McLaren Automotive Limited

Annual report and consolidated
financial statements
Registered number 01967717
31 December 2014

Contents

Officers and professional advisers

Directors	R Dennis - Chairman Mike Flewitt - Chief Executive Officer Richard Molyneux – Chief Financial Officer (Appointed 20/03/2014) MA Ojjeh (French) A Ojjeh (French) (Appointed 13/01/2014) (Resigned 18/06/2014) M Whitmarsh (Resigned 07/08/2014) Shaikh Mohammed Bin Essa Al Khalifa (Bahraini) A Myers (Resigned 20/03/2014) P Lim Mahmood Al Kooheji (Bahraini) Hisham Al Saie (Bahraini)
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

Chairman's Statement

The original vision and strategy for McLaren Automotive, shared by my fellow shareholders, was to '_develop an exclusive brand of high technology sports cars with sufficient scale to create significant value'_. Simple words, which belied the complexity and audacity of the underlying challenge we set both ourselves, and our senior management team.

And yet, less than four years after opening the first McLaren retailer, that is exactly what we have done.

The McLaren brand is now widely considered to be a deserving peer to the great heritage marques of the sports car world, and indeed by many to have usurped them all.

This reputation is borne of an intensive dedication to making peerless products for the most discerning customers. Under the direction of McLaren Automotive's Chief Executive, Mike Flewitt, the processes, practices and people that are so critical to success have been optimised, in order to create and market vehicles which live up to the name McLaren.

Joining Mike in 2014 were two new, key executives. Richard Molyneux joined the company as Chief Financial Officer, bringing with him a wealth of automotive experience, and Jolyon Nash joined as Executive Director, Global Sales and Marketing. Jolyon's appointment is well timed to drive our global retail expansion and take our growing product portfolio into new segments.

With an ever increasing footprint of over seventy dealerships, our business is assuming the scale that was central to our original vision. But with scale comes customer demand, and the need to satisfy the market's unquenchable desire to access the next generation of vehicle. 2014 will be remembered by many as the year of the extraordinary McLaren P1™, and the year in which we delivered 250 of these individually tailored vehicles, of the sold out, limited production run of 375 units. Consistent with our commitment to launch at least one new model or variant every year, 2014 was also the year in which we introduced the McLaren 650S Coupé and Spider. Both developments of the ground breaking McLaren 12C, they have already become iconic products in a class previously dominated by much longer established names.

This adherence to the original vision and strategy has yielded another year of impressive growth, with turnover up 67% to £476m, and a second consecutive year of profitability – a remarkable achievement for a young business in such a competitive industry.

But as I have mentioned, we seldom dwell on what has been, and unsurprisingly, therefore, our focus is very much on the future.

Already in 2015, we have laid the foundations of the business' future success, by launching four new models – from the peerless and exclusive McLaren P1 GTR, to the Sports Series, our most attainable and highest volume vehicle to date.

Our ethos is to do better tomorrow, what we have done well today. And it is that spirit, conviction and commitment by the entire McLaren Automotive team, underpinned by the financial results contained herein, that gives the board such confidence that we will, indeed, live up to every element of our original vision.

Ron Dennis CBE
Chairman
McLaren Automotive Limited
11 June 2015

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

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

Results

The profit on ordinary activities before tax was £14,966,000 *(2013: £4,500,000).* As a result of a tax charge of £6,479,000 *(2013: £8,170,000)* the profit on ordinary activities for the year after taxation amounted to £8,487,000 *(2013: loss of £3,670,500).*

Dividends

The directors do not propose a dividend for the year ended 31 December 2014 *(2013: £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.

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.

Directors' report *(continued)*

Auditor

In November 2014, KPMG entered into a strategic alliance with McLaren Applied Technologies (MAT) a subsidiary of McLaren Technology Group Limited. Whilst neither MAT nor McLaren Technology Group Limited are affiliated entities of McLaren Automotive Limited, both are members of the wider McLaren family, and discussions with KPMG were undertaken to review potential conflict of interests and KPMG's continued actual independence to act as auditors to McLaren Automotive Limited. Following the review both parties were happy that KPMG's independence is not actually compromised by this alliance. However, following completion of the 2014 audit KPMG will have been the Company's auditor for the last 10 years and in line with Corporate Governance best practice the Board has concluded that it will tender its 2015 audit. Whilst the alliance with MAT was only entered into last November, both MAT and KPMG believe that over time it will become increasingly important to both parties, as such KPMG believes that there is the potential that this alliance might impair the appearance of their independence in the future and accordingly KPMG have decided that they should not participate in the audit tender.

