McLaren Automotive Limited

Directors' report and consolidated financial statements

Registered number 01967717

31 December 2011

Contents

Officers and professional advisers

Directors	R Dennis MA Ojjeh (French) M Whitmarsh Talal Ali Al-Zain (Bahraini – resigned 6/01/2013) Shaikh Mohammed Bin Essa Al Khalifa (Bahraini) A Myers A Sheriff P Lim (Singapore - Appointed 18/08/2011) Mahmood Al Kooheji (Bahraini – Appointed 21/01/2013)
Secretary	T Murnane
Registered office	McLaren Technology Centre Chertsey Road Woking Surrey GU21 4YH
Auditor	KPMG LLP 1 Forest Gate Brighton Road Crawley RH11 9PT

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

Registered number

The company's registered number is 01967717

Principal activity

The principal activity of the Group is the design, development and manufacture of high performance sports cars

Business review and future prospects

The directors consider turnover, sales volumes, profit before tax, cashflow and performance against engineering programme milestones to be the principal Key Performance Indicators (KPIs) These are used to assess progress towards achieving the Group's strategies over the medium term and performance against these measures is reviewed regularly

2011 was a transitional year for McLaren Automotive as the Group moved from pure development to development and manufacture of customer cars The first customer MP4-12C Coupe cars left the production line at the end of July 2011 and by the end of the year 400 MP4-12C Coupes had been sold As a result, turnover for the year has risen to £68 9m from £6 4m in 2010 reflecting the income from the vehicles sold Gross profit from these cars was £10 8m (2010 £2 2m) By the end of the year the McLaren Production Centre, based in Woking, was achieving daily production targets

The Group had also successfully appointed the 36 dealers that were targeted for the year Of the 36, 27 were open and trading by the end of the year with the remaining dealers opening in the first half of 2012 In addition to the 36, a further 13 dealers have been appointed in 2012 and the Group is continuing to expand into new markets

The operating loss for the year was £59 1m (2010 £39 8m) because fully ramped up production was not achieved until December 2011 Moreover, the Group continued to invest in resourses to support the future growth of the business which includes personnel and infrastructure The Group's average headcount has increased from 473 in 2010 to 792 in 2011

The Group has also continued to invest in new road car projects, which are part of the long-term business plan During 2011 the Group invested £66 6m (2010 £93 9m) in new road car projects, capitalising £64 0m (2010 £90 3m) in accordance with SSAP13. It is expected that these costs will be amortised against future vehicle production

The balance sheet shows the Group's net assets are £28 9m (2010 net liabilities £67 2m) During 2011, the Group received £150 0m in new equity financing through the issue of shares to new investors In addition, a further £10m of loan financing was received taking the amounts owed to shareholders to £211 5m (2010 200 8m) The additional funding received has all been invested in the development of new vehicles, including the MP4-12C, and secures the future projects planned by the Group The additional funding received shows the confidence that exists in the long-term business plan of the Group

As we move into the next phase of our business plan we expect 2012 to be a year in which the company begins to consolidate its position as a world leading sports car manufacturer At the start of 2012 our order book remained strong and demand for the MP4-12C is encouraging During this year we will, along with our retail partners, launch dealerships in the USA, Japan, Singapore and the Middle East and in addition will further strengthen our retail proposition in Europe By the end of 2012 we will have opened 40 dealerships worldwide – 4 dealerships ahead of our original plan

McLaren Automotive continues to invest heavily in future vehicle programmes in line with our stated business plan and 2012 has been a year in which we have announced exciting new additions to the product line up In March we launched the 12C Spider a convertible version of the MP4-12C which utilises much of the leading edge technology developed on the earlier programme As a consequence the 12C Spider weighs only 45kg more than the coupe, despite the absence of a fixed roof structure and suffers none of the torsional rigidity problems inherent in convertible sports cars today It also has almost identical performance figures to those of the coupe

Directors' report *(continued)*

Following on this theme of leading technology development, in September 2012 we unveiled the McLaren P1 at the Paris Motor Show to worldwide acclaim Whilst full details of performance figures, lifecycle and other attributes remain confidential, we are confident that P1 will redefine the hypercar category when it is launched during late 2013

