

**Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2017**
for
McLaren Automotive Limited

TUESDAY



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11/09/2018
COMPANIES HOUSE

**Contents of the Financial Statements
for the Year Ended 31 December 2017**

	Page
Company Information	1
Strategic Report	2
Report of the Directors	5
Statement of Directors' Responsibilities	8
Independent auditors' report	9
Income Statement	11
Statement of Comprehensive Income	12
Balance Sheet	13
Statement of Changes in Equity	14
Notes to the Financial Statements	15

McLaren Automotive Limited

**Company Information
for the Year Ended 31 December 2017**

DIRECTORS:

Mike Flewitt
M A Ojje
Shaikh Mohammed Bin Essa Alkhalifa
Mahmood Al Kooheji
Hisham Al Saie
Lay Hoon Chan
Roberto Aguirre
Peter Lim

SECRETARY:

Ruth Nic Aoidh

REGISTERED OFFICE:

McLaren Technology Centre
Chertsey Road
Woking
Surrey
GU21 4YH

REGISTERED NUMBER:

01967717 (England and Wales)

INDEPENDENT AUDITORS:

PricewaterhouseCoopers LLP
3 Forbury Place
23 Forbury Road
Reading
Berkshire
United Kingdom
RG1 3JH

SOLICITORS:

Ashurst LLP
Broadwalk House
5 Appold Street
London
EC2A 2HA

McLaren Automotive Limited

Strategic Report for the Year Ended 31 December 2017

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

Principal Activities

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

McLaren Automotive 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 has a range of luxury high performance cars across three defined product families (Sports Series, Super Series and Ultimate Series) and has produced further ground-breaking cars such as the McLaren P1TM and the McLaren 675LT. 2017 has been an extraordinary year for McLaren Automotive, updating the product range with the launch of the award-winning, second generation Super Series (the McLaren 720S), a new Sports Series model (the 570S Spider) and a unique Ultimate Series car - the McLaren Senna. All current and future models continue to command premium pricing and a strong order bank.

Change in Capital structure

Prior to July 2017, McLaren Automotive was a separate company from the McLaren Technology Group but with a common shareholding and shared heritage. On 20 July 2017, the two entities were brought together under McLaren Group Limited with the shareholders of the two companies taking ownership of the new company. The reconstruction also allowed Mr Dennis OBE, a long-term shareholder of McLaren, to exit the shareholder group.

To finance the transaction, the McLaren Group issued a sterling bond of £370m and a dollar bond on \$250m traded on the international stock exchange. The proceeds of the bonds were used to purchase the shares of Mr Dennis (£200m), refinance the debt of the combining entities (£223m), repay shareholder loans (£8m) and settle transaction fees (£38m). This netted £93m in cash to the new Group. All long-term financing for McLaren Automotive is now provided by its parent entity, McLaren Holding Limited.

Following the change, McLaren Automotive no longer presents consolidated accounts as these accounts are consolidated into the ultimate parent company, McLaren Group Limited.

BUSINESS REVIEW AND OUTLOOK

Turnover for the Company has fallen marginally from £527.3m in 2016 to £526.9m in 2017 and the net Company result for 2017 is a loss before taxation of £43.0m (2016: Profit of £3.5m).

McLaren Automotive entered the year with three planned but important one-off disruptions to production. The disruptions were all part of the Track22 business plan announced at the Geneva Motorshow in March 2016. The first was the implementation of a new Enterprise Resource Planning system, SAP. Production was halted for most of January to allow for the successful implementation of SAP and then output was affected throughout February 2017 as production returned to normal. The other disruptions were the launches of the second generation of the Super Series (McLaren 720S) and the Sports Series Spider (McLaren 570S Spider). The launch of the new Super Series completed the production life-cycle plan of McLaren Automotive but introduced a gap of six months as the old model was phased out and the McLaren 720S launched.

