McLaren Racing Limited

Annual report and consolidated financial statements

Registered number 01517478

31 December 2022

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Strategic report

Principal activities

The principal activity of McLaren Racing Limited (the "Company") and its subsidiaries (collectively the "Group") during the year was that of participating in a number of motor racing series throughout the world, most notably in Formula One ("F1"). This includes the design, development, manufacture and racing of Formula One cars. During the year the Group also participated in IndyCar, Extreme E and Esports. In addition, the Company sells its own heritage cars as part of its business activities.

Business review

Racing season and commercial review

The Group's success is measured by the performance in the championships and other key performance indicators, as discussed in greater detail later in the strategic report.

In Formula One, in a calendar of 22 races the team finished 5th place in the Constructors' World Championship following a close battle for 4th place with points haul of 159. The team continued with their 2021 driver line up of Lando Norris and Daniel Ricciardo.

Following the acquisition of a 75% stake at the end of 2021 the IndyCar team under McLaren's majority ownership in 2022 enjoyed great success on track with 2 wins and 5 podiums in total. The driver line up of Patricio O'Ward and Felix Rosenqvist was complimented by Juan Pablo Montoya in the prestigious Indy 500 race and after a thrilling flight to the end we finished with the three cars placed 2nd, 4th and 11th.

The year also saw the first full year of racing in Extreme E, with Emma Gilmour and Tanner Foust as drivers. During 2022, a title sponsor, NEOM, was announced for the series. From 2023, NEOM will also sponsor our Formula E team.

The Esports team won the Constructors' Championship and Drivers' Championship.

The Group enjoyed a strong year achieving 1,458 points, five poles, seven wins, and 18 podiums.

As a Group, we have seen revenue increase from £211,368K to £327,892K primarily as a result of increased sponsors in the year, a return to pre-covid hospitality and inclusion of revenue from the IndyCar operations. 2022 is the first year of McLaren's IndyCar entry. This contributed £16,354K (2021: £nil) to revenue.

The strong revenue growth has contributed to above budget performance, but the Group still made an operating loss of £9,080K (2021: loss of £32,652K). Inflationary pressures across all costs as well as a one-off provision for driver costs and increased costs related to a return to pre-covid hospitality levels have all contributed to this and have led to a need to be additionally agile to the demands of the business. The net interest cost for the year was £44,236K (2021: £19,542K), with the increase compared to 2021 mainly attributable to interest cost on loan notes and fair value movements on financial instruments recorded at fair value through profit and loss.

The consolidated cash balance at year end was £110,358K (2021: £42,317K) which was higher primarily due to a further drawdown of the loan of £27,606K and advanced receipts of sponsorship ahead of the 2023 season amounting to £102,738K. These increases were offset by outflows on capital expenditure.

The McLaren Racing Limited standalone financial statements showed revenue of £311,267K (2021: £282,211K). Excluding the intercompany sales of heritage assets of £70,822K from 2021, this represented an increase from £211,368K to £282,190K. This again is primarily due to the strength in sponsorship revenue and an increase into a full hospitality calendar year. The strength in revenue ultimately was mitigated by inflationary pressures, consistent with the Group, resulting in a loss before interest and tax of £4,107K, (2021: profit of £15,123K).

Strategic report (continued)

Business review *(continued)*

Racing season and commercial review *(continued)*

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

Managing such a large collection takes significant resources, and during 2017, executive management of the Company made the decision to establish a programme to sell a specific and limited number of these cars to specialist collectors from around the world. The consolidated results for 2022 include profits on sales of heritage cars of £5,289K (2021: £4,046K).

Acquisition of McLaren Electric Racing Limited

On 21 September 2022, the Company acquired 100% of Mercedes-Benz Formula E Limited from Daimler UK Limited for purchase consideration of £8,695K. The principal activity of this company is to operate and manage a Formula E racing team, including the design, development, testing and racing of Formula E racing cars.

On 22 September 2022, the name of this company was changed to McLaren Electric Racing Limited.

Included in the consolidated results is a loss of £1,865K as a result of limited revenue due to no races taking place but incurring normal business expenses such as rent and payroll.

Finalisation of acquisition of IndyCar

As the acquisition completed on 31 December 2021, the prior year financial statements had provisional accounting treatment of the acquisition. During 2022, this was finalised, resulting in restated numbers for 2021. As shown in note 21, the end result was a decrease in goodwill from £9,292K to £6,579K primarily as a result of a lower final fair value of the purchase consideration and the recognition of a contract-based intangible asset.

Investment in McLaren Racing Limited

In December 2020, McLaren announced a deal to attract significant new long-term investment into McLaren Racing Limited led by MSP Sports Capital ("MSP"), the US-based sports investment group, to help drive its plan to return to the top in Formula 1 and continue its growth as a global sports franchise. MSP is co-investing with its strategic partners UBS O'Connor, LLC. and The Najafi Companies, whilst an additional tranche of funding is provided by UBS O'Connor LLC, the investment group Caspian and Ares Capital (ASME Holdings I, LP).

Through this transaction, to date the Group has received a total investment of £155,000K (£30,000K received in 2022) in the form of convertible loan notes and warrants and can draw an additional amount of £15,000K in agreed tranches. These warrants are convertible at any time at the option of the warrant holders, for £0.01, into equity shares of the Company. The warrants have given the investors voting and dividend rights on an 'as-converted' basis. As at 31 December 2022 the investors cumulatively held 29.25% (2021: 25%), in the Company and Group on a diluted basis.

Strategic report (continued)

Key performance indicators

The Directors regularly review multiple KPIs in order to monitor overall business performance.

In F1, the most significant amongst these is Championship position because success on track has a direct impact on prize money, sponsorship and stakeholder engagement.

Overall as a Group, additional areas of focus include monthly review of financial performance of all race series against Budget and where applicable, prior year, specifically in regards to turnover, cost base, EBIT, capital investment and cash flow which ensure appropriate management focus on the Group's financial health.

Financial results were ahead of budget with consolidated revenue, increasing from £211,368K to £327,892K. The key drivers for the increase in revenue are discussed in the Racing season and commercial review section in the preceding pages. The loss before interest and tax was £9,080K (2021: loss of £32,652K), with the loss attributable to inflationary pressures across nearly all the cost base, as well as a one-off provision for driver costs and increased costs related to a return to pre-covid hospitality levels. This has been reviewed stringently in the year as a KPI, with mitigating interventions such as closer review of key costs and explanation to the Executive Team.

The consolidated cash balance rose to £110,358K (2021: £42,317K), strengthened by a significant growth in partners in 2022 and a cash injection in the year from the investment from MSP of £27,606K. Treasury has been a focus of review in the year, resulting in a liquidity fund being established in order to maximise the potential interest receivable.

Capital projects continued to be an important KPI, with the development of the wind tunnel and other significant projects to enable us to increase our on-track performance. We continue to strengthen our projects team to closely monitor these costs and having a stringent budget to monitor against.

Consolidated net liabilities rose from £14,323K to a net liability of £65,265K primarily due to loss in the year, and additional drawdowns of loans.

There are a number of non-financial key performance indicators that are important to the Group, the most important that are monitored are around staff performance and reward, core values and customer satisfaction. They are monitored on a routine basis but are reportable to the leadership team who closely review these against previous results and adapt strategies to meet the objectives.

Future developments & Subsequent Events

2023 will see the Group's first full year of entry in Formula E. It will introduce McLaren Racing to a new audience and grow its fanbase. McLaren Racing sees its entry as an accelerator for the team's sustainability programme, as well as being an exciting motorsport series that will enlighten its thinking on its journey to net zero.

In F1, there is a new driver line up, with Oscar Piastri pairing alongside Lando Norris in his first year as an F1 driver.

2023 will also have a new Team Principal, with Andrea Stella stepping into the role.

In March 2023, it was announced that Kate Ferry, the Chief Financial Officer of McLaren Group Limited, who is also a Director of this Company, would leave the McLaren Group later in 2023. Kate has not yet resigned from her position as a Director of McLaren Racing Limited but will do so in due course.

Strategic report (continued)

Principal risks and uncertainties

Competitive & operational risks

As ever the key direct risks and uncertainties faced by the business are: continuing to be competitive in all operations, ability to gain and retain sponsorship, control of the cost base of developing the competitive cars and staff recruitment and retention.

The Group is well aware that the cost of living crisis has had an impact on staff. We've committed to a Group wide salary increase from 1 January 2023 to assist this.

A Group wide risk register is maintained with direct input from across the business. This aims to highlight relevant risks and provide focus for mitigations and contingency planning, with emerging issues being escalated to the Board for discussion.

Financial risk management

The Group is primarily funded through prize money and its sponsorship agreements and the risks around these are determined largely by on track performance. The risks are managed by optimising results through investing in both research and development of the car and also the team that design, build and race the car and through signing medium and long-term agreements with key partners and sponsors.

Further funding has been received since 2020 via the investment in the business led by MSP Sports Capital. Cash flows are carefully budgeted and controlled by the Directors to ensure there is sufficient liquidity within the business to operate through both the short and long-term.

The Group has foreign currency dealings in USD, Euro, SAR and multiple other currencies. Key transactions are reviewed by the Board who agree policies and approaches to manage associated risks around fluctuating FX rates for our prize fund and foreign denominated sponsorship income. The hedging policy agreed by the Board is to give a level of certainty over the foreign exchange fluctuations. This is assessed regularly by the Board, with hedging arrangements in place to mitigate against the biggest risks, whilst balancing that the FX rates have been incredibly volatile in 2022 and therefore not always produced a favourable result.

Section 172 Companies Act 2006

We set out below, how the Directors complied with the requirements of Section 172 Companies Act 2006 and how these requirements impacted the Board's decision making throughout 2022.

Section 172 Decisions

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

The Group board minutes evidence detailed discussions at board level. Executive Management approves a 5-year plan annually, or where the need arises, against which it monitors both operational and financial performance. The plan is updated and revised for items such as:

- Changes to the FIA sporting, technical and financial regulations. The Company agrees a set of sporting performance indicators and reviews its funding requirements against these.
- External factors including the development of the sporting industries it operates in, together with the global economic and market conditions impacting sponsorship and the general business environment.
- Any financing arrangements that are required, such as foreign currency hedging to deal with FX fluctuations

Strategic report (continued)

Section 172 Decisions

b) The interest of the Group and company's employees

The Group 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 Group's employees to the long-term success of the business, it regularly communicates to its employees through presentations, internal emails and newsletters. The Group's intranet and the Group structure give our employees the opportunity to interact with members of the Board and other key management personnel. The business has presentations after each Grand Prix, open to all employees, at which the Racing Executive and Technical management inform and update employees on the team's performance, plans and outlook. 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.

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

The Board regularly reviews how the Group and Company maintains positive relationships with all its stakeholders. It understands the importance of the Group's and Company's supply chain in delivering its long-term plans. The CEO of the Company and Group, Zak Brown, has a wealth of commercial and relevant industry knowledge having raced professionally around the world for ten years before founding Just Marketing International which grew to become the largest motorsport marketing agency in the world. The Group'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 seeks information on the interaction with stakeholders to ensure that they have enough information to reach appropriate conclusions about the risks faced by the Group and how these are reflected within the long-term plans.

