

McLaren Racing Limited

Annual report and consolidated financial statements

Registered number 01517478

31 December 2021

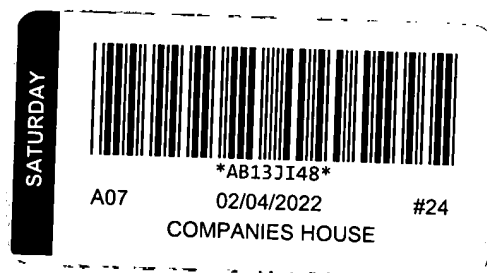


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Strategic report

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 F1 cars, as well as a partnership with Arrow McLaren SP in the IndyCar series. In addition, the Company sells its own heritage cars as part of its business activities.

Business review

Racing season and commercial review

McLaren Racing secured fourth in the 2021 Formula 1 Constructors' World Championship with a points haul of 275, which is an increase for the 4th consecutive year. The Racing team also welcomed 7 time Formula 1 race winner Daniel Ricciardo to race alongside Lando Norris in 2021.

The number of races in 2021 increased from 17 to 22 compared to the previous season and with the introduction of the much-anticipated Sprint races in three venues. This new format has proven to be popular amongst the fans, with Sprint Qualifying on the Friday, and a Sprint race on the Saturday.

The team secured their first F1 race win since 2012 with Daniel Ricciardo topping the podium in Monza. Lando Norris finished second at the same race resulting in McLaren being the only team to secure a 1-2 race finish during the 2021 season. This demonstrates the commitment and progress to push back to the front of the grid. The year was also very successful in terms of podium finishes, with four for Lando Norris and one for Daniel Ricciardo.

2021 saw the return of Mercedes-HPP as engine suppliers which we hope will further enhance our ability to meet the Company's objectives and compete for podium places in the near future.

The continued improvement in performance on track has helped to further drive sponsorship acquisition. The Group ended the year with close to 50 sponsors, far exceeding the 36 in 2020. We also saw the return of fans being able to watch the races live, with an increase in hospitality compared with the 2020 season.

Additionally, prize money for the year was higher due to the 3rd place finish in 2020 and increased profitability by F1, the commercial rights holder, as a gradual reduction of the impact of Covid-19 around the world led to additional events and promotional opportunities.

The Group's strategy is to build performance in the F1 team, with the introduction of the financial regulations in 2021, and looking forward to the new sporting and technical regulations which are due to come into force from 2022. This will be done by the Team through stringent cost control and increased partnerships. McLaren has played a key part in agreeing these regulations and welcomes the measures to control costs and improve revenues for teams.

In the F1 Global Fan Survey, McLaren was voted F1's most popular team with 29.5% of the vote. Lando Norris came second in the favourite driver vote with 13.7% and was the highest ranked among the female audience and number one in all age groups under 24. Daniel Ricciardo placed 4th with 10%, which means we have the most popular driver pairing on the grid with 23.7% of the vote and shows real progress in the team's growing appeal.

2021 saw success in IndyCar too, with Felix Rosenqvist and Pato O'Ward as drivers. Pato finished 3rd in the championship, with two race wins. This continued to show the Group's interest in the race series, and on 31 December 2021, the Group acquired a 75% stake in the IndyCar business.

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 resource, 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 2021 include profits on sales of heritage cars of £4,046k (2020: £169,877k), with the profit recorded in 2020 being driven by a large volume of cars sold to McLaren Services Ltd.

Financial results were better and ahead of budget with a consolidated loss before interest and tax of £32,652K (2020: profit of £102,421K, although the equivalent loss in 2020 whilst adjusting for heritage sales to McLaren Services Limited, was £61,193K), with the improvement attributable to increased revenue and continued stringent cost control as part of the need to adhere to the new financial regulations. The consistent improvement in financial performance notwithstanding, following our annual assessment of the recoverability of the deferred tax assets, we have derecognized assets amounting to £15,074k. The charge arises partly due to the change in the beneficial ownership of the Company that has resulted in it no longer being able to benefit from the wider McLaren group's, loss relief group and partly due to the sale of the heritage assets previously held by it to McLaren Triple Crown Limited.

FIA F1 Financial Regulations

The regulations came into force from 1 January 2021 within the F1 Championship. They introduced a Cost Cap that limits certain costs that may be incurred by or on behalf of an F1 Team in each full Reporting period.

The Financial Regulations are designed to achieve the following objectives:

- (a) to promote the competitive balance of the Championship;
- (b) to promote the sporting fairness of the Championship; and
- (c) to ensure the long-term financial stability and sustainability of the F1 Teams, while preserving the unique technology and engineering challenge of Formula 1.

These rules are fundamental changes to the way the sport has operated previously, and the Group has had to adapt to new challenges arising as a result of the restrictions imposed.

The Group will submit a separate Financial Report to the FIA, and that Report is separate to the Financial Statements.

Acquisition of IndyCar

On 31st Dec 2021 the group acquired 75% of Schmidt Peterson Motorsports (US) 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 \$16,875k payable over 8 years. On 3 January 2022 the company name was changed to McLaren Indy LLC.

Impact of Covid-19

The Covid-19 pandemic continued to have an enormous impact on the global economy in 2021.

Strategic report (continued)

Business review (continued)

Impact of Covid-19 (continued)

We continued with our Covid-19 measures such as restricting access to the McLaren Technology Centre and requesting employees work from home on a hybrid basis. Furthermore, we introduced strict Covid-19 testing within the facility for anyone returning to the office, and as part of our Race Team introduced additional testing and protocols to ensure the safety of all staff. With all these extra measures, although there were changes to the race calendar for the F1 Team, a full calendar was held.

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, 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 Casplan and Ares Capital (ASME Holdings I, LP).

MSP Sports Capital is a diversified sports investment group with strategic stakes in properties at the intersection of global media rights, distribution technologies, content creation, sponsorship, esports, betting, and data. MSP Sports Capital's principals are experienced, well-known figures in the sports industry, as owners, investors and operators in Major League Baseball (MLB), National Basketball Association (NBA), ESPN, and sports management.

Through this transaction, the Group has till date, received a total investment of £125,000K (£100,000K received in 2020 and £25,000K in 2021) in the form of convertible loan notes and warrants and can draw an additional amount of £45,000K 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 2021 the investors cumulatively held 25% (2020: 21.05%), in the Company and Group on a diluted basis.

Key performance indicators

The Directors regularly review multiple KPIs in order to monitor overall business performance. Most significant amongst these is Championship position because success on track has a direct impact on prize money, sponsorship and stakeholder engagement.