The Company is pleased to have completed the ramp-up of volume in the Automotive division following the planned SAP implementation and major new product launches. This ramp-up was completed in Q4 2017; the capacity demonstrated in Q4 will allow the Company, including its subsidiaries, to aim to exceed 4,300 units in 2018. The total volumes delivered for 2017 were 3,340 (2016: 3,286). Around two-thirds of sales are attributed to the Sports Series family, the vast majority of which are new buyers to the brand, with the rest coming from the Super Series. The Sports Series family accounted for 2,119 deliveries, up from 2,031 in 2016. Following the unveiling of the 720S in March, Super Series sales continued to perform strongly with 1,221 cars sold - nearly the same as 2016's figure despite only six months of delivery.

This was achieved later than planned and therefore left limited opportunity to catch back volumes that were lost earlier in the year and therefore the results are below our own expectations. These factors have had a substantial one-off impact on company revenues and profits but have set McLaren Automotive up for significant growth in 2018. The production rates demonstrated in Q4 2017 have continued into 2018.

Sales continue to be strong. As production volume has increased deliveries are up in most global markets. For example, sales are up 8% in North America which represents 37% of the global sales for McLaren. Only China remains an area where sales have fallen significantly over 2017 (down 36%). Early in 2017 an exemption for small volume manufacturers like McLaren was removed at short notice meaning that further testing was required to be able to import the McLaren 720S and McLaren 570S Spider into the market. This delayed the sales of these products so China volumes in 2017 only reflect sales of the other Sports Series models. Looking forward, McLaren is now able to import its full range of cars into China and deliveries started in March 2018.

Sales volumes for the year are:

Region	2017	2016
Europe	1,115	1,094
North America	1,234	1,139
Asia Pacific	538	550
China	147	228
RoW	306	275
Global	3,340	3,286

In line with the Track22 business plan, McLaren Automotive continued to launch new products into the market. In March 2017 at the Geneva Motor Show, McLaren Automotive revealed details of the second generation of its Super Series - the McLaren 720S. This was the first time that the Company had replaced a vehicle in one of its series. Further, at the Goodwood Festival of Speed in July 2017, McLaren Automotive announced a third variant of the Sports Series - the McLaren 570S Spider. The Spider follows in the tradition of previous Spider variants as a no-compromise convertible sports car. Both cars received five-star reviews from the automotive press and continue to command strong order books and garner rave reviews from customers.

Finally, at the McLaren Automotive Winter Ball customer event in December 2017, McLaren Automotive revealed the McLaren Senna to the world for the first time. Bearing the name of the legendary McLaren Formula 1 driver, Ayrton Senna, the car is an uncompromised track focused vehicle but one that can be legally driven on the public roads. Only 500 examples of this car will be made available and it was fully sold out before anyone had seen it or had heard its name. This order book takes production to its conclusion in late 2019.

Following from the McLaren Senna, at the 2018 Geneva Motor Show, the Company revealed a track only version of the McLaren Senna - the McLaren Senna GTR. Again, the 75 units available were sold out within days of its announcement but this vehicle will not be delivered until 2019.

McLaren Automotive has continued to invest in new road car projects. During 2017, the Company invested £169.8m in new road car projects including new Ultimate, Super and Sports Series models. These new models are part of the commitments made in the Track22 business plan and are part of taking the Company to volumes over 5,000 units by 2022.

Further, the Company invested £3.7m in IT system development. This relates to the completion of the installation of the SAP system within McLaren Automotive. This five-year implementation project was successfully completed in the first quarter of 2017 and provides McLaren Automotive with a key IT platform that will underpin its future growth.

Given the forward order cover for McLaren vehicles and the continuing demand for its products, higher sales volumes could have been achieved in 2017 had the production capacity been available. The Company will capitalise on this demand in 2018 now that the production capacity has been achieved and stabilised. This along with the launch of the McLaren Senna in the second half of 2018 will contribute to significant growth in revenue and profits from the Automotive division and further demonstrates that McLaren Automotive is on plan to deliver the targets set out in Track22.

