REGISTERED NUMBER: 01967717 (England and Wales)

Strategic Report, Report of the Directors and

Financial Statements for the Year Ended 31 December 2021

for

McLaren Automotive Limited

Contents of the Financial Statements
for the Year Ended 31 December 2021

Company Information
for the Year Ended 31 December 2021

DIRECTORS:	Catherine Ferry Michael Leiters (appointed 1 July 2022) Timothy Murnane (appointed 6 April 2022) Mike Flewitt (resigned 30 November 2021) Paul Buddin (resigned 4 May 2021)
SECRETARY:	Timothy Murnane (appointed 20 June 2022) Ruth Nic Aoidh (resigned 20 June 2022)
REGISTERED OFFICE:	McLaren Technology Centre Chertsey Road Woking Surrey GU21 4YH
REGISTERED NUMBER:	01967717 (England and Wales)
INDEPENDENT AUDITORS:	PricewaterhouseCoopers LLP 40 Clarendon Road Watford Hertfordshire WD17 1JJ
SOLICITORS:	Ashurst LLP London Fruit & Wool Exchange 1 Duval Square London E1 6PW

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

Principal Activities

McLaren Automotive Limited is a global leader in luxury automotive, high-performance supercars and related products, and motorsports.

With its heritage in the McLaren Racing business, the Company launched its first products in 2011 starting with the MP4 12C and today is a global leader in high performance supercars. It is an award-winning luxury brand focused on the design, engineering, production and sale of luxury supercars with a particular focus on the driving experience achieved through performance and advanced technologies. The Company has a range of luxury high performance supercars across four product families: GT, Supercars, Ultimate and Motorsport, and has produced ground-breaking cars such as the iconic McLaren P1™, Senna, Speedtail and Elva.

The business has established its position in the market through developing a reputation for creating cars that have exceptional performance, spectacular design, cutting-edge technology, and an outstanding driving experience that is combined with unique customer propositions and experiences, driving strong brand loyalty, demand and pricing power. As part of the unique customer experience, the Company offers highly personalised "tailormade" products through its MSO (McLaren Special Operations) subdivision, such as the bespoke customisation of each vehicle according to the customers' specifications.

BUSINESS REVIEW AND OUTLOOK
Turnover for the Company has decreased from £518.5m in 2020 to £504.5m in 2021, despite the growth in wholesale volumes which were up 29% from 1,659 in 2020 to 2,138 in 2021. This growth in volume largely reflected the gradual recovery from the impact of the COVID-19 pandemic, with stronger sales of GT, 720S and 765LT. This was offset by lower sales in 2021 of higher revenue per vehicle Ultimate series cars, with 2020 including sales of Speedtail, Sabre and Elva, whilst in 2021 Ultimate sales were predominantly Elva. Revenue in 2021 has also been impacted by the phase out of the lower margin legacy Sports series. Operating performance has improved from an operating loss of £222.9m in 2020 to an operating loss of £149.9m in 2021. The net result for 2021 is a loss after tax of £135.4m (2020: £207.4m).

As was the case for many businesses, 2020 was a challenging year for the Company due to COVID-19. The impact of the pandemic was initially felt towards the end of Q1 2020 with supply chain issues and dealer closures in certain regions. From Q2 onwards operations were affected by component availability issues and production and development facility closures, as well as the closure of most retailers around the world, curtailing the company's ability to deliver new vehicles. However, performance during 2021 reflects a strong recovery from 2020, with significant contributions from premium restricted-volume vehicles including the Elva and the 765LT. Retail volumes, being the sales of vehicles from retailers direct to the end customer, were, however, down on prior year with 2,673 units (2020: 2,831) being sold in 2021.

Sales volumes for the year by region are:

Region	2021	2020	YoY
Europe, Middle East & Africa	603	611	(1%)
North America	883	595	48%
Asia Pacific	412	271	52%
China	240	182	32%
Global	**2,138**	**1,659**	**29%**

In March 2020, the Company launched the lighter, more powerful and track-focused 765LT to critical acclaim. Like previous LT models, production numbers were limited with all 765 units selling out despite the COVID-19 pandemic. It went into production in Q3 2020 and we have continued to deliver these in 2021 driving strong volumes in the supercar segment.

The Company commenced sales of the latest Ultimate vehicle, the Elva, in H2 2020 and it has made a strong contribution to 2021. This vehicle, with its exceptional performance and unique, thrilling driving experience has created excitement in the market. This iconic windscreen-less hypercar, with its innovative air deflection technology, allows drivers to experience the full thrill of an F1 car, but in a road-legal package. In 2021 an option was launched for customers to order an Elva with a windscreen, with sales of this variant commencing in H2 2021. As a limited run model, sales are expected to cease from mid 2022.

The Artura was revealed in February 2021 and is McLaren's first high performance hybrid supercar to be launched on our new lightweight carbon vehicle architecture. It is a plug-in hybrid, capable of up to 30km of emission-free driving and is the first application of the new McLaren Carbon Lightweight Architecture and Ethernet electrical architecture. The impact of industry-wide semiconductor shortages and COVID-19, alongside delivering the extent of new design and technology in the Artura, has meant that customer deliveries have been delayed from 2021 and commenced in Q3 2022.

In July 2021 the new 765LT Spider was launched. The 765LT Spider is another example of the Company's super-lightweight engineering expertise, adhering to the LT principle of minimising weight, being 80kg lighter than a 720S Spider and around 100kg lighter than its closest comparable competitor. Production numbers are limited to 765 units which have now all been allocated.

During the first half of 2021 the business had been largely able to successfully manage the global supply shortage of semiconductors. However, in H2 2021, production and wholesale volumes were adversely impacted as a result of limited supply. It is expected that semiconductor shortages will continue throughout 2022. The Company is engaging with a number of component suppliers and producers to secure long term supply agreements to minimise future supply risks.

Intangible Investment
The Company has continued to invest in new road car projects. During 2021, the Company invested £155.4m (2020: £209.6m) in new road car projects including new Ultimate, Super and Sports Series models.

Sales and leaseback
In April 2021, McLaren Group Limited announced it had completed the sale & leaseback transaction with Global Net Lease to sell the McLaren Technology Centre and McLaren Production Centre for net consideration of £167.8m, entering into a 20-year lease.

Key performance indicators
The directors consider the data listed below 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.

i) Financial performance indicators

KPI	2021 £m	2020 £m	YoY
Turnover	504.5	518.5	(3%)

Turnover
Rationale: The ability to deliver and grow revenue is an important measure of a business's appeal to customers and its competitive position in the market in which it operates.