Despite finishing 4th in the Championship in 2021 (2020: 3rd) overall points scored increased to 275 (2020: 202) demonstrating a further significant step forward in competitiveness with the top teams across the Formula One grid.

Additional areas of focus include monthly review of financial performance against Budget and Prior Year specifically in regards to turnover, cost base, capital investment and cash flow which ensure appropriate management focus on the Company's financial health.

Financial results were better and ahead of Budget with consolidated revenue, adjusted for the sales in 2020 of heritage assets to McLaren Services Limited, increasing from £135,900K to £211,368K. 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 £32,652K (2020: profit of £102,421K, although the equivalent loss in 2020 whilst adjusting for heritage sales referred to above was £61,193K), with the improvement attributable to increased revenue and continued stringent cost control as part of the need to adhere to the new financial regulations.

Consolidated cash balance fell £13,699K to £42,317K (2020: £56,016K) however the company's cash position was strong, mainly strengthened by sponsorship and licensing revenue outperforming

Strategic report (continued)

Business review (continued)

Key Performance Indicators (continued)

expectations and Formula One spend significantly under budget. Consolidated net assets fell from £41,264K to a net liability of £14,957K due to loss in the year, additional drawdowns of loans, derecognition of a portion of deferred tax assets, and other additional working capital movements.

Future developments & Subsequent Events

Miami has been announced as a new race location from 2022 to help strengthen the sport's presence in the commercially important US market. Whilst such expansion will place additional workload on the Race Team it will also provide increased revenue streams whilst adding value to our partner brands.

2022 sees the introduction of new Sporting and Technical regulations that will herald some of the most significant changes to the sport in many years.

A significant change to 2022 will be the entry into the Extreme E championship, an innovative racing series which 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.

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. All of these are obviously linked.

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 is 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 in 2020 and 2021 via the investment in the business led by MSP Sports Capital. Cashflows 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 and multiple other currencies. Key transactions are reviewed by the Board who agree policies and approaches to manage associated risks.

Strategic report (continued)

Business review (continued)

Section 172 Companies Act 2006

Following secondary legislation, and in line with the previous year the Group has reviewed the available Corporate Governance codes and elected to apply the Wates Corporate Governance Principles for large Private Companies. These provide a framework for the Company to demonstrate how the Board makes decisions for the long-term success of its stakeholders together with a disclosure as to how they ensure compliance with the requirements of Section 172 of the Companies Act 2016.

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 (i.e. COVID-19), against which it monitors both operational and financial performance. The plan is updated and revised for the 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. In approving the strategy, the Directors also consider 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.

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.

Strategic report (continued)

Section 172 Companies Act 2006 (continued)

Section 172 Decisions (continued)

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 team to be officially recognised by the Carbon Trust for taking action on climate change and was the first recipient and gold standard of the FIA Institute Environmental Award.

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.

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.

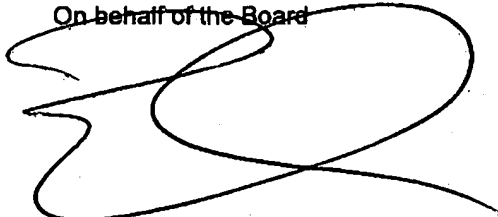
Strategic report (continued)

Section 172 Companies Act 2006 (continued)

Section 172 Decisions (continued)

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

A large, stylized handwritten signature in black ink, appearing to be 'Zak Brown', written over the text 'On behalf of the Board'.

Zak Brown
Director, McLaren Racing Limited

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

31 March 2022

Directors' report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2021.

Results

The Group loss for the financial year amounted to £59,387K (2020: profit of £85,838K).

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 25.

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 cashflow forecasting to highlight and mitigate areas of exposure. Therefore it is not considered a material risk to the Group and Company.

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 plans to continue the capital expenditure program that it is committed to fulfilling, with the completion of the windtunnel by 2023 being a major development leap for the team. Further testing of the next generation simulator is due to be completed in the first half of 2022.

After acquiring McLaren Indy US LLC on 31 December 2021, the Group plans to fully integrate the subsidiary into the Group and leverage the IndyCar opportunities, through a series of sponsorship opportunities.

Furthermore, the 2022 season will be the first year of our involvement in the Extreme E race series, which aims to use Racing to promote sustainability in remote terrains to raise climate awareness as well as diversity, through the pairing of McLaren's first female Racing Driver Emma Gilmour and Tanner Foust. This is a big commitment to the Group's pledge to be Carbon Neutral by 2030. In addition, it provides additional opportunity for sponsorship across more race series.

The 2022 race series is also expected to have an almost return to normal hospitality and events schedule, and so we look to grow the offering to partners and to fans. This will increase fan engagement, which is a critical business objective for 2022 and beyond.

With the rise in partnerships in 2021 to 51, there is commitment to deliver more aggressive sponsorship and royalty targets in 2022-2026 by leveraging fan engagement in the sport. In addition, with the partnership with Castore to provide replica team kit, we are driving for higher merchandise and licensing revenue.

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.

In December 2020 McLaren Racing Limited arranged the sale of a portfolio of its heritage cars to McLaren Services Limited for a consideration of £197.0m, which was used to offset the intercompany loan.

In May 2021, 85 heritage cars were transferred to McLaren Triple Crown Ltd as security for borrowings.

As at 31 December 2021 the collection numbered 90 (2020: 98) vehicles which were held at a deemed cost of £26,559K (2020: £27,003K), of which £2,955K (2020: £3,833K) were held in inventory.

Dividends

The Directors do not propose a dividend for the year ended 31 December 2021 (2020: £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
M Al Khalifa
C Griffiths
J Moorad
J Najafi
S Oljeh
R Trelles Zabala
P Walsh
B Wasson
C Ferry – appointed 29/06/21

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.

During 2021 the Group made becoming a sustainable team a key strategy with the objective to embed sustainability in every decision made and action taken. To strengthen this, a Sustainability Director was appointed, with a sustainability governance structure established, including Executive Team Sponsors, a Senior Leadership Team, working groups open to all employees, as well as a Sustainability Advisory Council made up of representatives from our partners. in order to drive the approach of the Group.

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

1. Achieve a net-zero carbon footprint by or before 2030
2. Accelerate the transition to circularity by reducing consumption, eliminating waste and innovating to recycle and reuse
3. Diversity, equality and inclusion – Promote and create an equal and inclusive culture in our workforce and industry. By 2030, our workforce will be representative of our population.
4. Positively promote the physical and mental health and well-being of our people and the communities we impact, with a focus on the issue of mental health and resilience in young people. These are the four pillars that underpin the strategy for a sustainable team and are the foundations of the decisions made on a daily basis.