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 to leverage a competitive advantage, demand from the brand and also the economic position of key markets into which cars are sold.

As with any company active on a global stage, foreign exchange volatility presents a risk. Currency exposure will remain high as over 77 per cent of worldwide sales revenues are denominated in non-Sterling currencies. McLaren Automotive 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 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 Group. McLaren Automotive'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, profit before tax, cash flow and performance against engineering programme milestones to be the principal Key Performance Indicators (KPIs). These are used to assess progress towards achieving McLaren Automotive's strategies over the medium term and performance against these measures is reviewed regularly.

ON BEHALF OF THE BOARD:



Mike Flewitt - Director

Date: 4 September 2018

McLaren Automotive Limited

Report of the Directors for the Year Ended 31 December 2017

The directors present their report with the financial statements of the Company for the year ended 31 December 2017.

PRINCIPAL ACTIVITY

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

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2017 (2016 - £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 have been discussed in the Strategic Report on pages 2 to 4.

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.

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 period from 1 January 2017 to the date of this report.

Mike Flewitt
M A Ojjeh
Shaikh Mohammed Bin Essa Alkhalifa
Mahmood Al Kooheji
Hisham Al Saie
Lay Hoon Chan
Roberto Aguirre
Peter Lim

Other changes in directors holding office are as follows:

Ron Dennis - resigned 20 July 2017

**Report of the Directors - continued
for the Year Ended 31 December 2017**

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 it's 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, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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, the majority of whom have supplied bank guarantees.

Moreover, the majority of receivables are with our franchised dealer network, all of whom have been appointed by McLaren Automotive.

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 directors continue to adopt the going concern basis in preparing the annual financial statements on the basis of support provided by the parent company as confirmed via a letter of support.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements.

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 or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

McLaren Automotive Limited

**Report of the Directors - continued
for the Year Ended 31 December 2017**

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have been appointed 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:



.....
Mike Flewitt - Director

Date: 9 SEPTEMBER 2018

**Statement of Directors' Responsibilities
for the Year Ended 31 December 2017**

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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 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.

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.

**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 2017 and of its loss 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 2017; the income statement, the statement of comprehensive income, 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability 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 on, 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.

**Independent auditors' report to the members of
McLaren Automotive Limited - continued**

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 Report of the Directors for the year ended 31 December 2017 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 set out on page 8, 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.



Mark Gill (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
London

Date: 4 September 2018

McLaren Automotive Limited

**Income Statement
for the Year Ended 31 December 2017**

	Note	2017 £'000	2016 £'000
TURNOVER	3	526,916	527,340
Cost of sales		<u>(437,971)</u>	<u>(395,871)</u>
GROSS PROFIT		88,945	131,469
Administrative expenses		<u>(144,862)</u>	<u>(144,891)</u>
		(55,917)	(13,422)
Other operating income	4	<u>22,765</u>	<u>21,111</u>
OPERATING (LOSS)/PROFIT	6	(33,152)	7,689
Interest receivable and similar income		<u>300</u>	<u>317</u>
		(32,852)	8,006
Interest payable and similar expenses	7	<u>(10,101)</u>	<u>(4,535)</u>
(LOSS)/PROFIT BEFORE TAXATION		(42,953)	3,471
Tax on (loss)/profit	8	<u>390</u>	<u>1,459</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(42,563)</u>	<u>4,930</u>

The notes form part of these financial statements

McLaren Automotive Limited

**Statement of Comprehensive Income
for the Year Ended 31 December 2017**

	2017 £'000	2016 £'000
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	(42,563)	4,930
OTHER COMPREHENSIVE INCOME/(LOSS)		
Capital contribution reserve	2,039	-
Foreign currency translation reserve	22,784	(18,466)
Income tax relating to components of other comprehensive income/(loss)	<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	<u>24,823</u>	<u>(18,466)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(17,740)</u>	<u>(13,536)</u>