Finally, reflecting that 2012 will be our first full year of production, we expect to move towards breakeven in 2012 and in the future transition to profitability as we expand our model range and global footprint During this period of growth and investment our shareholders have continued to provide the financial support required by the Group

The Group operates in an international environment with sales denominated primarily in Sterling, US dollars and Euros Purchases are transacted primarily in Sterling and Euros with a very small amount in US dollars

Principal risks and uncertainties

The Group has entered the production phase of the MP4-12C during which time the major risks to the business relate primarily to component supply, manufacturing lead times and end of line vehicle quality The sports car market has weathered the recent economic conditions reasonably well, however, significantly greater turbulence in the short to midterm also presents a level of financial risk to the Group's business plan

During 2012 currency exposure will increase as worldwide sales revenues, which are denominated in all major currencies, begin to flow in The Principal risk however remains around the US Dollar although some residual Euro risk exists in the short term The Group has forward contracts in place to cover these cash flows

Interest exposure is governed by the rate at which long term loans are agreed and the rate contracted with shareholders

Results

The loss on ordinary activities for the year after taxation amounted to £53,869,000 *(2010 £29,101,000)*

Dividends

The directors do not propose a dividend for the year ended 31 December 2011 *(2010 £nil)*

Employment of disabled persons

The policy of the Group and its subsidiaries is to give full and fair consideration to employment application by disabled persons and to ensure that disabled employees receive appropriate training and career development opportunities

Employment policies

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

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

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

Donations

During the year the Group made charitable donations of £nil *(2010 £nil)* and no political donations *(2010 £nil)*

Directors' report *(continued)*

Disclosure of information

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information

Directors

The directors who held office during the year as well as those that were in office at the date of the approval of this report are set out on Page 1 Unless otherwise indicated, Directors served throughout the year.

Auditor

In accordance with Section 485 & 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

T Murnane 8.2.13
Secretary

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 parent company and of their profit or loss for that period In preparing each of the group and parent company financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditor's report to the members of McLaren Automotive Limited.

We have audited the financial statements of McLaren Automotive Limited for the year ended 31 December 2011 set out on pages 6 to 24 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

TM Widdas

T.M. Widdas (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
West Sussex, RH11 9PT

8/2/13

Consolidated profit and loss account
for the year ended 31 December 2011

	Note	**2011**	2010
		£000	£000
Turnover	*2*	**68,850**	6,419
Cost of sales		**(58,017)**	(4,236)
Gross profit		**10,833**	2,183
Administrative expenses		**(69,945)**	(41,964)
Operating loss		**(59,112)**	(39,781)
Interest receivable and similar income	*4*	**812**	4,629
Interest payable and similar charges	*5*	**(10,662)**	(7,747)
Loss on ordinary activities before taxation	*6*	**(68,962)**	(42,899)
Tax on loss on ordinary activities	*7*	**15,093**	13,798
Loss for the financial year	*17*	**(53,869)**	(29,101)

In the current year the Company made no material acquisitions or disposals

There were no recognised gains or losses in either the current or preceding year other than those disclosed in the profit and loss account, and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the result reported in the profit and loss account and the result on an unmodified historical cost basis

Consolidated Balance sheet
as at 31 December 2011

	Note	**£000**	**2011 £000**	£000	2010 £000
Fixed assets					
Intangible assets	*8*		**212,171**		151,276
Tangible assets	*9*		**18,725**		12,771
			230,896		164,047
Current assets					
Stocks	*10*	**28,529**		2,751	
Debtors	*11*	**65,979**		39,424	
Cash at bank and in hand		**5,817**		446	
		100,325		42,621	
Creditors: amounts falling due within one year	*12*	**(88,796)**		(188,889)	
Net current assets/(liabilities)			**11,529**		(146,268)
Total assets less current liabilities			**242,425**		17,779
Creditors: Amounts falling due after one year	*13*		**(211,519)**		(85,000)
Provisions for liabilities and charges	*15*		**(1,996)**		-
Net assets/(liabilities)			**28,910**		(67,221)
Capital and reserves					
Called up share capital	*16*		**14**		10
Share premium account	*17*		**149,996**		-
Profit and loss account	*17*		**(121,100)**		(67,231)
Equity	*18*		**28,910**		(67,221)

