

**MCLAREN HOLDINGS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2023**

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**GROUP STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**Principal Activities**

McLaren Holdings Limited (the “Company”) alongside its subsidiaries (comprising the “Group”) is a leader in high-performance supercars and related products.

With the history of McLaren as one of the most successful teams in motorsport, McLaren Automotive launched its first product in 2011 starting with the 12C and today is a global leader in high performance hypercars and 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 Group has a range of luxury high performance vehicles across four product families: GT, Supercar, Ultimate and Motorsport, and has produced ground-breaking cars such as the iconic 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 and design, cutting-edge technology, and an outstanding driving experience. The business seeks to push the boundaries of performance whilst delivering authentic racing spirit. These factors combined with unique customer propositions and experiences, drive strong brand loyalty, demand and pricing power. As part of the customer experience, the Group offers highly personalised “tailor-made” products through its McLaren Special Operations (MSO) subdivision, such as the bespoke customisation of each vehicle according to customers’ specifications.

**Product line-up**

The Group’s vehicles are categorised into four product families, being GT, Supercar, Ultimate and Motorsport. The product line-up in 2023 included the following vehicles:

- GT: GT Coupe
- Supercar: 750S Coupe, 750S Spider, Artura Coupe, 720S Coupe, 720S Spider, 765LT Spider
- Ultimate: Elva, Solus GT
- Motorsport: 720S GT3, Artura GT4

The current product range is available in all key markets, except for China in which only the GT and Artura are sold. The final production runs for Elva, 765LT and 720S were completed by early 2023.

The Artura is McLaren’s first high performance hybrid supercar to be launched on our new lightweight carbon vehicle architecture, and forms part of our Supercar category. 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.

In February 2024 the new Artura Spider was revealed as McLaren’s first-ever high-performance hybrid convertible. The new Spider has significant upgrades over the original Artura, including more power, more performance and even greater driver engagement. The new Artura Coupe benefits from the same improvements, further enhancing its next-generation supercar performance. The new Spider and Coupe designated 2025 model year are expected to start deliveries from mid-2024.

The Artura GT4 race car shares much of its technology with the Artura road car, but to meet racing requirements it is not a hybrid and has many bespoke motorsport components such as its steering wheel, engine control system and braking.

The Solus GT is a bespoke commission vehicle which has been designed with a striking central, single-seat, closed-cockpit design with jet aircraft-style sliding canopy. It has a unique monocoque chassis with motorsport-derived powertrain, weighs less than 1,000kg and the 5.2 litre V10 engine revs to more than 10,000rpm. The Solus GT is limited to just 25 cars, with all 25 already under order.

**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

The 750S is a rear-wheel drive, V8 engine powered supercar, replacing the acclaimed 720S. It has around 30% new/changed components, making it more powerful, lighter and quicker than its predecessor. The 750S is lighter than the 720S by 30kg and the twin-turbocharged 4.0 litre V8 engine sees it reach 200km/h in 7.2 seconds. It is sold in both Coupe and Spider variants, and deliveries commenced in Q4 2023.

In December 2023, the new GTS was revealed as the replacement for the GT, providing supercar driving dynamics alongside daily usability and comfort. The GTS is more powerful, lighter and faster than the GT, with an enhanced exterior design and a higher level of standard specification. Deliveries are expected to commence from mid-2024.

**Market and business developments****Economic trends**

Whilst lower than in 2022, high inflation has persisted in 2023 which has seen central banks raise interest rates in response. Market conditions have put pressure on the price of commodities, parts and labour. We work closely with our suppliers to manage any risks in our supply chain which could impact the availability or quality of parts.

In 2023 the Group has seen a generally steadier foreign exchange position, with the GBP strengthening a little against the USD over the period compared to the start of the year, whilst 2022 experienced a significant strengthening of the USD against GBP. The current year trend has supported lower FX fluctuations in both operating performance and retranslation of the USD senior secured notes.