The notes form part of these financial statements

Balance Sheet
As at 31 December 2017

	Note	2017 £'000	2016 £'000
FIXED ASSETS			
Intangible assets	9	559,215	461,694
Tangible assets	10	62,955	65,845
Investments	11	<u>1</u>	<u>1</u>
		<u>622,171</u>	<u>527,540</u>
CURRENT ASSETS			
Stocks	12	70,178	35,928
Debtors	13	138,845	139,444
Cash at bank and in hand		<u>89,057</u>	<u>6,705</u>
		298,080	182,077
CREDITORS			
Amounts falling due within one year	14	<u>(585,711)</u>	<u>(222,471)</u>
NET CURRENT LIABILITIES		<u>(287,631)</u>	<u>(40,394)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		334,540	487,146
CREDITORS			
Amounts falling due after more than one year	15	(7,509)	(143,000)
PROVISIONS FOR LIABILITIES	19	<u>(8,213)</u>	<u>(7,588)</u>
NET ASSETS		<u>318,818</u>	<u>336,558</u>
CAPITAL AND RESERVES			
Called up share capital	20	27	27
Share premium	21	490,451	490,451
Other reserves	21	2,039	-
Foreign currency translation reserve	21	4,318	(18,466)
Accumulated losses	21	<u>(178,017)</u>	<u>(135,454)</u>
TOTAL EQUITY		<u>318,818</u>	<u>336,558</u>

The financial statements on pages 11 to 31 were authorised by the director on 4 September 2018 and were signed by:



Mike Flewitt - Director

McLaren Automotive Limited

**Statement of Changes in Equity
for the Year Ended 31 December 2017**

	Called up share capital £'000	Accumulated losses £'000	Share premium £'000
Balance at 1 January 2016	26	(140,384)	469,061
Total comprehensive income	-	4,930	-
Issue of share capital	1	-	21,390
Balance at 31 December 2016	<u>27</u>	<u>(135,454)</u>	<u>490,451</u>
Total comprehensive loss	-	(42,563)	-
Balance at 31 December 2017	<u>27</u>	<u>(178,017)</u>	<u>490,451</u>

	Other reserves £'000	Foreign currency translation reserve £'000	Total equity £'000
Balance at 1 January 2016	-	-	328,703
Total comprehensive loss	-	(18,466)	(13,536)
Issue of share capital	-	-	21,391
Balance at 31 December 2016	<u>-</u>	<u>(18,466)</u>	<u>336,558</u>
Total comprehensive income/(loss)	<u>2,039</u>	<u>22,784</u>	<u>(17,740)</u>
Balance at 31 December 2017	<u>2,039</u>	<u>4,318</u>	<u>318,818</u>

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 7.

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.

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.

McLaren Automotive Limited has taken the exemption according to section 401 of the Companies Act not to prepare consolidated financial statements on the basis that the company and all of its subsidiary undertakings are included in consolidated financial statements of a larger group.

Going concern

As at the year end McLaren Automotive Limited was in a net current liability position of £287.6m. In 2016 the Company was financed under a multi-year revolving credit facility provided by the UK banks, which was classified as a creditor falling due after more than one year. 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 Company will continue with its hedging activities to mitigate foreign exchange exposure, in line with its risk management policy.

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.

Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Turnover

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

Revenue from the sale of vehicles is recognised when the significant risks and rewards of ownership of the vehicles have passed to the customer, which is normally considered to be the 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.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

1. ACCOUNTING POLICIES - continued

Turnover - continued

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 fair 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.

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 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.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

1. ACCOUNTING POLICIES - continued

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.

(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, and only 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 and only 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.

(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.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

1. ACCOUNTING POLICIES - continued

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; and

Leases

The Company as lessee:

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.