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 2021, 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')

	Current reporting Year 2021	Previous reporting Year 2020
	UK and offshore	UK and offshore
Energy consumption used to calculate emissions	22,293,008	17,969,816
Emissions from combustion of gas tCO ₂ e (Scope	694.30	466.28
Emissions from combustion of fuel for transport purposes tCO ₂ e (Scope 1)	596.32	456.61
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel tCO ₂ e	33.73	44.31
Emissions from purchased electricity tCO ₂ e (Scope 2, location-based)	3,367.16	3,108.36
Total gross CO₂e based on above	4,691.51	4,075.56
Intensity ratio: tCO ₂ e gross figure (total GHG emissions per £m revenue)	22.23	12.24

*Note the 2020 figures are impacted by the reduced business activity due to the restrictions from Covid-19 in the year.

Methodology

The methodology used to calculate our GHG emissions is in line with the Greenhouse Gas Protocol, using the operational control approach to define our reporting boundary. The intensity ratio for the period has increased over the previous period in line with increased activity as the business returns to normal operations following the covid pandemic.

Energy Efficiency Action

In the period covered by the report the Company has purchased 15,858 MWh of sustainable biomass electricity. A rolling programme of converting and replacing lighting systems on the main campus to LED continues, with a completion date planned by end 2022. It is anticipated that this programme will save a further 1,400 MWh of energy per annum. Utility sub metering continues to be installed, extending the monitoring network to enable better reporting of use and identify further energy reductions. An external audit has recently been undertaken by the FIA, in accordance with their Environmental Accreditation Scheme.

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the 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.

Statement of disclosure of information to auditors

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

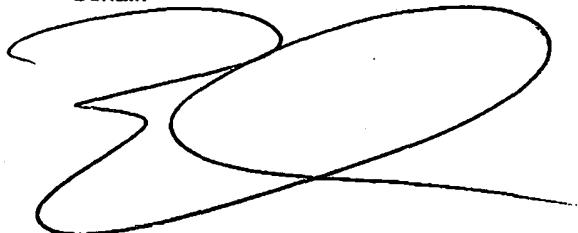
- On 3 January 2022 the investment agreement was ratified, changing the draw down profile of the funding in place.

Under this new agreement, for the £30,000K loan note due to be drawn down by the end of 2022 by the Group, the warrants were issued in January 2022 in full; prior to the drawdown being issued. For the remaining £15,000K, the Group has the option to draw in increments of £5,000K by no later than 31 December 2023. Any warrants associated with these future drawdowns will be issued at the same time as the loan notes.
- The Group entered into a new credit facility with NBB in February 2022, which gives an option to draw down an additional amount for working capital arrangements.
- The ongoing conflict in Ukraine has meant that at the time of signing the financial statements, the Russian GP has been cancelled, but has not yet been replaced. The impact of this change is not considered material for the financial statements.
- In February 2022 it was announced that Lando Norris extended his contract until 2025.
- A major multiyear deal with Google was announced in March 2022.

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 31 March 2022 and signed on its behalf.



Z Brown
Director, McLaren Racing Limited

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Independent auditors' report to the directors 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 2021 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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and consolidated financial statements (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 31 December 2021; the Consolidated and Company profit and loss account, the Consolidated and Company statement of comprehensive income, the Consolidated and Company statement 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

- The components included and work performed were:
- Full scope audit of McLaren Racing Limited.
- Audit of certain financial statement line items of McLaren Triple Crown Limited and McLaren Racing US LLC

Key audit matters

- Fair valuation of the loan notes and warrants (group and company)

Materiality

- Overall group materiality: £2.1M (2020: not applicable) based on 1% of revenue.
- Overall company materiality: £2.1M (2020: £4.1M) based on 1% (2020: 3%) of external revenue.
- Performance materiality: £1.6M (2020: not applicable) (group) and £1.6M (2020: £3.1M) (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.

As a result of the listing of the loan notes on The International Stock Exchange in April 2021, the group and company have become public interest entities and accordingly, key audit matters have been included for the first time this year.

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Fair valuation of the loan notes and warrants (group and company)</i></p> <p>As noted in Note 21 to the consolidated financial statements, McLaren Racing Limited has issued 12% unsecured Series A convertible loan notes and warrants for a combined value of £125M. The loan notes are redeemable at the option of the company or mandatorily convertible on occurrence of certain events, into variable number of equity instruments. The warrants are convertible into 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 recognized 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 by management 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.</p> <p>The key estimates and assumptions assessed were:-</p> <ul style="list-style-type: none"> - Determining the most appropriate basis for allocation of proceeds including determining the most appropriate methodology and market multiples to ascertain the equity value of McLaren Racing Limited; - Estimating the yield at the valuation date by calibrating the yield estimated at the issuance date with the market movement in the yield since then. 	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> - 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. <p>-</p> <p>Based on the procedures performed, we noted no material issues from our work.</p>

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 combination during the year.

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
<i>Overall materiality</i>	£2.1M (2020: not applicable)	£2.1M (2020: £4.1M).
<i>How we determined it</i>	1% of revenue	1% (2020: 3%) of external revenue
<i>Rationale for benchmark applied</i>	The group's principal focus is winning races and developing the McLaren brand and reputation using its high technology skills and knowledge to build racing cars. Better performance on track results in higher prize money and therefore as a result, revenue rather than profit or loss is considered to be the most relevant measure of performance.	The company is the primary component of the Group and contributes all the 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.

As explained within our audit approach section above, McLaren Racing Limited was the only financially significant component of the group in the current year. Accordingly, for the full scope audit of its financial statements, we used a materiality equal to our overall group materiality. We similarly used the overall group materiality for the audit of specific financial line items of McLaren Triple Crown Limited and McLaren Racing US LLC.

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% (2020: 75%) of overall materiality, amounting to £1.6M (2020: not applicable) for the group financial statements and £1.6M (2020: £3.1M) 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 in the middle 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 £105,500 (group audit) (2020: not applicable) and £105,500 (company audit) (2020: £204,000) 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 2021 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 tax legislation, employment regulation, health and safety legislation and other legislation specific to the motorsport industry in which the company operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management about existing and potential litigation and claims, and known or suspected instances of non-compliance with laws and regulations and fraud;
- addressing the risk of fraud through management override of controls by testing the appropriateness of journal entries, including journal entries with unusual account combinations;
- challenging assumptions and judgements made by management in their significant accounting estimates that involved considering future events that are inherently uncertain. In particular, the valuation of loan notes and warrants; 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 directors 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 (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
31 March 2022