Performance: Turnover was down in 2021 due to lower sales of the high revenue per vehicle Ultimate series, with 2020 including sales of Speedtail, Elva and Sabre whilst in 2021 Ultimate sales were predominantly only Elva. Revenue in 2021 has also been impacted by the phase out of the lower margin legacy Sports series.

ii) Non-financial performance indicators

Volumes	2021	2020	YoY
Production	2,183	1,642	33%
Wholesales	2,138	1,659	29%
Retails	2,673	2,831	(6%)

Production and wholesale volumes
Rationale: The number of new vehicles manufactured and sold by the Company is a key driver of the financial performance and an indicator of demand.

Performance: A strong year-on-year improvement compared to 2020 which was negatively impacted by COVID-19. 2021 has also been negatively impacted by semiconductor shortages and the pandemic.

Retail volumes
Rationale: The number of sales made by dealers, and although retail sales do not directly impact the Company's financials, they are a key indicator of demand for the product.

Performance: Slightly down year-on-year but much higher than wholesale volumes reflecting destocking activities by dealers over 2020 and 2021 and strong demand for McLaren vehicles relative to production levels.

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 2021. The Companies (Miscellaneous Reporting) Regulations 2018 require 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 control 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 9 to 12.

Section 172 Decisions

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

The Company 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. Covid impacted the business intensely and the Board has been gratified by the effort of our employees to mitigate the impact of the virus. The Company used the UK Coronavirus Job Retention Scheme to furlough a number of employees whilst implementing a programme of temporary salary reductions. Whilst the pandemic has, naturally, been the primary focus for much of 2021, the business remains passionately committed to achieving its long-term goal of being an inclusive and diverse organisation. 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 group wide emails and newsletters. The Company'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, who resigned as CEO after eight years at the helm, 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. Michael Leiters has since been appointed, who also brings a wealth of experience as he has held senior positions at Porsche AG and, more recently, was Chief Technology Officer at Ferrari. Our Partners play a vital role in our progression and development with the core aim to strive for excellence together. By way of example, Dell Technologies is a unique family of businesses that helps organizations and individuals build their digital future and transform how they work and live. The company provides customers with the industry's broadest and most innovative technology and services portfolio, spanning from edge, to core, to cloud. The Company is partnering with Dell Technologies to maximize speed and agility across their organization. Through its journey from data to decisions, McLaren uses technology for greater speed-to-market and faster data-enabled cycles of innovation that create better data-driven design. Together, we're transforming to challenge the boundaries of performance and drive human progress. 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.

Section 172 Decisions - continued

d) The impact of the Company's operations on the community and environment

The McLaren Group's environmental policy, to which McLaren Automotive Limited subscribes, outlines the Group's commitment to protect against the long-term critical depletion of natural resources and lasting damage to species, habitats, biodiversity and climate.

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. The Company is joining a Government scheme to help get young people from the age of 16 to 24 into high quality six month work placements. The Company will join the Kickstart scheme that aims to support some of those hardest hit by the pandemic, either having found themselves out of work or unable to secure a job upon leaving school, college or university and claiming Universal Credit and will be looking to fill around 70 work placements across the business and to help support these young people back into work. The Company are partnering with The Prince's Trust charity to help boost our young people's employability skills which means that not only will each person get an insight into what it is like to work at McLaren but they will also receive fundamental training that will support their future careers. 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. In addition to actively supporting several local causes for decades, when car production was suspended by the covid-19 pandemic, McLaren answered the UK Government's urgent call for industry to save lives by playing a pivotal role in the production of more than 13,000 medical ventilators to treat Covid-19 patients. McLaren Group deployed its capabilities in design, rapid prototyping, electronics, production and high-value manufacturing, to scale up production of desperately needed ventilator equipment in record time.

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 the Company to leverage a competitive advantage, demand from the brand and also the economic position of key markets into which cars are sold. The principal risks and uncertainties of the Company can be summarised as follows:

Risk	Mitigation
Macroeconomic Events such as a public health crisis (e.g. COVID-19) or significant market disruption (e.g. conflict in Ukraine) may adversely impact McLaren Group Limited, its suppliers, customers and dealers, and the macroeconomic environment in which they operate.	Annual strategic plan and budget, as well as regular reforecasts taking into account market trends and the current economic environment.
Deteriorating economic position of key markets could adversely affect customer demand, supplier performance, exchange rates, interest rates, availability and price of financing facilities etc, which may in turn impact the Company's performance and financial position.	Regular operational and financial reviews of the business by senior management and board of directors.
Development Development of new vehicles requires significant upfront investment for which there is no certainty that the programmes will be delivered on time, profitably, to plan or in a technologically competitive way.	See below regarding 'Demand and Brand' and 'Technological.' Programme delivery management and regular progress reporting and oversight.
Financial Liquidity risk must be carefully managed to ensure sufficient funds are available to run the operations of the business and fund capital expenditure to develop vehicles for the future.	Cash managed and reported daily, and weekly cash / liquidity forecasts.
Movements in foreign exchange may adversely impact the financial results and position of the Company.	Annual budget and long-term plan processes alongside regular reforecasts, which include assessment of available liquidity and potential downside scenarios. Work with advisors to raise additional funds / liquidity as required. Hedging policy in place, which guides the level of hedging to have in place to mitigate foreign exchange risk.
Demand and Brand Demand for and appeal of the McLaren brand and vehicles, is subject to customer preferences, competitor offerings and industry trends.	Annual strategic plan which considers the Company's existing vehicles, trends, customer preferences, competitor products and opportunities in the market.
An inability to maintain the position of the McLaren brand or develop high quality desired vehicles may impair customer perception of the brand and product, adversely impacting financial performance.	Business case for key projects, assessed by senior management and board of directors. Quality controls in place, including focus on 'right first time' to maintain focus on vehicle quality and ensure delivered to customers at the expected standard. Careful management and cultivation of the McLaren brand, ensuring cooperation and alignment across lines of business.

PRINCIPAL RISKS AND UNCERTAINTIES – continued

Risk	Mitigation
Technological Changing preferences or regulations, such as in relation to electric vehicles and connectivity, may reduce demand for or increase the cost of developing or manufacturing the Group's vehicles.	Analysis and assessment of which features of vehicles are developed in-house or obtained from our high quality supplier base. Assessment of strategic partnership opportunities with key partners especially with the industry shift towards hybrid / electric vehicles over the decade. Launched the McLaren Composites Technology Centre (MCTC) in 2018 to be a world-leader in innovating lightweight carbon fibre and composites. See above regarding 'Demand and Brand' on meeting market demands and trends.
Supply Chain Disruptions to supply chains, unavailability of components (e.g. semiconductors) or a decline in the quality of goods and services provided may adversely affect operations.	Developed close relationships with suppliers to ensure proactive engagement on potential risks and disruptions (e.g. COVID-19 and semiconductor shortages). Cross functional reviews to identify supply issues and develop actions to resolve. At the peak of semiconductor shortages, daily reviews were held with regular reporting to senior management and the board. Application of procurement processes to ensure selection of suppliers that can meet the requirements of the Company (e.g. quality, volume, frequency, price etc).

