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Strategic Report, Report of the Directors and

Financial Statements for the Year Ended 31 December 2019

for

McLaren Automotive Limited

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for the Year Ended 31 December 2019

Company Information
for the Year Ended 31 December 2019

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SECRETARY:	Ruth Nic Aoidh
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Strategic Report
for the Year Ended 31 December 2019

This strategic report has been prepared for the company, McLaren Automotive Limited.

Principal Activities

McLaren Automotive Limited is a global leader in the design and manufacture of luxury high performance sportscars and supercars.

McLaren Automotive Limited first produced the iconic McLaren F1 road car in 1992 and more recently launched its new series of products in 2011 starting with the McLaren MP4-12C. Today, McLaren Automotive Limited has a range of luxury high performance cars across four defined product families (Sports Series, GT series, Super Series and Ultimate Series) and has produced further ground-breaking cars such as the McLaren Senna GTR, the McLaren GT and the McLaren Speedtail. 2019 has been an extraordinary year for McLaren Automotive Limited, not least because it reached the production rates required to achieve the c4,800 units per year originally promised in Track25. Further to this, McLaren Automotive Limited put the McLaren Speedtail into production and revealed and launched the McLaren 600LT Spider.

The development of the new McLaren Group

The Group has continued to develop during 2019, a process that started in 2017 with the consolidation of the McLaren Technology Group (holding the Racing and the Applied divisions) and McLaren Automotive under the ownership of McLaren Holdings Limited. This transaction was completed on 20 July 2017. At the same time, the Group issued a sterling Bond of £370m and a dollar Bond of $250m traded on The International Stock Exchange.

The Group is now managed along the three business lines of Automotive, Racing and Applied and the Group's legal structure has been changed to reflect this. During 2018 and completed on 2 January 2019, the assets and liabilities of McLaren Marketing Limited and Team McLaren Limited were hived into McLaren Racing Limited to form one single racing company. The ownership of McLaren Racing Limited and McLaren Applied Limited were also transferred to McLaren Holdings Limited from McLaren Technology Group Limited. McLaren Technology Group Limited was then renamed McLaren Services Limited and continues to provide IT, facilities management and similar services to the operating entities.

On the 18th March 2020, the Group announced Paul Walsh had been appointed as Executive Chairman to help guide the next phase of its strategic development. Paul brings a wealth of business experience to McLaren having been Chief Executive Officer of FTSE 100 listed drinks company Diageo for 13 years following over three decades with the company. After successfully leading the reintegration of the McLaren Group, Shaikh Mohammed Bin Essa Al Khalifa, will become non-executive director and continue to support the Group's ambitions.

Strategic Report
for the Year Ended 31 December 2019

BUSINESS REVIEW AND OUTLOOK
Turnover for the Company has increased significantly from £928.3m in 2018 to £1,098.8m in 2019. The Company is also pleased to report a significant improvement in the operating performance of the business during 2019. This performance has improved from an operating profit of £67.1m in 2018 to £91.1m in 2019. The net result for 2019 is a profit after tax of £60.3m (2018 £46.2m).

McLaren Automotive Limited forecast sales growing to c5,000 units per annum within the seven year Track25 business plan, which was first announced at the Geneva motor show in 2015. 2018 saw 4,829 vehicles delivered, as planned, which proved the attainability of this objective. 2019 was about consolidating this. Total wholesales for the year ended 31 December 2019 were 4,662, only marginally down on 2018, but McLaren's strategy is to focus on improvements in margin rather than volume growth – something it has demonstrated with the 2019 results.

Sales volumes for the year by region are:

Region	**2019**	**2018**	**YoY Growth**
Europe	1,176	1,599	(26%)
North America	2,051	1,748	17%
Asia Pacific	811	843	(4%)
China	276	354	(22%)
Rest of World	348	285	22%
Global	**4,662**	**4,829**	**(3%)**

The mix of products delivered in 2019 versus 2018 was also stronger; there were 259 Ultimate Series vehicles delivered in 2018 whereas there were 402 delivered in 2019. In the Sports and Super segments, the mix of product is also richer with LT and 720S Spider product being delivered in 2019 compared with the 570S and 720S Coupe product delivered in 2018. The mix difference is the key driver behind the improved financial performance versus 2018 in the Automotive division with Ultimate Series products generating higher margin.

McLaren Automotive Limited continued to announce and launch new products in 2019. Having revealed the 720S Spider to the world in December 2018, it announced a second Spider in Q1 2019: the 600LT Spider. Both cars were reviewed by the world's press in February 2019 and both received numerous five star accolades from the global media. These vehicles are now in full production and being delivered to customers.

Following this, in May 2019, the GT was revealed. Sleek, elegant and muscular, the superlight new GT challenges the conventions of the Grand Tourer category with a compelling blend of beautiful design, high-quality innovative materials, true supercar performance and McLaren driving dynamics and engagement. Positioned alongside the established Sports, Super and Ultimate Series families, this is a new McLaren for a new audience and provides an alternative to existing products in an expanding market segment. This vehicle went into production in Q3 2019, with the first production units now with customers.

In November 2019, the previously teased new Ultimate Series Speedster, was named as the Elva. The open-cockpit two-seater celebrates the Bruce McLaren-designed 1960s McLaren-Elva sportscars and will be the lightest road car ever from McLaren Automotive. The car incorporates the McLaren Active Air Management System (AAMS) which is a world-first; this aero-device shelters occupants by manipulating air flow while retaining their connection to the elements. Limited to just 149 production examples and homologated for all major markets, the vehicle is priced at £1,425,000 (Inc VAT) but the final price will depend upon level of MSO customisation. The Elva already has a solid order bank with deposits now being collected.

Further emphasising the rapid growth in McLaren Automotive Limited, the division also announced that it had produced its 20,000th car in May 2019. This milestone represented a further significant achievement for the British marque coming only eight years after the first McLaren road car left the McLaren Production Centre in July 2011.