1. ACCOUNTING POLICIES - continued

Pension costs and other post-retirement benefits

Pensions - 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 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.

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.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

1. ACCOUNTING POLICIES - continued

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 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.

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 the 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.

Warranty provisions - estimation uncertainty

An estimated provision is made against all vehicles once wholesaled on a per car basis. This provision takes into account 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 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.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

4. OTHER OPERATING INCOME

	2017	2016
	£'000	£'000
Management fee income	16,149	16,128
Grant income	<u>6,616</u>	<u>4,983</u>
	<u>22,765</u>	<u>21,111</u>

5. EMPLOYEES AND DIRECTORS

	2017	2016
	£'000	£'000
Wages and salaries	66,834	67,968
Social security costs	5,780	7,564
Other pension costs (note 22)	<u>1,297</u>	<u>1,748</u>
	<u>73,911</u>	<u>77,280</u>

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

	2017	2016
Production	674	683
Engineering	467	492
Administration	<u>558</u>	<u>431</u>
	<u>1,699</u>	<u>1,606</u>

	2017	2016
	£'000	£'000
Directors' remuneration	1,384	2,750
Directors' pension contributions to money purchase schemes	<u>-</u>	<u>9</u>

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

Money purchase schemes	<u>1</u>	<u>1</u>
------------------------	----------	----------

Information regarding the highest paid director is as follows:

	2017	2016
	£'000	£'000
Emoluments etc	1,384	1,790
Pension contributions to money purchase schemes	<u>-</u>	<u>9</u>

The Company's highest paid director does not have any share options (2016: None) and has not received nor is due to receive any shares in respect of qualifying services under a long-term incentive scheme (2016: None).

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

6. OPERATING (LOSS)/PROFIT

The operating loss (2016 - operating profit) is stated after charging:

	2017 £'000	2016 £'000
Operating leases	3,402	3,304
Depreciation - owned assets	3,963	4,040
New production development costs amortisation	73,082	62,994
IT systems development costs amortisation	6,149	3,313
Auditors' remuneration	93	71
Other non-audit services	-	175
Foreign exchange differences	<u>3,686</u>	<u>19,088</u>

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017 £'000	2016 £'000
Bank interest	7,712	3,793
Other finance charges	<u>2,389</u>	<u>742</u>
	<u>10,101</u>	<u>4,535</u>

8. TAX ON (LOSS)/PROFIT

Analysis of the tax credit

The tax credit on the (loss)/profit for the year was as follows:

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax	-	116
Deferred tax	<u>(390)</u>	<u>(1,575)</u>
Tax on (loss)/profit	<u>(390)</u>	<u>(1,459)</u>

Reconciliation of total tax credit included in profit and loss

The tax assessed for the year is higher (2016: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2017 £'000	2016 £'000
(Loss)/profit before tax	<u>(42,953)</u>	<u>3,471</u>
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	(8,268)	694
Effects of:		
Expenses not deductible for tax purposes	281	400
Depreciation in excess of capital allowances	-	625
Utilisation of tax losses	-	(484)
Adjustments to tax charge in respect of previous periods	(117)	87
Tax incentives	2,595	294
Movement in short term timing differences	-	(1,530)
Differential in rates	5,119	31
Deferred tax movement	<u>-</u>	<u>(1,576)</u>
Total tax credit	<u>(390)</u>	<u>(1,459)</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

8. TAX ON (LOSS)/PROFIT - continued

Tax effects relating to effects of other comprehensive income

	Gross £'000	Tax £'000	2017 Net £'000
Capital contribution reserve	2,039	-	2,039
Foreign currency translation reserve	<u>22,784</u>	<u>-</u>	<u>22,784</u>
	<u>24,823</u>	<u>-</u>	<u>24,823</u>

	Gross £'000	Tax £'000	2016 Net £'000
Foreign currency translation reserve	<u>(18,466)</u>	<u>-</u>	<u>(18,466)</u>