**Capital structure**

In 2023 the parent of the Company, McLaren Group Limited, had been in active discussions with its key shareholders regarding a capital reorganisation of McLaren Group to simplify its capital structure and provide additional funding to support its long-term product investment plan. The shareholders of McLaren Group provided £450.0m of additional funding in 2023, with further funding in 2024. These funds have been invested in the Group as ordinary share capital. On 22 March 2024 it was announced this capital reorganisation process resulted in long-term strategic investor Bahrain Mumtalakat Holding Company, the sovereign wealth fund of the Kingdom of Bahrain, taking full ownership of the share capital of the McLaren Group Limited. Completion of the capital reorganisation process will strengthen the Group's ownership and governance structure, enabling the business to focus on delivering its long-term business plan, including investment in new products and technologies, whilst continuing to explore potential technical partnerships with industry partners.

**Intangible investment**

In light of the additional shareholder funding during the year, the Group increased its investment in the development of new products and services, with intangible capital expenditure of £204.2m in 2023 (2022: £164.6m). This spend predominantly related to already announced vehicles such as the Artura and the 750S, and the development of future models especially in relation to new Ultimate and Super Series models.

**Key performance indicators**

The Directors consider the measures listed below to be the principal Key Performance Indicators (KPIs). These are used to assess progress towards achieving the Group's strategies over the medium term and performance against these measures is reviewed regularly.

An overview of performance against these KPIs is provided below, with further information in relation to financial and non-financial measures provided in the Performance Review in this Strategic Report.

**GROUP STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

## i. Financial performance indicators

<b>KPI</b>	<b>2023 £M</b>	<b>2022 £M</b>
Turnover	<b>465.9</b>	627.8
Adjusted EBITDA	<b>(254.8)</b>	(3.0)
Total cash flow	<b>(61.3)</b>	23.0
Cash and cash equivalents	<b>39.3</b>	100.7

## 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 by 25.8% in 2023 due to a model mix shift from predominantly higher priced Elva, 765LT and 720S in 2022 to the lower priced Artura and GT in 2023, alongside a 2.3% reduction in volumes.

## Adjusted EBITDA

- **Rationale:** Delivery and growth of adjusted EBITDA represents a key measure of the Group's operating performance to investors and external stakeholders against our strategic priorities. Adjusted EBITDA is defined as loss/profit before taxation, adding back interest payable/receivable and similar charges, depreciation, amortisation and impairment (see note 4 in financial statements for further information). The interest added back excludes foreign exchange gains and losses apart from those resulting from the retranslation of the USD senior secured notes.
- **Performance:** The reduction in adjusted EBITDA by £251.7m reflects a number of factors, including
  - the model mix shift to lower priced models noted above;
  - investment in enhanced quality processes which reduced volumes in the short-term and resulted in associated incremental costs; and
  - a one-off gain in 2022 of £86.5m from the sale of heritage cars.

## Cash and total cash flows

- **Rationale:** Cash provides a view of the available resources and liquidity of the Group, whilst the total cash flows of the Group provide an assessment of the cash generation of the business and its ability to invest in its future growth / generate shareholder value.
- **Performance:** There was a greater operating and investing cash outflow in 2023 due to the reduction in adjusted EBITDA and increased investment in the development of new models to support the long-term business plan. These cash outflow and financing costs paid were however predominantly offset by additional shareholder funding, with cash at year end reducing to £39.3m.

## ii. Non-financial performance indicators

<b>Volumes</b>	<b>2023 £M</b>	<b>2022 £M</b>
Wholesale	<b>2,137</b>	2,188

**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**Wholesale volumes**

- **Rationale:** The number of new vehicles sold by the Group is a key driver of the financial performance of the Group and an indicator of demand.
- **Performance:** Wholesale volumes have fallen slightly compared to 2022, predominantly due to an enhanced focus on quality with all cars subjected to greater testing and quality control procedures, resulting in a short-term slowing of deliveries

**New vehicle development**

The success of our programmes is assessed through our ability to achieve key milestones in the development cycle to the research and development phases of new car models or variants, to the point they are approved to be launched and go into production. Key measures need to be achieved before the project is passed to proceed to the next key milestone for review.

**Employee measures**

Key to the successful delivery of our strategic objectives is maintaining, developing and motivating our employees. Measures used to assess our success include the successful recruitment of high quality people to fill senior vacancies and driving down voluntary attrition across the business.