Looking into 2020, McLaren Automotive Limited has already revealed the next LT product – the 765LT. Adding to the products in the Super Series, it is lighter, more powerful and with even higher levels of performance on both road and track, the McLaren 765LT is the latest in a line of 'Longtail' McLarens and the most dynamically advanced and engaging LT model ever from McLaren Automotive Limited. Only 765 examples of the car will be built.

Strategic Report
for the Year Ended 31 December 2019

In 2020, McLaren Automotive intends to take a year to consolidate its position in a challenging market place. A key pillar of the future growth strategy is to grow the brand in the premium luxury space to enable it to maintain a price premium and therefore grow margin rather than volume. In order to protect the brand for the future, and then following the impact of COVID-19 on the business, McLaren chose to reduce volumes and predicts deliveries of around 1,700 in 2020. This volume reduction will increase scarcity in the market place, particularly when the market is challenged not only by macro-economic factors but also the instability caused by the spread of COVID-19.

Intangible Investment
McLaren Automotive Limited has continued to invest in new road car projects. During 2019, the Company invested £287.4m (2018: £240.4m) in new road car projects including new Ultimate, Super, GT and Sports Series models. These new models are part of the commitments made in the Track25 business plan.

Post balance sheet event
The COVID-19 pandemic which has developed in 2020 has had a significant impact on the group, the Company and the global automotive industry more broadly. This pandemic has resulted in significant operational and financial disruption which has put pressure on the liquidity of the group. This disruption has included the temporary suspension of operations at the McLaren Production Centre and other group sites, in line with Government guidance. This has led to the five-year plan being re-assessed in order to account for the impact of COVID-19 and to reflect significant cost saving measures that have since been implemented. The Group has also had to seek incremental short term liquidity. This has been secured by way of a twelve-month £150m low-interest loan from the National Bank of Bahrain supported by the existing shareholders.

Covenant waivers have also been secured on the Super Senior Revolving Credit Facility Agreement from the period commencing on 16 June 2020 and ending on the date on which the Company notifies the Agent in writing that the Waiver Period is terminated. During this period the current financial covenant test is replaced by additional reporting requirements and liquidity tests. This, along with the additional short term financing, is part of a three-phase strategy which will strengthen the balance sheet in the aftermath of COVID-19.

The Group now intends to raise equity in the near future in order to take out this short-term financing and then intends to refinance both the bond and the Super Senior Revolving Credit Facility debt. However, despite re-writing the five-year plan, addressing the immediate liquidity need and putting in place a three-step plan to restructure the balance sheet, the Directors' of McLaren Group Limited and the Company acknowledge that there is uncertainty around the timing and execution of this plan. Additional financing will be required by the Group to meet the liabilities as they fall due over the next 12 months and this financing may not ultimately be obtained. This represents a material uncertainty which may cast significant doubt over the group's and therefore the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Brexit consideration
The UK has now left the European Union ("EU") but, whilst little is changed in the transition period, there is uncertainly around the type of deal that the trade negotiations will produce with the EU at the end of 2020. The Group continues to keep the progress of the negotiations under close review but considers the impact of the UK's exit on the financial results of the Group to be low. The management team, however, has considered the risks that exiting the EU poses and established that the following risks exist:

- The Company sources approximately 50% of supplies from the EU, in terms of value, and is therefore dependent on the movement of goods into the UK to maintain production. The Company could be required to hold additional stocks of parts or slow production during the Brexit period which would have a short, temporary impact on cash flow.
- The Company's imports could become subject to tariffs due to the cessation of free trade arrangements as a result of Brexit. This could have an impact on the Company's input costs.
- There is uncertainty over the rights of EU nationals to work in the UK which could increase the risk of hiring talent.
- Exchange rate volatility could impact the Company's revenues, profits and cash flows.

However, the Management Team have taken a number of actions in order to mitigate any potential impact. These actions include:

- Establishing a cross-functional team of subject matter experts to monitor the impact of Brexit and report their findings to the Management Team and, ultimately, the Board.
- The Company has ensured that it has sufficient cash reserves forecast to be in place through the end of 2020 in order to allow additional stocks to be held or production to be slowed or to cover any additional costs. This has been further helped by the receipt of equity earlier than planned on 1 February 2019.
- Through the Company's Government Affairs department, the Company has strong engagement with Government through bodies such as the Automotive Council and the Society of Motor Manufacturers and Traders.
- The Company has worked towards obtaining AEO accreditation.
- The Company has continued to follow its hedging policy, as described elsewhere in these financial statements, in order to mitigate any short-term volatility in exchange rates.

Section 172 Companies Act 2006

This sets out how the Directors comply with the requirements of Section 172 Companies Act 2006 and how these requirements have impacted the Board's decision making throughout 2019.

In June 2018 the Government introduced secondary legislation that requires all companies that meet specified size requirements to provide a corporate governance statement. Corporate Governance refers to the way that the Company is governed as well as the interaction between its managerial bodies, its shareholders and other stakeholders. The purpose is to adopt appropriate rules and procedures to support and improve the internal controls systems. The Company has always maintained strong governance procedures and welcomes the opportunity to make a formal disclosure.

The Company has reviewed the available Codes and decided that it will apply the Wates Corporate Governance Principles for large Private Companies. The disclosures which provide support for how the directors meet the requirements of Section 172 Companies Act 2006 is included in the Governance Report on pages 8 to 11.