These financial statements were approved by the board of directors on 8 FEBRUARY 2013 and were signed on their behalf by

R Dennis
Director

Company Balance sheet
as at 31 December 2011

	Note		2011		2010
		£000	£000	£000	£000
Fixed assets					
Intangible assets	8		211,864		151,276
Tangible assets	9		18,683		12,730
			230,547		164,006
Current assets					
Stocks	10	26,040		2,751	
Debtors	11	78,766		41,529	
Cash at bank and in hand		4,405		410	
		109,211		44,690	
Creditors: amounts falling due within one year	12	(88,147)		(188,878)	
Net current assets/(liabilities)			21,064		(144,188)
Total assets less current liabilities			251,611		19,818
Creditors: Amounts falling due after one year	13		(211,519)		(85,000)
Provisions for liabilities and charges	15		(1,996)		-
Net assets/(liabilities)			38,096		(65,182)
Capital and reserves					
Called up share capital	16		14		10
Share Premium	17		149,996		-
Profit and loss account	17		(111,914)		(65,192)
Equity	18		38,096		(65,182)

These financial statements were approved by the board of directors on 8 FEBRUARY 2013 and were signed on their behalf by

R Dennis
Director

Consolidated cash flow statement

for the year ended 31 December 2011

	Note	**Year ended 31 December 2011 £000**	Year ended 31 December 2010 £000
Net cash (outflow) from operating activities	*19*	**(80,570)**	(9,066)
Returns on investments and servicing of finance	*20*	**(936)**	(7,747)
Capital expenditure and financial investment	*20*	**(73,118)**	(99,487)
Cash (outflow) before financing		**(154,624)**	(116,300)
Net cash inflow from financing	*20*	**160,000**	115,804
Increase / (decrease) in cash in the year		**5,376**	(496)

Reconciliation of net cash flow to movement in net debt

for the year ended 31 December 2011

	Note	**Year ended 31 December 2011 £000**	Year ended 31 December 2010 £000
Increase / (decrease) in cash in the year		**5,376**	(496)
Effect of exchange rate fluctuations on cash held		**(5)**	-
Cash flows from financing		**(30,000)**	(115,804)
Loans converted to equity		**20,000**	-
Foreign exchange revaluation on related party loans		**(715)**	-
Change in net (debt) resulting from cash flows		**(5,344)**	(116,300)
Opening net (debt) / funds	*21*	**(200,358)**	(84,058)
Closing net (debt)		**(205,702)**	(200,358)

Notes
(Information part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, and under the historical cost accounting rules The particular accounting policies adopted are described below, and have been applied consistently throughout the current and preceding period

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on Pages 2 to 3 The financial position and finance structure of the company is also described in the Directors' Report

The Directors believe that the Company is well placed to manage its business risk successfully, despite the current uncertainties in global economic markets In particular, the Directors made enquiries of, and satisfied themselves that the Company's trading performance is in line with expectations This is supported by the positive reaction to the Company's new Spider version of the MP4-12C and the reveal of the P1 supercar to the market Supported by strong forward orders and an increase in dealerships, the Directors believe that the company is well placed in its market segment for continued future success

On 7 March 2012 the company signed a loan agreement for £50 million in respect of the purchase of the new Production Centre from McLaren Group Limited This loan has quarterly performance covenant tests within it If these are not achieved and or the business requires additional funding the Company's controlling shareholders have indicated their willingness to provide further support to the Company for at least a period of 12 months from the date of approval of these financial statements. Thus, the Directors continue to adopt the going concern basis of accounting in the preparation of the financial statements

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertaking Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account

Intangible fixed assets

Intangible fixed assets represent development costs incurred on new car programmes and are capitalised in accordance with SSAP13 related 'Research and Development' These are stated at historical cost and will be amortised over the lifecycle of the car programme to which they relate Development costs include materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity

Development costs on each programme are capitalised up to the point at which the vehicle is formally handed over to production, which normally occurs 90 days following the first production vehicle being produced

The intangible fixed asset balance is amortised over the production life-cycle volumes of the associated car programme

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided over the estimated useful lives of the assets at the following rates