Consolidated profit and loss account

for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	5	211,368	332,922
Cost of Sales		(191,178)	(196,098)
Gross profit		20,190	136,824
Administrative expenses		(60,255)	(48,465)
Other operating income		7,413	14,062
Operating (loss) / profit	6	(32,652)	102,421
(Loss) / profit before interest and taxation		(32,652)	102,421
Interest payable and similar expenses	8	(19,542)	(5,562)
(Loss) / profit before taxation		(52,194)	96,859
Tax on (loss) / profit	9	(7,193)	(11,021)
(Loss) / profit for the financial year		(59,387)	85,838

Consolidated statement of comprehensive income

for the year ended 31 December 2021

	2021 £000	2020 £000
(Loss) / profit for the financial year	(59,387)	85,838
Other comprehensive (expense) / income:		
Deferred tax movement on revaluation reserve	(1,206)	4,769
Total comprehensive (expense) / income for the year	(60,593)	90,607

Total comprehensive (expense) / income attributable to:

	2021 £000	2020 £000
Owners of the parent	(60,593)	90,607
Non-controlling interests	-	-
Total comprehensive (expense) / income for the year	(60,593)	90,607

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

The notes on pages 29 to 58 form an integral part of these consolidated financial statements.

Company profit and loss account

for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	5	282,211	332,922
Cost of Sales		(214,246)	(196,098)
Gross profit		67,965	136,824
Administrative expenses		(60,255)	(48,465)
Other operating income		7,413	14,062
Operating profit	6	15,123	102,421
Profit before interest and taxation		15,123	102,421
Interest payable and similar expenses	8	(17,310)	(5,562)
(Loss) / profit before taxation		(2,187)	96,859
Tax on (loss) / profit	9	(7,756)	(11,021)
(Loss) / profit for the financial year		(9,943)	85,838

Statement of comprehensive income

for the year ended 31 December 2021

	2021 £000	2020 £000
(Loss) / profit for the financial year	(9,943)	85,838
Other comprehensive (expense) / income:		
Deferred tax movement on revaluation reserve	3,958	4,769
Total comprehensive (expense) / income for the year	(5,985)	90,607

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

The notes on pages 29 to 58 form an integral part of these financial statements.

Consolidated balance sheet

as at 31 December 2021

	Note	2021 £000	2020 £000
Fixed assets			
Goodwill	20	9,292	-
Tangible assets	10	42,930	30,468
Heritage assets	11	23,601	23,171
Investments	12	-	-
		<u>75,823</u>	<u>53,639</u>
Current assets			
Inventories	13	38,305	36,226
Debtors	14	48,194	43,269
Cash at bank and in hand		42,317	56,016
		<u>128,816</u>	<u>135,511</u>
Creditors: Amounts falling due within one year	15	<u>(98,743)</u>	<u>(73,677)</u>
Net current assets		<u>30,073</u>	<u>61,834</u>
Total assets less current liabilities		<u>105,896</u>	<u>115,473</u>
Creditors: Amounts falling due after more than one year	16	<u>(120,853)</u>	<u>(74,209)</u>
Net (liabilities) / assets		<u>(14,957)</u>	<u>41,264</u>
Capital and reserves			
Called up share capital	18	50	50
Shares to be issued		34,000	30,000
Revaluation reserve		16,499	18,295
Accumulated losses		<u>(65,878)</u>	<u>(7,081)</u>
Equity attributable to owners of the parent		<u>(15,329)</u>	<u>-</u>
Non-controlling interest		372	-
Total Equity		<u>(14,957)</u>	<u>41,264</u>

The notes on pages 29 to 58 are an integral part of these consolidated financial statements.

The financial statements of McLaren Racing Limited on pages 22 to 58 were authorised for issue by the Board of Directors on 3 March 2022 and signed on its behalf by:


Zak Brown
Director

Registered number 01517478

Company balance sheet

as at 31 December 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	10	41,858	30,468
Heritage assets	11	533	23,171
Investments	12	-	-
		<u>42,391</u>	<u>53,639</u>
Current assets			
Inventories	13	38,305	36,226
Debtors	14	125,595	43,269
Cash at bank and in hand		39,904	56,016
		<u>203,804</u>	<u>135,511</u>
Creditors: Amounts falling due within one year	15	<u>(92,619)</u>	<u>(73,677)</u>
Net current assets		<u>111,185</u>	<u>61,834</u>
Total assets less current liabilities		<u>153,576</u>	<u>115,473</u>
Creditors: Amounts falling due after more than one year	16	<u>(114,297)</u>	<u>(74,209)</u>
		<u>39,279</u>	<u>41,264</u>
Capital and reserves			
Called up share capital	18	50	50
Shares to be issued		34,000	30,000
Revaluation reserve		2,528	18,295
Accumulated profit/(loss)		2,701	(7,081)
Total equity		<u>39,279</u>	<u>41,264</u>

The notes on pages 29 to 58 are an integral part of these financial statements.

The financial statements of McLaren Racing Limited on pages 22 to 58 were authorised for issue by the Board of Directors on 31 March 2022 and signed on its behalf by:


Zak Brown
Director

Registered number 0151747

Consolidated statement of changes in equity
for the year ended 31 December 2021

	Called-up Share Capital £000	Shares to be issued £000	Revaluation reserve £000	(Accumulated losses) £000	Non- controlling interest £000	Total Equity £000
At 1 January 2020	50	-	44,219	(123,612)	-	(79,343)
Profit for the financial year	-	-	-	85,838	-	85,838
Other comprehensive income	-	-	4,769	-	-	4,769
Total comprehensive income for the year	-	-	4,769	85,838	-	90,607
Transfer	-	-	(30,693)	30,693	-	-
Proceeds from issue of loan notes and warrants (see note 21)		30,000			-	30,000
At 31 December 2020	50	30,000	18,295	(7,081)	-	41,264
At 1 January 2021	50	30,000	18,295	(7,081)	-	41,264
Loss for the financial year	-	-	-	(59,387)	-	(59,387)
Other comprehensive income	-	-	(1,206)	-	-	(1,206)
Total comprehensive income / (expense) for the year	-	-	(1,206)	(59,387)	-	(60,593)
Transfer	-	-	(590)	590	-	-
Proceeds from issue of loan notes and warrants (see note 21)	-	4,000	-	-	-	4,000
Non-controlling interest arising on business combination (see note 20)	-	-	-	-	372	372
At 31 December 2021	50	34,000	16,499	(65,878)	372	(14,957)

The transfer of reserves of £590K (2020: £30,693K) 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 2021

	Called-up Share Capital	Shares to be Issued	Revaluation reserve	(Accumulated losses) / Retained earning	Total Equity
	£000	£000	£000	£000	£000
At 1 January 2020	50	-	44,219	(123,612)	(79,343)
Profit for the financial year	-	-	-	85,838	85,838
Other comprehensive income	-	-	4,769	-	4,769
Total comprehensive income for the year	-	-	4,769	85,838	90,607
Transfer	-	-	(30,693)	30,693	-
Proceeds from issue of loan notes and warrants (see note 21)	-	30,000	-	-	30,000
At 31 December 2020	50	30,000	18,295	(7,081)	41,264
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 expense	-	-	3,958	(9,943)	(5,985)
Transfer	-	-	(19,725)	19,725	-
Proceeds from issue of loan notes and warrants (see note 21)	-	4,000	-	-	4,000
At 31 December 2021	50	34,000	2,528	2,701	39,279

The transfer of reserves of £19,725K (2020: £30,693K) is in respect of the revaluation movement on the sale of heritage cars.