Section 172 Decisions

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

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

b) The interest of the Company's employees

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

c) The need to foster the Company's business relationships with suppliers, customers and others
The Board regularly reviews how the company maintains positive relationships with all its stakeholders which is an important element in the communication of the development plan. It understands the importance of the company's supply chain in delivering the long-term plans of itself and of the Group. The Executive of the McLaren Automotive team bring a wealth of relevant knowledge and experience. Mike Flewitt, CEO, was Vice President, Manufacturing, Ford of Europe, and prior to that he held senior manufacturing and operations roles at TWR Group Limited, Rolls-Royce and Bentley Motor Cars Limited. The Company's principal risks and uncertainties set out risks that can impact its long-term success and how these risks interact with our stakeholders. The Board actively seek information on the interaction with stakeholders to ensure that they have enough information to reach appropriate conclusions about the risks faced by the Company and how these are reflected within the long-term plans.

d) The impact of the Company's operations on the community and environment
The McLaren Group's environmental policy, to which McLaren Automotive subscribes, outlines the Group's commitment to protect against the long-term critical depletion of natural resources and lasting damage to species, habitats, biodiversity and climate.

McLaren Automotive is conscious of its responsibilities as a car manufacturer to provide both short-term and long-term solutions for designing and engineering exciting cars that innovate and offer new standards of technology to customers. That development in technological solutions includes lowering carbon emissions and improving our carbon efficiency CO2 to significantly below what is expected in sports cars. McLaren supports communities in several ways and aims to make a positive contribution to improving people's life chances, especially those of young people. Developing the next generation of automotive expertise is vitally important to McLaren. As the company continues to grow, the need for a skilled workforce to design, develop, build and sell its cars is also expanding. McLaren Automotive backs the UK STEM Awards (which has seen previous winners secure permanent roles at McLaren) and has partnered with the BBC on educational science programming for primary school age groups and above.

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

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

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

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As with any company active on a global stage, foreign exchange volatility presents a risk. Currency exposure will remain high as 70 per cent of worldwide sales revenues are denominated in non-Sterling currencies. McLaren Automotive Limited operates in an international environment with revenues denominated primarily in US dollars, Japanese Yen, Chinese Yuan and Euros. Purchases are transacted primarily in Sterling and Euros. The principal risks, however, are exposure to the US Dollar and Euro. McLaren Automotive Limited operates under a treasury policy and accordingly has a hedging portfolio in place to cover a proportion of these cash flows. Interest exposure is governed by the rate at which long-term loans are agreed and the rate contracted with high-yield bond holders and the banking group supporting the revolving credit facility for the Company. McLaren Automotive Limited's financing is provided through its parent company, McLaren Holdings Limited. The interest rate on the revolving credit facility is linked to LIBOR whereas the rate contracted with the high-yield bond holders is fixed.

KEY PERFORMANCE INDICATORS

The directors consider turnover, sales and production volumes to be the principal Key Performance Indicators (KPIs). These are used to assess progress towards achieving the Company's strategies over the medium term and performance against these measures is reviewed regularly.

ON BEHALF OF THE BOARD:

P Buddin

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Paul Buddin – Director

Date: 14/10/2020

Report of the Directors
for the Year Ended 31 December 2019

The directors present their report with the audited financial statements of the company for the year ended 31 December 2019.

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

DIVIDENDS
The Directors do not propose a dividend for the year ended 31 December 2019 (2018: £nil).

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

FUTURE DEVELOPMENTS
Future developments of the business and important events affecting McLaren Automotive Limited since year end have been discussed in the Strategic Report on pages 2 to 7.

DISABLED EMPLOYEES
The policy of the Company is to give full and fair consideration to employment application by disabled persons and to ensure that disabled employees received appropriate training and career development opportunities. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE CONSULTATION
The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

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

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

The Company has reviewed the available Codes and decided that it will apply the Wates Corporate Governance Principles for large Private Companies which were issued in December 2018. They provide a framework for the Company to demonstrate how the Board makes decisions for the long-term success of its stakeholders together with a disclosure as to how they ensure compliance with the requirements of Section 172 of the Companies Act 2016.

The Board recognises that 2019 saw the start of formalising the existing processes in a rigorous fashion and will continue to review and challenge the ways in which the Company can improve the relationship with its stakeholders. This has been most clearly demonstrated in the formation of two new Committees – the Audit and Risk Committee and Remuneration and Nominations Committee.

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

Report of the Directors
for the Year Ended 31 December 2019

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

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

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

Principle 2 – Board Composition
The Group has a two-tier management structure where powers and responsibilities are distributed between the Group Board of Directors and the Executive Management. The Board of McLaren Group Limited reflects the interest and ambitions of our stakeholders and introduces perspectives originating in businesses outside those in which the Group operates. The Executive Management represent the Board of McLaren Automotive and have responsibility for the day-to-day management of the business and ensuring compliance with the strategic direction of the business.

McLaren Automotive has a Chief Executive Officer with a management team who bring a wealth of automotive experience. The CEO meets the other Group CEO's at regular intervals to ensure that the values, approach and decision making across the Group is consistent and sustained. The Group believe that the size and composition of the Boards with their breadth of experience is appropriate to our business. The Remunerations and Nominations Committee has a planned Board Effectiveness review as part of their remit.

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

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

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

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

During 2019 the Committee focussed on ensuring that Governance was in place to ensure that the Group was compliant with the Wates Principles. The Company has systems and controls in place that manage, rather than eliminate, the risk of failure to achieve its annual plan. The Committee has endorsed a formal process for the collection and mitigation of risks which promotes a consistent risk register across all businesses to assess commonality in risks and trends. McLaren Automotive completed the appropriate review of risks and fed into this process. The output provides reasonable but not an absolute assurance against a risk materialising. The Committee has a stated desire to enhance the risk management framework as the results are collected and consolidated. Once the risks are analysed based on likelihood and impact of occurrence they are debated by senior management and the intention is to deep dive into the key and recurring items. Similarly, data collection will allow presentations to the committee that will focus on the changes to those measures over time. Once considered by the Committee, the risk register is presented to the Group Audit and Risk Committee and the Group Board. Any points raised by the Board will be discussed in the subsequent Committee meeting. The Group promotes a culture of risk awareness and as such all employees should have the ability to identify key risks and a responsibility for the management of that risk. The risks themselves remain the responsibility of the relevant process owner.

PricewaterhouseCoopers LLP were re-appointed as the Company's external auditors in 2019. The Board assesses the effectiveness of their performance every year after completion of the annual audit.