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

The McLaren Group's environmental policy, to which McLaren Racing 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. The Group and Company was the first Formula 1 (F1) team to be awarded the Carbon Trust Standard for carbon management in 2010 and has retained it since, most recently in February 2021. The team was also the first in F1 to be given the FIA Sustainability Accreditation Award at a three-star level in 2013, the award is renewed every two years and was last renewed in January 2022, as part of the FIA Environmental Certification framework, before becoming a signatory to the UN Sports for Climate Action Commitment in 2021. In April 2022, the Company publicly committed to setting near and long-term science-based targets in line with keeping global average temperatures below 1.5 degrees above pre-industrial levels and having these validated by the Science Based Targets initiative. Our targets are to decarbonise our activities by 50% on a 2019 baseline by 2030 and achieve net zero by 2040. Our initial focus has been on energy efficiency at our UK headquarters, reducing freight weight and switching from air to sea freight where possible, and engaging with key suppliers to realise opportunities to reduce emissions from the goods and services we buy.

The Group and Company 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 Racing expertise is vitally important to the Group and Company through a programme called McLaren Racing Engage. There are four partners: Women's Engineering Society (WES); EqualEngineers; The Smallpiece Trust; and Creative Access. This will advance the Group's and Company's diversity, equality and inclusion agenda as part of its broader sustainability programme. The Group and Company backs apprentice programmes that offer unique opportunities to develop alongside established industry experts.

Strategic report (continued)

Section 172 Decisions

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

The Directors take the reputation of the Group and Company 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 and Company's Gender Pay Reporting in preparation for external publication, including proposed improvement plans to enhance performance.

f) The need to act fairly between members of the wider McLaren Group

The Racing Team is supported by a long-term investment into McLaren Racing Limited in December 2020 led by MSP Sports Capital alongside UBS O'Connor, LLC., Ares (ASME Holdings I, LP), The Najafi Companies & the investment group Caspian to help drive its plan to return to the top in Formula 1 and continue its growth as a global sports franchise.

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 holds 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.

Additionally, as a joint venture with the McLaren Group Limited, the Group and Company regularly meet with Directors of those entities, as they are intrinsically linked by common goals of the Board members to create a strong McLaren business. The risks and opportunities are considered as a whole and discussed in regular Board meetings to ensure fairness across the wider McLaren Group.

On behalf of the Board

DocuSigned by:
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Zak Brown
Director, McLaren Racing Limited

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

30 March 2023

Directors' report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2022.

Results

The Group loss for the financial year amounted to £57,840K (2021: loss of £59,387K).

Research and development

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

Going concern

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

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

Financial risk management objectives and policies

The Group's and Company's activities expose it to a number of financial risks including foreign exchange risk, credit risk, and liquidity risk. Foreign exchange and liquidity risk are managed by the Group using detailed cash flow forecasting to highlight and mitigate areas of exposure.

As a result, in 2022 the Group entered into hedge arrangements to manage associated risks around fluctuating FX rates for our prize fund and foreign denominated sponsorship income. The hedging policy agreed by the Board is to give a level of certainty over the foreign exchange fluctuations. This is assessed regularly by the Board, with hedging arrangements in place to mitigate against the biggest risks, whilst balancing that the FX rates have been incredibly volatile in 2022 and therefore not always produced a favourable result.

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

Future developments

The Group is committed to focussing on consolidating its core operational processes across all Group companies in order to gain advantage from all of the racing series.

The Group plans to continue the capital expenditure program that it is committed to fulfilling, with the completion of the wind tunnel in 2023 being a major development leap for the team.

Entering into the new race series, Formula E, there is a commitment to further enter the Electric motorsport market, driving the strategic, commercial and technical aspects to racing for the overall Group. This presence into the sustainability market, gives a point of difference to the fans, partners and people, by continuing to drive revenue across all series by leveraging fan engagement in the sports.

Within the IndyCar race series, the team will enter a third car for 2023, which will add additional opportunity to grow revenue through sponsorship.

Directors' report (continued)

Heritage Assets

Over the last 50 years McLaren Racing Limited has established a large collection of heritage race cars and other vehicles which chronicle our racing heritage and have been used to serve as promotional vehicles for the brand within the McLaren Technology Centre (MTC) and also at museums, dealerships and heritage track days around the world. Each year, three or four vehicles are typically added to this collection which are the cars that have run in that season's Formula One World Championship.

As at 31 December 2022 the collection numbered 83 (2021: 90) vehicles which were held at a deemed cost of £23,901K (2021: £26,601K), of which £500K (2021: £2,955K) were held in inventory.

Dividends

The Directors do not propose a dividend for the year ended 31 December 2022 (2021: £nil).

Directors

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

Z Brown
A Seidl – Resigned 13.12.22
M Al Khalifa
C Griffiths
J Moorad
J Najafi
S Ojjeh
R Trelles Zabala
P Walsh
B Wasson
C Ferry

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.

Disabled employees

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

Directors' report (continued)

Employee consultation and engagement

The Group is committed to ensuring that its people are actively engaged in the ongoing management and future direction of the business. Regular formal, and informal, briefings are held with all sections of the workforce that cover the business's performance.

All employees are incentivised by a bonus scheme linked to on-track performance of the race team.

The Company takes reasonable steps to ensure that all employees, existing and prospective, are given fair and equal opportunity regardless of sex, race, ethnicity, religion or disability.

Climate, environment and sustainability focus

The Group and 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 Group also realises the opportunities to identify and drive further financial savings and lower climate impact where appropriate.

Sustainability is one of the five strategic goals of the Group with the objective to place a genuine commitment to sustainability at the heart of everything we do. In June 2022, the Company was the first F1 team to publish a comprehensive sustainability report, publicly disclosing its economic, environmental and social impacts, where it is in its sustainability journey, and a clear picture of the road ahead. It continues to implement the sustainability governance approach established in 2021.

Of particular focus is the commitment to minimising the negative impacts of our operations and maximising our positive impacts across four strategic pillars:

1. Net zero: Halve our GHG footprint by 2030, achieve net zero by 2040, and use our platform to advocate and educate for climate action.
2. Circular economy: Accelerate the transition to a circular economy by researching the development of a fully circular F1 car that uses alternative bio-based and sustainable materials and appropriate recycling at end-of-life, and establishing and implementing circularity practices.
3. Diversity, Equality & Inclusion: Promote and embed diverse and inclusive culture in our workforce and industry with 40% of our employees to come from under-represented groups by 2030.
4. Health & wellbeing: Positively promote and support the physical and mental health and well-being of our people and the communities we impact.

The Group and Company remains committed to our long-term goals and objectives on sustainability by implementing a risk register that will help prepare a roadmap to achieving its sustainability objectives. During 2022, the Board of Directors do not consider there to have been a material impact to the financial results, as a consequence of climate change.

Directors' report (continued)

Streamlined energy and carbon reporting ('SECR')

	Unit	UK & Offshore	
		2022	2021
Electricity consumption	kWh	14,983,808	15,858,128
Other direct energy consumption (gas consumption, transport, stationary combustion)	kWh	5,757,925	6,424,880
Total energy usage	**kWh**	**20,741,733**	**22,283,008**
Scope 1 GHG emissions	tonnes CO2e	1,261	1,564
Scope 2 GHG emissions (location-based)	tonnes CO2e	2,898	3,367
Total GHG Emissions (Scope 1 + 2)	**tonnes CO2e**	**4,159**	**4,931**
Intensity ratio: GHG emissions per £m revenue	**tonnes CO2e per £m revenue**	**13.36**	**17.47**

Methodology notes:

We calculate our GHG footprint annually in line with the GHG Protocol Corporate Standard, using the operational control approach. The scope of data reported here is for UK and Offshore only, and excludes our IndyCar operations in the USA. For each emissions source we apply the best available calculation methodology prescribed by the GHG Protocol as our activity data allows, using quantity data and supplier data for the majority of calculations, and relying on spend-based calculations or estimations only where necessary. The emissions factors used in these calculations are all sourced from the publicly available Defra 2022 Conversion Factors document.

The activity data collected to aggregate our energy consumption consists of purchased electricity, natural gas consumption, fuel usage in transport, and stationary combustion of fuel. These are tracked throughout the year before being aggregated and reported at year end to facilitate emissions calculations. A third-party online platform is used to assist with data collection, aggregation and calculations.

Energy usage in 2022 for McLaren Electric Racing Limited was below the minimum threshold of 40,000 kWh, so an exemption from SECR applies for this and therefore this is not included within the consolidated figures above.

Energy efficiency and emissions reductions

We have continued the energy saving programmes started in the prior year including LED lighting refits for energy efficiency and the purchasing of biomass-backed electricity at our Woking sites. We have also commissioned an engineering study to identify further energy savings and decarbonisation opportunities at the McLaren Technology Centre, where most of our energy consumption sits. This will inform further investment decisions and actions taken to reduce our impact.

Directors' report (continued)

Energy efficiency and emissions reductions *(continued)*

McLaren Racing Limited publishes an annual sustainability report which contains more extensive sustainability data, alongside further details of our current progress and future plans.

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual report and consolidated financial statements (the 'Annual report') 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 Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and 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 Group and Company will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group's and Company's 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 Group's and 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 Group's and Company's auditors are aware of that information.

Directors' report (continued)

Post Balance Sheet events

There are no post balance events.

Independent auditors

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

The Directors' report was approved by order of the Board of Directors on 30 March 2023 and signed on its behalf.

DocuSigned by:

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Z Brown
Director, McLaren Racing Limited

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Independent auditors' report to the members of McLaren Racing Limited

Report on the audit of the financial statements

Opinion

In our opinion, McLaren Racing Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's and company's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and consolidated financial statements (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 31 December 2022; the Consolidated and Company profit and loss accounts, the Consolidated and Company statements of comprehensive income, the Consolidated and Company statements of changes in equity and the Consolidated statement of cash flows 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- Full scope audit of McLaren Racing Limited.
- Audit of certain financial statement line items of McLaren Triple Crown Limited, McLaren Indy LLC, McLaren Racing LLC and McLaren Electric Racing Limited.

Key audit matters

- Fair valuation of the loan notes and warrants (group and company)
- Accounting for business combinations (group)

Materiality

- Overall group materiality: £3.3m (2021: £2.1m) based on 1% of revenue.
- Overall company materiality: £3.1m (2021: £2.1m) based on 1% of external revenue.
- Performance materiality: £2.5m (2021: £1.6m) (group) and £2.3m (2021: £1.6m) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

Accounting for business combinations is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Fair valuation of the loan notes and warrants (group and company) As disclosed in Note 23 to the consolidated financial statements, McLaren Racing Limited has issued 12% unsecured convertible loan notes and warrants for a combined value of £155M. The loan notes are redeemable at the option of the company or mandatorily convertible on occurrence of certain events, into a variable number of equity instruments. The warrants are convertible into a fixed number of shares at the option of the warrant holder. The combined proceeds are initially allocated between the debt (loan notes) and equity (warrants) components on a fair value basis. As the loan notes are classified as non-basic financial instruments, the company subsequently accounts for these at fair value with the changes recognised in the profit and loss account. The initial allocation of the proceeds based on relative fair values on issuance and the fair valuation of the loan notes at year end, require significant judgement in the application of valuation methodologies as well as the determination of key assumptions. Management engaged third party valuation experts to assist them in the valuation. The key estimates and assumptions were: • The methodology used to determine the fair value of the loan notes; • Assessing the appropriate credit rating for McLaren Racing Limited by performing a shadow credit rating exercise and qualitatively assessing the performance trajectory of the company; and • Estimating the yield for the expected exit term based on the assessed credit rating.	Our procedures included the following: - Inspected the underlying documents to understand the terms and conditions of the instrument and independently assess the accounting treatment applied; - Involved our internal valuation specialists in assessing the models used and assessing the appropriateness of management's key judgements and estimates; and - Assessed whether the disclosures in the financial statements are appropriate and in accordance with FRS 102. Based on the procedures performed, we noted no material issues from our work.