ON BEHALF OF THE BOARD:

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Catherine Ferry - Director

Date: 30 September 2022

Report of the Directors
for the Year Ended 31 December 2021

The directors present their report with the audited financial statements of the company for the year ended 31 December 2021.

PRINCIPAL ACTIVITY
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 2021 (2020 £nil).

FUTURE DEVELOPMENTS AND POST BALANCE SHEET EVENTS

The future developments and important events affecting the Company since the year end, are explained in the Strategic report on pages 2 to 8.

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.

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 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.

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.

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.

Principle 1 - Purpose and leadership - continued

McLaren Group Limited now operates in the two distinct areas of Automotive and Racing (Applied was disposed of by the Group on 4 August 2021) 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 includes an Executive Chairman whose role is to maintain a strong link between the Group Board of Directors and the Executive Management and ensure that responsibilities, accountabilities and decision making across the Group are sustained. 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 Racing CEO 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 the Company 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 have operated an internal audit function since the start of 2021, reporting to the Audit and Risk Committee. The Audit team have a defined annual programme of work and report against this to the Committee on a quarterly basis. In the event that they became aware of a specific matter the Internal Auditor has direct access to the Committee Chair. To support good governance the Audit Committee regularly reviews the relationship with the external auditors.

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.

Principle 4 - Opportunity and Risk - continued
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 2021. 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.

The Group has reported its Gender Pay Reporting since 2018 and 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.

Principle 6 - Stakeholders - continued
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.

Climate, environment and sustainability
The company recognises its responsibility to comply with relevant environmental and climate obligations and to consider and address the impact of our business activities on the environment and the likely consequence of business decisions in the long term. The Board of directors review the resilience of the business model and asset resilience assumptions in the presence of risks and uncertainties of climate change but consider no adjustments necessary. The company also realises the opportunities to identify and drive further financial savings and lower climate impact where appropriate. In 2019 the board of directors reviewed and agreed a sustainability framework and governance process based on the relevant aspects of the United Nations 17 Sustainable Development Goals. This consists of;

a. A sustainable business strategy
b. A sustainable environmental impact strategy
c. Environmental compliance and measures
d. A sustainable culture and organisational strategy

and we remain committed and compliant.

Environmental policy
We recognise that we are operating in a world where many natural resources that our business relies on, such as fossil fuels, raw materials and water, are limited. Measuring and managing our environmental impact is not only important for the planet, but also essential for the financial sustainability of our supply chain and business. Our environmental policy outlines our commitment to protect against the long-term critical depletion of natural resources and lasting damage to species, habitats, biodiversity and climate. Of particular focus is our commitment to:

- Manage our energy consumption and CO2 emissions,
- Establish effective resource utilisation,
- Manage waste and recycling practices,
- Maintain control over our transport and logistics operations

Objectives
As part of our drive and ambition for professionalism in all areas of our work, the environmental commitments sit integrated with many aspects of our day-to-day work and specifically alongside our prime commitment to health and safety. This environmental policy statement commits McLaren Automotive to:

- Preventing and reducing pollution, including a reduction in CO2 emissions of 2.5% year on year, and zero waste to landfill.
- Fulfilling all applicable regulatory and other obligations in terms of environmental protection as our bare minimum level of performance.
- Compliance with all permits issued under Local Authority Pollution Prevention and Control legislation.
- Encouraging 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.
- Ensuring that stakeholders in our business are aware of our Environmental Policy and that the policy and standards are promoted to our suppliers, partners and customers, encouraging others to implement environmental management measures in their own businesses.
- Embedding the principles of 'best performance' (health and safety, quality and environmental concerns) to our design, development, manufacturing and operational processes at MTC.
- Manage water in a way that conserves this scarce resource by minimising unnecessary water consumption.

Objectives – continued

- Periodically evaluate our activities to identify significant environmental concerns and put in place management action plans.
- Manage our land holdings to promote biodiversity and conserve the natural environment.

Risk is assessed in terms of the impact of climate change on the business, and conversely the direct and indirect impact of the business on climate and the environment.

The significant risks associated with the impact of climate change on the business are assessed as;

1. The reputational risk from stakeholders both internal and external to the business as a result of being perceived to be anything other than proactive, compliant and evidence based in regards any climate or environmental consideration. The work we do in this area is not undertaken in isolation and we work with our blue-chip commercial partners sharing best practice and concentrating efforts were possible for greater impact. The external accreditation and evidence-based commitment to climate and environment issues is supported by renewed certification from The Carbon Trust. The process of certification measures absolute footprint and carbon intensity reduction in tonnes of CO2 and includes a qualitative assessment of environmental management including waste as well as scoring the business on a benchmark with industry peers. The boundary defined for certification is for all McLaren's UK operations which covers out principal engineering, manufacturing and commercial activities together with all international travel and freight.

2. The revenue risk associated with a global shift away from dependence on fossil fuels to sustainable and renewable energy sources. The global trend to sustainable and renewable energy sources, supported by international regulatory requirements directly impacts automotive vehicle product certification directly for vehicle emissions and power train technology and indirectly for required capital investment in associated technology and capability. The company welcomes these macro trends and our business plans and product strategy reflects the developing requirements. The Company continuously monitors the impact of climate change policies on vehicle regulations globally, and actively contributes to ongoing Government discussions particularly within the UK, EU and more specifically for our segment in the US and China. We welcome and support the ambition to end the sale of diesel and petrol vehicles globally and are actively looking at and considering the technology approach for our products including our pioneering McLaren Carbon Lightweight Architecture. Our fleet will be hybrid by 2026, with ambitions for a fully electric car by the end of the decade.

3. Infrastructure resilience risk in our engineering and manufacturing support systems such as IT server rooms, building control systems, as a result of the rising temperature and associated flood risks. The McLaren Technology Centre and McLaren Production Centres were developed with sustainability and biodiversity in mind and maintained and developed to a high standard. Over the 20 years since its construction, what were once considered one-in-twenty-year climate events have measurably increased. We monitor and track these risks and adapted our technology in financial plans and policies accordingly for greater resilience as well business scalability and continuity. We do not consider any other assets as at risk.

The significant risks associated with the business impact on climate and the environment are assessed as;

1. Reputational risk from harm to the environment either from excessive or uncontrolled waste management to land, water or air. Specialist environmental management teams have been working across the business for many years ensuring that we publicly state and comply with our environmental policy and targets including;
   a. Prevent and reduce pollution including CO2 emissions of 2.5% year on year.
   b. Maintain our commitment to zero waste to landfill. This was initially achieved in 2016, and still is in 2021. We continue to make significant progress in recycling and the management of plastics to protect land and water. We have also implemented controlled waste streaming processes resulting in greater amounts of waste to energy recovery
   c. Fulfil all regulatory requirements and obligations to environmental protection as a minimum.
   d. Comply with all permits issued under local authority pollution, prevention and control legislation.
   e. Encourage employee contribution in environmental matters including training and support to relevant employees giving them ownership and pride in achieving our objectives.
2. Reputational and revenue risk from potential product non-compliance in rapidly changing global vehicle emissions regulations in our automotive business.