By order of the board

Mike Flewitt
Chief Executive Officer
11 June 2015

Strategic Report

Business review and future prospects

2014 saw the continued development of McLaren Automotive Limited and a second year of profitability, in only the fourth year since the opening of the first McLaren retailer and start of vehicle sales.

The company generated an operating profit of £20.8m (*2013:* £12.4m) and a profit before tax of £15.0m (*2013: £4.5m*). These results reflect the drive towards a stable and profitable business and is in line with the expectations of the Board. These profits were generated from turnover that grew from £285.4m in 2013 to £475.5m in 2014. This turnover was generated from the sale of 1,401 McLaren Super Series models *(2013: 1,359)* and 248 McLaren P1™ *(2013: 36)*. The 650S was launched in March 2014, and initially joined the 12C in the McLaren Super Series. The 650S evolved from the 12C with 25% of parts changed. Despite its higher price point, global demand shifted exclusively to the 650S and as a result, the board decided to discontinue production of the 12C. The McLaren P1 ™ has continued to excite both the press and customers and has cemented its reputation as one of the most technologically advanced cars ever built. 375 units were offered for sale from March 2013 and sold out within a few months. 2015 will see the remaining examples delivered to the customers.

The 650S was part of McLaren Automotive Limited strategy to release at least one new model or variant each year. This challenging programme has already seen four further new vehicle launches in 2015. At Pebble Beach, California in August 2014 the Company revealed the McLaren P1™ GTR in design concept form. A welcome reception from both customers and the media led to the reveal of the car in production intent form at the Geneva International Motor Show in March 2015 where it was joined by the limited production 675LT that will sell alongside the 650S in the McLaren Super Series. 2015 has also seen the introduction of the McLaren Sports Series, the brand's most attainable model yet. Development of this family of sports cars began in 2011 and the first model, the 570S Coupé, was shown at the New York Auto Show in early April 2015 and was followed by the second, the 540C Coupé, at the end of April 2015 and launched in Shanghai. The Sports Series over time will become a family of sports cars including three bodystyles and a variety of power outputs. It will be produced alongside the Super Series at the McLaren Production Centre later this year.

McLaren Automotive Limited continues to expand its worldwide dealership network, through careful selection of franchised dealers in strategically important markets. By the end of 2014 71 dealers had been appointed (2013: 64) spread across 31 global markets.

On 23rd December 2014, McLaren Automotive Limited entered into a new Revolving Credit Facility of £120m. This increases the availability of funds to the Company by £70m and reflects confidence in Company's business plan and its prospects for long-term growth. In addition to this on 30 January 2015 a further £114.6m of loans from shareholders were converted to equity, further bolstering Company's balance sheet and cementing the shareholders confidence in Company's business plan.

McLaren Automotive Limited has continued to invest in new road car projects. During 2014 the Company invested £91.8m, up from £70.6m in 2013. This investment in product includes the new Sports Series. These new models will take the Company forward to its plan of producing circa 4,000 vehicles a year by the end of 2017.

McLaren Automotive Limited expects to continue delivering strongly against its ambitious growth plan during 2015. Sales of McLaren Super Series is expected to remain broadly in line with those experienced during 2014. Turnover will however reduce as the final 91 examples of the McLaren P1™ are sold. Sales of the Sports Series will begin later in the year.

McLaren Automotive operates in an international environment with sales denominated primarily in US dollars, Japanese Yen, Chinese Yuan and Euros. Purchases are transacted primarily in Sterling and Euros. Sterling strength through the first 10 months of the year had a significant effect on net profit.

Key performance indicators

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

Strategic report *(continued)*

Principal risks and uncertainties

The risks associated with the manufacture of luxury road cars relate primarily to the costs associated with the development of future vehicles, the ability of McLaren Automotive Limited to leverage a competitive advantage, demand from the brand and also the economic position of key markets into which cars are sold.

During 2015 currency exposure will remain high as over 90% of worldwide sales revenues are denominated in all non Sterling major currencies. The principal risk remains exposure to the US Dollar. McLaren Automotive Limited operates under a Treasury Policy and accordingly has a hedging portfolio in place to cover a proportion of these cash flows.