Key audit matter	How our audit addressed the key audit matter
Accounting for business combinations (group) As disclosed in Note 21 to the consolidated financial statements, during the current year, the Group completed the accounting for its acquisition of Schmidt Peterson Motorsports (US) LLC on 31 December 2021 and acquired Mercedes-Benz Formula E Limited on 21 September 2022. The accounting for these business combinations, requires the fair valuation of the purchase price, identification of the assets and liabilities acquired and measurement of these assets and liabilities at their fair values at the acquisition date. This involves a number of significant and complex judgments, particularly with respect to the valuation of the purchase price *and any identified intangible assets. Management engaged third party* valuation experts to assist them in the valuation. The key estimates and judgements were: • Determining the appropriate discount rate for valuing the purchase consideration; • Determining the appropriate methodology and discount rate for valuing the customer relationship intangible; and • Assessing the accounting treatment and measurement of other elements of the transaction such as non controlling interests.	Our procedures included the following: - Inspected the purchase agreements to gain an understanding of the key terms and conditions and to assess the adequacy of the accounting treatment; - Involved our internal valuation specialists in assessing the models used and assessing the appropriateness of management's key judgements and estimates, such as those used in valuing the identified intangible asset and calculating the deferred consideration; and - Assessed whether the disclosures in the financial statements are appropriate and in accordance with FRS 102. Based on the procedures performed, we noted no material issues from our work.

How we tailored the audit scope

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

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company.

In assessing the risk of material misstatement to the consolidated financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements we performed an audit of the complete financial information of McLaren Racing Limited. We also performed audit procedures on specific financial statement line items for two other components and specific procedures on the business combinations.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

Materiality

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

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

	Financial statements - group	Financial statements - company
Overall materiality	£3.3m (2021: £2.1m).	£3.1m (2021: £2.1m).
How we determined it	1% of revenue	1% of external revenue
Rationale for benchmark applied	The group's principal focus is winning races and developing the McLaren brand and reputation, leveraging its extensive technology skills and knowledge to build competitive and continually evolving racing cars. Strong performance on track and investment in sustainable motorsport results in higher prize and sponsorship revenue. We have chosen total revenue, as opposed to a profit based measure, given the group's focus on increasing revenue through improved on-track performance as it invests in a wider offering spanning different motorsport racing series and geographies.	The company is the primary component of the group and contributes the majority of external revenue of the group for the current year. The considerations in determining an appropriate benchmark for the company therefore, were same as for the group.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £1.1m to £3.1m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £2.5m (2021: £1.6m) for the group financial statements and £2.3m (2021: £1.6m) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £164,000 (group audit) (2021: £105,000) and £155,000 (company audit) (2021: £105,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- reviewing management's cash flow forecasts, assessing the group's financing arrangements and considering the overall impact on liquidity;
- assessing the reasonableness of management's severe but plausible downside scenario including the risks from a lower than expected performance by the F1 team; and
- considering the adequacy of the disclosures in the financial statements, particularly Note 3b, Summary of significant accounting policies - going concern.

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 group's and 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 group's and 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.

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

Based on 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 Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities 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 group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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 group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment regulation, health and safety legislation and other legislation specific to the motorsport industry in which the group 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 and UK and overseas tax legislation as applicable to the group. 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, such as, journals crediting revenue where the debit is to an unexpected account;
- challenging assumptions and judgements made by management in their significant accounting estimates that involved considering future events that are inherently uncertain. In particular, the valuation of loan notes and warrants and accounting for business combinations; 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.

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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

We have no exceptions to report arising from this responsibility.

James Cadzow

James Cadzow (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
31 March 2023

Consolidated profit and loss account

for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	5	**327,892**	211,368
Cost of Sales		**(269,120)**	(191,178)
Gross profit		**58,772**	20,190
Administrative expenses		**(78,573)**	(60,255)
Other operating income		**10,721**	7,413
Operating loss	6	**(9,080)**	(32,652)
Loss before interest and taxation		**(9,080)**	(32,652)
Interest receivable and similar income	8	**508**	769
Interest payable and similar expenses	8	**(44,744)**	(20,311)
Loss before taxation		**(53,316)**	(52,194)
Tax on loss	9	**(4,524)**	(7,193)
Loss for the financial year		**(57,840)**	(59,387)

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Loss for the financial year		**(57,840)**	(59,387)
Other comprehensive income / (expense)			
Deferred tax movement on revaluation reserve	9	**595**	(1,206)
Cash flow hedges:			
- Change in value of hedging instrument, net of deferred tax		**1,966**	-
Loss on foreign currency translation reserve		**38**	-
Total comprehensive expense for the year		**(55,241)**	(60,593)

Total comprehensive expense attributable to:

	2022 £000	2021 £000
Owners of the parent	**(54,798)**	(60,593)
Non-controlling interests	**(443)**	-
Total comprehensive expense for the year	**(55,241)**	(60,593)

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

The notes on pages 28 to 65 form an integral part of these consolidated financial statements.

Company profit and loss account

for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	5	**311,267**	282,211
Cost of Sales		**(253,942)**	(214,246)
Gross profit		**57,325**	67,965
Administrative expenses		**(72,151)**	(60,255)
Other operating income		**10,719**	7,413
Operating (loss)/profit	6	**(4,107)**	15,123
(Loss)/profit before interest and taxation		**(4,107)**	15,123
Interest receivable and similar income	8	**5,000**	769
Interest payable and similar expenses	8	**(42,829)**	(18,079)
Loss before taxation		**(41,936)**	(2,187)
Tax on loss	9	**(3,342)**	(7,756)
Loss for the financial year		**(45,278)**	(9,943)

Company statement of comprehensive income

for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Loss for the financial year		**(45,278)**	(9,943)
Other comprehensive income			
Deferred tax movement on revaluation reserve	9	**216**	3,958
Cash flow hedges:			
- Change in value of hedging instrument, net of deferred tax		**1,966**	-
Total comprehensive expense for the year		**(43,096)**	(5,985)

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

The notes on pages 28 to 65 form an integral part of these financial statements.

Consolidated balance sheet

as at 31 December 2022

	Note	2022 £000	2021 £000 (Restated)*
Fixed assets			
Intangible assets	10	**9,477**	8,574
Tangible assets	11	**60,472**	42,930
Heritage assets	12	**23,901**	23,601
		93,850	75,105
Current assets			
Inventories	14	**27,137**	38,305
Debtors	15	**93,301**	47,826
Cash at bank and in hand		**110,358**	42,317
		230,796	128,448
Creditors: Amounts falling due within one year	16	**(201,970)**	(98,633)
Net current assets		**28,826**	29,815
Total assets less current liabilities		**122,676**	104,920
Creditors: Amounts falling due after more than one year	17	**(187,941)**	(119,244)
Net liabilities		**(65,265)**	(14,324)
Capital and reserves			
Called up share capital	19	**50**	50
Shares to be issued	23	**38,300**	34,000
Revaluation reserve		**14,714**	16,499
Other reserves	19	**1,966**	-
Foreign currency translation reserve		**(81)**	-
Accumulated losses		**(120,776)**	(65,878)
Equity attributable to owners of the parent		**(65,827)**	(15,329)
Non-controlling interest	22	**562**	1,005
Total Deficit		**(65,265)**	(14,324)

*Refer to note 21 for details

The notes on pages 28 to 65 are an integral part of these consolidated financial statements.

The consolidated financial statements of McLaren Racing Limited on pages 21 to 65 were authorised for issue by the Board of Directors on 30 March 2023 and signed on its behalf by:

DocuSigned by:
8F909CC569554C9...

Zak Brown
Director
Registered number 01517478

Company balance sheet

as at 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Tangible assets	11	**55,452**	41,858
Heritage assets	12	**833**	533
Investments	13	**8,695**	-
		64,980	42,391
Current assets			
Inventories	14	**25,755**	38,305
Debtors	15	**178,480**	125,595
Cash at bank and in hand		**103,580**	39,904
		307,815	203,804
Creditors: Amounts falling due within one year	16	**(185,768)**	(92,619)
Net current assets		**122,047**	111,185
Total assets less current liabilities		**187,027**	153,576
Creditors: Amounts falling due after more than one year	17	**(186,544)**	(114,297)
Net assets		**483**	39,279
Capital and reserves			
Called up share capital	19	**50**	50
Shares to be issued	23	**38,300**	34,000
Revaluation reserve		**364**	2,528
Other Reserves	19	**1,966**	-
(Accumulated losses) / Retained earnings		**(40,197)**	2,701
Total equity		**483**	39,279

The notes on pages 28 to 65 are an integral part of these financial statements.

The financial statements of McLaren Racing Limited on pages 21 to 65 were authorised for issue by the Board of Directors on 30 March 2023 and signed on its behalf by:

DocuSigned by:
8F909CC569554C9...
Zak Brown
Director
Registered number 01517478

Consolidated statement of changes in equity
for the year ended 31 December 2022

	Called-up share capital	Shares to be issued	Revaluation reserve	Accumulated losses	Foreign currency translation reserve	Other reserves	Non-controlling interest	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 January 2021	50	30,000	18,295	(7,081)	-	-	-	41,264
Loss for the financial year	-	-	-	(59,387)	-	-	-	(59,387)
Other comprehensive expense	-	-	(1,206)	-	-	-	-	(1,206)
Total comprehensive expense for the year	-	-	(1,206)	(59,387)	-	-	-	(60,593)
Transfer	-	-	(590)	590	-	-	-	-
Proceeds from issue of loan notes and warrants (*see note* 23)	-	4,000	-	-	-	-	-	4,000
Non-controlling interest arising on business combination (see note 21)	-	-	-	-	-	-	372	372
At 31 December 2021 as originally stated	50	34,000	16,499	(65,878)	-	-	372	(14,957)
Changes arising on finalisation of accounting for business combinations – see note 21	-	-	-	-	-	-	633	633
At 31 December 2021 Restated	**50**	**34,000**	**16,499**	**(65,878)**	**-**	**-**	**1,005**	**(14,324)**
At 1 January 2022	**50**	**34,000**	**16,499**	**(65,878)**	**-**	**-**	**1,005**	**(14,324)**
Loss for the financial year	-	-	-	(57,278)	-	-	(562)	(57,840)
Other comprehensive (expenses)/income	-	-	595	-	(81)	1,966	119	2,599
Total comprehensive (expense)/income for the year	**-**	**-**	**595**	**(57,278)**	**(81)**	**1,966**	**(443)**	**(55,241)**
Transfer	-	-	(2,380)	2,380	-	-	-	-
Proceeds from issue of loan notes and warrants (see note 23)	-	4,300	-	-	-	-	-	4,300
At 31 December 2022	**50**	**38,300**	**14,714**	**(120,776)**	**(81)**	**1,966**	**562**	**(65,265)**

The transfer of reserves of £2,380K (2021: £590K) is in respect of the revaluation movement on the sale of heritage cars.