Consolidated statement of cash flows
for the year ended 31 December 2021

	2021 £000	2020 £000
OPERATING ACTIVITIES		
(Loss) / profit for the financial year	(59,387)	85,838
Adjustments for:		
Tax on (loss) / profit	7,193	11,021
Net interest expense	19,542	5,562
Operating (loss) / profit	(32,652)	102,421
Depreciation and amortisation charges	10,769	8,239
Non cash profit on sale of heritage cars	-	(163,637)
R&D expenditure credits	(1,617)	(1,359)
Increase in inventories	(2,209)	(330)
(Increase) / decrease in debtors	(18,645)	2,278
Increase in creditors	17,474	1,271
Heritage asset additions	(300)	(233)
(Decrease) / increase in provisions	(1,619)	1,617
Loss / (profit) on disposal of fixed assets	1,258	(12)
Realised net foreign exchange gain	775	992
Unrealised net foreign exchange gain	(1)	16
Taxation paid / (received)	7,488	(4,584)
	(19,279)	(53,321)
INVESTING ACTIVITIES		
Purchase of tangible assets	(19,526)	(8,584)
(Payment for) / Proceeds from disposal of tangible assets	(1,158)	12
Cash acquired on transfer of net assets of subsidiaries	2,412	-
	(18,272)	(8,572)
FINANCING ACTIVITIES		
Repayments of obligations under finance lease	(1,139)	(459)
Cash borrowed during the year	-	52,693
Cash repaid during the year	-	(35,000)
Proceeds from issue of loan notes and warrants	24,997	100,000
	23,858	117,234
(Decrease) / increase in cash and cash equivalents	(13,693)	55,341
Cash and cash equivalents, beginning of period	56,016	691
Effect of foreign exchange rate changes	(6)	(16)
Cash and cash equivalents, end of period	42,317	56,016

The notes on pages 29 to 58 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 principle 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, as well as a partnership with Arrow McLaren SP in the IndyCar series. In addition, the Company sells its own heritage cars as part of its business activities. In April 2021, the Company listed its loan notes issued during December 2020 and June 2021 on the International Stock Exchange and therefore meets the definition of a public interest entity under the IESBA Code.

2. Statement of compliance

The group and individual 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 separate 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 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 and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4. The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account. The Group has taken advantage of the exemption in section 405 of the Companies Act from including Team McLaren Limited and McLaren Marketing Limited as the inclusion of these subsidiaries does not change the true and fair view.

b. Going concern

Following the investments made into the business in December 2020 and during 2021, 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 a qualifying entity and the consolidated statement of cashflows, included in these financial statements, includes the company's cashflow as per section 7 Statement of Cash Flows and paragraph 3.17(d)

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

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

- from the financial instrument disclosures, required under FRS 102 paragraphs, 11.42, 11.44, 11.45, 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.

d. Basis of consolidation

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

At 31 December 2020 the Company was exempt by virtue of sections 402 and 405 of the Companies Act 2006 from the requirement to prepare consolidated financial statements on the basis that its subsidiaries, Team McLaren Limited and McLaren Marketing Limited were not material either individually or collectively for the purpose of giving a true and fair view of the financial position and performance as a group. These subsidiaries continued to be immaterial as of and for the year ended on 31 December 2021 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 are 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 the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or 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 ten years. 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.

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 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 by the Company and value added taxes.

Revenue represents prize money associated with participation in the Formula One World Championship, sponsorship fees, royalties, licensing, the sale of heritage Formula One cars and for 2021 a new revenue stream known as Accelerator generated through working with specific partners to deliver proof of concept technical projects using our own technical expertise.

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.

Sponsorship income is deferred and recognised over the period in which the Company 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 Accelerator programme is recognised on completion of the contracted deliverables.

In certain cases, the Company 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. Under the COVID-19 Job Retention Scheme (CJRS), HMRC will reimburse up to 80% of the wages of employees who have been furloughed but who are being kept on the payroll. The scheme is designed to compensate for staff costs, 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 is 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, for such allowances as tax credits and 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.

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.

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.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

l. 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	- 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.

m. Heritage assets

The Group has a collection of heritage vehicles, made up of 74 racing cars, 7 historic vehicles and 9 spare F1 racing car monocoques. 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.

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.

Notes to the financial statements (*continued*)

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

n. 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.

o. Impairment of non-financial assets

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

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

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

p. Investments

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

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

q. 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 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.

r. Cash and cash equivalents

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

Bank overdrafts are shown within borrowing in current liabilities.

s. 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.

Notes to the financial statements (*continued*)

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

t. 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.

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

Notes to the financial statements (*continued*)

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

t. Financial instruments (*continued*)

(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.

u. 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.

v. 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.

Notes to the financial statements (*continued*)

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

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 methodology and market multiples to ascertain the equity value of McLaren Racing Limited.

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

Determining the term to exit; and

Estimating the yield as at the valuation date by calibrating the yield estimated as at the issuance date with the market movement in yield observed between the issuance date and the valuation date.

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. In the current year, the provisional basis of accounting for goodwill has been followed. The areas of significant judgement applied is the valuation of identifiable intangible and tangible assets and the Internal Rate of Return used.

5. Turnover

	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Analysis of turnover by category				
Sales of goods	13,592	208,884	84,414	208,884
Rendering of services	191,516	121,144	191,537	121,144
Royalty income	6,260	2,894	6,260	2,894
	211,368	332,922	282,211	332,922

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

For the reporting periods ended 31 December 2021 and 31 December 2020, the Group's activities comprised just one reportable segment being participating in F1 motor racing events throughout the world.

Notes to the financial statements (continued).