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

By order of the board

Mike Flewitt
Chief Executive Officer
11 June 2015

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

The directors are responsible for preparing the Strategic and Directors' Reports 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 prudentstate 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.

KPMG

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 2014 set out on pages 9 to 26. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 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 Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate

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 2014 and of its profit 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 Strategic Report and 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.

Tim Widdas

Tim 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

12 June 2015

Consolidated profit and loss account
for the year ended 31 December 2014

	Note	**2014** **£000**	2013 £000
Turnover	*2*	**475,516**	285,426
Cost of sales		**(258,964)**	(151,300)
Gross profit		**216,552**	134,126
Administrative expenses excluding depreciation and amortisation		**(102,372)**	(94,201)
Operating profit before depreciation and amortisation		**114,180**	39,925
Depreciation		**(4,832)**	(5,088)
Amortisation		**(88,592)**	(22,462)
Operating profit		**20,756**	12,375
Interest receivable and similar income	*4*	**12**	16
Interest payable and similar charges	*5*	**(5,802)**	(7,891)
Profit on ordinary activities before taxation	*6*	**14,966**	4,500
Tax on profit on ordinary activities	*7*	**(6,479)**	(8,170)
Profit/(Loss) for the financial year	*17*	**8,487**	(3,670)

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 2014

	Note	2014		2013	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	8		337,415		316,987
Tangible assets	9		70,048		69,759
			407,463		386,746
Current assets					
Stocks	10	26,388		21,149	
Debtors	11	105,805		87,965	
Cash at bank and in hand		10,189		7,158	
		142,382		116,272	
Creditors: amounts falling due within one year	12	(135,857)		(138,410)	
Net current assets / (liabilities)			6,525		(22,138)
Total assets less current liabilities			413,988		364,608
Creditors: Amounts falling due after one year	13		(178,697)		(141,863)
Provisions for liabilities and charges	15		(9,687)		(6,076)
Net assets			225,604		216,669
Capital and reserves					
Called up share capital	16		22		22
Share premium account	17		354,420		354,420
Profit and loss account	17		(128,760)		(137,247)
Foreign currency translation reserve	17		(78)		(526)
Equity	18		225,604		216,669

These financial statements were approved by the board of directors on 11/6/15 and were signed on their behalf by:

Mike Flewitt
Chief Executive Officer

Company Balance sheet
as at 31 December 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Intangible assets	8		**335,151**		316,213
Tangible assets	9		**69,930**		69,624
Investments	22		**-**		-
			405,081		385,837
Current assets					
Stocks	10	**18,993**		15,092	
Debtors	11	**133,515**		95,027	
Cash at bank and in hand		**5,201**		2,282	
		157,709		112,401	
Creditors: amounts falling due within one year	12	**(153,071)**		(128,061)	
Net current (liabilities)/assets			**4,638**		(15,660)
Total assets less current liabilities			**409,719**		370,177
Creditors: Amounts falling due after one year	13		**(178,697)**		(141,863)
Provisions for liabilities and charges	15		**(9,711)**		(6,112)
Net assets			**221,311**		222,202
Capital and reserves					
Called up share capital	16		**22**		22
Share premium	17		**354,420**		354,420
Profit and loss account	17		**(133,131)**		(132,240)
Equity	18		**221,311**		222,202

These financial statements were approved by the board of directors on 11/6/15 and were signed on their behalf by:

Mike Flewitt
Chief Executive Officer

Consolidated cash flow statement
for the year ended 31 December 2014

	Note	**2014 £000**	2013 £000
Net cash inflow from operating activities	*19*	93,996	59,168
Returns on investments and servicing of finance	*20*	(1,227)	(1,506)
Taxation paid		(6,024)	(1,114)
Capital expenditure and financial investment	*20*	(115,014)	(80,274)
Cash (outflow) before financing		(28,269)	(23,726)
Net cash inflow from financing	*20*	31,200	5,719
(Decrease)/Increase in cash in the year		2,931	(18,007)

Reconciliation of net cash flow to movement in net debt
for the year ended 31 December 2014

	Note	**2014 £000**	2013 £000
(Decrease)/Increase in cash in the year		2,931	(18,007)
Effect of exchange rate fluctuations on cash held		100	627
Cash flows from financing	*20*	(31,200)	26,881
Loans converted to equity		-	158,342
Foreign exchange revaluation on related party loans	*21*	(5,634)	1,717
Change in net debt resulting from cash flows		(33,803)	169,560
Opening net debt	*21*	**(134,705)**	(304,265)
Closing net debt	*21*	**(168,508)**	(134,705)

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 Strategic Report on pages 5 to 6. 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.