Company statement of changes in equity
for the year ended 31 December 2022

	Called-up Share Capital	Shares to be issued	Revaluation reserve	(Accumulated losses) / Retained earnings	Other Reserves	Total Equity
	£000	£000	£000	£000	£000	£000
At 1 January 2021	50	30,000	18,295	(7,081)	-	41,264
Loss for the financial year	-	-	-	(9,943)	-	(9,943)
Other comprehensive income	-	-	3,958	-	-	3,958
Total comprehensive income/(expense)	-	-	3,958	(9,943)	-	(5,985)
Transfer	-	-	(19,725)	19,725	-	-
Proceeds from issue of loan notes and warrants (see note 23)	-	4,000	-	-	-	4,000
At 31 December 2021	50	34,000	2,528	2,701	-	39,279
At 1 January 2022	**50**	**34,000**	**2,528**	**2,701**	-	**39,279**
Loss for the financial year	-	-	-	(45,278)	-	(45,278)
Other comprehensive income	-	-	216	-	1,966	2,182
Total comprehensive (expense)/income	-	-	**216**	**(45,278)**	**1,966**	**(43,096)**
Transfer	-	-	(2,380)	2,380	-	-
Proceeds from issue of loan notes and warrants (see note 23)	-	4,300	-	-	-	4,300
At 31 December 2022	**50**	**38,300**	**364**	**(40,197)**	**1,966**	**483**

The transfer of reserves of £2,380K (2021: £19,725K) is in respect of the revaluation movement on the sale of heritage cars

Consolidated statement of cash flows

for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Net Cash generated from/(used in) operating activities	26	**64,659**	(26,767)
Taxation paid		**-**	7,488
		64,659	(19,279)
Cash flow from investing activities			
Purchase of tangible assets		**(25,118)**	(19,526)
Proceeds from / (Payment for) disposal of tangible assets		**18**	(1,158)
Interest Received		**124**	-
Net cash acquired on acquisition of subsidiaries	21	**8,651**	2,412
Payment for settlement of deferred consideration for acquisition of the subsidiary		**(7,606)**	-
Net cash used in investing activities		**(23,931)**	(18,272)
Cash flow from financing activities			
Repayments of obligations under finance lease		**(823)**	(1,139)
Proceeds from issue of loan notes and warrants	23	**27,606**	24,997
Net cash generated from financing activities		**26,783**	23,858
Net increase/(decrease) in cash and cash equivalents		**67,511**	(13,693)
Cash and cash equivalents, beginning of year		**42,317**	56,016
Effect of foreign exchange rate changes		**530**	(6)
Cash and cash equivalents, end of year		**110,358**	42,317

The notes on pages 28 to 65 form an integral part of these consolidated financial statements. The company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under paragraph 1.12(b) of FRS 102 not to present the company statement of cash flows.

Notes to the financial statements

1. General Information

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

The nature of the Group's operations and its principal activities are to participate in a number of motor racing series throughout the world, most notably in Formula One ("F1"). This includes the design, development, manufacture and racing of F1 cars. The Group had entries into the Extreme E, Esports and IndyCar series. The Company also sells its own heritage cars as part of its business activities.

2. Statement of compliance

The group and standalone financial statements of McLaren Racing Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Companies Act 2006.

3. Summary of significant accounting policies

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

a. *Basis of Preparation*

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

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4. The Group has taken advantage of the exemption in section 405 of the Companies Act from including McLaren Marketing Limited as the inclusion of this subsidiary does not change the true and fair view.

b. *Going concern*

Following the investments made into the business, and from increased sponsorship revenue, the Directors have prepared cash flow forecasts based on the updated Business plan which covers a period of at least 12 months from the date of approval of the financial statements and in that process have also assessed the Group's financing arrangements and the overall impact on liquidity. The Directors have also considered a severe but plausible downside scenario including the risks from a lower than expected performance by the F1 team. Consequently, the Directors are confident that the Group and the Company have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

c. *Exemptions for qualifying entities under FRS 102*

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

The Company has taken advantage of the following exemptions:

- From preparing a company statement of cash flows, on the basis that it is qualifying entity and the consolidated statement of cash flows, include in these financial statements, includes the company's cash flow as per section 7 Statement of Cash Flows and paragraph 3.17(d)
- from the financial instrument disclosures, required under FRS 102 paragraphs, 11.42, 11.44, 11.45,

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

c. *Exemptions for qualifying entities under FRS 102 (continued)*

11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a),12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures.

- from disclosing share-based payment arrangements, required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23, concerning its own equity instruments, as the company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein

d. *Basis of consolidation*

The consolidated financial statements include the financial statements of the company and all of its material subsidiaries as explained below.

McLaren Marketing Limited continued to be immaterial as of and for the year ended on 31 December 2022 and accordingly, were not included in the consolidated financial statements of the group.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Any subsidiary undertaking acquired during the year is included from the date of change of control.

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

e. *Business combination and Goodwill*

Business combinations are accounted for under the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

Contingent consideration is initially recognised at an estimated amount where the consideration is probable and can be measured reliably. Where
(i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or
(ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights. Where the fair value of contingent liabilities cannot be reliably measured, they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination. Goodwill is amortised over its expected useful life which is estimated to be five years for the acquisition of MBFE and 8 years for the acquisition of IndyCar. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised. The customer intangible recognised as part of the business acquisition, is being amortised over a period of 8 years aligned with the length of the underlying contract.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

f. *Foreign currency*

The Group's functional and presentational currency is the pound sterling.
Foreign currency transactions are translated into the functional currency at the rates ruling at the beginning of the month in which the transactions took place, unless they are deemed to be materially different to the spot rate, in which case spot exchange rates are used.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.
Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

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

g. *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed and value added taxes.

Revenue represents prize money associated with participation in the relevant motorsport championships, sponsorship fees, royalties, licensing, technical consultancy and the sale of heritage Formula One cars.

Formula One prize money revenues attributable to each racing team are governed by a specific agreement and depend upon, among other factors, the prior year ranking of the team and the current year profits of F1, the commercial rights holder. This revenue is recognised over the relevant year of the Formula One Championship season to which it relates.

For IndyCar, prize money is paid per IndyCar race, and then also at the end of the season based on overall finishing position.

Formula E and Extreme E prize fund is based on the final classification, paid in the same financial year.

Sponsorship income is deferred and recognised over the period in which the Group performs its obligations under the sponsorship contract. Revenues from brand licensing agreements where the customer has a right to access the Group's brands or the contract includes minimum guaranteed payments are recognised on a straight-line basis over the contract term.

Licensing revenues in excess of the minimum guaranteed payments are recognised when the related conditions are satisfied. Revenues from sales-based licensing agreements are recognised when the sales occur.

Income from the sale of goods including income associated with heritage cars is recognised when the risks and rewards of the goods have passed to the customer.

Income related to the technical consultancy is recognised on completion of the contracted deliverables.

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

Interest income is recognised using the effective interest method.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

h. *Other Income*

(i) *Government grants*

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 Group classifies 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. In 2021, under the COVID-19 Job Retention Scheme (CJRS), HMRC reimbursed up to 80% of the wages of employees who had been furloughed but who were being kept on the payroll. The scheme was designed to compensate for staff costs, so amounts received are recognised in the statement of comprehensive income over the same period as the costs to which they relate.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset.

(ii) *R&D Tax credits*

McLaren Racing Limited are entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (for example, the Research and Development Tax Incentive regime in the UK).

In the Group's and Company's financial statements, allowances for such tax credits are recognised in profit and loss as other operating income.

i. *Research and development*

Research expenditure is recognised to the profit and loss account in the period it is incurred.

Development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are not expected to exceed related future sales and adequate resources exist to enable the project to be completed.

Research and development tax credit is treated as grant income per section 24 of FRS 102 and recognised as other income in the Profit and loss account.

Any withheld portion to be treated as Deferred tax asset and to be offset against future taxable profit.

j. *Employee benefits*

(i) *Defined contribution pension plans*

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

(ii) *Short-term benefits*

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

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

j. *Employee benefits (continued)*

(iii) *Annual bonus plan*

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

(iv) *Termination benefits*

The Group 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.

(v) *Long term incentive plans*

The group operates cash-settled long term incentive plans at an operating business level for certain members of management. The plans are based on the business's performance over a five-year period against budget on a variety of measures, including revenue growth, an adjusted profit measure, free cash flows, net debt and performance on track. A liability for the plan is raised on the estimated amount payable in terms of the incentive scheme plans.

(vi) *Share based payments*

Cash-settled share options are measured at fair value at the balance sheet date. The Group recognises a liability at the balance sheet date based on the fair value, taking into account the estimated number of options that will actually vest and the current proportion of the vesting period that has lapsed. Changes in the value of this liability are recognised in the income statement.

k. *Taxation*

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

Current or deferred taxation assets and liabilities are not discounted.

(i) *Current tax*

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

(ii) *Deferred tax*

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

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

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

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

k. Taxation (continued)

(ii) *Deferred tax (continued)*

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

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity or other comprehensive income. The gain on revaluation of heritage assets recorded in revaluation reserve, is net off the related deferred tax liability. This is released to the profit and loss account in the year the underlying heritage asset is sold.

l. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Goodwill	-	5-8 years
Customer relationship	-	8 years aligned with the length of the underlying contract

Amortisation is included in 'administrative expenses' in the profit and loss account.

m. *Tangible assets*

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

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets at the following rates:

Leasehold premises and improvements	-	the shorter of 5 years or the lease life
Plant, machinery, tools and equipment	-	5 years
Motor vehicles	-	4 years
Fixtures, fittings and office equipment	-	3-5 years

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

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

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

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

n. Heritage assets

The Group has a collection of heritage vehicles. Under previous UK GAAP the Company had a policy of revaluing Heritage assets every 5 years. On transition to FRS 102 the Group elected to follow the cost model and use the previous revaluation at 31 December 2013 as the deemed cost for the assets. Heritage assets are stated at cost less accumulated depreciation. Cost includes any costs that are directly attributable to bringing the asset to its working condition for its intended use.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

n. Heritage assets (continued)

The vehicles are maintained by the business on a regular basis with maintenance costs being charged to the profit and loss account when incurred. The Directors do not consider the value of the car to decrease and therefore adopt the depreciation and impairment policy of 0% on cost.

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

o. Leased assets

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

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

(i) *Finance leased assets*

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

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

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

(ii) *Operating leased assets*

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

(iii) *Lease incentives*

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

p. Impairment of non-financial assets

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

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

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

p. Impairment of non-financial assets (continued)

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

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

q. Investments

Investment in subsidiary companies is held at cost less accumulated impairment losses.

r. Inventories

Inventories are stated at the lower of cost and net realisable value.

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

Formula One racing cars usually have an expected life of one year and all expenditure on the production and maintenance of such cars is charged to profit and loss account during the racing season in which the racing car is used. The board considers that research and development continues to play a vital role in the Group's success. The Group carries forward to the following year certain development costs incurred in the current year which relate to the production of next season's racing car. IndyCar race cars remain largely the same from year-to-year with limited development. Parts are expensed through the income statement in the year in which they are first used.

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

Heritage cars are held at deemed cost, including any costs that are directly attributable to bringing the asset to its working condition for its intended use. Under previous UK GAAP the Group had a policy of revaluing Heritage assets every 5 years. On transition to FRS 102 the Group elected to follow the cost model and use the previous revaluation at 31 December 2013 as the deemed cost for the assets.

During 2017, management decided to establish a programme of selling heritage F1 cars. At that point, those cars identified for sale were transferred to inventory. This list is reviewed and updated on a regular basis, and where appropriate cars will be transferred between heritage assets and inventory as required.

s. Cash and cash equivalents

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

Bank overdrafts are shown within borrowing in current liabilities.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

t. Provisions and contingencies

(i) *Provisions*

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

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.