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. 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 2017	676,310	51,384	727,694
Additions	169,754	3,727	173,481
Reclassification/transfer	<u>1,086</u>	<u>1,506</u>	<u>2,592</u>
At 31 December 2017	<u>847,150</u>	<u>56,617</u>	<u>903,767</u>
ACCUMULATED AMORTISATION			
At 1 January 2017	262,687	3,313	266,000
Amortisation for year	73,082	6,149	79,231
Reclassification/transfer	<u>(1,313)</u>	<u>634</u>	<u>(679)</u>
At 31 December 2017	<u>334,456</u>	<u>10,096</u>	<u>344,552</u>
NET BOOK VALUE			
At 31 December 2017	<u>512,694</u>	<u>46,521</u>	<u>559,215</u>
At 31 December 2016	<u>413,623</u>	<u>48,071</u>	<u>461,694</u>

Development costs have been capitalised in accordance with the requirements of FRS 102 and are therefore not treated, for dividend purposes, as a realised loss.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

10. TANGIBLE ASSETS

	Freehold land and buildings £'000	Leasehold premises and improvements £'000	Plant, machinery, tools and equipment £'000
COST			
At 1 January 2017	52,789	5,316	22,006
Additions	-	469	1,552
Exchange differences	-	(1)	(5)
Reclassification/transfer	-	-	(3,125)
At 31 December 2017	<u>52,789</u>	<u>5,784</u>	<u>20,428</u>
ACCUMULATED DEPRECIATION			
At 1 January 2017	4,793	3,288	11,404
Charge for year	1,011	145	1,679
Exchange differences	-	1	-
Reclassification/transfer	-	-	-
At 31 December 2017	<u>5,804</u>	<u>3,434</u>	<u>13,083</u>
NET BOOK VALUE			
At 31 December 2017	<u>46,985</u>	<u>2,350</u>	<u>7,345</u>
At 31 December 2016	<u>47,996</u>	<u>2,028</u>	<u>10,602</u>

	Fixtures, fittings and office equipment £'000	Motor vehicles £'000	Totals £'000
COST			
At 1 January 2017	8,564	1,609	90,284
Additions	2,328	-	4,349
Exchange differences	-	-	(6)
Reclassification/transfer	(156)	-	(3,281)
At 31 December 2017	<u>10,736</u>	<u>1,609</u>	<u>91,346</u>
ACCUMULATED DEPRECIATION			
At 1 January 2017	3,645	1,309	24,439
Charge for year	1,053	75	3,963
Exchange differences	-	-	1
Reclassification/transfer	(13)	1	(12)
At 31 December 2017	<u>4,685</u>	<u>1,385</u>	<u>28,391</u>
NET BOOK VALUE			
At 31 December 2017	<u>6,051</u>	<u>224</u>	<u>62,955</u>
At 31 December 2016	<u>4,919</u>	<u>300</u>	<u>65,845</u>

Plant, machinery, tools and equipment includes finance leased assets with a cost of £489,763 (2016: £489,763) and accumulated depreciation of £357,840 (2016: £267,403). The depreciation charge on these assets for the year was £90,437 (2016: £38,540).

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

11. INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2017	
and 31 December 2017	<u>1</u>
NET BOOK VALUE	
At 31 December 2017	<u>1</u>
At 31 December 2016	<u>1</u>

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

McLaren Automotive Asia Pte Limited

Registered office: 7 Temasek 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

12. STOCKS

	2017 £'000	2016 £'000
Raw materials	37,689	16,932
Work-in-progress	17,491	6,289
Finished goods	<u>14,998</u>	<u>12,707</u>
	<u>70,178</u>	<u>35,928</u>

During the year £1,100,000 (2016: £450,000) was expensed to the profit and loss account as a provision against stock parts relating to models that are no longer in production.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