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

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

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

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

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

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

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.

DIRECTORS
The directors shown below have held office during the whole of the year from 1 January 2019 to the date of this report:

Mike Flewitt
Paul Buddin

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Cash flow risk
The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses a mixture of foreign exchange forward contracts and interest rate swap contracts to hedge this exposure based on forecast cash inflows and out flows over a 36 month period.

The Company aims to reduce the magnitude of foreign currency exposures, operationally offset the impact of foreign currency volatility and ultimately use its hedging strategies to smooth the profit and cash effects of foreign currency.

Credit risk
The Company's principal financial assets are bank balances and cash, and trade and other receivables.

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

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, some of whom have supplied bank guarantees.

Liquidity risk
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Further details regarding liquidity risk can be found in the accounting policies, note 1 in the financial statements.

POLITICAL AND CHARITABLE DONATIONS
No political or charitable donations were made during the current or previous year.

EXISTENCE OF BRANCHES OUTSIDE THE UK
The company has branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK as follows:
- Bahrain
- Spain

GOING CONCERN
The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and subsidiaries.

The COVID-19 pandemic which has developed in 2020 has had a significant impact on the Group, the Company and the global automotive industry more broadly. This pandemic has resulted in significant operational and financial disruption which has put pressure on the liquidity of the Group. This disruption has included the temporary suspension of operations at the McLaren Production Centre and other Group sites, in line with Government guidance. This has led to the five-year plan being re-assessed in order to account for the impact of COVID-19 and to reflect significant cost saving measures that have since been implemented. The Group has also had to seek incremental short term liquidity. This has been secured by way of a twelve-month £150m low-interest loan from the National Bank of Bahrain supported by the existing shareholders.

Covenant waivers have also been secured on the Super Senior Revolving Credit Facility Agreement from the period commencing on 16 June 2020 and ending on the date on which the Company notifies the Agent in writing that the Waiver Period is terminated. During this period the current financial covenant test is replaced by additional reporting requirements and liquidity tests. This additional short term financing is part of a three-phase strategy which will strengthen the balance sheet in the aftermath of COVID-19.

The Group now intends to raise equity in the near future in order to take out this short-term financing and then intends to refinance both the bond and the Super Senior Revolving Credit Facility debt. However, despite re-writing the five-year plan, addressing the immediate liquidity need and putting in place a three-step plan to restructure the balance sheet, the Directors' of McLaren Group Limited and the Company acknowledge that there is uncertainty around the timing and execution of this plan. Additional financing will be required by the Group to meet the liabilities as they fall due over the next 12 months and this financing may not ultimately be obtained. This represents a material uncertainty which may cast significant doubt over the Group's and therefore the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law 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 company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have been proposed to be reappointed as auditors and have indicated their willingness to continue in office. A resolution that they be reappointed will be proposed at the board meeting.

ON BEHALF OF THE BOARD:

P Buddin

Paul Buddin – Director

Date: 14/10/2020

Independent Auditors' Report to the Members of
McLaren Automotive Limited

Report on the audit of the financial statements

Opinion

In our opinion, McLaren Automotive Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Report of the Directors and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the income statement, the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The COVID-19 pandemic which has developed in 2020 has had a significant impact on the company, its parent as well as its fellow subsidiaries (collectively referred to as the 'group') and the global automotive industry more broadly. This pandemic has resulted in significant operational and financial disruption which has put pressure on the liquidity of the group. As a result of the challenges posed by the COVID-19 pandemic, the group will require additional funding in order to be able to meet its liabilities as they fall due over the next 12 months; however, this additional funding has not been secured at this time. As the company participates in the group's centralised treasury arrangements, these conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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 Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included. Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and

Independent Auditors' Report to the Members of McLaren Automotive Limited

Report of the Directors for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on pages 12 and 13, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting
Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Gregory Briggs (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
1 Harefield Road
Uxbridge
UB8 1EX

Date: 16 October 2020

McLaren Automotive Limited (Registered number: 01967717)

Income Statement
for the Year Ended 31 December 2019

	Notes	2019 £'000	2018 £'000
TURNOVER	3	1,098,758	928,309
Cost of sales		(862,366)	(745,345)
GROSS PROFIT		236,392	182,964
Administrative expenses		(168,602)	(152,490)
Other operating income	4	23,338	36,674
OPERATING PROFIT	6	91,128	67,148
Other interest receivable and similar income		453	519
Interest payable and similar expenses	7	(15,707)	(11,036)
PROFIT BEFORE TAXATION		75,874	56,631
Tax on profit	8	(15,597)	(10,408)
PROFIT FOR THE FINANCIAL YEAR		60,277	46,223

The notes form part of these financial statements

McLaren Automotive Limited (Registered number: 01967717)

Statement of Comprehensive Income
for the Year Ended 31 December 2019

	2019 £'000	2018 £'000
PROFIT FOR THE FINANCIAL YEAR	60,277	46,223
OTHER COMPREHENSIVE INCOME/(LOSS)		
Foreign currency translation reserve	24,786	(27,074)
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR, NET OF INCOME TAX	24,786	(27,074)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	85,063	19,149

The notes form part of these financial statements

McLaren Automotive Limited (Registered number: 01967717)

Balance Sheet
as at 31 December 2019

	Notes	2019 £'000	2018 £'000
FIXED ASSETS			
Intangible assets	9	811,909	670,460
Tangible assets	10	78,252	75,856
Investments	11	1	1
		890,162	746,317
CURRENT ASSETS			
Stocks	12	93,947	96,783
Debtors	13	244,252	170,727
Cash at bank and in hand		24,899	65,896
		363,098	333,406
CREDITORS			
Amounts falling due within one year	14	(796,532)	(722,256)
NET CURRENT LIABILITIES		(433,434)	(388,850)
TOTAL ASSETS LESS CURRENT LIABILITIES		456,728	357,467
CREDITORS			
Amounts falling due after more than one year	15	(9,509)	(12,386)
PROVISIONS FOR LIABILITIES	18	(24,189)	(7,114)
NET ASSETS		423,030	337,967
CAPITAL AND RESERVES			
Called up share capital	19	27	27
Share premium account	20	490,451	490,451
Other reserves	20	2,039	2,039
Foreign currency translation reserve	20	2,030	(22,756)
Accumulated losses	20	(71,517)	(131,794)
TOTAL SHAREHOLDERS' FUNDS		423,030	337,967