(ii) *Contingencies*

Contingent liabilities are not recognised, except those acquired in a business combination. 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 group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

u. Financial instruments

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

(i) *Financial assets*

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

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

(ii) *Financial liabilities*

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

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

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

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

u. _Financial instruments (continued)_

(ii) _Financial liabilities (continued)_

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

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

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the profit and loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) _Warrants and loan notes_

The loan notes are redeemable at the option of the Group or mandatorily convertible on occurrence of certain events, into variable number of Group's equity instruments. These are therefore classified as non-basic financial instruments and held at fair value with the gains or losses as a result of change in fair value being recognised in the profit and loss account.

The warrants contain an obligation for the Group to issue a fixed number of equity instruments for a fixed amount of exercise price. These are therefore, recognized as equity at the premium received and not subsequently revalued. The premium received is recognised in a reserve called 'shares to be issued'.

On initial accounting, the total consideration received is allocated between the loan notes and warrants on a fair value basis.

(iv) _Offsetting_

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

(v) _Hedging arrangements_

The Group designates certain derivatives as hedging instruments in cash flow hedges to manage the cash flow exposures of working capital. At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the Group determines, and documents causes for hedge ineffectiveness.

For any forwards entered into, changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the income statement.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

u. Financial instruments (continued)

(v) *Hedging arrangements (continued)*

For any options entered into, changes in the fair values of derivatives designated as cash flow hedges, and which are effective, the intrinsic value of the option is recognised directly in equity. Any change in time value since the inception of the hedge is recognised in profit or loss.

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

v. 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.

w. Related party transactions

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

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

Accounting for loan notes and warrants

The allocation of total proceeds between loan notes and warrants requires fair valuation and involves the following key judgements and estimates:

- Determining the most appropriate basis for allocation of proceeds; and
- Determining the most appropriate valuation methodology to ascertain the fair value of the debt element.

The subsequent fair valuation of the loan notes involves the following judgements and estimates:

- Determining the term to exit; and
- The yield at 31 December 2021 was estimated by calibrating the yield estimated at the issuance date with the market movement in yield observed between the issuance date and the valuation date.
- The yield at 31 December 2022 was determined based on a shadow credit rating analysis.

Notes to the financial statements (continued)

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

Recoverability of deferred tax assets

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

Business combination accounting

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

The key estimates and judgements involved in accounting for the business combinations were:

- Determining the appropriate discount rate for valuing the purchase consideration;
- Determining the appropriate methodology and discount rate for valuing the customer relationship intangible;
- Assessing the accounting treatment and measurement of other elements of the transactions such as non-controlling interest.

5. Segment information

Description of business segments and principal activities

The Group's Board of Directors examine Group's performance from three identifiable business segments:

Racing – participates primarily in Formula 1, throughout the world. This includes the design, development, manufacture and racing of Formula 1 cars. In addition, it periodically sells its own heritage cars as part of its business activities.

Electric Racing – participates in Formula E. This includes the design, development, manufacture and racing of Formula E racing cars.

Indy Car – participates in NTT Indy car series in the US.

Corporate – provides shared services covering heritage asset servicing and management services to Group subsidiaries.

Turnover by business segment

	2022	2021
	£000	£000
Racing	311,267	211,368
Electric Racing	575	-
Indy	22,229	-
Corporate	1,793	-
	335,864	211,368
Less inter-segmental turnover	(7,972)	-
	327,892	211,368

Notes to the financial statements (continued)

5. Segment information (continued)

	Group 2022	Group 2021	**Company 2022**	Company 2021
	£000	£000	**£000**	£000
Analysis of turnover by category				
Sales of goods	**13,974**	13,592	**13,812**	84,414
Rendering of services	**304,694**	191,516	**288,231**	191,537
Royalty income	**9,224**	6,260	**9,224**	6,260
	327,892	211,368	**311,267**	282,211

Revenue from rendering services includes sponsorships, prize money and other income relating to the company's principal activity.

For the reporting period ended 31 December 2021, the Group's activities comprised just one reportable segment being participating in motor racing events throughout the world.

	Group 2022	Group 2021	**Company 2022**	Company 2021
	£000	£000	**£000**	£000
Analysis of turnover by geography				
United Kingdom	**305,663**	211,368	**311,267**	282,211
United States	**22,229**	-	**-**	-
	327,892	211,368	**311,267**	282,211

Operating Loss before interest and tax by business segment

	2022	2021
	£000	£000
Racing	**(4,106)**	(32,652)
Electric Racing	**(1,944)**	-
Indy	**(3,042)**	-
Corporate	**12**	-
	(9,080)	(32,652)

Notes to the financial statements (continued)

6. Operating (loss)/profit

	Group 2022	Group 2021	**Company 2022**	Company 2021
Operating (loss)/profit is stated after charging / (crediting):	**£000**	£000	**£000**	£000
Depreciation	**11,093**	10,769	**10,460**	10,769
Amortisation	**1,233**	-	**-**	-
Operating lease rentals	**7,345**	4,649	**6,888**	4,649
Gain on disposal of fixed assets	**(18)**	-	**(18)**	-
R&D Tax Credits	**(8,901)**	(7,193)	**(8,901)**	(7,193)
Profit on sale of heritage assets	**(5,289)**	(4,046)	**(5,289)**	(4,046)
Coronavirus Job retention scheme grant	**-**	(61)	**-**	(61)

	Group 2022	Group 2021	**Company 2022**	Company 2021
	£000	£000	**£000**	£000
Fees payable to the Company's auditors and its associates for the audit of the company's and the Group's consolidated financial statements	**340**	170	**340**	170
Fees payable to the Company's auditors and its associates for the other services:				
- Audit of the company's subsidiaries	**55**	-	**-**	-
- Tax advisory services	**4**	4	**4**	4
- Agreed upon procedures pursuant to FIA Formula 1 Financial Regulations	**59**	55	**59**	55
	458	229	**403**	229

7. Employees and directors

Employees	**Group 2022**	Group 2021	**Company 2022**	Company 2021
	£000	£000	**£000**	£000
Employee costs during the year:				
Wages and salaries	**78,456**	73,998	**70,958**	73,998
Social security costs	**10,360**	8,777	**9,692**	8,777
Other pension costs	**2,967**	2,770	**2,922**	2,770
	91,783	85,545	**83,572**	85,545

Notes to the financial statements (continued)

7. Employees and directors (continued)

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

	Group 2022	Group 2021	**Company 2022**	Company 2021
	Number	Number	**Number**	Number
Production, Design & Engineering	**684**	624	**638**	624
Administration	**338**	213	**276**	213
	1,022	837	**914**	837

Directors

The Directors' emoluments were as follows:	**Group 2022**	Group 2021	**Company 2022**	Company 2021
	£000	£000	**£000**	£000
Aggregate emoluments excluding pensions and highest paid director	**2,223**	2,234	**2,223**	2,234
Highest paid director's emoluments	**9,092**	8,815	**9,092**	8,815
	11,315	11,049	**11,315**	11,049

Key Management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	Group 2022	Group 2021	**Company 2022**	Company 2021
	£000	£000	**£000**	£000
Salaries and other short-term benefits	**14,154**	15,424	**13,805**	15,424
Pensions	**36**	207	**26**	207
	14,190	15,631	**13,831**	15,631

Notes to the financial statements (continued)

8. Interest (payable) / receivable and similar (expenses) / income

	Group 2022	Group 2021	**Company 2022**	Company 2021
	£000	£000	**£000**	£000
a) Interest receivable and similar income				
Other interest receivable	**124**	-	**4,682**	-
Total interest income on financial assets not measured at fair value through profit and loss	**124**	-	**4,682**	-
Net exchange gain	**384**	769	**318**	769
Total interest receivable and similar income	**508**	769	**5,000**	769
b) Interest payable and similar expense				
Interest payable on bank loans and overdrafts	-	-	-	2,232
Other interest payable and finance charges	**(2,247)**	(401)	**(332)**	(401)
Loan notes interest payable	**(16,745)**	(13,591)	**(16,745)**	(13,591)
Total interest expense on financial liabilities not measured at fair value through profit and loss	**(18,992)**	(13,992)	**(17,077)**	(11,760)
Change in fair value on loan notes	**(21,021)**	(6,319)	**(21,021)**	(6,319)
Loss on derivative financial instrument	**(4,731)**	-	**(4,731)**	-
Total interest payable and similar expenses	**(44,744)**	(20,311)	**(42,829)**	(18,079)
c) Net interest expense				
Interest receivable and similar income	**508**	769	**5,000**	769
Interest payable and similar expense	**(44,744)**	(20,311)	**(42,829)**	(18,079)
Net interest expense	**(44,236)**	(19,542)	**(37,829)**	(17,310)

The changes in fair value of loan notes represents the net increase in the liability on the optionally convertible loan notes issued in December 2020, June 2021 and December 2022. The net increase was determined by comparing the carrying of the loan notes with their fair value, which was calculated as follows:

- Assessing the appropriate credit rating for McLaren Racing Limited by performing a shadow credit rating exercise and qualitatively assessing the performance trajectory of the company.
- Estimating the yield for the expected exit term based on the assessed credit rating.
- Discounting the value of the Loan Notes at exit using the yield determined above.

Notes to the financial statements (continued)

9. Tax on loss

a) Tax charge included in loss or profit

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Current tax:				
- UK corporation tax on profits for the year	**1,693**	1,506	**1,687**	1,506
- Foreign corporation tax on profits for the year	**48**	152	**48**	152
- Adjustments in respect of prior years	**57**	(42)	**-**	(42)
Total current tax	**1,798**	1,616	**1,735**	1,616
Deferred tax:				
- Origination and reversal of timing differences	**39**	(5,816)	**578**	(5,389)
- Derecognise Deferred Tax Assets	**3,553**	15,074	**2,451**	15,074
- Adjustments in respect of prior years	**(1,337)**	-	**(1,893)**	-
- Impact of change in tax rate	**471**	(3,681)	**471**	(3,545)
Total deferred tax (see note 20)	**2,726**	5,577	**1,607**	6,140
Tax charge on loss	**4,524**	7,193	**3,342**	7,756

(b) Tax income included in other comprehensive income

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Deferred tax:				
- Impact of change in tax rate	**(216)**	1,323	**(216)**	155
- Derecognise deferred tax assets	**-**	-	**-**	(3,633)
- Origination and reversal of timing differences	**225**	(117)	**604**	(480)
Tax (credit)/ charge included in other comprehensive income	**9**	1,206	**388**	(3,958)

Notes to the financial statements (continued)

9. Tax on loss (Continued)

(c) Reconciliation of tax charge:

The tax charge (2021: charge) for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	Group	Group	**Company**	Company
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Loss before taxation	**(53,316)**	(52,194)	**(41,936)**	(2,187)
Loss before taxation multiplied by the standard rate of tax in the UK of 19% (2021: 19%)	**(10,130)**	(9,917)	**(7,968)**	(416)
Effects of:				
- Income not subject to tax	**-**	-	**-**	(7,525)
- Withholding Tax suffered	**48**	152	**48**	152
- Derecognise Deferred Tax Assets	**3,553**	15,074	**2,451**	15,074
- Expenses not deductible for tax purposes	**11,932**	5,565	**10,233**	4,016
- Impact of overseas tax rates	**(72)**	-	**-**	-
- Adjustments in respect of prior years	**(1,278)**	-	**(1,893)**	-
- Re-measurement of deferred tax – change in UK tax rate	**471**	(3,681)	**471**	(3,545)
Tax charge for year	**4,524**	7,193	**3,342**	7,756

(d) Tax rate changes

Deferred tax balances are measured at the rate at which they are expected to reverse.