13. DEBTORS

	2017	2016
	£'000	£'000
Trade debtors	38,335	31,127
Amounts owed by group undertakings	15,767	36,802
Other debtors	11,048	3,538
Financial assets	10,350	7,760
Other taxes	2,541	3,386
Deferred tax asset	45,950	42,496
Prepayments and accrued income	<u>14,854</u>	<u>14,335</u>
	<u>138,845</u>	<u>139,444</u>
Deferred tax asset		
	2017	2016
	£'000	£'000
Fixed asset timing differences	2,806	2,441
Other short term timing differences	2,866	2,878
Trading and other losses	<u>40,278</u>	<u>37,177</u>
	<u>45,950</u>	<u>42,496</u>

During the year £23,000 (2016: £357,000) was expensed to the profit and loss account as a provision against assets.

The company expects deferred assets of £1,000,000 to reverse in 2018. 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 and have no fixed date of repayment and are repayable on demand.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£'000	£'000
Finance leases (see note 17)	46	137
Trade creditors	53,056	46,539
Amounts owed to group undertakings	298,244	20,854
Amounts owed to related parties	-	3,421
Taxation and Social Security	2,520	2,152
Other creditors	44,682	44,297
Financial liabilities	5,370	37,990
Accruals and deferred income	<u>181,793</u>	<u>67,081</u>
	<u>585,711</u>	<u>222,471</u>

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

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

	2017 £'000	2016 £'000
Bank loans (see note 16)	-	110,500
Finance leases (see note 17)	9	-
Amounts owed to group undertakings	7,500	-
Amounts owed to participating interests	-	25,000
Amounts owed to shareholders	-	7,500
	<u>7,509</u>	<u>143,000</u>

Up until July 2017 the Company held a four year revolving bank loan facility of £195,000,000 (2016: £195,000,000) secured against the McLaren Production Centre. Interest was payable on the bank loan at a variable rate of up to LIBOR + 2.25% on the principal amount. The £25,000,000 loan was subject to interest at 2.9 per cent until it was repaid in July 2017.

16. LOANS

An analysis of the maturity of loans is given below:

	2017 £'000	2016 £'000
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>-</u>	<u>110,500</u>

17. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Finance leases	
	2017 £'000	2016 £'000
Net obligations repayable:		
Within one year	46	137
Between one and five years	<u>9</u>	<u>-</u>
	<u>55</u>	<u>137</u>

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

	Non-cancellable operating leases	
	2017 £'000	2016 £'000
Within one year	3,391	3,225
Between one and five years	4,029	3,502
In more than five years	<u>3,421</u>	<u>3,777</u>
	<u>10,841</u>	<u>10,504</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

18. FINANCIAL INSTRUMENTS

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

	2017 £000	2016 £000
Current Financial Assets		
Measured at amortised cost		
- Trade debtors	38,335	31,127
- Amounts owed by group undertakings	15,767	36,802
- Other debtors	<u>11,048</u>	<u>6,924</u>
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial assets - forward foreign currency contracts	<u>10,350</u>	<u>7,760</u>
Current Financial Liabilities		
Measured at amortised cost		
- Finance leases	46	137
- Trade creditors	53,056	46,539
- Amounts owed to group undertakings	298,244	20,854
- Amounts owed to related parties	-	3,421
- Other creditors	<u>44,682</u>	<u>44,297</u>
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial liabilities - forward foreign currency contracts	<u>5,370</u>	<u>37,990</u>
Non-Current Financial Liabilities		
Measured at amortised cost		
- Bank loans	-	110,500
- Finance leases	9	-
- Amounts owed to group undertakings	7,500	-
- Amounts owed to participating interests	-	25,000
- Amounts owed to shareholders	<u>-</u>	<u>7,500</u>

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.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