Thus, for the reasons more fully disclosed in the Strategic Report on pages 5 to 6, 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 undertakings. 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. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit and loss account as it is incurred.

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

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated losses.

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:

Freehold buildings	- 2% straight line
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.

Depreciation is not provided on freehold land, as in the directors' opinion the residual value exceeds cost.

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, future income is expected to exceed related aggregate costs 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 currency translation

Transactions expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. All differences are taken to the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Derivative instruments utilised by the group are forward exchange and option 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. The group has not adopted FRS25 or FRS26 and accordingly does not include the value of the derivative instruments in its financial statements.

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, profit/(losses) and net assets

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 included a loss after taxation of £891,000 *(2013: loss of £4,074,000)* which is dealt with in the financial statements of the parent company.

3 Information regarding directors and employees

Group	**2014**	2013
	£000	£000
Employees costs during the year (including directors):		
Wages and salaries	**47,919**	35,402
Social security costs	**5,288**	4,069
Other pension costs	**1,265**	896
	54,472	40,367
	Number	Number
Average number of persons employed:		
Production	**384**	367
Engineering	**426**	318
Administration	**473**	342
	1,283	1,027

	2014	2013
	£000	£000
Directors Emoluments		
Total emoluments	**3,063**	1,678
Total pension contributions	**85**	58
	3,148	1,736
Highest paid director's emoluments	**1,554**	888
Pension Contributions	**50**	58
	1,604	946

The number of directors accruing benefits under the money purchase pension scheme was two *(2013: one)*.

Notes *(continued)*

4 Interest receivable and similar income

	2014 £000	2013 £000
Bank interest received	**12**	16
Net exchange gains	-	-
	12	16

5 Interest payable and similar charges

	2014 £000	2013 £000
Bank loans	**943**	1,259
On related party loans	**750**	3,961
Bank charges	**264**	113
On Finance Leases	**41**	50
Net exchange losses	**3,804**	2,508
	5,802	7,891

6 Profit on ordinary activities before taxation

		2014 £000	2013 £000
Profit on ordinary activities before taxation is stated after charging			
Depreciation	- owned	**4,832**	5,088
Operating lease rentals	- other	**3,012**	2,868
Auditor's remuneration	- audit of these financial statements	**75**	63
	- other services relating to taxation	**237**	420
	- all other services	**34**	181
Research & development costs expensed in the profit and loss		**2,593**	3,582
Amortisation		**88,592**	22,462
Loss on disposal of fixed assets		**879**	6

Notes *(continued)*

7 Tax on profit on ordinary activities

	2014 £000	2013 £000
Taxation in foreign jurisdictions	**(4,433)**	(1,572)
Adjustments in respect of prior years	-	56
Total current tax	**(4,433)**	(1,516)
Deferred taxation: (see note 14)		
Origination and reversal of timing differences	**(1,707)**	(886)
Adjustments in respect of prior years	**(339)**	732
Effect of change in tax rate	-	(6,500)
Total tax (charge)	**(6,479)**	(8,170)

Factors affecting tax (charge) for the current year

The current tax charge for the year is higher *(2013:higher)* than the standard rate of corporation tax in the UK of 21.5% *(2013: 23.25%)*. The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before taxation	**14,966**	4,500
Tax at 21.5% thereon *(2013: 23.25%)*	**3,218**	1,046
Effects of:		
Expenses not deductible for tax purposes	**776**	1,252
Capital allowance in excess of depreciation	**6**	(108)
Utilisation of losses	-	-
Tax Incentives	**(310)**	(351)
Tax losses carried forward	**(1,161)**	62
Movement in short term timing differences	**683**	(871)
Withholding tax paid	-	351
Effective tax rates in foreign jurisdictions	**1,221**	191
Adjustments in respect of prior years	-	(56)
Total actual amount of current tax	**4,433**	1,516

A reduction in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at the balance sheet date has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes *(continued)*

8 Intangible fixed assets

Group	New product development costs £000	IT systems development costs £000	Total £000
Cost:			
At 1 January 2014	348,265	7,307	355,572
Additions	91,839	17,181	109,020
At 31 December 2014	440,104	24,488	464,592
Amortisation:			
At 1 January 2014	38,585	-	38,585
Charge for the year	88,592	-	88,592
At 31 December 2014	127,177	-	127,177
Net book value:			
At 31 December 2014	**312,927**	**24,488**	**337,415**
At 31 December 2013	309,680	7,307	316,987