6. Operating (loss) / profit

Group

	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Operating (loss) / profit is stated after charging / (crediting):				
Depreciation	10,769	8,239	10,769	8,239
Operating lease rentals	4,649	5,687	4,649	5,687
Impairment of Fixed assets	-	129	-	129
R&D Tax Credits	(7,193)	(9,192)	(7,193)	(9,192)
Profit on sale of heritage assets	4,046	(172,166)	4,046	(172,166)
Coronavirus Job retention scheme grant	(61)	(4,228)	(61)	(4,228)

	Group	Group	Company	Company
	2021	2020	2021	2020
	£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	170	100	170	100
Fees payable to the Company's auditors and its associates for the other services:	55	-	55	-
- Agreed upon procedures pursuant to FIA Formula 1 Financial Regulations				
-Tax advisory services	4	-	4	-
Total Amount payable to the company's auditors and its associates	229	100	229	100

Notes to the financial statements (continued)

7. Employees and directors

Employees	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Employee costs during the year:				
Wages and salaries	73,998	66,334	73,998	66,334
Social security costs	8,777	7,938	8,777	7,938
Other pension costs	2,770	2,381	2,770	2,381
	<u>85,545</u>	<u>76,653</u>	<u>85,545</u>	<u>76,653</u>

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

	Group 2021 Number	Group 2020 Number	Company 2021 Number	Company 2020 Number
Production	351	361	351	361
Design & Engineering	273	285	273	285
Administration	213	192	213	195
	<u>837</u>	<u>841</u>	<u>837</u>	<u>841</u>

Directors

The Directors' emoluments were as follows:	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Aggregate emoluments excluding pensions and highest paid director	2,234	2,127	2,234	2,127
Highest paid director's emoluments	8,815	9,319	8,815	9,319
	<u>11,049</u>	<u>11,446</u>	<u>11,049</u>	<u>11,446</u>

Notes to the financial statements (continued)

7. Employees and directors (continued)

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	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Salaries and short-term benefits	15,424	13,841	15,424	13,841
Pensions	207	15	207	155
	<u>15,631</u>	<u>13,856</u>	<u>15,631</u>	<u>13,856</u>

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

	Group	Group	Company	Company
	2021	2020	2021	2020
On group loans	-	(5,854)	2,232	(5,854)
Other interest receivable	-	55	-	55
Other interest payable	(401)	(755)	(401)	(755)
Total interest expense on financial liabilities not measured at fair value through profit and loss	(401)	(6,554)	1,831	(6,554)
Changes in fair value of loan notes	(19,910)	-	(19,910)	-
Net exchange gain	769	992	769	992
Total interest payable and similar expense	<u>(19,542)</u>	<u>(5,562)</u>	<u>(17,310)</u>	<u>(5,562)</u>

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 and June 2021. The net increase was determined by comparing the carrying of the loan notes with their present value, which was calculated as follows:

- The value of the loan notes on exit was calculated based on the instrument's coupon rate of 12%, compounded annually.
- The yield at the valuation date 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 present value of the debt was then estimated using the calibrated yield.

Notes to the financial statements (continued)

9. Tax on (loss) / profit

(a) Tax charge included in loss or profit	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Current tax:				
- UK corporation tax on profits for the year	1,506	527	1,506	527
- Foreign corporation tax on profits for the year	152	49	152	49
- Adjustments in respect of prior years	(42)	(4,216)	(42)	(4,216)
Total current tax	<u>1,616</u>	<u>(3,640)</u>	<u>1,616</u>	<u>(3,640)</u>
Deferred tax:				
- Origination and reversal of timing differences	(5,816)	(12,870)	(5,389)	(12,870)
- Derecognise Deferred Tax Assets	15,074	25,401	15,074	25,401
- Adjustments in respect of prior years	-	4,563	-	4,563
- Impact of change in tax rate	(3,681)	(2,433)	(3,545)	(2,433)
Total deferred tax (see note 19)	<u>5,577</u>	<u>14,661</u>	<u>6,140</u>	<u>14,661</u>
Tax charge on (loss) / profit	<u>7,193</u>	<u>11,021</u>	<u>7,756</u>	<u>11,021</u>

(b) Tax income included in other comprehensive income

	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Deferred tax:				
- Impact of change in tax rate	1,323	-	155	-
- Released on sale of asset to subsidiary	-	-	(3,633)	-
- Origination and reversal of timing differences	(117)	(4,769)	(480)	(4,769)
Tax income / (credit) included in other comprehensive income	<u>1,206</u>	<u>(4,769)</u>	<u>(3,958)</u>	<u>(4,769)</u>

Notes to the financial statements
(continued)

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

The tax credit (2020: charge) for the year is higher than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
(Loss) / profit before taxation	(52,194)	96,859	(2,187)	96,859
(Loss) / profit before taxation multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	(9,917)	18,403	(416)	18,403
Effects of:				
- Income not subject to tax	-	(30,934)	(7,525)	(30,934)
- Withholding Tax suffered	152	49	152	49
- Derecognise Deferred Tax Assets	15,074	25,401	15,074	25,401
- Expenses not deductible for tax purposes	5,565	188	4,016	188
- Adjustments in respect of prior years	-	347	-	347
- Re-measurement of deferred tax – change in UK tax rate	(3,681)	(2,433)	(3,545)	(2,433)
Tax charge for year	7,193	11,021	7,756	11,021

(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.

Notes to the financial statements (continued)

10. Tangible assets

Group	Leasehold premises and improvements £000	Plant, machinery, tools and equipment £000	Motor vehicles £000	Fixtures, fittings and office equipment £000	Assets in the course of construction £000	Total £000
Cost or valuation:						
At 1 January 2021	702	51,389	6,899	38,440	4,412	101,842
Additions	688	13,077	863	2,324	5,307	22,259
Additions pursuant to acquisition of business (note 20)	36	1,036	-	-	-	1,072
Transfers	-	2,373	-	41	(2,414)	-
Disposals	-	(229)	(521)	(210)	-	(960)
At 31 December 2021	1,426	67,646	7,241	40,595	7,305	124,213
Accumulated depreciation:						
At 1 January 2021	458	39,937	6,898	23,952	129	71,374
Charge for the year	124	5,895	46	4,704	-	10,769
Disposals	-	(224)	(521)	(115)	-	(860)
At 31 December 2021	582	45,608	6,423	28,541	129	81,283
Net book value:						
At 31 December 2021	844	22,038	818	12,054	7,176	42,930
At 31 December 2020	244	11,452	1	14,488	4,283	30,468

The net carrying amount of assets held under finance leases included in fixtures, fittings and office equipment is £4,655K (2020: £5,508K).