Any changes in the rate of UK corporation tax will have an impact on the future tax charge. On 11 March 2020, it was announced that the planned reduction in the main rate of corporation tax to 17% would no longer go ahead and that the rate would therefore remain at 19%.

Subsequently, the budget of 3 March 2021 announced further changes to UK corporation tax rates with effect from 1 April 2023; the rate would increase to 25%. The impact of this has been reflected in the current financial statements.

During 2021, the OECD published a framework for the introduction of a global minimum effective tax rate of 15%, applicable to large multinational groups. On 20 July 2022, HM Treasury released draft legislation to implement these 'Pillar 2' rules with effect for years beginning on or after 31 December 2023. The Group is reviewing these draft rules to understand any potential impacts.

Notes to the financial statements (continued)

10. Intangible assets

Group

	Goodwill	Customer relationship	Total
	£000	£000	£000
Cost or valuation:			
At 1 January 2022- as previously stated	9,292	-	9,292
Restated on finalisation of provisional accounting (refer note 21)	(2,713)	1,995	(718)
At 1 January 2022	6,579	1,995	8,574
Additions pursuant to acquisition of business (note 21)	1,120	-	1,120
Foreign exchange translation adjustment	780	236	1,016
At 31 December 2022	**8,479**	**2,231**	**10,710**
Accumulated amortisation:			
At 1 January 2022	-	-	-
Amortisation for the year	960	273	1,233
At 31 December 2022	**960**	**273**	**1,233**
Net book value:			
At 31 December 2022	**7,519**	**1,958**	**9,477**
At 31 December 2021 - restated	6,579	1,995	8,574

Intangibles represent the goodwill on acquisition of the IndyCar team and Formula E Team, as well as the value attached to the customer relationship acquired on acquisition from IndyCar.

The Company had no intangible assets at 31 December 2022 (2021: £nil)

Notes to the financial statements (continued)

11. Tangible assets

Group

	Leasehold premises and improve-ments	Plant, machinery, tools and equipment	Motor vehicles	Fixtures, fittings and office equipment	Assets in the course of construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation:						
At 1 January 2022	**1,426**	**67,646**	**7,241**	**40,595**	**7,305**	**124,213**
Additions	1,166	5,088	-	3,584	17,065	26,903
Additions pursuant to acquisition of business (note 21)	-	29	-	829	493	1,351
Transfers	248	593	-	82	(923)	-
Disposals	-	(960)	(3,186)	-	-	(4,146)
Foreign exchange translation adjustment	-	585	-	-	5	590
At 31 December 2022	**2,840**	**72,981**	**4,055**	**45,090**	**23,945**	**148,911**
Accumulated depreciation:						
At 1 January 2022	582	45,608	6,423	28,541	129	81,283
Charge for the year	345	6,693	273	3,600	-	10,911
Disposals	-	(960)	(3,186)	-	-	(4,146)
Foreign exchange translation adjustment	-	391	-	-	-	391
At 31 December 2022	**927**	**51,732**	**3,510**	**32,141**	**129**	**88,439**
Net book value:						
At 31 December 2022	**1,913**	**21,249**	**545**	**12,949**	**23,816**	**60,472**
At 31 December 2021	844	22,038	818	12,054	7,176	42,930

The net carrying amount of assets held under finance leases included in fixtures, fittings and office equipment is £3,491K (2021: £4,655K).

£182K of depreciation on McLaren Electric Racing Limited assets is included in the additions pursuant to acquisition of business.

Notes to the financial statements (continued)

11. Tangible assets (continued)

Company

	Leasehold premises and improve-ments	Plant, machinery, tools and equipment	Motor vehicles	Fixtures, fittings and office equipment	Assets in the course of construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation:						
At 1 January 2022	1,390	66,610	7,241	40,595	7,305	123,141
Additions	1,166	2,737	-	3,161	16,990	24,054
Transfers	248	593	-	82	(923)	-
Disposals	-	(960)	(3,186)	-	-	(4,146)
At 31 December 2022	**2,804**	**68,980**	**4,055**	**43,838**	**23,372**	**143,049**
Accumulated depreciation:						
At 1 January 2022	582	45,608	6,423	28,541	129	81,283
Charge for the year	345	6,242	273	3,600	-	10,460
Disposals	-	(960)	(3,186)	-	-	(4,146)
At 31 December 2022	**927**	**50,890**	**3,510**	**32,141**	**129**	**87,597**
Net book value:						
At 31 December 2022	**1,877**	**18,090**	**545**	**11,697**	**23,243**	**55,452**
At 31 December 2021	808	21,002	818	12,054	7,176	41,858

The net carrying amount of assets held under finance leases included in fixtures, fittings and office equipment is £3,491K (2021: £4,655K).

Notes to the financial statements (continued)

12. Heritage assets

	Group 2021 £000	Company 2021 £000
Cost and Net book value:		
At 1 January 2021	**23,171**	23,171
Additions	**300**	300
Transfer from/(to) inventory	**130**	(22,938)
At 31 December 2021	**23,601**	533

	Group 2022 £000	Company 2022 £000
Cost and Net book value:		
At 1 January 2022	**23,601**	**533**
Additions	**300**	**300**
Transfer to inventory	**-**	**-**
At 31 December 2022	**23,901**	**833**

Two-year financial summary of heritage asset transactions for the Group:

	2022 £000	2021 £000
Additions	**300**	300
Transfer to inventory	**-**	130

Over the last 50 years McLaren Racing Limited has established a large collection of heritage race cars and other vehicles which chronicle our racing heritage and have been used to serve as promotional vehicles for the brand within the McLaren Technology Centre (MTC) and also at museums, dealerships and heritage track days around the world. Each year, three vehicles are typically added to this collection which are the cars that have run in that season's Formula One World Championship.

In May 2021 McLaren Racing Limited arranged the sale of a portfolio of its heritage cars to one of its subsidiaries McLaren Triple Crown Limited, these vehicles are currently held as security against borrowings.

Notes to the financial statements (continued)

12. Heritage assets (continued)

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

Managing such a large collection takes significant resources and during 2017 executive management of the McLaren Technology Group Limited and McLaren Racing Limited made the decision to establish a programme to sell a specific and limited number of these cars to specialist collectors from around the world. This programme is expected to continue for the foreseeable future.
In addition, McLaren Racing Limited has a collection of racing memorabilia, including trophies and helmets, which the Directors have not sought to value and is therefore not recognised on the balance sheet.

13. Investments

The subsidiaries are:

Name	Principal activity	% Holding Ordinary share capital	% Membership Interests	Direct/ Indirect	Nominal value
McLaren Marketing Limited	Dormant	100%	-	Direct	-
McLaren Triple Crown Limited	Heritage Assets management	100%	-	Direct	-
McLaren Racing US LLC	US Holding company of McLaren Indy LLC	-	100%	Direct	-
McLaren Indy LLC	IndyCar race team	-	75%	Indirect	-
McLaren Electric Racing Limited	Electric motorsport racing	100%		Direct	-

McLaren Marketing Limited, McLaren Electric Racing Limited and McLaren Triple Crown Limited are all companies incorporated in the United Kingdom and the registered office is: McLaren Technology Centre, Chertsey Road, Woking, Surrey, GU21 4YH. It is the Director's intention that McLaren Marketing Limited will be dissolved in the near future.

McLaren Racing US LLC's registered office is 1209 Orange Street, Wilmington, Delaware, USA.

McLaren Indy LLC's registered office is 700 S Carson St, Suite 200, Carson City, NV 89701, USA.
McLaren Electric Racing Limited's registered office is McLaren Technology Centre, Chertsey Road, Woking, Surrey, GU21 4YH).

One UK subsidiary in the Group has elected to make use of the audit exemption for dormant companies under section 480 of the UK Companies Act. The company which has made use of the audit exemption is McLaren Marketing Limited (Company number 01967716, registered office: McLaren Technology Centre, Chertsey Road, Woking, Surrey, GU21 4YH).

Notes to the financial statements (continued)

13. Investments (continued)

McLaren Triple Crown Limited, a subsidiary in the Group has elected to make use of the audit exemption for individual accounts under section 479A of the Companies Act, with the parent Company McLaren Racing Limited guaranteeing their financial liabilities.

There is no share capital held in McLaren Racing US LLC but is considered to be 100% owned.
McLaren Indy LLC is 75% owned by McLaren Racing US LLC.

Company
Investments in subsidiaries

	2022
	£000
At 1 January 2021	**-**
Additions	**8,695**
At 31 December 2022	**8,695**

On 21 September 2022, the Company acquired a 100% stake in Mercedes-Benz Formula E Limited for £8,695K.

14. Inventories

	Group	Group	**Company**	Company
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Racing car development costs	**20,211**	30,402	**19,972**	30,402
Raw materials and consumables	**5,107**	4,157	**3,965**	4,157
Finished goods and goods for resale	**1,819**	3,746	**1,818**	3,746
	27,137	38,305	**25,755**	38,305

Notes to the financial statements (continued)

15. Debtors

	Group	Group	Company	Company
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
		(Restated)*		(Restated)*
Trade debtors	**4,774**	7,854	**3,360**	7,736
Amounts owed by group undertakings	**-**	-	**90,225**	74,561
Amounts owed by related parties (note 29)	**5,215**	891	**5,215**	869
Other debtors	**27,285**	10,688	**23,382**	10,064
Deferred tax asset (note 20)	**7,533**	9,861	**12,465**	14,460
Derivative asset	**4,482**	-	**4,482**	-
Prepayments and accrued income	**44,012**	18,532	**39,351**	17,905
	93,301	47,826	**178,480**	125,595

Amounts owed by group undertakings include business transactions, under normal commercial terms, and group loans. Group loans bear interest at Bank of England base rate, are unsecured and are repayable on demand.

Amounts owed by related parties include business transactions, under normal commercial terms. The amounts are interest free, unsecured and repayable on demand.

The Group's trade debtors are net of provisions recognised for doubtful debts of £1,008K (2021: £3,198K).
The Company's trade debtors are net of provisions recognised for doubtful debts of £1,008K (2021: £3,080K)

*Refer to note 21 for details

*£13,394K of accrued income in the Group and £13,210K in the Company, that had been incorrectly recognised as other debtors, has been reclassed to prepayments and accrued income, to conform with the current year presentation. This change has no impact on the total debtors, net assets and opening equity as at 31 December 2021.

Notes to the financial statements (continued)

16. Creditors: amounts falling due within one year

	Group 2022 £000	Group 2021 £000 (Restated)*	**Company 2022 £000**	Company 2021 £000
Obligations under finance leases (note 18)	**899**	822	**899**	822
Trade creditors	**13,004**	7,970	**11,014**	7,905
Amounts owed to group undertakings	**34**	34	**34**	487
Amounts owed to related parties (note 29)	**476**	1,329	**476**	1,328
Taxation and social security	**3,008**	3,581	**2,502**	3,581
Other creditors	**14,218**	634	**13,696**	633
Deferred Consideration (Note 21)	**10,993**	4,492	**7,487**	-
Derivative liability	**3,001**	-	**3,001**	-
Accruals and Deferred Income	**156,337**	79,771	**146,659**	77,863
	201,970	98,633	**185,768**	92,619

Accruals and deferred income include amounts payable to employees, including performance bonuses and deferred income representing advances received or invoices raised in advance of performing services, except for invoices raised under contracts where the Group does not have a non-cancellable contractual right of receipt and hence presents these on a net basis.