The financial statements on pages 16 to 36 were approved by the Board of Directors on 14 October 2020 and were signed on its behalf by:

P Buddin

Paul Buddin - Director

The notes form part of these financial statements

McLaren Automotive Limited (Registered number: 01967717)

Statement of Changes in Equity
for the Year Ended 31 December 2019

	Called up share capital £'000	Accumulated losses £'000	Share premium account £'000
Balance at 1 January 2018	27	(178,017)	490,451
Total comprehensive income	-	46,223	-
Balance at 31 December 2018	27	(131,794)	490,451
Total comprehensive income	-	60,277	-
Balance at 31 December 2019	27	(71,517)	490,451

	Other reserves £'000	Foreign currency translation reserve £'000	Total equity £'000
Balance at 1 January 2018	2,039	4,318	318,818
Total comprehensive income	-	(27,074)	19,149
Balance at 31 December 2018	2,039	(22,756)	337,967
Total comprehensive income	-	24,786	85,063
Balance at 31 December 2019	2,039	2,030	423,030

The notes form part of these financial statements

1. ACCOUNTING POLICIES

Accounting policies
The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting
McLaren Automotive Limited is a Company incorporated in the United Kingdom under the Companies Act.

The Company is a private Company limited by shares and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report and the report of the directors on pages 2 to 13. The financial statements of McLaren Automotive Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit or loss. The functional currency of McLaren Automotive Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Going concern
As at the year end McLaren Automotive Limited was in a net current liability position of £433.4m (2018: £393.7m). 2018 saw the consolidation of McLaren Technology Group (holding Racing and Applied Technologies divisions) and McLaren Automotive Limited under the ownership of McLaren Group Limited. Following the Group reorganisation and the merger with the McLaren Technology Group, the Company is now financed through an intercompany debt with McLaren Holdings Limited, which is classified as a creditor falling due within one year. The COVID-19 pandemic which has developed in 2020 has had a significant impact on the Group, the Company and the global automotive industry more broadly. This pandemic has resulted in significant operational and financial disruption which has put pressure on the liquidity of the Group. This disruption has included the temporary suspension of operations at the McLaren Production Centre and other Group sites, in line with Government guidance. This has led to the five-year plan being re-assessed in order to account for the impact of COVID-19 and to reflect significant cost saving measures that have since been implemented. The Group has also had to seek incremental short term liquidity. This has been secured by way of a twelve-month £150m low-interest loan from the National Bank of Bahrain supported by the existing shareholders. Covenant waivers have also been secured on the Super Senior Revolving Credit Facility Agreement from the period commencing on 16 June 2020 and ending on the date on which the Company notifies the Agent in writing that the Waiver Period is terminated. During this period the current financial covenant test is replaced by additional reporting requirements and liquidity tests. This additional short term financing is part of a three-phase strategy which will strengthen the balance sheet in the aftermath of COVID-19.

The Group now intends to raise equity in the near future in order to take out this short-term financing and then intends to refinance both the bond and the Super Senior Revolving Credit Facility debt. However, despite re-writing the five-year plan, addressing the immediate liquidity need and putting in place a three-step plan to restructure the balance sheet, the Directors' of McLaren Group Limited and the Company acknowledge that there is uncertainty around the timing and execution of this plan. Additional financing will be required by the Group to meet the liabilities as they fall due over the next 12 months and this financing may not ultimately be obtained. This represents a material uncertainty which may cast significant doubt over the Group's and therefore the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The intercompany debt facility as noted above, the future prospects of the business and the letter of support as provided by McLaren Group Limited, provides assurance over the Company's ability to continue to trade for the foreseeable future. Accordingly, the directors have prepared the financial statements on a going concern basis.

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

1. ACCOUNTING POLICIES – continued

The Company has taken advantage of the following exemptions:

(i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, McLaren Group Limited, includes the Company's cash flows in its own consolidated financial statements;
(ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.41 to 11.48 and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statements disclosure; and
(iii) from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Consolidated financial statements
The Company is a wholly owned subsidiary of McLaren Group Limited. It is included in the consolidated financial statements of McLaren Group Limited which are publicly available. Therefore, the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is McLaren Group Limited. The address of the parent's registered office is McLaren Technology Centre, Chertsey Road, Woking, Surrey, GU21 4YH.

Turnover
Turnover represents the value of goods sold and services provided in the year, exclusive of value added tax. Income from the sale of goods, including income associated with heritage cars, is recognised when the risks and rewards of the goods have passed to the customer. On the sale of vehicles, International Commercial terms (INCO) are agreed with each dealer and revenue is recognised at the point of which risk and reward transfers. This will differ depending on the respective INCO terms agreed of which the majority will either be point of despatch to the dealer, when the car is imported into the destination country, or when the vehicles are received by the dealer. Where a customer has purchased a package including race events, revenue for the vehicle is recognised when the car is made available to the customer. Revenue for each event is recognised once the event has taken place.

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date, turnover represents the value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Other operating income
Other operating income consists of income not directly related to the sale of vehicles. It mainly comprises of income for the provision of management services to its subsidiary companies and income in relation to the development of new and advanced technologies.

Intangible assets - new production development
Intangible fixed assets represent development costs incurred on new car programmes and are capitalised in accordance with section 18 of FRS 102. These are stated at historical cost and will be amortised over the lifecycle of the car programme to which they relate. Development costs include materials, direct labour and the cost of work outsourced to third parties.