Objectives - continued
Specialist engineering teams with management oversight ensure product compliance is managed rigorously via the gateway engineering, development and validation processes. The company also plays a proactive role on industry bodies consulting on evolving emissions regulations.

In addition to the specialist environmental management teams the company has strengthened its risk management processes and governance by implementing a board level Risk and Audit committee to oversee these and other material business risks.

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 who have held office during the period from 1 January 2021 to the date of this report are as follows:

Mike Flewitt - resigned 30 November 2021
Paul Buddin - resigned 4 May 2021
Catherine Ferry - appointed 4 May 2021
Michael Leiters – appointed 1 July 2022
Timothy Murnane – appointed 6 April 2022

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.

Foreign exchange 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 pay the debt it is due. The risk is mitigated by the strong on-going customer relationships with a dealership network carefully selected by the Company. 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 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 DONATIONS
No political donations were made during the current or previous year.

We do not support any political party, and do not partake in any activity that could be interpreted as mutual dependence/favour with any political body or person.

EXISTENCE OF BRANCHES OUTSIDE THE UK
The Company has branches, as defined in section 1046(3) of the Companies Act 2006, outside of the UK, in Bahrain and Spain.

ENVIRONMENTAL POLICY
McLaren Automotive Limited have not disclosed information required under the Streamlined Energy and Carbon Reporting (SECR) regulations, as this information is contained within and can be seen in the McLaren Group Limited financial statements.

GOING CONCERN
As at the year end the Company was in a net current liability position of £749.3m (2020: £633.9m). Following the Group reorganisation and the merger with McLaren Technology Group Limited, 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 participates in the Group's centralised treasury arrangements and shares banking arrangements with its parent and subsidiaries.

In 2021, the Group announced that it had completed the sale of its global headquarters for a gross consideration of £170m, completed a £550m fundraise through the issuance of preference shares, raised USD$620m (equivalent to £458m) through the issue of senior secured notes and entered into a new £95m revolving credit facility. These proceeds were used to repurchase the existing senior secured notes due in 2022, repay and cancel a £130m revolving credit facility under which £68.9m was drawn, settle a £150m term loan and add cash to the balance sheet. These activities strengthened the Group's balance sheet through providing it greater liquidity, more available cash and a longer tenure on its financing facilities. In July 2022, the Group announced that it had received commitments for £125m of capital in the form of convertible preference shares from its shareholders, with an initial £80m tranche received at announcement.

The Group's vehicle volumes, revenue and cash flows have however, been adversely impacted by both industry-wide shortages and price increases in components, such as semiconductors, and the later than initially expected launch of Artura. The Artura is McLaren's first high performance hybrid supercar to be launched on its new lightweight carbon vehicle architecture.

The Group's annual budget and updated forecasts have been approved by the board of the Group and these have been used to carry out an assessment of the ability of the Group to fund these plans with existing liquidity and access to secured financing, for a period of at least 12 months from the issuance of these financial statements. These cash flow forecasts have taken into account typical cash cycles of the Group, expected operational milestones (e.g. product launches), the level of future product investment, timings of cash inflows and outflows and the impact of these on available liquidity and covenant requirements. The Group has also taken into account severe but plausible downside scenarios arising from the Group's principal risks and uncertainties, especially those which have the potential to have the greatest impact on the Group for the period under assessment.

The Board remains positive on the future direction and long-term product plan of the business, but likewise recognises risks to performance such as the global shortage of semiconductors and other components, alongside delays launching the Artura. The Company is reliant on the McLaren trading Group to satisfy its liabilities as they fall due and the conditions related to the Group as outlined above have been considered as part of the Company's going concern assessment. As such the Company may require additional funding in order to meet its liabilities as and when they fall due over the next 12 months and such funding has not been secured at the time of issuing these financial statements, nor have the terms on which such funding may be provided been agreed. These conditions indicate a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. These financial statements do not include any adjustments that would arise if the Company was unable to continue as a going concern.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Report of the Directors 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, 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.

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.

INDEPENDENT AUDITORS

The independent 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:

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Catherine Ferry - Director

Date: 30 September 2022

Independent Auditors' Report to the Members of
McLaren Automotive Limited (Registered number: 01967717)

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 2021 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 for the Year Ended 31 December 2021 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2021; 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

Material uncertainty relating 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 company participates in a centralised treasury arrangement and shares banking arrangements with its parent and fellow subsidiaries (collectively referred to as 'the group'). Due to risks to future performance such as the global shortage of semiconductors and other components, alongside the delayed launch of Artura, the group and company may require additional funding in order to be able to meet their liabilities as they fall due over the next 12 months. This additional funding has not yet been secured as at the date of issuance of these financial statements, nor have the terms on which this additional funding will be provided been agreed. 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 were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and 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 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment regulation and health and safety legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation as applicable to the company. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with the provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the Audit and Risk Committee about existing and potential litigation and claims, and known or suspected instances of non-compliance with laws and regulations and fraud;
- addressing the risk of fraud through management override of controls by testing the appropriateness of journal entries, including journal entries with unusual account combinations, such as, journals crediting revenue where the debit is to an unexpected account;

- challenging assumptions and judgements made by management in their significant accounting estimates that involved considering future events that are inherently uncertain. In particular, in relation to the capitalisation and amortisation of research and development costs; and
- communicating relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and reminding them to be alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

We have no exceptions to report arising from this responsibility.

Greg Briggs

Gregory Briggs (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
40 Clarendon Road
Watford
Hertfordshire
WD17 1JJ

Date: 30 September 2022

McLaren Automotive Limited (Registered number: 01967717)

Income Statement
for the Year Ended 31 December 2021

	Note	2021 £'000	2020 £'000
TURNOVER	3	504,482	518,476
Cost of sales		(508,959)	(619,159)
GROSS LOSS		(4,477)	(100,683)
Administrative expenses		(187,183)	(154,363)
Other operating income	4	41,746	32,161
OPERATING LOSS	6	(149,914)	(222,885)
Other interest receivable and similar income		723	426
Interest payable and similar expenses	7	(54,136)	(36,311)
LOSS BEFORE TAXATION		(203,327)	(258,770)
Tax on loss	8	67,939	51,358
LOSS FOR THE FINANCIAL YEAR		(135,388)	(207,412)

The notes on pages 24 to 43 form an integral part of these financial statements.

McLaren Automotive Limited (Registered number: 01967717)

Statement of Comprehensive Income
for the Year Ended 31 December 2021

	2021 £'000	2020 £'000
LOSS FOR THE YEAR	(135,388)	(207,412)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Gain/(loss) on cash flow hedging reserve	(18,515)	9,971
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(153,903)	(197,441)

The notes on pages 24 to 43 form an integral part of these financial statements.