In 2022, Group Accruals totalled £51,532K (2021: £40,375K).
In 2022, Company Accruals totalled £48,889K (2021: £38,240K)

*Refer to note 21 for details

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

	Group 2022 £000	Group 2021 £000 (Restated)*	**Company 2022 £000**	Company 2021 £000
Obligations under finance leases (note 18)	**2,061**	2,961	**2,061**	2,961
Optionally convertible loan notes	**174,800**	111,336	**174,800**	111,336
Deferred Consideration	**1,397**	4,945	**-**	-
Accruals and Deferred Income	**9,683**	-	**9,683**	-
	187,941	119,242	**186,544**	114,297

*Refer to note 21 for details

Accruals and deferred income due after more than one year represent long term performance and retention bonuses.

Notes to the financial statements (continued)

18. Loans and other borrowings

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Obligations under finance leases	**2,960**	3,783	**2,960**	3,783
Optionally convertible loan notes	**174,800**	111,336	**174,800**	111,336
Amounts owed to related parties	**476**	1,329	**476**	1,328
	178,236	116,448	**178,236**	116,447

a) Finance leases

The future minimum finance lease payments are as follows:

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Not later than one year	**1,139**	1,139	**1,139**	1,139
Later than one year and not later than five years	**2,278**	3,417	**2,278**	3,417
Total gross payments	**3,417**	4,556	**3,417**	4,556
Less finance charges	**(457)**	(773)	**(457)**	(773)
Carrying amount of liability	**2,960**	3,783	**2,960**	3,783

The finance lease relates to the acquisition of aerodynamic modelling computer equipment. When the lease term ends, the title of goods will pass following final payment under the contract and where necessary settlement of a nominal option to purchase fee.

b) Optionally convertible loan notes

The loan notes outstanding at 31 December 2021 and 31 December 2022 includes £125,000K series A loan notes, that do not have a specified maturity date. These accrue interest at the rate of 12% per annum, compounded on an annual basis which only accrues until the fifth anniversary of the issuance date. After the third anniversary of the issuance date, the Group has the option to redeem some or all the outstanding loan notes and repay the accrued and unpaid interest. Unless repaid, the loan notes remain mandatorily convertible into a variable number of the Company's equity instruments upon occurrence of certain specified events.

The additional draw down in December 2022 for £30,000K are for series B loan notes, which accrue and interest paid quarterly at a rate of 12%. The principal on Loan B is repayable in 12 equal monthly instalments commencing 1 April 2026.

The loan notes are secured by way of a fixed and floating charge over the total assets of McLaren Racing Limited unless designated as unrestricted.

c) Amounts owed to group undertakings include business transactions, under normal commercial terms, and group loans. Group loans attract interest at 2.5% above Bank of England base rate, are unsecured, and repayable on demand.

See note 23 for discussion on the valuation, methodology used, key estimates and sensitivities.

Notes to the financial statements (continued)

19. Called up share capital of the Group and Company

	2022 £000	2021 £000
Authorised, called up and fully paid		
50,150 (2021: 50,150) ordinary shares of £1 each	**50**	50

The Group has a single class of ordinary shares which carry no right to fixed income.

Other Reserves

Group and Company

	Hedging reserve £000
Cost or valuation:	
At 1 January 2022	-
Additions	1,966
At 31 December 2022	**1,966**

The hedging reserve represents the effective portion of the fair value movements in respect of derivatives designated for cash flow hedge accounting net of associated deferred tax.

20. Deferred tax

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

	Group 2022 £000	Group 2021 £000	**Company 2022 £000**	Company 2021 £000
Depreciation in excess of capital allowances	**(8,087)**	(7,718)	**(7,682)**	(7,718)
Revaluation of tangible assets	**4,905**	5,500	**121**	338
Other timing differences	**1,162**	(1,580)	**604**	(1,580)
Trading losses carried forward	**(5,513)**	(6,063)	**(5,508)**	(5,500)
	(7,533)	(9,861)	**(12,465)**	(14,460)

Notes to the financial statements (continued)

20. Deferred tax (continued)

At the balance sheet date, the Group has UK tax losses of £163,000K (2021: £158,000K), which have an indefinite life. In light of the changes to the financing of McLaren Racing the directors regularly review the group forecast plans and the extent to which profits can reasonably be identified to offset these losses. As a result of these reviews, deferred tax assets amounting to £3,553K (2021: £15,074K) were derecognised in the current year. The Group have UK tax incentives amounting to £15,157k that do not expire but which are fully provided against based upon current forecasts.

The deferred tax asset expected to reverse in 2023 totals £Nil (2022: £Nil).

21. Business combinations

McLaren Indy LLC

On 31st December 2021 the group acquired 75% of Schmidt Peterson Motorsports (US) LLC (since renamed to McLaren Indy LLC), an American auto racing company that currently competes in the IndyCar Series and with which McLaren Racing Limited has had a strategic partnership with since 2019, for a total consideration of $19,074K (£14,091K) payable over 8 years. On 3 January 2022 the company name was changed to McLaren Indy LLC. The Group also retains the option, exercisable between specified dates in 2028 to 2029, to acquire the remaining 25% share from the existing shareholders for an agreed consideration.

Under FRS 102, business combinations are accounted for using the purchase method. Due to the completion of the acquisition on 31st December, the accounting under purchase method, involving identification and fair valuation of consideration and identifiable assets and liabilities, was incomplete at the end of the 2021 reporting period. The Group accounted for the acquisition on a provisional basis in the 2021 financial statements. Following a thorough review, in the current year, the accounting has been finalised and as required under FRS 102, the provisionally accounted numbers have been retrospectively adjusted.

The table below, provides details of the assets and liabilities acquired, the fair value of purchase consideration, and the goodwill and NCI recognised, provisionally and upon finalisation:

	Note	Carrying Value	Adjustment	Fair value – provisionally recorded	Adjustment on final accounting	Final fair value
		£000	**£000**	**£000**	**£000**	**£000**
Property, Plant and equipment	(i)	325	747	1,072	-	1,072
Cash and Cash Equivalents		2,412	-	2,412	-	2,412
Trade Receivables	(iv)	842	-	842	592	1,434
Goodwill	(ii)	1,022	(1,022)	-	-	-
Trade Payables		(37)	-	(37)	-	(37)
Provisions	(iv)	(2,801)	-	(2,801)	(53)	(2,854)
Intangibles	(iii)	-	-	-	1,995	1,995
		1,763	**(275)**	**1,488**	2,534	**4,022**
75% of identifiable assets acquired				1,116		3,017
Goodwill				9,292		6,579
Total Purchase consideration				**10,408**		**9,595**

Notes to the financial statements (continued)

21. Business combinations (Continued)

(i) Uplift to equipment based on alignment of accounting policies
(ii) Adjustment under FRS102 on internally generated goodwill
(iii) Uplift due to valuation of identifiable intangibles representing customer relationship, valued using the multi-period excess earnings method. A discount rate of 12.8% was used to discount the cash flows generated from the underlying contract. An increase of 3% would reduce the value of the asset by $212K. A decrease of 3% to the discount rate would increase the value of the asset by $141K.
(iv) Represents additional net assets identified and recorded at acquisition date.

The useful economic life of goodwill has been estimated to be 8 years, which is considered to be the expected period for recovering the return from the investment. Since the acquisition date, Schmidt Peterson Motorsports (US) LLC has contributed £16,354K to Group's turnover and added £1,682K to the Group's Operating loss before interest and tax.

The Company has an established presence on the IndyCar grid, and the goodwill will represent the sponsorship opportunity to partners. Additionally, there was goodwill arising from the opportunity for more than 2 cars on the grid. This was utilised in the 2022 season, when the team took the opportunity to race more than 2 cars.

The deferred consideration is calculated as the present value of the purchase price of $19,074K (£14,091K) using a discount rate of 22%. An increase of 3% to the discount rate would reduce the purchase price and goodwill to $12,465K (£9,209K) and $8,383K (£6,193K) respectively. A decrease of 3% to the discount rate would increase the purchase price and goodwill to $13,565K (£10,021K) and $9,483K (£7,006K) respectively.

McLaren Electric Racing Limited

On 21 September 2022 the group acquired 100% of Mercedes-Benz Formula E Limited from Daimler UK Limited. On 22 September 2022, the name was changed to McLaren Electric Racing Limited. The business competes in the Formula E Racing series. A total consideration of £8,695K of which £1,207K was paid in 2022 with the remaining balance payable in 2023.

Under FRS 102, business combinations are accounted for using the purchase method. The following table summarises the fair value of assets and liabilities acquired:

	Note	Carrying Value £000	Adjustment £000	Fair value £000
Property, Plant and equipment		1,351	-	1,351
Cash and Cash Equivalents		9,858	-	9,858
Trade Receivables		7,827	-	7,827
Inventory		43	-	43
Trade Payables	(i)	(5,203)	4,809	(394)
Provisions		(6,302)	-	(6,302)
		7,574	4,809	12,383
Goodwill				1,120
Total cash consideration				**8,695**
Settlement of amounts receivable – note (i)				**4,809**

Notes to the financial statements (continued)

21. Business combinations (Continued)

(i) The adjustment of £4,809K represents amounts owed to McLaren Racing Limited on the date of the acquisition.

The goodwill acquired represents the opportunity to expand to our partners the opportunity to expand into the Electric Racing series. The useful economic life of goodwill has been estimated to be 5 years, which is considered to be the expected period for recovering the return from the investment. Since the acquisition date, McLaren Electric Racing Limited has contributed £575K to Group turnover and £1,921K to Group operating loss before interest and tax.

22. Non-controlling Interest

Group

The movement in non-controlling interests was as follows:

	Group 2022	Group 2021 (Restated)*
	£000	£000
At 1 January	**1,005**	-
Acquisition of IndyCar	**-**	1,005
Total comprehensive income attributable to non-controlling interest	**(443)**	-
At 31 December	**562**	1,005

23. Loan notes and warrants

In December 2020, McLaren announced a deal to attract significant new long-term investment into McLaren Racing Limited led by MSP Sports Capital, the US-based sports investment group, to help drive its plan to return to the top in Formula 1 and continue its growth as a global sports franchise. MSP co-invested with its strategic partners UBS O'Connor, LLC. and The Najafi Companies, whilst an additional tranche of funding was provided by UBS O'Connor LLC & the investment group Caspian. A secondary round of funding was received in June 2021 of £25,000K, and a further £30,000K in December 2022.

The investment is in the form of convertible loan notes and warrants. The warrants are convertible at any time at the option of the warrant holders, for £0.01, into equity shares of the Company and give the investors voting and dividend rights on an 'as-converted' basis. Accordingly, as at 31 December 2022, the investors cumulatively held 29.25% (31 December 2021 - 25%) in the Company on a diluted basis.

The warrants are initially recognized at the premium received, determined through allocation of the difference between the proceeds and the fair value of the liability component, to warrants. The warrants are recognised within equity as "shares to be issued" and are not revalued.

The loan notes are held at fair value which is determined using estimates and judgements in regard to the term to exit and estimating the yield as at the valuation date. The yield at 31 December 2021 was estimated by calibrating the yield estimated at the issuance date with the market movement in yield observed on comparable similarly high yield instruments between the issuance date and the valuation date. The yield at 31 December 2022 however, was not based on a roll forward from issuance date. This was instead calculated by first determining the appropriate shadow credit rating for McLaren Racing Limited and then determining the yield by benchmarking to the yields for similarly rated instruments.