Development costs on each programme are capitalised up to the point at which the vehicle is formally handed over to production, which normally occurs 90 days following the first production vehicle being produced. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit and loss account as it is incurred. Research expenditure is expensed as incurred. The intangible fixed asset balance is amortised over the sales life-cycle volumes of the associated car programme, in accordance with the receipt of benefit.

Intangible assets - IT systems development
IT systems development expenditure is capitalised and amortised over 10 years from the date of implementation.

1. **ACCOUNTING POLICIES - continued**

Tangible fixed assets
Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line/reducing balance basis over its expected useful life, as follows:

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

No depreciation is provided until the assets are brought into use. Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Investments in subsidiaries
Investments in subsidiary undertakings are recognised at cost.

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

Financial instruments
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets and liabilities
All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Balance Sheet when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Financial assets are derecognised when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

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

(ii) Derivative financial instruments
The Company uses derivative financial instruments to reduce exposure to foreign exchange risk movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the statement of comprehensive income immediately.

(iii) Fair value measurement
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Foreign currency
Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Other exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see above);
- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

1. ACCOUNTING POLICIES - continued

Leases
Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Pension costs and other post-retirement benefits
The Company pays contributions to personal pension schemes, with the costs being charged to the profit and loss account. For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the total of the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Hedge accounting
The Company designates certain derivatives as hedging instruments in cash flow hedges.

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the Company determines and documents causes for hedge ineffectiveness.

Note 17 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

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

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1. ACCOUNTING POLICIES - continued

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

Contingencies
Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

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

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

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

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Financial instruments - accounting judgement
When the fair values of financial assets and financial liabilities recorded in the Balance Sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including a discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Details of fair value measurements can be found in note 17.

Capitalisation of research and development costs – accounting judgement
The Directors assess whether all the criteria for capitalisation of research and development costs have been met. This includes determining whether there is a clearly defined project, whether the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are not expected to exceed related future sales and adequate resources exist to enable the project to be completed.

Capitalisation of research and development costs – estimation uncertainty
In determining the development expenditure to be capitalised, the Directors make estimates and assumptions based on expected future economic benefits (forecasted revenue less costs) generated by products that are the result of these development expenditures, and the expected useful economic life.

Warranty provisions - estimation uncertainty
An estimated provision is made against all vehicles once wholesaled on a per car basis. This provision considers the historical average warranty claims made on vehicles by customers, together with the average amount reclaimed from suppliers. The required level of provision is sensitive to a change in actual warranty claims incurred. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. For further understanding of the impact of the estimation uncertainty, see note 18.

3. TURNOVER

The Directors consider there to be only one class of business operated by the Company, being the manufacture and sale of high-performance sports motor vehicles and associated revenue streams. All amounts presented in these financial statements are from that one class of business. An analysis of turnover by geographical location has not been included as it is deemed by the Directors that such information would lead to a competitive advantage to the Company's key competitors.

4. OTHER OPERATING INCOME

	2019	2018
	£'000	£'000
Management fee income	16,906	29,673
Grant income	6,432	7,001
	23,338	36,674

5. EMPLOYEES AND DIRECTORS

	2019	2018
	£'000	£'000
Wages and salaries	108,902	99,863
Social security costs	9,693	7,701
Other pension costs	4,275	1,785
	122,870	109,349

5. **EMPLOYEES AND DIRECTORS - continued**

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

	2019 Number	2018 Number
Production	1,194	881
Engineering	733	567
Administration	883	690
	2,810	2,138

	2019 £	2018 £
Directors' remuneration	2,374,764	1,319,263

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

	2019 Number	2018 Number
Defined Contribution	1	2

Information regarding the highest paid director is as follows:

	2019 £	2018 £
Emoluments etc.	1,666,149	865,263

The Company's highest paid director does not have any share options (2018: None) and has not received nor is due to receive any shares in respect of qualifying services under a long-term incentive scheme (2018: None).

6. **OPERATING PROFIT**

The operating profit (2018 - operating profit) is stated after charging:

	2019 £'000	2018 £'000
Operating leases	3,671	3,711
Depreciation - owned assets	4,944	3,812
New production development costs amortisation	142,500	127,000
IT systems development costs amortisation	6,470	6,851
Auditors' remuneration - company (Audit fees)	157	111
Auditors' remuneration - company (Non audit fees)	30	-
Foreign exchange differences	19,269	8,328
Research and development	1,678	621

The company auditors also received remuneration in relation to its associates of £15,000 (2018: £23,000).

7. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2019 £'000	2018 £'000
Bank interest	14,627	10,644
Other finance charges	1,080	392
	15,707	11,036

8. TAX ON PROFIT

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax	15,749	12,030
Adjustment to tax charge in respect of previous periods	927	(754)
Deferred tax	(1,079)	(868)
Tax on profit/(loss)	15,597	10,408

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is higher (2018: lower than) than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £'000	2018 £'000
Profit before tax	75,874	56,631
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	14,416	10,760
Effects of:		
Expenses not deductible for tax purposes	191	325
Adjustments to tax charge in respect of previous periods	927	(754)
Effective tax rates	92	49
Differential in rates	(29)	28
Total tax charge/(credit)	15,597	10,408

Tax effects relating to effects of other comprehensive income/loss

	Gross £'000	2019 Net £'000
Foreign currency translation reserve	24,786	24,786
	24,786	24,786

	Gross £'000	2018 Net £'000
Foreign currency translation reserve	(27,074)	(27,074)
	(27,074)	(27,074)

8. TAX ON PROFIT- continued

The tax rate for the current year is the same as the prior year at 19%. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

9. INTANGIBLE ASSETS

	New production development costs £'000	IT systems development costs £'000	Totals £'000
COST			
At 1 January 2019	1,087,561	64,138	1,151,699
Additions	287,410	3,009	290,419
At 31 December 2019	1,374,971	67,147	1,442,118
ACCUMULATED AMORTISATION			
At 1 January 2019	461,456	19,783	481,239
Amortisation for year	142,500	6,470	148,970
At 31 December 2019	603,956	26,253	630,209
NET BOOK VALUE			
At 31 December 2019	771,015	40,894	811,909
At 31 December 2018	626,105	44,355	670,460