Company	New product development costs £000	IT systems development costs £000	Total £000
Cost:			
At 1 January 2014	348,265	7,307	355,572
Additions	91,839	17,181	109,020
At 31 December 2014	440,104	24,488	464,592
Amortisation:			
At 1 January 2014	39,358	-	39,358
Charge for the year	90,083	-	90,083
At 31 December 2014	129,441	-	129,441
Net book value:			
At 31 December 2014	**310,663**	**24,488**	**335,151**
At 31 December 2013	308,906	7,307	316,213

Notes *(continued)*

9 Tangible fixed assets

Group	Freehold land and buildings £000	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:							
At 1 January 2014	**52,789**	**4,836**	**29,739**	**1,800**	**11,042**	**-**	**100,206**
Additions	-	1,129	282	309	3,070	1,585	6,375
Disposals	-	(282)	(2,861)	(389)	(4,328)	-	(7,860)
Transfers/Revaluation	-	-	-	-	(2)	-	(2)
Exchange rate movements	-	1	1	-	5	-	7
At 31 December 2014	52,789	5,684	27,161	1,720	9,787	1,585	98,726
Accumulated depreciation:							
At 1 January 2014	**1,760**	**3,957**	**17,261**	**1,441**	**6,028**	**-**	**30,447**
Charge for the year	1,011	163	2,349	99	1,210	-	4,832
Disposals	-	(244)	(2,422)	(48)	(3,891)	-	(6,605)
Exchange rate movements	-	-	2	-	2	-	4
At 31 December 2014	2,771	3,876	17,190	1,492	3,349	-	28,678
Net book value:							
At 31 December 2014	**50,018**	**1,808**	**9,971**	**228**	**6,438**	**1,585**	**70,048**
At 31 December 2013	51,029	879	12,478	359	5,014	-	69,759

Plant, machinery, tools and equipment includes finance leased assets with a cost of £387,463 (*2013: £404,068*) and accumulated depreciation of £139,651 (*2013: £147,110*). The depreciation charge on these assets for the year was £48,141 (*2013: £64,606*).

Notes *(continued)*

9 Tangible fixed assets *(Continued)*

Company	Freehold land and buildings £000	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:							
At 1 January 2014	**52,789**	**4,788**	**29,720**	**1,800**	**10,936**	**-**	**100,033**
Additions	-	1,102	282	309	3,064	1,585	6,342
Disposals	-	(282)	(2,861)	(389)	(4,328)	-	(7,860)
Transfers/Revaluation	-	-	-	-	(3)	-	(3)
At 31 December 2014	52,789	5,608	27,141	1,720	9,669	1,585	98,512
Accumulated depreciation:							
At 1 January 2014	**1,760**	**3,953**	**17,258**	**1,441**	**5,997**	**-**	**30,409**
Charge for the year	1,011	133	2,348	99	1,188	-	4,779
Disposals	-	(244)	(2,422)	(48)	(3,892)	-	(6,606)
At 31 December 2014	2,771	3,842	17,184	1,492	3,293	-	28,582
Net book value:							
At 31 December 2014	**50,018**	**1,766**	**9,957**	**228**	**6,376**	**1,585**	**69,930**
At 31 December 2013	51,029	835	12,462	359	4,939	-	69,624

Plant, machinery, tools and equipment includes finance leased assets with a cost of £387,463 (*2013: £404,068*) accumulated depreciation of £139,651 (*2013: £147,110*). The depreciation charge on these assets for the year £48,141 (*2013: £64,606*).

10 Stocks

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Raw materials and consumables	**10,346**	11,201	**10,331**	11,150
Work in progress	**3,676**	1,546	**3,676**	1,546
Finished goods and goods for resale	**12,366**	8,402	**4,986**	2,396
	26,388	21,149	**18,993**	15,092

Notes *(continued)*

11 Debtors

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Trade debtors	**45,361**	27,775	**14,154**	13,833
Amounts owed by group undertakings	**-**	-	**-**	28,463
Amounts owed by related parties	**575**	1,162	**62,729**	1,162
Other debtors	**9,409**	6,865	**8,517**	4,568
Prepayments and accrued income	**6,072**	6,132	**5,800**	3,750
Deferred tax asset (see note 14)	**44,388**	46,031	**42,315**	43,251
	105,805	87,965	**133,515**	95,027