Notes to the financial statements (continued)

10. Tangible assets (continued)

Company	Leasehold premises and improve- ments £000	Plant, machinery, tools and equipment £000	Motor vehicles £000	Fixtures, fittings and office equipment £000	Assets in the course of construction £000	Total £000
Cost or valuation:						
At 1 January 2021	702	51,389	6,899	38,440	4,412	101,842
Additions	688	13,077	863	2,324	5,307	22,259
Transfers	-	2,373	-	41	(2,414)	-
Disposals	-	(229)	(521)	(210)	-	(960)
At 31 December 2021	1,390	66,610	7,241	40,595	7,305	123,141
Accumulated depreciation:						
At 1 January 2021	458	39,937	6,898	23,952	129	71,374
Charge for the year	124	5,895	46	4,704	-	10,769
Disposals	-	(224)	(521)	(115)	-	(860)
At 31 December 2021	582	45,608	6,423	28,541	129	81,283
Net book value:						
At 31 December 2021	808	21,002	818	12,054	7,176	41,858
At 31 December 2020	244	11,452	1	14,488	4,283	30,468

The net carrying amount of assets held under finance leases included in fixtures, fittings and office equipment is £4,655K (2020: £5,508K).

Notes to the financial statements (continued)

11. Heritage assets

	Group	Company
	2020	2020
	£000	£000
Cost and Net book value:	54,895	54,895
At 1 January 2020		
Additions	233	233
Transfer to Inventory	(31,957)	(31,957)
At 31 December 2020	23,171	23,171
	Group	Company
	2021	2021
	£000	£000
Cost and Net book value:	23,171	23,171
At 1 January 2021		
Additions	300	300
Transfer to inventory	130	(22,938)
At 31 December 2021	23,601	533

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

	2021	2020
	£000	£000
Additions	300	233
Transfer to Inventory	130	(31,957)

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)

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.

12. Investments

The subsidiaries are:

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

McLaren Marketing Limited, Team McLaren 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. At the stage of signing the Annual report, Team McLaren Ltd had started the process of being struck off.

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.

Two UK subsidiaries in the Group have elected to make use of the audit exemption, for dormant companies under section 480 of the UK Companies Act. The companies which have made use of the audit exemption are Team McLaren Limited (Company number 00772700, registered office: McLaren Technology Centre, Chertsey Road, Woking, Surrey, GU21 4YH) and McLaren Marketing Limited (Company number 01967716, registered office: McLaren Technology Centre, Chertsey Road, Woking, Surrey, GU21 4YH).

McLaren Triple Crown Limited (13151435), a subsidiary in the Group has elected to make use of the audit exemption for individual accounts under section 479C 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 Racing US LLC is 75% owned by McLaren Indy LLC.

Notes to the financial statements (continued)

13. Inventories

	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Racing car development costs	30,402	29,866	30,402	29,866
Raw materials and consumables	4,157	2,297	4,157	2,297
Finished goods and goods for resale	3,746	4,063	3,746	4,063
	<u>38,305</u>	<u>36,226</u>	<u>38,305</u>	<u>36,226</u>

14. Debtors

	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade debtors	7,854	9,755	7,736	9,755
Amounts owed by group undertakings	-	-	74,561	-
Amounts owed by related parties (note 25)	891	3,321	869	3,321
Other debtors	23,514	9,657	23,274	9,657
Deferred tax asset (note 19)	9,861	16,644	14,460	16,644
Prepayments and accrued income	6,074	3,892	4,695	3,892
	<u>48,194</u>	<u>43,269</u>	<u>125,595</u>	<u>43,269</u>

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.

Notes to the financial statements (continued)

15. Creditors: amounts falling due within one year

	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Obligations under finance leases (note 17)	822	751	822	751
Trade creditors	8,441	5,954	7,905	5,954
Amounts owed to group undertakings (note 25)	34	492	487	492
Amounts owed to related parties (note 25)	1,329	-	1,328	-
Taxation and social security	3,581	5,117	3,581	5,117
Other creditors	634	173	633	173
Accruals & Deferred Income	80,208	61,190	77,863	61,190
Deferred consideration (note 23)	3,694	-	-	-
	98,743	73,677	92,619	73,677

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 2021, Group Accruals totalled £40,375K (2020: £36,435K).

In 2021, Company Accruals totalled £38,240K (2020: £36,435K).

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

	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Obligations under finance leases (note 17)	2,961	3,783	2,961	3,783
Optionally convertible loan notes	111,336	70,426	111,336	70,426
Deferred Consideration	6,556	-	-	-
	120,853	74,209	114,297	74,209

Notes to the financial statements (continued)

17. Loans and other borrowings

	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Obligations under finance leases	3,783	4,534	3,783	4,534
Optionally convertible loan notes	111,336	70,426	111,336	70,426
Amounts owed to related parties	1,329	492	1,328	492
	116,448	75,452	116,447	75,452

a) Finance leases

The future minimum finance lease payments are as follows:

	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Not later than one year	1,139	1,171	1,139	1,171
Later than one year and not later than five years	3,417	4,524	3,417	4,524
Total gross payments	4,556	5,695	4,556	5,695
Less finance charges	(773)	(1,161)	(773)	(1,161)
Carrying amount of liability	3,783	4,534	3,783	4,534

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 as at 31 December 2020 and 31 December 2021 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.

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.

18. Called up share capital of the Group and Company

	2021	2020
	£000	£000
Authorised, called up and fully paid		
50,150 (2020: 50,150) ordinary shares of £1 each	50	50

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

Notes to the financial statements (continued)

19. Deferred tax

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

	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Depreciation in excess of capital allowances	(7,718)	(3,988)	(7,718)	(3,988)
Revaluation of tangible assets	5,500	4,291	338	4,291
Other timing differences	(1,580)	(675)	(1,580)	(675)
Tax R&D incentives	-	(12,002)	-	(12,002)
Trading losses carried forward	(6,063)	(4,270)	(5,500)	(4,270)
	<u>(9,861)</u>	<u>(16,644)</u>	<u>(14,460)</u>	<u>(16,644)</u>

At the balance sheet date, the Group has UK tax losses of £158,000K (2020: £156,000K), 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 £15,074 were derecognized in the current year. The UK tax incentives do not expire and are fully provided.

The deferred tax liability expected to reverse in 2022 totals £Nil (2021: £Nil).

Notes to the financial statements (continued)

20. Business combinations

On 31st Dec 2021 the group acquired 75% of Schmidt Peterson Motorsports (US) 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 \$16,875k payable over 8 years. On the 3 January 2022 the company name was changed to McLaren Indy LLC.