The present value of the debt was then estimated using the calibrated yield at each valuation date.

Notes to the financial statements (continued)

23. Loan notes and warrants (Continued)

The table below summarises the total proceeds to date and their allocation between loan notes and warrants on initial recognition:

	Loan Notes	Warrants	Total
	£000	£000	£000
Tranche 1 - 17th-21st December 2020	70,000	30,000	100,000
Tranche 2 - 30 June 2021	21,000	4,000	25,000
Tranche 3 – 31 December 2022	25,700	4,300	30,000
Total - allocation of proceeds on initial recognition	**116,700**	**38,300**	**155,000**

Of the £30,000K as at 31 December 2022, £27,606K cash was received in December 2022 with the balance of £2,394K cash received in January 2023.

A 2% increase or decrease in the calibrated yields would result in a decrease or increase of the fair value of loan notes by £2,900K (FY 21: £3,700K) or £3,100K (FY 21: £3,400K) respectively.

24. Financial commitments

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

	2022	2021
	£000	£000
		(Restated)*
Payments due:		
Not later than one year	**16,467**	14,735
Later than one year and not later than five years	**48,619**	54,293
Later than five years	-	-
	65,086	69,028

*£50,429K of lease payments have not been recognised as financial commitment and have now been disclosed to conform with the current year presentation. This change has no impact on the total creditors, net assets and opening equity as at 31 December 2021.

Notes to the financial statements (continued)

25. Financial Instruments

The Group and the Company has the following financial instruments:

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
		(Restated)*		(Restated)*
Financial assets that are debt instruments measured at amortised cost				
- Trade debtors (note 15)	**4,774**	7,854	**3,360**	7,736
- Amounts owed by group undertakings (note 15)	**-**	-	**90,225**	74,561
- Amounts owed by related parties (note 29)	**5,215**	891	**5,215**	869
- Other debtors (note 15)	**27,285**	10,873	**23,382**	10,064
- Accrued income (note 15)	**16,462**	13,210	**15,853**	13,210
	53,736	32,828	**138,035**	106,440
Financial assets measured at fair value through profit or loss				
- Derivative financial instruments (note 15)	**4,482**	-	**4,482**	-
	4,482	-	**4,482**	-
Financial liabilities measured at fair value through profit or loss				
- Optionally convertible loan notes (notes 17 & 18)	**174,800**	111,336	**174,800**	111,336
- Derivative financial instruments (note 16)	**3,001**	-	**3,001**	-
	177,801	111,336	**177,801**	111,336
Financial liabilities measured at amortised cost				
- Warrants (note 23)	**38,300**	34,000	**38,300**	34,000
- Finance leases (note 18)	**2,960**	3,783	**2,960**	3,783
- Trade creditors (note 16)	**13,004**	7,970	**11,014**	7,905
- Amounts owed to related parties (note 29)	**476**	1,329	**476**	1,328
- Other creditors (note 16)	**14,218**	634	**13,696**	633
- Accruals (note 16)	**51,532**	40,375	**48,889**	38,240
	120,490	88,091	**115,335**	85,889

Notes to the financial statements (continued)

26. Notes to the cash flow statement

Reconciliation of loss to cash generated from / (used in) operating activities:

	2022 £000	2021 £000
Loss for the financial year	**(57,840)**	(59,387)
Adjustments for:		
Tax on loss	**4,524**	7,193
Net interest expense	**44,236**	19,542
Operating loss	**(9,080)**	(32,652)
Depreciation and amortisation expense	**12,144**	10,769
Increase in heritage assets	**(300)**	(300)
Realised net foreign exchange gain	**778**	775
Unrealised net foreign exchange gain	**-**	(1)
R&D expenditure credits	**-**	(1,617)
(Profit)/loss on disposal of fixed assets	**(18)**	1,258
Non cash profit on sale of heritage cars	**595**	-
Operating cash inflow/(outflow) before movements in working capital	**4,119**	(21,768)
Decrease/(increase) in stocks and work in progress	**11,211**	(2,209)
Increase in debtors	**(40,480)**	(18,645)
Increase in creditors	**89,809**	17,474
Decrease in provisions	**-**	(1,619)
Cash inflow/(outflow) from operating activities	**64,659**	(26,767)

Non-cash transactions

During the year new tangible assets acquired of £1,784K (2021: £Nil) but not settled, with amounts owing to third parties at year end reflected in trade creditors and accruals.

Analysis of changes in net debt

	At 1 January 2022	Cash flows	New finance leases	Fair value and exchg. movements	Non-cash changes	At 31 December 2022
	£000	£000	£000	£000	£000	£000
Cash and cash equivalent	42,317	67,511	-	530	-	110,358
Loan notes	111,336	27,606	-	21,021	14,837	174,800
Finance leases	3,783	(823)	-	-	-	2,960
Total	**157,436**	**94,294**	**-**	**21,551**	**14,837**	**288,118**

Notes to the financial statements (continued)

27. Derivative financial instruments – Forward contract and Put options

The Group enters into both forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables. At 31 December 2022, the outstanding contracts all mature within 2 years (2021: nil) of the year end. The Group and Company are committed to sell US$46,050K and receive a fixed sterling amount £35,018K (2021: nil).

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. The fair value of the forward-foreign currency contracts is a financial liability of £3,000K (2021: £nil), which has been recognised in the profit and loss.

The Group has also entered into a put option, for SAR$400,000K for an average contractual rate of SARS$4.4, and has paid a premium of £3,642K which has been recognised as a financial derivative on the balance sheet. The fair value of the put option has been valued using a modified Black-Scholes model (or Garman–Kohlhagen model), with a fair value of £4,481K, with the intrinsic value of £2,569K movement being recognised in other comprehensive income, and the time value of £1,730K in the profit and loss.

The key inputs used in valuation of the options were time to expiration, risk free rates of the domestic currency and GBP, and volatility.

The total fair value of foreign currency option contracts at 31 December 2022 was £4,481K (2021: nil). Out of this, the value of options that mature within one year from the end of the year was £1,601K (2021:nil)

28. Contingent liability

McLaren Racing Limited has given guarantees in favour of third parties. As at 31 December 2022 the balances guaranteed were CHF 100,000 (2021: CHF 100,000) in favour of Tribunal De Premiere Instance; EUR 16,873 (2021: EUR 16,873) in favour of Dresdner Bank AG; and EUR 90,060.30 (2021: EUR 90,060) in favour of Agenzia Delle Entrate. Timing of the cash outflow is impracticable to be able to predict.

Notes to the financial statements (continued)

29. Related party transactions

Transactions with related parties during the year were as follows:

	Year ended 31 December	Balance outstanding at 31 December	Year ended 31 December	Balance outstanding at 31 December
	2022	**2022**	**2021**	**2021**
	£000	**£000**	**£000**	**£000**
Sales to related parties				
Group				
Sam Schmidt	**115**	-	22	22
Group and Company				
McLaren Automotive Asia PTE Limited	**300**	**39**	2	-
McLaren Automotive Inc	**393**	**33**	195	-
McLaren Automotive Limited	**710**	**46**	248	746
McLaren Automotive Events Limited	-	-	22	-
McLaren Services Limited	**4,485**	**5,097**	4,449	75
McLaren Support Services Limited	-	-	-	48
MSP Sports Capital	**106**	-	36	-
Bahrain Mumtalakat Holdings Limited	**4**	-	-	-
United Autosports Limited	-	-	544	-
Alpha Services Personnalises	**34**	-	-	-
Caspian Capital LP	**26**	-	-	-
Amounts owed by related parties at 31 December 2022		**5,215**		891

Sam Schmidt & Ric Peterson are minority shareholders of McLaren Indy LLC.

Amounts owed by McLaren Automotive Limited and its subsidiaries, McLaren Services Limited, McLaren Automotive Asia PTE Limited, McLaren Automotive Inc., McLaren Automotive Events Limited and McLaren Support Services Limited are repayable on demand and represent business transactions under normal commercial terms and conditions. All these entities are wholly owned subsidiaries of McLaren Group Limited, the entity exercising joint control over McLaren Racing Limited.

Amounts owed by MSP Sports Capital, Bahrain Mumtalakat Holding Limited, United Autosports Limited, Alpha Services Personnalises, Caspian Capital LP, the companies owned by directors and ultimate shareholders of the McLaren Racing Group represent the sale of hospitality tickets.

Notes to the financial statements (continued)

29. Related party transactions (continued)

Amounts owed by other related parties include business transactions, under normal commercial terms. The amounts are interest free, unsecured and repayable on demand.

	Year ended 31 December	Balance outstanding at 31 December	Year ended 31 December	Balance outstanding at 31 December
	2022 £000	2022 £000	2021 £000	2021 £000
Purchases from related parties				
Group				
Samuel D Schmidt & Ric Peterson	-	-	1	1
Group and Company				
United Autosports Limited	**107**	-	844	-
Entertainment Travel	**664**	-	329	-
McLaren Automotive Limited	**2,180**	-	1,965	146
McLaren Services Limited	**15,811**	**12**	12,237	959
McLaren Support Services Limited	**16,573**	-	7,685	223
McLaren Automotive Inc	**110**	**464**	2,223	-
Bahrain International Circuit Company W.L.L.	**135**	-	106	-
Amounts owed to related parties at 31 December 2022		**476**		1,329

In certain circumstances the Company facilitates the payment of transactions on behalf of related parties, and these are then transferred at cost. Due to the nature of these transactions, no cost or income is reported however in some cases there is a year-end receivable.

Amounts owed to McLaren Automotive Limited and its subsidiaries, McLaren Services Limited, McLaren Automotive Inc. and McLaren Support Services Limited are repayable on demand and represent business transactions under normal commercial terms and conditions.

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

Amounts owed to United Autosports Limited, the company associated with a director of McLaren Racing Group represent the cost of refurbishment of heritage cars during the year.

Amounts owed to Entertainment Travel, the company associated with a director of McLaren Racing Group represent travel services provided during the year.

Amounts owed to Bahrain International Circuit Company W.L.L, the company owned by the majority shareholder of McLaren Group Limited, Bahrain Mumtalakat Holdings Limited, represent circuit services provided during the year.

Notes to the financial statements (continued)

30. Capital Commitments

At 31 December, the group and company had the following capital commitments:

	Group 2022 £000	Group 2021 £000	**Company 2022 £000**	Company 2021 £000
Contracts for future capital expenditure not provided in the financial statements – Property, plant and equipment	**15,126**	10,181	**15,126**	10,181

31. Ultimate parent Company and controlling party

The largest and smallest Group of which the Company is a member, for which group accounts are drawn up is McLaren Racing Limited, a Company incorporated in the United Kingdom and is included in these financial statements.

McLaren Group Limited holds 100% of issued equity however the warrants issued as part of the investment in December 2020 are convertible at any time at the option of the warrant holders, for £0.01, into equity shares of the Company. The warrants give the investors voting and dividend rights on an 'as-converted' basis.

Ownership of McLaren Racing Limited at 31 December 2022 based on beneficial ownership on an as-converted basis was as follows: 70.75% (2021: 75%) McLaren Group Limited and 29.25% (2021: 25%) (MSP Sports Capital, Caspian, UBS O'Connor LLC and ASME Holdings I, LP).

32. Subsequent events

In March 2023, it was announced that Kate Ferry, the Chief Financial Officer of McLaren Group Limited, who is also a Director of this Company, would leave the McLaren Group later in 2023. Kate has not yet resigned from her position as a Director of McLaren Racing Limited but will do so in due course.