12 Creditors: amounts falling due within one year

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Trade creditors	**34,114**	32,007	**37,117**	31,710
Amounts owed to related parties	**18,720**	17,715	**22,530**	17,715
Taxation and social security	**1,576**	1,147	**1,492**	1,147
Other creditors	**31,957**	45,460	**47,105**	32,147
Accruals and deferred income	**49,490**	42,081	**44,827**	45,342
	135,857	138,410	**153,071**	128,061

13 Creditors: amounts falling due after one year

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Amounts owed to related parties	**128,697**	123,063	**128,697**	123,063
Bank loans	**50,000**	18,800	**50,000**	18,800
	178,697	141,863	**178,697**	141,863

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.

The bank loan is a four year revolving facility of £120,000,000 secured against the McLaren Production Centre.

Included within the above is £114,644,336 relating to convertible debt. This debt will be converted to equity no later than 30 January 2015; the number of shares to be issued remains variable. No interest accrues on this debt.

Notes *(continued)*

14 Deferred tax asset

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Opening balance	**46,031**	52,685	**43,251**	50,282
Transfer in	**403**	-	**402**	-
(Charge)/credit to profit and loss account	**(2,046)**	(6,654)	**(1,338)**	(7,031)
	44,388	46,031	**42,315**	43,251

	£000	£000	**£000**	£000
The deferred tax asset consists of:				
Depreciation in excess of capital allowances	**(345)**	72	**(345)**	72
Short term timing differences	**4,219**	3,612	**4,219**	3,583
Losses carried forward	**40,514**	42,347	**38,441**	39,596
	44,388	46,031	**42,315**	43,251

There are tax losses available to be offset against future profits arising from the same trade of £190,196,000 *(2013: £197,979,000)*. 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 all 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	1 January 2014 £000	Charge to profit and loss £000	Utilised in the year £000	**31 December 2014 £000**
Warranty	6,063	10,097	(6,486)	**9,674**
End of service gratuity provision	13	-	-	**13**
Total	6,076	10,097	(6,486)	**9,687**

Company	1 January 2014 £000	Charge to profit and loss £000	Utilised in the year £000	**31 December 2014 £000**
Warranty	6,099	10,097	(6,498)	**9,698**
End of service gratuity provision	13	-	-	**13**
Total	6,112	10,097	(6,498)	**9,711**

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.

Notes *(continued)*

16 Called up share capital

	2014 £000	2013 £000
Authorised, called up and fully paid:		
2,222,174 ordinary shares of 1p each *(2013: 2,222,174 ordinary shares of 1p each)*	**22**	22

During the prior year 844,694 shares were issued. 748,165 of these were issued/(to be issued) to existing shareholders with the balance to a new shareholder, McLaren Technology Group Limited.

17 Reserves

Group	Share premium £000	Profit and loss account £000	Foreign currency translation reserve £000	Total £000
At 1 January 2014	354,420	(137,247)	(526)	**216,647**
Loss on foreign subsidiary translation	-	-	448	**448**
Loans converted to equity	-	-	-	-
Interest capitalised	-	-	-	-
Equity received	-	-	-	-
Profit for the year	-	8,487	-	**8,487**
At 31 December 2014	354,420	(128,760)	(78)	225,582

Company	Share premium £000	Profit and loss account £000	Total £000
At 1 January 2014	354,420	(132,240)	**222,180**
Loans converted to equity	-	-	-
Interest capitalised	-	-	-
Equity received	-	-	-
Loss for the year	-	(891)	**(891)**
At 31 December 2014	354,420	(133,131)	221,289

18 Reconciliation of movement in shareholders' funds

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Profit / Loss for the year	**8,487**	(3,670)	**(891)**	(4,074)
Foreign currency translation reserve	**448**	(194)	-	-
Loans converted to equity	-	158,342	-	158,342
Proceeds from equity issued	-	46,090	-	46,090
Net change in shareholders' funds	**8,935**	200,568	**(891)**	200,358
Opening shareholders' funds	**216,669**	16,101	**222,202**	21,844
Closing shareholders' funds	**225,604**	216,669	**221,311**	222,202