McLaren Automotive Limited (Registered number: 01967717)

Balance Sheet
as at 31 December 2021

	Note	2021 £'000	2020 £'000
FIXED ASSETS			
Intangible assets	9	814,400	817,634
Tangible assets	10	42,506	84,525
Investments	11	1	1
		856,907	902,160
CURRENT ASSETS			
Stocks	12	181,034	101,231
Debtors	13	267,246	279,181
Cash at bank and in hand		5,058	1,141
		453,338	381,553
CREDITORS:			
Amounts falling due within one year	14	(1,202,684)	(1,015,466)
NET CURRENT LIABILITIES		(749,346)	(633,913)
TOTAL ASSETS LESS CURRENT LIABILITIES		107,561	268,247
CREDITORS:			
Amounts falling due after more than one year	15	(10,860)	(9,159)
PROVISIONS FOR LIABILITIES	18	(25,015)	(33,499)
NET ASSETS		71,686	225,589
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
Cash flow hedging reserve	20	(6,514)	12,001
Accumulated losses	20	(414,317)	(278,929)
TOTAL EQUITY		71,686	225,589

The notes on pages 24 to 43 form an integral part of these financial statements.

The financial statements on pages 20 to 43 were approved by the Board of Directors on 30 September 2022 and were signed on its behalf by:

....

Catherine Ferry - Director

McLaren Automotive Limited (Registered number: 01967717)

Statement of Changes in Equity for the Year Ended 31 December 2021

	Called up share capital £'000	Accumulated losses £'000	Share premium account £'000
Balance at 1 January 2020	27	(71,517)	490,451
Total comprehensive loss	-	(207,412)	-
Balance at 31 December 2020	27	(278,929)	490,451
Total comprehensive loss	-	(135,388)	-
Balance at 31 December 2021	27	(414,317)	490,451

	Other reserves £'000	Cash flow hedging reserve £'000	Total equity £'000
Balance at 1 January 2020	2,039	2,030	423,030
Total comprehensive loss	-	9,971	(197,441)
Balance at 31 December 2020	2,039	12,001	225,589
Total comprehensive loss	-	(18,515)	(153,903)
Balance at 31 December 2021	2,039	(6,514)	71,686

The notes on pages 24 to 43 form an integral part of these financial statements.

McLaren Automotive Limited (Registered number: 01967717)

Notes to the Financial Statements
for the Year Ended 31 December 2021

1. ACCOUNTING POLICIES

General information
The Company is privately owned and incorporated in the United Kingdom and registered in England 01967717. 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 16.

Statement of compliance
The financial statements of the Company 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.

Summary of significant accounting policies
The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation
The financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Going concern
As at the year end the Company was in a net current liability position of £749.3m (2020: £633.9m). Following the Group reorganisation and the merger with McLaren Technology Group Limited, 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 participates in the Group's centralised treasury arrangements and shares banking arrangements with its parent and subsidiaries.

In 2021, the Group announced that it had completed the sale of its global headquarters for a gross consideration of £170m, completed a £550m fundraise through the issuance of preference shares, raised USD$620m (equivalent to £458m) through the issue of senior secured notes and entered into a new £95m revolving credit facility. These proceeds were used to repurchase the existing senior secured notes due in 2022, repay and cancel a £130m revolving credit facility under which £68.9m was drawn, settle a £150m term loan and add cash to the balance sheet. These activities strengthened the Group's balance sheet through providing it greater liquidity, more available cash and a longer tenure on its financing facilities. In July 2022, the Group announced that it had received commitments for £125m of capital in the form of convertible preference shares from its shareholders, with an initial £80m tranche received at announcement.

The Group's vehicle volumes, revenue and cash flows have however, been adversely impacted by both industry-wide shortages and price increases in components, such as semiconductors, and the later than initially expected launch of Artura. The Artura is McLaren's first high performance hybrid supercar to be launched on its new lightweight carbon vehicle architecture.

The Group's annual budget and updated forecasts have been approved by the board of the Group and these have been used to carry out an assessment of the ability of the Group to fund these plans with existing liquidity and access to secured financing, for a period of at least 12 months from the issuance of these financial statements. These cash flow forecasts have taken into account typical cash cycles of the Group, expected operational milestones (e.g. product launches), the level of future product investment, timings of cash inflows and outflows and the impact of these on available liquidity and covenant requirements. The Group has also taken into account severe but plausible downside scenarios arising from the Group's principal risks and uncertainties, especially those which have the potential to have the greatest impact on the Group for the period under assessment.

The Board remains positive on the future direction and long-term product plan of the business, but likewise recognises risks to performance such as the global shortage of semiconductors and other components, alongside delays launching the Artura. The Company is reliant on the McLaren trading Group to satisfy its liabilities as they fall due and the conditions related to the Group as outlined above have been considered as part of the Company's

1. **ACCOUNTING POLICIES - continued**

Going concern - continued

going concern assessment. As such the Company may require additional funding in order to meet its liabilities as and when they fall due over the next 12 months and such funding has not been secured at the time of issuing these financial statements, nor have the terms on which such funding may be provided been agreed. These conditions indicate a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. These financial statements do not include any adjustments that would arise if the Company was unable to continue as a going concern.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders. The Company has taken advantage of the following exemptions:

(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

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Company and value added taxes. The Company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue of the Company represents sale of vehicles and other goods to external customers, sponsorship fees and other supply of services, excluding value added tax. The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Company's sales channels have been met, as described below.

(i) 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 based on terms of agreement, of which the majority will either be the point of despatch to the dealer, when the car is imported into the destination country, or when the vehicle is received by the dealer.

(ii) 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

(iii) Sponsorship income is deferred as appropriate and recognised over the period in which the Company performs its obligations under the sponsorship contract.

(iv) Revenue from contracts where management has concluded that they are the agent have been recognised as the net commission received.

1. **ACCOUNTING POLICIES - continued**

Other operating income

Grant 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. A government grant is assistance by government in the form of a transfer of resources to an entity in return for past or future compliance with specified conditions relating to the operating activities of the entity. The Company classify grants either as grants relating to revenue or grants relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the periods in which the group recognises the related costs for which the grant is intended to compensate. A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs is recognised in income in the period in which it becomes receivable. Under the COVID-19 Job Retention Scheme (CJRS), HMRC will reimburse up to 80% of the wages of employees who have been furloughed but who are being kept on the payroll. The scheme is designed to compensate for staff costs, and so amounts received are recognised in the income statement over the same period as the costs to which they relate.

