserves £'000	Cashflow hedging reserve £'000	Totals £'000
At 1 January 2020	(71,517)	490,451	2,039	2,030	423,003
Deficit for the year	(207,412)	-	-	-	(207,412)
Movement	-	-	-	9,971	9,971
At 31 December 2020	(278,929)	490,451	2,039	12,001	225,562

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 2020 was £5,340,000 (2019: £5,600,000).

22. RELATED PARTY DISCLOSURES

The Company has taken advantage of the 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.

	Year ended 31 December 2020 £'000	Balance outstanding at 31 December 2020 £'000	Year ended 31 December 2019 £'000	Balance outstanding at 31 December 2019 £'000
Sales to related parties				
Directors of Group	**5,201**	**3,201**	973	1,253
Directors of Subsidiaries	**931**	**570**	199	2
Amounts owed by related parties at 31 December		**3,771**		1,255
Split by:				
Amount owed by related parties due <1 year		**3,771**		1,255
		3,771		1,255
Purchases from related parties				
Directors of Subsidiaries			502	

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

Sale and Leaseback transaction
In April 2021, the McLaren Group announced it had entered into a Sale & Leaseback transaction with Global Net Lease to sell the McLaren Technology Centre and McLaren Production Centre for proceeds of £170.0m, entering into a 20 year lease.

Refinancing
In August 2021, McLaren Group raised £550m, strengthening its capital structure and powering long-term, sustainable growth plans. New investors, being funds managed by the Private Equity and Credit Groups of Ares Management Corporation and Public Investment Fund, invested a total of £400m in McLaren Group Limited in the form of preference shares and equity warrants, bringing capital as well as significant financial and strategic expertise to the McLaren Group. Existing shareholders alongside a limited number of new private investors, invested a total of £150m in the form of convertible preference shares.

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.