Notes *(continued)*

19 Reconciliation of operating profit/(loss) to net cash flow from operating activities

	2014	2013
	£000	£000
Operating profit	20,756	12,375
Non-cash foreign currency translation of foreign subsidiaries	(500)	100
Loss on disposal of fixed assets	879	6
Depreciation charges	4,832	5,088
Amortisation charges	88,592	22,462
Exchange gain/(loss)	461	(2,929)
(Increase)/decrease in stocks and work in progress	(4,690)	496
Increase in debtors	(17,729)	(25,568)
(Decrease)/increase in creditors	(2,216)	49,169
Decrease in balances with related parties	-	(1,418)
Increase/(decrease) in provisions	3,611	(613)
	93,996	59,168

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

	2014	2013
	£000	£000
Interest paid	(1,239)	(1,522)
Investment income	12	16
Returns on investments and servicing of finance	(1,227)	(1,506)
Payments to acquire tangible fixed assets	(6,375)	(6,173)
Receipts from sales of tangible fixed assets	382	134
Payments to acquire intangible fixed assets	(109,021)	(74,235)
Capital expenditure and financial investment	(115,014)	(80,274)
Issue of ordinary share capital	-	32,600
Loan finance received	31,200	4,319
Loan finance repaid	-	(31,200)
Financing	31,200	5,719

21 Analysis of net debt

	Opening balance	Cash flow	Other changes	**Closing balance**
	£000	£000	£000	**£000**
Cash at bank and in hand	7,158	2,931	100	**10,189**
Debt due after 1 year	(141,863)	(31,200)	(5,634)	**(178,697)**
Total net debt	(134,705)	(28,269)	(5,534)	**(168,508)**

Notes *(continued)*

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%
McLaren Automotive Distribution (Shanghai) Company Limited (Incorporated in China)	Sports Car Retailer	100%

McLaren Automotive Incorporated has an authorised share capital of 1,000 common stock shares with a par value of US $1 each. The issued share capital of McLaren Automotive Incorporated is US $1,000 which is 100% owned by McLaren Automotive Limited. The cost and net book value of this investment is £618 *(2013: £618).*

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 *(2013: £0.77).*

McLaren Automotive Distribution (Shanghai) Company Limited has issued share capital of CNY 12,418,433 which is 100% owned by McLaren Automotive Asia Pte Limited. The cost and net book value of this investment is SGD $2,462,800 (£1,292,241) *[2013: SGD $2,462,800 (£1,292,800)].*

23 Operating lease commitments

At 31 December 2014 the group was committed to making the following payments during the next year in respect of non-cancellable operating leases:

Group	**2014 Land and buildings £000**	2013 Land and buildings £000
Leases which expire:		
Within one year	**335**	55
Within two to five years	**2,231**	2,443
After five years	**417**	351
	2,983	2,849

Company	**2014 Land and Buildings £000**	2013 Land and buildings £000
Leases which expire:		
Within one year	-	55
Within two to five years	**2,218**	2,442
After five years	**275**	215
	2,493	2,712

Notes *(continued)*

24 Related party transactions

Transactions with related companies during the year were as follows:

Group and Company	Year ended 31 December 2014 £000	Balance outstanding at 31 December 2014 £000	Year ended 31 December 2013 £000	Balance outstanding at 31 December 2013 £000
Related party sales				
McLaren Group and subsidiaries	**2,003**	**264**	4,961	1,143
Directors	**1,928**	**311**	19	19
	3,931	**575**	4,980	1,162

Related party purchases	Year ended 31 December 2014 £000	Balance outstanding at 31 December 2014 £000	Year ended 31 December 2013 £000	Balance outstanding at 31 December 2013 £000
McLaren Group and subsidiaries	**38,727**	**29,493**	23,306	29,322
Bahrain Mumtalakat Holding Company	**-**	**117,924**	2,478	111,456
Favorita Limited	**-**	**-**	89	-
Ron Dennis	**-**	**-**	45	-
TAG Group Limited	**-**	**-**	100	-
Peralman Limited	**-**	**-**	39	-
	38,727	**147,417**	26,057	140,778

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 2014, the amount of the guarantee stood at £160,000 *(2013: £80,000)*.

26 Post balance sheet events

On 30 January 2015, McLaren Automotive Limited converted a loan owed to Bahrain Mumtalakat Holding Company into equity. $150,000,000 loan plus $22,200,000 of accrued interested owed was converted. The USD to GBP exchange rate at the date of transaction was 1.5019, resulting in a final conversion amount of £114,644,336. The price paid per share was £290, resulting in a new issue of 395,325 shares.