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

No depreciation is provided until the assets are brought into use

Notes *(continued)*

1 Accounting policies *(continued)*

Turnover

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

Revenue from the sale of vehicles is recognised when the significant risks and rewards of ownership of the vehicles have passed to the dealer, which is normally considered to be the point of despatch to the dealer or when the vehicles are received by the dealer

Research and development

Research and development expenditure is written off 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 expected to exceed related future sales and adequate resources exist to enable the project to be completed

Stocks

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

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term

Taxation

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

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Foreign currencies and financial instruments

Foreign currency transactions are translated into sterling at the rates ruling at the beginning of the month in which the transactions took place, unless matching forward foreign exchange contracts have been entered into Foreign currency assets and liabilities are translated into sterling at the period-end rates All foreign currency differences are dealt with through the profit and loss account

Derivative instruments utilised by the group are forward exchange contracts The group does not enter into speculative derivative contracts All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the group in line with the group's risk management policies

Pensions

The company pays contributions to personal pension schemes of certain employees, with the costs being charged to the profit and loss account

Notes *(continued)*

2 Turnover, (losses) and net liabilities

The directors consider there to be only one class of business operated by the Group, that being the manufacture and sale of high-performance sports motor vehicles All amounts presented in these accounts are from that one class of business, and the directors have elected not to present a separate segmental analysis

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements The result for the year after taxation included a Loss after taxation of £46,722,000 *(2010 Loss of £27,062,000)* which is dealt with in the financial statements of the parent company

3 Information regarding directors and employees

Group	**2011**	2010
	£000	£000
Employees costs during the year (including directors)		
Wages and salaries	**26,490**	19,175
Social security costs	**2,809**	2,126
Other pension costs	**533**	452
	29,832	21,753
	Number	Number
Average number of persons employed		
Production	**245**	84
Engineering	**342**	226
Administration	**205**	163
	792	473

R Dennis and A Myers are also directors of the related company, McLaren Group Limited M Whitmarsh also a director of the related company, McLaren Racing Limited All their remuneration for services to the Group have been borne by the related companies The share of total emoluments of these directors allocated in respect of services to this company is £ 4,108,372 *(2010 £3,597,739)*

Notes *(continued)*

4 Interest receivable and similar income

	2011 £000	2010 £000
Bank Interest received	**23**	-
Net exchange gains	**789**	4,629
	812	4,629

5 Interest payable and similar charges

	2011 £000	2010 £000
On related party loans	**10,637**	7,747
On Finance Leases	**25**	-
	10,662	7,747

6 Loss on ordinary activities before taxation

		2011 £000	2010 £000
Loss on ordinary activities before taxation is stated after charging/(crediting)			
Depreciation	- owned	**3,129**	1,950
Operating lease rentals	- other	**6,234**	2,267
Auditors' remuneration	- audit of these financial statements	**52**	47
	- other services relating to taxation	**174**	50
	- all other services	**4**	-
Research & development costs expensed in the profit and loss		**2,572**	-
Amortisation		**3,122**	-
(Loss) on disposal of fixed assets		**(18)**	-

Notes *(continued)*

7 Tax on loss on ordinary activities

	2011 £000	2010 £000
United Kingdom corporation tax at 26 5% *(2010 28%)*	-	-
Adjustments in respect of prior years	-	-
Total current tax	-	-
Deferred taxation		
Origination and reversal of timing differences	**15,263**	12,784
Adjustments in respect of prior years	**(170)**	1,014
	15,093	13,798

Factors affecting tax charge for the current year

The current tax charge for the year is lower *(2010 lower)* than the standard rate of corporation tax in the UK of 26 5% *(2010 28%)* The differences are explained below

	2011 £000	2010 £000
Loss on ordinary activities before taxation	**(68,962)**	(42,899)
Tax at 26 5 % thereon *(2010 28%)*	**(18,275)**	(12,012)
Effects of		
Expenses not deductible for tax purposes	**214**	94
Depreciation in excess of capital allowances	**(584)**	(597)
Tax Incentives	**(483)**	(2,309)
Tax losses carried forward	**17,995**	14,998
Provisions adjustment	**528**	(174)
Non-Taxable income	**605**	-
Total actual amount of current tax	-	-

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of 4 years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted on 20 July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted on 29 March 2011 and 5 July 2011 respectively