Management fees and R&D Tax credits

The Company provides certain shared management services, specifically in relation to facilities management, IT and corporate services. These services are recognised as other income over the period the service is provided, at the fair value of the consideration to be received in compensation for this service. Companies within the Group might be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (for example, the Research and Development Tax Incentive regime in the UK). The Company accounts for such allowances as tax credits which are recognised in profit and loss as other operating income.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Research expenditure is written off in the period it is incurred. Development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are not expected to exceed related future sales and adequate resources exist to enable the project to be completed. Intangible fixed assets representing development costs incurred on new car programmes are capitalised at historical cost and amortised over the wholesale lifecycle units, 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. Amortisation is provided over the estimated useful lives of the assets taking into account factors such as expected period of use, likely technological advancements etc. IT Infrastructure expenditure is capitalised and amortised over 10 years from the date of implementation. For all other intangible assets, amortisation is calculated using the straight-line method to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, up to 10 years for development costs. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Depreciation is provided over the estimated useful lives of the assets at the following rates:

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

1. ACCOUNTING POLICIES - continued

Tangible assets - continued
Land is not depreciated. Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use. The assets residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively. Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss account. Repairs, maintenance, and minor inspection costs are expensed as incurred.

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

Stocks
Stocks are stated at the lower of cost and net realisable value. Inventories are recognised as an expense in the period in which the related revenue is recognised. Costs of raw materials and consumables are ascertained on an average cost basis and cost of finished goods and work in progress, includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimating selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving, or defective items where appropriate.

Financial instruments
The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets
Basic financial assets, including trade and other receivables (except for prepayments) and cash and bank balances are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets original effective interest rate. The impairment loss is recognised in profit or loss. Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities
Basic financial liabilities, including trade and other payables (except for deferred income), bank loans and loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method. 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 the Group 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 in the full invoice amount. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires. With the exception of some hedging instruments, other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

1. **ACCOUNTING POLICIES - continued**

Financial instruments - continued

(iii) Foreign currency derivative financial instruments

Forward foreign exchange contracts are derivatives which are not basic 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 on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in other comprehensive income where part of an effective cash flow hedge (see hedge accounting policy note) or otherwise in the profit and loss in finance costs or finance income as appropriate.

(iv) 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 that maximises the use of relevant observable inputs and minimise the use of unobservable units. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing and transaction.

(v) Offsetting

Financial assets and liabilities are offset, and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax, including UK corporation tax and foreign tax, is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from inclusion of income and expenses in the tax assessments of different periods than those in which they are recognised in financial statements. Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Foreign currency

The Company's financial statements are presented in pound sterling and rounded to thousands. The Company's functional and presentational currency is the pound sterling. Foreign currency transactions are translated into the functional currency at the rates ruling at the beginning of the month in which the transactions took place, unless they are deemed to be materially different to the spot rate, in which case spot exchange rates are used. At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction. monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

1. **ACCOUNTING POLICIES - continued**

Foreign currency - continued
Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of Foreign exchange gains and losses that relate to borrowings and cash, and cash and cash equivalents are presented in the profit and loss account within interest receivable/(payable). The trading results of overseas undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits and losses at average rates are recognised in 'Other comprehensive income/(expense)'.

Leases
At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Finance leased assets
Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

Operating leased assets
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Lease incentives
Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments. Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

Sale and leaseback
A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. If the sale and leaseback transaction is classified as an operating lease, then any gain or loss is recognised immediately if the sale and leaseback terms are demonstrably at fair value. If the sale price is below fair value then the gain or loss is recognised immediately other than to the extent that a loss is compensated for by future rentals at below market price, then the loss is deferred and amortised over the period that the asset is expected to be used. If the sale price is above fair value, then any gain is deferred and amortised over the useful life of the asset.

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. 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.

1. ACCOUNTING POLICIES - continued

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.

Related party transactions
The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Company financial statements.

Provisions and contingencies
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. Restructuring provisions are recognised when the Company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring. Provisions are not made for future operating losses. 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. For warranties, an estimated provision is made against all vehicles based on the historical average warranty claims made on the vehicles by the customers, together with the average amount reclaimed from the vendors. The estimates and underlying assumptions are reviewed on an ongoing basis.

Employee benefits
Employee benefits include the following items:

(i) 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 a separate entity. 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.

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

(iii) 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.

(iv) 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 benefits consist of Statutory redundancy and payment in lieu and 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 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The judgements, estimates and assumptions which are of most significance in preparing the Company's financial statements are:

Critical judgements in applying the Company's accounting policies:

(i) Capitalisation of research and development costs

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.

Key accounting estimates and assumptions

(i) Impairment of intangible assets
The Directors regularly consider the carrying value of intangible assets and alongside the factors that could indicate that the carrying amount of intangible assets could be impaired. Such factors include actual cash flow generation with that in the business plan, the volume of vehicles sold and that expected to be sold in the future, the profitability of each model and other relevant economic factors.

If there are events or changes in circumstances that indicate that the carrying amount of the intangible assets will not be recovered, there is a need to estimate the recoverable amount by determining future cash flows and applying an appropriate discount rate (refer to Note 31 and 3p for further details).

(ii) Capitalisation of research and development costs
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.

(iii) Valuation and recoverability of deferred tax assets
Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Recognition, therefore, involves judgement regarding the prudent forecasting of future taxable profits of the business.

Based on the business plans of the Company's subsidiaries, the tax losses are considered recoverable.

(iv) Warranty provision
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

Analysis of turnover by region

	2021 £'000	2020 £'000
Europe, Middle East & Africa	166,834	248,158
North America	204,561	153,682
Asia Pacific	90,451	79,858
China	42,636	36,778
	504,482	518,476

Analysis of turnover by category

	2021 £'000	2020 £'000
Sales of goods	449,701	496,763
Rendering of services	53,450	21,095
Royalties	1,331	618
	504,482	518,476

4. OTHER OPERATING INCOME

	2021 £'000	2020 £'000
Management fee income	23,581	15,228
Grant and furlough income	11,108	16,933
Profit on sale of tangible assets	7,057	-
	41,746	32,161

5. EMPLOYEES AND DIRECTORS

	2021 £'000	2020 £'000
Wages and salaries	121,607	121,012
Social security costs	13,338	12,751
Other pension costs	3,652	5,340
	138,597	139,103

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

	2021 Number	2020 Number
Production	531	729
Engineering	549	722
Administration	1,120	1,190
	2,200	2,641

	2021 £	2020 £
Directors' remuneration	4,606,700	1,119,200

The compensation for the loss of office during the year was £1m (2020: £nil).

5. EMPLOYEES AND DIRECTORS - continued

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

	2021 Number	2020 Number
Defined benefit schemes	1	1

Information regarding the highest paid director is as follows:

	2021 £	2020 £
Emoluments etc	3,910,900	786,700

The Company's highest paid director does not have any share options (2020: None) and has not received nor is due to receive any shares in respect of qualifying services under a long-term incentive scheme (2020: None).

6. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	2021 £'000	2020 £'000
Operating leases	7,365	1,320
Depreciation - owned assets	5,069	5,752
Profit on disposal of fixed assets	(7,057)	-
New production development costs amortisation	148,149	198,502
IT systems development costs amortisation	6,831	6,551
Auditors' remuneration	316	200
Foreign exchange differences	(12,222)	14,145
Research and development	1,663	2,956
Restructuring costs	860	6,380

The company auditors also received remuneration in relation to their associates of £20,000 (2020: £12,000). Restructuring costs comprise of costs of redundancies and legal advice. Profit on disposal of fixed assets relates to the £7.1m gain arising on the sale and leaseback of the Company's headquarters which was completed in April 2021. The gain comprised gross consideration of £51.4m less fees of £0.7m and tangible assets disposed of £43.7m.

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £'000	2020 £'000
Intercompany interest	45,017	32,758
Bank interest	1,110	2,067
Management charges	6,844	-
Other finance charges	1,165	1,486
	54,136	36,311

8. TAX ON PROFIT/(LOSS)

Analysis of the tax credit

The tax credit on the loss for the year was as follows:

	2021 £'000	2020 £'000
Current tax:		
Corporation tax	(3,805)	-
Foreign corporation tax	60	-
Adjustments in respect of prior periods	-	3,050
Total current tax	(3,745)	3,050
Deferred tax:		
Reversal of timing differences	(29,765)	(46,525)
Adjustments in respect of prior periods	3,285	(2,689)
Impact of change in tax rate	(37,714)	(5,194)
Total deferred tax	(64,194)	(54,408)
Tax on loss	(67,939)	(51,358)

UK corporation tax has been charged at 19% (2020 - 19%).

Reconciliation of total tax credit included in profit and loss

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

	2021 £'000	2020 £'000
Loss before tax	(203,327)	(258,770)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	(38,632)	(49,166)
Effects of:		
Impact of sale of property	545	-
Expenses not deductible for tax purposes	7,293	382
Foreign corporation tax on profits for the year	60	-
Withholding Tax Paid	98	-
Adjustments in respect of prior years	3,285	361
Re-measurement of deferred tax	(37,714)	(5,194)
Deferred tax not provided	(2,874)	2,259
Total tax credit	(67,939)	(51,358)

Tax effects relating to effects of other comprehensive income

	Gross £'000	Tax £'000	2021 Net £'000
Cash flow hedging reserve	(20,650)	(2,135)	(18,515)

	Gross £'000	Tax £'000	2020 Net £'000
Cash flow hedging reserve	9,971	-	9,971

8. TAX ON PROFIT/(LOSS) - continued

Deferred tax balances are measured at the rate at which they are expected to reverse. Any changes in the rate of UK corporation tax will have an impact on the future tax charge. In the budget of 3 March 2021, the Chancellor announced changes to UK corporation tax rates with effect from 1 April 2023; the rate would increase to 25%. The impact of this has been reflected in the current financial statements.

Subsequently on 23 September 2022, it was further announced that the corporation tax rate change from 19% to 25% with effect from 1 April 2023 was to be cancelled. This was not substantively enacted at the balance sheet date and therefore the impact of this change is not reflected in the measurement of deferred tax. If the rate change had been substantively enacted prior to 31 December 2021, the impact would have been to reduce the deferred tax asset by £38.5m with a corresponding debit to the income statement.

9. INTANGIBLE ASSETS

	New production development costs £'000	IT systems development costs £'000	Totals £'000
COST			
At 1 January 2021	1,584,566	68,330	1,652,896
Additions	155,430	149	155,579
Disposals	-	(31)	(31)
Reclassification/transfer	(6,633)	2,831	(3,802)
At 31 December 2021	1,733,363	71,279	1,804,642
ACCUMULATED AMORTISATION			
At 1 January 2021	802,458	32,804	835,262
Amortisation for year	148,149	6,831	154,980
At 31 December 2021	950,607	39,635	990,242
NET BOOK VALUE			
At 31 December 2021	782,756	31,644	814,400
At 31 December 2020	782,108	35,526	817,634

Research and development costs recognised as an expense in the year were £1.4m (2020: £3.1m).

New production development costs relate to expenditure on developing cars which are expected to be amortised over a period consistent with the expected life span of the associated vehicle, being typically 5-10 years.

The most material balance is in relation to the Artura, the Company's first high performance hybrid supercar to be launched on its new lightweight carbon vehicle architecture. Other material balances relate to other future models in development as well as existing models such as the GT, 720S and 765LT. Spend on one model may support the development of other models and therefore the amortisation of these costs will reflect this fact.

IT systems development costs relate network development and CAD upgrade.

Reclassification includes leasehold improvements transferring from asset under construction to leasehold improvements within tangible assets.

The amortisation charge includes £10.1m (2020: £nil) absorbed into inventory.

10. TANGIBLE ASSETS

	Freehold land and buildings £'000	Leasehold premises and improvements £'000	Plant, machinery, tools and equipment £'000
COST			
At 1 January 2021	52,789	21,931	28,253
Additions	-	1,698	38
Disposals	(52,789)	(130)	(80)
Reclassification/transfer	-	8,571	794
At 31 December 2021	-	32,070	29,005
ACCUMULATED DEPRECIATION			
At 1 January 2021	8,837	2,507	18,861
Charge for year	253	1,792	1,905
Eliminated on disposal	(9,090)	(65)	(61)
At 31 December 2021	-	4,234	20,705
NET BOOK VALUE			
At 31 December 2021	-	27,836	8,300
At 31 December 2020	43,952	19,424	9,392

	Fixtures, fittings and office equipment £'000	Motor vehicles £'000	Totals £'000
COST			
At 1 January 2021	14,581	2,821	120,375
Additions	952	376	3,064
Disposals	(98)	-	(53,097)
Reclassification/transfer	(5,563)	-	3,802
At 31 December 2021	9,872	3,197	74,144
ACCUMULATED DEPRECIATION			
At 1 January 2021	4,557	1,088	35,850
Charge for year	878	241	5,069
Eliminated on disposal	(65)	-	(9,281)
At 31 December 2021	5,370	1,329	31,638
NET BOOK VALUE			
At 31 December 2021	4,502	1,868	42,506
At 31 December 2020	10,024	1,733	84,525

The net carrying amount of assets held under finance leases included in plant, machinery, tools and equipment is £74,117 (2020: £74,117).

In April 2021, the Group completed the sale of its global headquarters for consideration of £51.4m (£50.8m net of fees).

Reclassification of £3.8m relates to the assets that were under construction within intangibles that are now under tangible assets.

11. INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2021 and 31 December 2021	1
NET BOOK VALUE	
At 31 December 2021	1
At 31 December 2020	1

The Company's investments at the Balance Sheet date in the share capital of companies are as follows:

McLaren Automotive Incorporated
Registered office: 1405 S Beltline Road, Suite 100, Coppell, Texas 75019
Nature of business: Sports Car Retailer

Class of shares:	% holding
Ordinary	100.00

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
Registered office: Unit 1102, West tower, No.1299 Minsheng Road, Pudong District, Shanghai, 200135
Nature of business: Sports Car Retailer

Class of shares:	% holding
Ordinary	100.00

McLaren Automotive Europe S.LU
Registered office: Poligono Industrial de L'arbornar, S/N, Santa Oliva 43710, Tarragona.
Nature of business: Maintenance and repair of motor vehicles

Class of shares:	% holding
Ordinary	100.00

12. STOCKS

	2021 £'000	2020 £'000
Raw materials	80,855	53,644
Work-in-progress	69,105	20,196
Finished goods	31,074	27,391
	181,034	101,231

During the year £5,847,000 (2020: £3,850,000) 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

	2021 £'000	2020 £'000
Trade debtors	30,312	90,504
Amounts owed by group undertakings	15,433	15,467
Other debtors	22,509	25,032
Derivative financial assets	6,128	16,734
Other taxes	4,783	3,638
Deferred tax asset	170,225	103,896
Prepayments and accrued income	17,856	23,910
	267,246	279,181

Deferred tax asset

	2021 £'000	2020 £'000
Fixed asset timing differences	7,022	4,760
Other short term timing differences	8,610	5,954
Trading and other losses	142,705	85,154
Cashflow hedging reserve	2,135	-
Tax incentive credits	9,753	8,028
	170,225	103,896

The company expects deferred tax assets of £Nil (2021: £Nil) to reverse in the next 12 months. The losses carried forward have an indefinite life and the tax incentives do not expire.

Amounts owed by group undertakings are unsecured, have no fixed date of repayment, are interest free and are repayable on demand.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Finance leases (see note 16)	7	7
Trade creditors	76,010	60,292
Amounts owed to group undertakings	939,071	752,366
Other creditors	33,369	52,813
Taxation and Social Security	4,171	3,014
Financial liabilities	13,443	2,784
Accruals and deferred income	136,613	144,190
	1,202,684	1,015,466

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

Within the amounts owed to group undertakings, includes £841.7m (2020: £666.4m) of group loans which attract interest at 6.25%, are unsecured and repayable on demand. The remainder of amounts due to group undertakings are unsecured, have no fixed date of repayment, are repayable on demand and are interest free.

Other Creditors includes £8,094,000 (2020: £26,724,000) of Trade Finance which is used to support wholesales to the Company dealers. The total facility available is up to US$220,000k or equivalent, at an interest rate of LIBOR plus the difference between LIBOR and the bank's funding rate plus a margin of 1.125%. A Trade Credit Insurance Facility covers 95% of the Trade Finance balance.

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

	2021	2020
	£'000	£'000
Amounts owed to group undertakings	7,500	7,500
Derivative financial liability	3,360	1,659
	10,860	9,159

Amounts owed 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	
	2021	2020
	£'000	£'000
Net obligations repayable:		
Within one year	7	7

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

	Non-cancellable operating leases	
	2021	2020
	£'000	£'000
Within one year	7,365	1,320
Between one and five years	28,547	4,920
In more than five years	78,896	6,195
	114,808	12,435

17. FINANCIAL INSTRUMENTS

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

	2021 £000	2020 £000
Financial assets that are debt instruments measured at amortised cost		
- Trade debtors	30,312	90,504
- Amounts owed by group undertakings	15,433	15,467
- Accrued income	12,936	15,003
- Other debtors	22,509	25,032
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial assets - forward foreign currency contracts	6,128	16,734
Financial Liabilities measured at amortised cost		
- Finance leases	7	7
- Trade creditors	76,010	60,292
- Amounts owed to group undertakings	939,071	752,366
- Other creditors	33,369	52,813
- Accruals and deferred income	136,613	144,190
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial liabilities - forward foreign currency contracts	13,443	2,784
Non-Current Financial Liabilities		
Measured at amortised cost		
- Amounts owed to group undertakings	7,500	7,500
- Derivative financial liabilities - forward foreign currency contracts	3,360	1,659

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**		**Fair Value**	
	2021	**2020**	**2021 £000**	**2020 £000**	**2021 £000**	**2020 £000**
Sell						
USD	1.3670	1.3123	337,707	373,131	(3,400)	13,488
JPY	146.5936	138.9865	55,732	52,595	2,925	565
CNY	9.2228	8.9242	37,551	26,557	(2,210)	127
AUD	-	1.8360	-	10,316	-	(164)
Buy						
EUR	1.1262	1.0992	207,786	216,972	(7,990)	(1,725)
					(10,675)	**12,291**

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. Gains of £2,311,755 (2020: losses of £13,582,843) were recognised in profit or loss.

18. PROVISIONS FOR LIABILITIES

	2021 £'000	2020 £'000
Other provisions		
Warranty provision	16,770	26,283
End of Private Contract Purchase (PCP) provision	7,925	5,763
Dilapidation provision	320	320
Other provision	-	1,133
	25,015	33,499

	Other provisions £'000
Balance at 1 January 2021	33,499
Provided during year	20,161
Utilised during year	(28,645)
Balance at 31 December 2021	25,015

Warranty provision
The provision for product warranties relates to expected warranty claims on vehicles sold in the last three years. The Company is liable for the parts and labour costs associated with repairing manufacturing faults arising on vehicles during the warranty period.

End of contract provision
The provision is for the Company's obligation to provide a residual value guarantee to the finance provider on the Personal Contract Purchase (PCP) arrangements between the retailers and customer. The provision covers estimated losses on these contracts based on the contractually agreed residual value between the Company and the bank, and the forecast resale price for a used vehicle. The provision is expected to be utilised over the length of the lease which is usually three years but is adjusted quarterly for new cars sold and market conditions.

Dilapidation provision
The dilapidations provision relates to the contractual obligation to reinstate all leased premises to their original condition upon cessation of the lease. The provision is measured at the present value of the expenditures expected to be required to settle the obligation.

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2021 £	2020 £
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 2021	(278,929)	490,451	2,039	12,001	225,562
Loss for the year	(135,388)	-	-	-	(135,388)
Movement	-	-	-	(18,515)	(18,515)
At 31 December 2021	(414,317)	490,451	2,039	(6,514)	71,659

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 2021 was £3,652,000 (2020: £5,340,000).

22. 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 2021 £'000	Balance outstanding at 31 December 2021 £'000	Year ended 31 December 2020 £'000	Balance outstanding at 31 December 2020 £'000
Sales to related parties				
Directors of Group	207	-	5,201	3,201
Directors of Subsidiaries	375	2	931	570
Amounts owed by related parties				
		2		3,771
Split by:				
Amount owed by related parties due <1 year		2		3,771
		2		3,771

23. 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.