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 by the end of the reporting period. The Group has therefore, accounted for the acquisition on a provisional basis. The following table summarises the provisional numbers for consideration:

	Note	Carrying Value	Adjustment	Provisional fair value
Property, Plant and equipment	(i)	325	747	1,072
Cash and Cash Equivalents		2,412		2,412
Trade Receivables		1,778		1,778
Goodwill	(ii)	1,022	(1,022)	-
Trade payables		(1,586)		(1,586)
Provisions		(2,188)		(2,188)
		1,763	(275)	1,488
75% of identifiable assets acquired				1,116
Goodwill				9,292
Total Purchase consideration				10,408

(i) Uplift to equipment based on alignment of accounting policies

(ii) Adjustment under FRS102 on internally generated goodwill

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. Included within goodwill are potential intangible assets like customer lists, the fan base and non-compete agreements of the team, that will be fair valued as at the acquisition date and retrospectively adjusted within 12 months from the date of the acquisition.

Since the acquisition date, Schmidt Peterson Motorsports (US) LLC Limited has contributed nil to group turnover and nil to group profit.

The deferred consideration is calculated as the present value of the purchase price of \$16,875K, using a provisional discount rate of 12%.

Notes to the financial statements (continued)

21. 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.

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 2021, the investors cumulatively held 25% (31 December 2020 - 21.05%) in the Company on a diluted basis.

The warrants are initially recognized at the premium received, determined through allocation of the proceeds between the loan notes and warrants on a fair value basis. The loan notes are held at fair value which is determined using estimates and judgements in regards to the term to exit and estimating the yield as at the valuation date by calibrating the yield estimated as at the issuance date with the market movement in yield observed between the issuance date and the valuation date. The warrants are recognized within equity as "shared to be issued" and are not revalued.

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
Total- allocation of proceeds on initial recognition	91,000	34,000	125,000

22. Financial commitments

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

	2021 £000	2020 £000
Payments due:		
Not later than one year	4,649	4,642
Later than one year and not later than five years	13,950	13,927

Notes to the financial statements (continued)

23. Financial Instruments

The Company has the following financial instruments:

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Financial assets that are debt instruments measured at amortised cost				
- Trade debtors (note 14)	7,854	9,755	7,736	9,755
- Amounts owed by group undertakings (note 14)	-	-	74,561	-
- Amounts owed by related parties (note 25)	891	3,321	869	3,321
- Other debtors (note 14)	23,514	9,657	23,274	9,657
	32,259	22,733	106,440	22,733

Financial liabilities measured at fair value through profit or loss

- Optionally convertible loan notes (notes 16 & 17)	111,336	70,426	111,336	75,452
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Financial liabilities measured at amortised cost

- Warrants (note 21)	34,000	30,000	34,000	30,000
- Finance leases (note 17)	3,783	4,534	3,783	4,534
- Trade creditors (note 15)	8,441	5,954	7,905	5,954
- Amounts owed to related parties (note 25)	1,329	492	1,328	492
- Other creditors (note 15)	634	173	633	173
- Accruals (note 15)	40,375	36,435	38,240	36,435
	88,562	77,588	85,889	77,588

Notes to the financial statements (continued)

24. Contingent liability

McLaren Racing Limited has given guarantees in favour of third parties. As at 31 December 2021, the balances guaranteed were CHF 100,000 (2020: CHF 100,000) in favour of Tribunal De Premiere Instance; EUR 16,873 (2020: 16,873) in favour of Dresdner Bank AG; and EUR 90,060.30 (2020: NIL) in favour of Agenzia Delle Entrate. Timing of the cash outflow is impracticable to be able to predict.

25. Related party transactions

Transactions with related companies during the year were as follows:

	Year ended 31 December	Balance outstanding at 31 December	Year ended 31 December	Balance outstanding at 31 December
	2021 £000	2021 £000	2020 £000	2020 £000
Sales to related parties				
Group				
Sam Schmidt	22	22	-	-
Company				
United Autosport Limited	544	-	1,882	-
MSP Sports Capital	36	-	-	-
McLaren Services Limited	4,449	75	197,329	1,658
McLaren Support Services Limited	-	48	-	-
McLaren Applied Limited	-	-	208	17
McLaren Marketing Limited	-	-	-	34
McLaren Holdings Limited	-	-	-	1,154
McLaren Automotive Inc	195			
McLaren Automotive Limited	248	746	55	458
McLaren Automotive Events Limited	22	-	24	-
McLaren Automotive Asia PTE Limited	2	-	13	-
Amounts owed by related parties at 31 December		891		3,321

Notes to the financial statements (continued)

25. Related party transactions (continued)

	Year ended 31 December	Balance outstanding at 31 December	Year ended 31 December	Balance outstanding at 31 December
	2021 £000	2021 £000	2020 £000	2020 £000
Purchases from related parties				
Group				
Sam Schmidt & Ric Peterson	1	1		
Company				
United Autosports Ltd	844	-	1,458	-
Tag Aviation	-	-	14	-
Entertainment Travel	329	-	273	-
McLaren Applied Limited	-	-	296	133
McLaren Applied Inc	-	-	333	17
McLaren Automotive Limited	1,965	146	288	273
McLaren Services Limited	12,237	959	21,530	-
McLaren Support Services Limited	7,685	223		
McLaren Marketing Limited	-	-	-	69
McLaren Holdings Limited	-	-	5,853	-
McLaren Holdings Limited – Loan settled	-	-	232,022	-
McLaren Holdings Limited – Loan borrowed	-	-	(52,693)	-
McLaren Automotive Inc	2,223	-	632	-
Bahrain International Circuit	106	-	89	-
Amounts owed to related parties at 31 December 2021		1,329		492

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.

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

Notes to the financial statements (continued)

26. Capital Commitments

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

	2021 £000	2020 £000
Contracts for future capital expenditure not provided in the financial statements – Property, plant and equipment	10,181	18,591

27. 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 2021 based on beneficial ownership on an as-converted basis was as follows: 75% McLaren Group Limited and 25% (MSP Sports Capital, Caspian, UBS O'Connor and ASME Holdings I, LP).

28. Subsequent events

- On 3 January 2022 the investment agreement was ratified, changing the draw down profile of the funding in place.
Under this new agreement, for the £30,000K loan note due to be drawn down by the end of 2022 by the Group, the warrants were issued in January 2022 in full; prior to the draw down being issued. For the remaining £15,000K, the Group has the option to drawdown in increments of £5,000K by no later than 31 December 2023. Any warrants associated with these future drawdowns will be issued at the same time as the loan notes.
- The Group entered into a new credit facility with the National Bank of Bahrain in February 2022, which gives an option to draw down an additional amount for working capital arrangements.
- The ongoing conflict in Ukraine has meant that at the time of signing the financial statements, the Russian GP has been cancelled, but has not yet been replaced. The impact of this change is not considered material for the financial statements.
- In February 2022 it was announced that Lando Norris extended his contract until 2025.
- Lastly, a major multiyear deal with Google was announced in March 2022.