10. TANGIBLE ASSETS

	Freehold land and buildings £'000	Leasehold premises and improvements £'000	Plant, machinery, tools and equipment £'000
COST			
At 1 January 2019	52,789	14,720	27,133
Additions	-	115	854
Eliminated on disposal	-	(3,068)	(27)
At 31 December 2019	52,789	11,767	27,960
ACCUMULATED DEPRECIATION			
At 1 January 2019	6,815	3,692	14,807
Charge for year	1,011	729	1,807
Eliminated on disposal	-	(3,068)	(27)
At 31 December 2019	7,826	1,353	16,587
NET BOOK VALUE			
At 31 December 2019	44,963	10,414	11,373
At 31 December 2018	45,974	11,028	12,326

10. TANGIBLE ASSETS - continued

	Fixtures, fittings and office equipment £'000	Motor vehicles £'000	Totals £'000
COST			
At 1 January 2019	7,175	2,288	104,105
Additions	5,838	533	7,340
Disposals	-	-	(3,095)
At 31 December 2019	13,013	2,821	108,350
ACCUMULATED DEPRECIATION			
At 1 January 2019	2,549	386	28,249
Charge for year	1,016	381	4,944
Eliminated on disposal	-	-	(3,095)
At 31 December 2019	3,565	767	30,098
NET BOOK VALUE			
At 31 December 2019	9,448	2,054	78,252
At 31 December 2018	4,626	1,902	75,856

Plant, machinery, tools and equipment includes finance leased assets with a cost of £489,763 (2018: £489,763) and accumulated depreciation of £415,898 (2018: £397,432). The depreciation charge on these assets for the year was £18,466 (2018: £39,592).

11. INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2019 and 31 December 2019	1
NET BOOK VALUE	
At 31 December 2019	1
At 31 December 2018	1

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

McLaren Automotive Incorporated
Registered office: Baker & McKenzie LLP, 1114 Avenue of the Americas, New York, New York 10036
Nature of business: Sports Car Retailer

Class of shares:	% holding
Ordinary	100.00

11. INVESTMENTS - continued

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

Class of shares:	% holding
Ordinary	100.00

McLaren Automotive Events Limited
Registered office: McLaren Technology Centre, Chertsey Road, Woking, Surrey, GU21 4YH
Nature of business: Events Company

Class of shares:	% holding
Ordinary	100.00

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

Class of shares:	% holding
Ordinary	100.00

12. STOCKS

	2019 £'000	2018 £'000
Raw materials	51,534	49,592
Work-in-progress	20,793	27,868
Finished goods	21,620	19,323
	93,947	96,783

There is no significant difference between the replacement cost of raw materials, work in progress and finished goods and their carrying amounts (2018: Nil). During the year £14,900,000 (2018: £2,100,000) was expensed to the profit and loss account as a provision against stock parts relating to models that are no longer in production.

13. DEBTORS

	2019 £'000	2018 £'000
Trade debtors	113,983	68,469
Amounts owed by group undertakings	10,211	6,588
Other debtors	22,688	15,270
Derivative financial assets	12,795	2,653
Other taxes	5,159	7,429
Deferred tax asset	47,907	47,572
Prepayments and accrued income	31,509	22,746
	244,252	170,727

Deferred tax asset

	2019 £'000	2018 £'000
Fixed asset timing differences	3,887	3,873
Other short term timing differences	2,044	2,362
Trading and other losses	41,976	41,337
	47,907	47,572

13. DEBTORS - continued

The company expects deferred tax assets of £850,000 to reverse in 2020. This primarily relates to losses brought forward. The losses carried forward have an indefinite life and the incentives do not expire. Amounts owed by group undertakings are unsecured, have no fixed date of repayment, interest free and are repayable on demand.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£'000	£'000
Finance leases (see note 16)	7	15
Trade creditors	95,138	56,708
Amounts owed to group undertakings	329,602	297,265
Taxation and Social Security	4,130	3,333
Other creditors	99,761	72,678
Derivative financial liabilities	8,562	20,331
Accruals and deferred income	259,332	271,926
	796,532	722,256

Amounts due to group undertakings are unsecured, have no fixed date of repayment, interest free and are repayable on demand. Other Creditors includes £71,674,000 (2018: £55,194,000) of Trade Finance which is used to support wholesales to McLaren Automotive Limited dealers.

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

	2019	2018
	£'000	£'000
Amounts owed to group undertakings	7,500	7,500
Financial liabilities	2,009	4,886
	9,509	12,386

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

16. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Finance leases	
	2019	2018
	£'000	£'000
Net obligations repayable:		
Within one year	7	15
	7	15

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

	Non-cancellable operating leases	
	2019	2018
	£'000	£'000
Within one year	3,671	4,151
Between one and five years	5,195	5,965
In more than five years		8,607
	7,240	
		18,723

17. FINANCIAL INSTRUMENTS

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

	2019 £000	2018 £000
Financial assets that are debt instruments measured amortised cost		
- Trade debtors	113,983	68,469
- Amounts owed by group undertakings	10,211	6,588
- Other debtors	22,688	15,270
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial assets - forward foreign currency contracts	12,795	2,653
Financial Liabilities measured at amortised cost		
- Finance leases	7	15
- Trade creditors	95,138	56,708
- Amounts owed to group undertakings	329,602	297,265
- Other creditors	99,761	72,678
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial liabilities - forward foreign currency contracts	8,562	20,331
Non-Current Financial Liabilities		
Measured at amortised cost		
- Amounts owed to group undertakings	7,500	7,500
- Derivative financial liabilities - forward foreign currency contracts	2,009	4,886

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk. Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Outstanding contracts	Average Contractual exchange rate		Notional value		MTM	
	2019	2018	2019 £000	2018 £000	2019 £000	2018 £000
Sell						
USD	1.3094	1.3445	437,972	421,734	6,714	(16,817)
JPY	140.7696	146.0345	62,656	58,411	843	(3,100)
CNY	9.0332	9.1835	98,846	93,009	2,117	(3,234)
AUD	1.8576	1.7971	26,625	16,860	433	231
Buy						
EUR	1.1179	1.0887	279,096	250,880	(7,885)	356
					2,222	(22,564)

The Company has entered into forward and option foreign currency contracts to hedge the exchange rate risk arising from anticipated future transactions, which are designated as cash flow hedges. The hedged cash flows are expected to occur and to affect profit or loss within the next three financial years.