18. FINANCIAL INSTRUMENTS - continued

Outstanding contracts	Average contractual exchange rate		Notional value		MTM	
	2017	2016	2016 £'000	2017 £'000	2016 £'000	2017 £'000
Sell						
USD	1.3495	1.3864	268,173	268,276	2,957	(27,910)
JPY	146.0379	153.3698	48,207	46,164	1,660	(2,857)
CNY	9.0545	97770	90,203	65,327	(1,297)	(3,445)
AUD	1.7303	1.7493	17,684	17,407	158	(203)
SGD	1.8864	1.9288	530	5,433	(28)	(246)
HKD	10.0399	10.3924	1,992	7,708	47	(681)
Buy						
EUR	1.1171	1.3095	129,687	99,443	1,484	5,112
					<u>4,981</u>	<u>(30,230)</u>

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.

Profits of £8,462,578 (2016: losses of £11,956,000) were recognised in profit or loss.

19. PROVISIONS FOR LIABILITIES

	2017 £'000	2016 £'000
Other provisions		
Warranty provision	7,809	7,281
End of service gratuity provision	15	15
Dilapidation provision	<u>389</u>	<u>292</u>
	<u>8,213</u>	<u>7,588</u>
		Other provisions
		£'000
Balance at 1 January 2017		7,588
Provided during year		12,955
Utilised during year		(12,330)
Balance at 31 December 2017		<u>8,213</u>

The warranty provision largely 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 in the next financial year and that all 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.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

20. CALLED UP SHARE CAPITAL

Authorised, called up and fully paid:		Nominal value:	2017 £	2016 £
Number:	Class:			
2,691,263	Ordinary	£0.01	<u>26,913</u>	<u>26,913</u>

21. RESERVES

	Accumulated losses £'000	Share premium £'000	Other reserves £'000	Foreign currency translation reserve £'000	Totals £'000
At 1 January 2017	(135,454)	490,451	-	(18,466)	336,531
Loss for the year	(42,563)	-	-	-	(42,563)
Movement	<u>-</u>	<u>-</u>	<u>2,039</u>	<u>22,784</u>	<u>24,823</u>
At 31 December 2017	<u>(178,017)</u>	<u>490,451</u>	<u>2,039</u>	<u>4,318</u>	<u>318,791</u>

22. 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 2017 was £1,297,000 (2016: £1,748,000).

23. CONTINGENT LIABILITIES

McLaren Automotive Limited has given a guarantee in favour of HM Revenue & Customs. As at 31 December 2017 the amount of the guarantee stood at £320,000 (2016: £160,000).

24. 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.

Entities with control, joint control or significant influence over the entity

	2017 £'000	2016 £'000
Amounts due to related party	<u>-</u>	<u>7,500</u>

Directors

	2017 £'000	2016 £'000
Sales	186	1,825
Amounts due from related party	<u>174</u>	<u>1,377</u>

24. RELATED PARTY DISCLOSURES - continued

Other related parties

	2017	2016
	£'000	£'000
Sales	1	2,389
Purchases	-	22,044
Amounts due from related party	1	142
Amounts due to related party	-	30,136

Bahrain Mumtalakat Holding Company (incorporated in Bahrain) is regarded by the directors as being the company's ultimate parent company.

25. 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 and the largest group to consolidate the Company's financial statements is Bahrain Mumtalakat Holding Company, a company registered in Bahrain.

26. OTHER MATTERS

In connection with an ongoing investigation, UK government authorities have approached the Group in which the Company is a member of, for information concerning certain third party companies and concerning executive and other persons who have been, or are currently, associated with the Company. Upon inquiry, we have been advised that neither the Company nor any of its subsidiaries are currently the subject of the investigation for which the requests for information relate, and we intend to fully cooperate with these requests for information.

Whether or not any such investigation is pursued, extended or results in any finding of culpability against those subject to the investigations any negative publicity surrounding assertions against executive persons and other persons who have been, or are currently, associated with the company could adversely affect the Company's brand and reputation and may consequently have a negative impact on the financial performance of the Company.