This will reduce the company's future current tax charge accordingly The deferred tax asset at 31 December 2011 has been calculated based on the rate of 25% substantively enacted at the balance sheet date

Notes *(continued)*

8 Intangible fixed assets

Group	Development Costs £000
Cost	
At 1 January 2011	151,276
Additions	64,017
At 31 December 2011	215,293
Amortisation	
At 1 January 2011	-
Charge for the year	3,122
At 31 December 2011	3,122
Net book value	
At 31 December 2011	**212,171**
At 31 December 2010	151,276

Company	Development Costs £000
Cost	
At 1 January 2011	151,276
Additions	64,017
At 31 December 2011	215,293
Amortisation	
At 1 January 2011	-
Charge for the year	3,429
At 31 December 2011	3,429
Net book value	
At 31 December 2011	**211,864**
At 31 December 2010	151,276

Notes *(continued)*

9 Tangible fixed assets

Group	Leasehold premises & improvements £000	Assets in the course of construction £000	Plant, machinery, tools & equipment £000	Motor vehicles £000	Fixtures, fittings & office equipment £000	Total £000
Cost						
At 1 January 2011	4,176	6,570	21,292	1,372	6,001	39,411
Additions	117	-	7,654	169	1,210	9,150
Disposals	-	-	(9,053)	(149)	(1)	(9,203)
Transfer	-	(6,570)	6,219	351	-	-
At 31 December 2011	4,293	-	26,112	1,743	7,210	39,358
Accumulated depreciation						
At 1 January 2011	3,436	-	18,577	659	3,968	26,640
Charge for the year	209	-	1,879	596	445	3,129
Disposals	-	-	(9,053)	(83)	-	(9,136)
At 31 December 2011	3,645	-	11,403	1,172	4,413	20,633
Net book value						
At 31 December 2011	**648**	-	**14,709**	**571**	**2,797**	**18,725**
At 31 December 2010	740	6,570	2,715	713	2,033	12,771

Plant, machinery, tools and equipment includes finance leased assets with a cost of £332,912 (2010 £Nil) and accumulated depreciation of £5,618 (2010 £Nil) The depreciation charge on these assets for the year was £5,618 (2010 £Nil)

Notes *(continued)*

9 Tangible fixed assets *(Continued)*

Company	Leasehold premises & improvements £000	Assets in the course of construction £000	Plant, machinery, tools & equipment £000	Motor vehicles £000	Fixtures, fittings & office equipment £000	Total £000
Cost						
At 1 January 2011	4,176	6,570	21,292	1,372	5,960	39,370
Additions	117	-	7,654	169	1,199	9,139
Disposals	-	-	(9,053)	(149)	(1)	(9,203)
Transfers	-	(6,570)	6,219	351	-	-
At 31 December 2011	4,293	-	26,112	1,743	7,158	39,306
Accumulated depreciation						
At 1 January 2011	3,436	-	18,577	659	3,968	26,640
Charge for the year	209	-	1,879	596	435	3,119
Disposals	-	-	(9,053)	(83)	-	(9,136)
At 31 December 2011	3,645	-	11,403	1,172	4,403	20,623
Net book value						
At 31 December 2011	**648**	**-**	**14,709**	**571**	**2,755**	**18,683**
At 31 December 2010	740	6,570	2,715	713	1,992	12,730

Plant, machinery, tools and equipment includes finance leased assets with a cost of £332,912 (2010 £Nil) and accumulated depreciation of £5,618 (2010 £Nil) The depreciation charge on these assets for the year was £5,618 (2010 £Nil)

10 Stocks

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Raw materials and consumables	**14,252**	1,692	**14,234**	1,692
Work in progress	**3,800**	699	**3,800**	699
Finished goods and goods for resale	**10,477**	360	**8,006**	360
	28,529	2,751	**26,040**	2,751

Notes *(continued)*

11 Debtors

	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Trade debtors	**6,414**	1,702	**4,639**	1,702
Amounts owed by group undertakings	**-**	-	**15,064**	2,115
Amounts owed by related parties	**1,004**	151	**1,004**	151
Other debtors	**5,549**	2,006	**5,355**	2,006
Prepayments and accrued income	**3,128**	774	**2,820**	764
Deferred tax asset (see note 14)	**49,884**	34,791	**49,884**	34,791
	65,979	39,424	**78,766**	41,529