Losses of £26,152,184 (2018: £3,560,861) were recognised in profit.

18. PROVISIONS FOR LIABILITIES

	2019 £'000	2018 £'000
Other provisions		
Warranty provision	23,818	6,684
End of service gratuity provision	51	41
Dilapidation provision	320	389
	24,189	7,114

	Other provisions £'000
Balance at 1 January 2019	7,114
Provided in the year	42,217
Utilised during year	(25,142)
Balance at 31 December 2019	24,189

The warranty provision relates to the 3 year warranty given to customers with each vehicle purchased. The Company is liable for the parts and labour costs associated with repairing manufacturing faults arising on vehicles during the warranty period. It is expected that the majority of this expenditure will be incurred within three years of the balance sheet date.

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

The dilapidation provision relates to the Company's obligation to return its rental premises to its pre occupancy condition in line with the terms set out in the lease.

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £	2018 £
2,691,263	Ordinary	£0.01	26,913	26,913

20. RESERVES

	Accumulated losses £'000	Share premium account £'000	Other reserves £'000	Foreign currency translation reserve £'000	Totals £'000
At 1 January 2019	(131,794)	490,451	2,039	(22,756)	337,940
Profit for the year	60,277	-	-	-	60,277
Movement	-	-	-	24,786	24,786
At 31 December 2019	(71,517)	490,451	2,039	2,030	423,003

21. PENSION COMMITMENTS

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees of all divisions. The total expense charged to profit or loss in the year ended 31 December 2019 was £4,275,000 (2018: £1,785,000).

22. CONTINGENT LIABILITIES

McLaren Automotive Limited is party to an unlimited cross company guarantee securing all monies due, or to become due, in respect of the overdraft and £90m loan facility provided to McLaren Holdings Limited by its bankers. As at 31 December 2019 the balance guaranteed was £nil (2018: £nil). In addition, McLaren Automotive Limited is party to a guarantee securing all monies due, or to become due, in respect of £370m of sterling-denominated Senior Secured Notes and $250m of dollar-denominated Senior Secured Notes issued by the Group in July 2017.

23. RELATED PARTY DISCLOSURES

The Company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

	Year ended 31 December	Balance outstanding at 31 December	Year ended 31 December	Balance outstanding at 31 December
	2019	2019	2018	2018
	£000	£000	£000	£000
Sales to related parties				
Directors of Group	973	1,253	1,181	274
Directors of Subsidiaries	199	2	927	-
Amounts owed by related parties at 31 December		1,255		274
Split by:				
Amounts owed by related parties due < 1 year		1,255		274
		1,255		274
Purchases from related parties				
Directors of Group	-	-	-	-
Directors of Subsidiaries	502	-	202	-
Amounts owed by related parties at 31 December		-		-

24. CONTROLLING PARTIES

The immediate parent undertaking is McLaren Holdings Limited.

The ultimate parent Company and the ultimate controlling party is Bahrain Mumtalakat Holding Company.

The smallest Group to consolidate the Company's financial statements is McLaren Group Limited. A copy of McLaren Group Limited's consolidated financial statements can be obtained from McLaren Technology Centre, Chertsey Road, Woking, Surrey, GU21 4YH. The largest Group to consolidate the Company's financial statements is Bahrain Mumtalakat Holding Company, a Company registered in Bahrain.

25. EVENTS AFTER THE END OF THE REPORTING PERIOD

The COVID-19 pandemic which has developed in 2020 has had a significant impact on the Group, the Company and the global automotive industry more broadly. This pandemic has resulted in significant operational and financial disruption which has put pressure on the liquidity of the Group. This disruption has included the temporary suspension of operations at the McLaren Production Centre and other Group sites, in line with Government guidance. This has led to the five-year plan being re-assessed in order to account for the impact of COVID-19 and to reflect significant cost saving measures that have since been implemented. The Group has also had to seek incremental short term liquidity. This has been secured by way of a twelve-month £150m low-interest loan from the National Bank of Bahrain supported by the existing shareholders.

Covenant waivers have also been secured on the Super Senior Revolving Credit Facility Agreement from the period commencing on 16 June 2020 and ending on the date on which the Company notifies the Agent in writing that the Waiver Period is terminated. During this period the current financial covenant test is replaced by additional reporting requirements and liquidity tests. This additional short term financing is part of a three-phase strategy which will strengthen the balance sheet in the aftermath of COVID-19. Additionally, Group had received £300m by way of new shares issued by McLaren Group Limited. The source of funding for this investment were the existing, long-standing shareholders to support investment across McLaren's three businesses divisions as part of their commitment to the Group's growth strategy.

The Group now intends to raise equity in the near future in order to take out this short-term financing and then intends to refinance both the bond and the Super Senior Revolving Credit Facility debt. However, despite re-writing the five-year plan, addressing the immediate liquidity need and putting in place a three-step plan to restructure the balance sheet, the Directors' of McLaren Group Limited and the Company acknowledge that there is uncertainty around the timing and execution of this plan. Additional financing will be required by the Group to meet the liabilities as they fall due over the next 12 months and this financing may not ultimately be obtained. This represents a material uncertainty which may cast significant doubt over the Group's and therefore the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.