12 Creditors: amounts falling due within one year

	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Trade creditors	**30,303**	6,439	**30,296**	6,439
Amounts owed to related parties	**22,713**	138,368	**22,713**	138,368
Taxation and social security	**1,457**	1,196	**1,457**	1,196
Other creditors	**1,377**	20,016	**983**	20,005
Accruals and deferred income	**32,946**	22,870	**32,698**	22,870
	88,796	188,889	**88,147**	188,878

13 Creditors: amounts falling due after one year

	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Amounts owed to related parties	**211,519**	85,000	**211,519**	85,000

Amounts owed to related parties are loans from shareholders Repayment of those loans can only be demanded if agreed by a McLaren Automotive Limited board resolution

Notes *(continued)*

14 Deferred tax asset

Group & Company

	2011 £000	2010 £000
Opening balance	**34,791**	20,993
Credit to profit & loss account	**15,093**	13,798
	49,884	34,791

	2011 £000	2010 £000
The deferred tax asset consists of		
Depreciation in excess of capital allowances	**634**	1,187
Short term timing differences	**510**	9
Losses carried forward	**48,740**	33,595
	49,884	34,791

There are tax losses available to be offset against future profits arising from the same trade of £193,197,000 *(2010 £129,212,000)* A deferred tax asset has been recognised in respect of these losses carried forward It is considered likely that the Group will generate profits in future periods against which these losses will be offset The Group estimates that £193,197,000 of the deferred tax asset will reverse in a period greater than one year from the balance sheet date

15 Provisions for liabilities and charges

Group and Company	**1 January 2011 £000**	Charge to P&L £000	Utilised in the year £000	**31 December 2011 £000**
Warranty	-	2,229	(238)	1,991
End of service gratuity provision	-	5	-	5
Total	-	**2,234**	**(238)**	**1,996**

The warranty provision relates to the 3 year warranty given to customers with each vehicle purchased The Group and Company are liable for the parts and labour costs associated with repairing manufacturing faults arising on vehicles during the warranty period

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

16 Called up share capital

	2011 £000	2010 £000
Authorised, called up and fully paid		
1,377,480 ordinary shares of 1p each (2010 10,000 ordinary shares of £1 each)	**14**	10

During the year, the nominal value of each McLaren Automotive Limited share was redenominated from £1 per share to 1p per share At the same time 377,480 shares were issued 99,000 of these were issued to existing shareholders, with the balance to new shareholders

Notes *(continued)*

17 Reserves

Group	**Share Premium**	**Profit and Loss Account**	**Total**
	£000	**£000**	**£000**
At 1 January 2011	-	(67,231)	**(67,231)**
New share capital issued	149,996	-	**149,996**
Loss for the year	-	(53,869)	**(53,869)**
At 31 December 2011	149,996	(121,100)	**28,896**

Company	**Share Premium**	**Profit and Loss Account**	**Total**
	£000	**£000**	**£000**
At 1 January 2011	-	(65,192)	**(65,192)**
New share capital issued	149,996	-	**149,996**
Loss for the year	-	(46,722)	**(46,722)**
At 31 December 2011	149,996	(111,914)	**38,082**

18 Reconciliation of movement in shareholders' funds/(deficit)

	Group		**Company**	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Loss for the year	**(53,869)**	(29,101)	**(46,722)**	(27,062)
Proceeds from equity issued	**150,000**	-	**150,000**	-
Net change in shareholders' funds / (deficit)	**96,131**	(29,101)	**103,278**	(27,062)
Opening shareholders' deficit	**(67,221)**	(38,120)	**(65,182)**	(38,120)
Closing shareholders' funds / (deficit)	**28,910**	(67,221)	**38,096**	(65,182)

Notes *(continued)*

19 Reconciliation of operating loss to net cash flow from operating activities

	2011 £000	2010 £000
Operating loss	**(59,112)**	(39,781)
Loss on disposal of fixed assets	**18**	-
Depreciation charges	**3,129**	1,950
Amortisation charges	**3,122**	-
Exchange gain	**1,331**	4,629
(Increase) in stocks and work in progress	**(25,778)**	(1,755)
(Increase) / decrease in debtors	**(11,467)**	9,837
Increase in creditors	**20,369**	3,535
(Decrease) / increase in balances with related parties	**(14,178)**	12,519
Increase in provisions	**1,996**	-
	(80,570)	(9,066)

20 Analysis of cash flows for headings netted in the cash flow statement

	2011 £000	2010 £000
Interest paid	**(959)**	(7,747)
Investment income	**23**	-
Returns on investments and servicing of finance	**(936)**	(7,747)
Payments to acquire tangible fixed assets	**(9,150)**	(9,216)
Receipts from sales of tangible fixed assets	**49**	82
Payments to acquire intangible fixed assets	**(64,017)**	(90,353)
Capital expenditure and financial investment	**(73,118)**	(99,487)
Issue of ordinary share capital	**130,000**	-
Loan finance received	**30,000**	115,804
Financing	**160,000**	115,804

Notes *(continued)*

21 Analysis of net debt

	Opening balance £000	Cash flow £000	Other Changes £000	**Closing balance £000**
Cash at bank and in hand	446	5,376	(5)	**5,817**
Debt due in less than 1 year	(115,804)	(30,000)	145,804	**-**
Debt due after 1 year	(85,000)	-	(126,519)	**(211,519)**
Total net (debt)	(200,358)	(24,624)	19,280	**(205,702)**

22 Investments

The principal investments of the company are.

Name	**Principal activity**	**Holding Ordinary share capital**
McLaren Automotive Incorporated (Incorporated in the United States of America)	Sports Car Retailer	100%
McLaren Automotive Asia Pte Limited (Incorporated in Singapore)	Sports Car Retailer	100%

During the year McLaren Automotive Limited set up a subsidiary company in Singapore– McLaren Automotive Asia Pte Limited McLaren Automotive Asia Pte Limited has an authorised share capital of 1 common stock shares with a par value of SGD $1 each The issued share capital of McLaren Automotive Asia Pte Limited is $1 which is 100% owned by McLaren Automotive Limited The cost and net book value of this investment is £0 77 (2010 £0)

23 Operating lease commitments

At 31 December 2011 the group was committed to making the following payments during the next year in respect of non-cancellable operating leases

	2011		2010	
Group	**Land and buildings £000**	**Other Buildings £000**	Land and buildings £000	Other Buildings £000
Leases which expire				
Within one year	**15**	-	13	-
Within two to five years	**2,254**	-	2,254	-
After five years	**121**	-	129	-
	2,390	-	2,396	-

Notes *(continued)*

23 Operating lease commitments *(Continued)*

Company	2011 Land and buildings £000	2011 Other £000	2010 Land and buildings £000	2010 Other £000
Leases which expire				
Within one year	15	-	13	-
Within two to five years	2,254	-	2,254	-
After five years	-	-	-	-
	2,269	-	2,267	-

24 Related party transactions

Transactions with related companies during the year were as follows

Group & Company

Related party sales	Year ended 31 December 2011 £000	Balance Outstanding at 31 December 2011 £000	Year ended 31 December 2010 £000	Balance Outstanding at 31 December 2010 £000
McLaren Group and subsidiaries	169	1,004	77	151
Ron Dennis	383	-	-	-
Peter Lim	274	-	-	-
	826	1,004	77	151

Related party purchases	Year ended 31 December 2011 £000	Balance Outstanding at 31 December 2011 £000	Year ended 31 December 2010 £000	Balance Outstanding at 31 December 2010 £000
McLaren Group and subsidiaries	23,862	8,386	16,118	37,961
Bahrain Mumtalakat Holding Company	9,364	214,792	3,909	174,713
Ron Dennis	276	5,527	347	5,347
TAG Group Limited	276	5,527	347	5,347
	33,778	234,232	20,721	223,368

Notes *(continued)*

24 Related party transactions *(Continued)*

Pursuant to the exemption by Financial Reporting Standard 8, 'Related Party Disclosures', transactions with other undertakings within the McLaren Automotive Group have not been disclosed within these financial statements

25 Contingent liability

McLaren Automotive Limited has given a guarantee in favour of HM Revenue & Customs As at 31 December 2011, the amount of the guarantee stood at £80,000