**Changes to key performance indicators**

Disclosed key performance indicators have been changed in the current year as follows:

- **Loss before tax:** has been removed as the key profit and loss measures are considered to be revenue and Adjusted EBITDA.
- **Production and retail volumes:** have been removed as the key volume metric is that of wholesale volumes which reflects the point at which the Group's revenue is earned and responsibility for the vehicle is passed to the customer.

**Group performance review**

**Overview**

Following the Elva, 765LT and 720S completing their final production runs by early 2023, the year saw a less rich product mix which alongside investment in enhanced quality processes, has reduced volumes and driven incremental costs. These factors have resulted in lower volumes and revenue, which combined with certain inflationary cost increases have impacted the margins, operating result and cash flows of the business. The challenging performance in 2023 has seen the business recognise an exceptional impairment charge of £375.0m against its intangible assets, but this has no impact on adjusted EBITDA, liquidity, the product line-up or the Group's future plans.

The shareholders of the Group have continued to show their support during the year, with £450.0m received from the issue of ordinary shares, which has been used to fund an increase in new car development investment and the operating cash flows of the Group.

**GROUP STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**Volumes**

Wholesale volumes by region were:

<b>Region</b>	<b>2023 £M</b>	<b>2022 £M</b>	<b>Change %</b>
North America	<b>787</b>	947	-17%
Europe	<b>488</b>	517	-6%
Asia Pacific	<b>497</b>	384	29%
China	<b>148</b>	206	-28%
Rest of World	<b>217</b>	134	62%
<b>Global</b>	<b>2,137</b>	2,188	-2%

Wholesale volumes in 2023 were 2,137, down 2% year-on-year, with lower volumes in H2 2023 due to an enhanced focus on quality with all cars subjected to greater testing and quality control procedures, resulting in a short-term slowing of deliveries.

Volumes in 2023 largely comprised Artura and GT, whilst in 2022 the volumes were primarily 765LT, 720S and GT, as well as a small number of the Ultimate series Elva. The 765LT, 720S and Elva had all completed their production runs by early 2023, and therefore only make up a small part of the volumes this year. From Q4 2023 the Group started to deliver the 750S, which was revealed in April 2023, and has seen a very strong response from our customers and is sold out well into 2024.

North America remains the Group's largest market at 37% of total wholesales. Volumes into Europe and North America were lower in 2023 compared to 2022, but this was offset by growth in Asia Pacific and Rest of World. Volumes in China were down year-on-year reflecting that we only sold the GT and Artura in this market and the GT was phased out in H2 2023 in advance of new emission regulations which commenced from the end of 2023.

**Profit and loss account**

	<b>2023 £M</b>	<b>2022 £M</b>
Turnover	<b>465.9</b>	627.8
Cost of sales	<b>(508.3)</b>	(506.1)
Administrative expenses	<b>(249.2)</b>	(205.2)
Other operating income	<b>40.6</b>	39.8
Other gains	-	86.5
Amortisation, depreciation and impairment	<b>(511.1)</b>	(174.1)
<b>Operating loss</b>	<b>(762.1)</b>	(131.3)
Finance costs (net)	<b>(22.9)</b>	(143.6)
<b>Loss before taxation</b>	<b>(785.0)</b>	(274.9)
Tax on loss	<b>(87.5)</b>	(59.8)
<b>Loss for the financial year</b>	<b>(872.5)</b>	(334.7)

**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023****Revenue and cost of sales**

Revenue was down 25.8% to 465.9m, a decrease of £161.9m compared to 2022. This reduction in revenue reflected both the 2.3% reduction in wholesale volumes but also a model mix shift compared to 2022. The volumes in 2022 included the higher priced 720S, 765LT and Elva, but these models completed their production runs by the start of 2023 which meant volumes in 2023 predominantly comprised the lower priced Artura and GT, reducing the average revenue per vehicle in 2023.

Cost of sales were broadly flat year-on-year at £508.3m in 2023 compared to £506.1m in 2022. Both 2023 and 2022 have reported an elevated cost of goods sold due to incremental costs associated with Artura delays, inventory provisioning, enhanced investment in quality as well as inflationary cost increases.

**Administrative expenses**

Administrative expenses were £249.2m, an increase of £44.0m compared to 2022, mainly due to the prior year having reduced spend with the impact of supply chain constraints in the first half of 2022, and 2023 seeing the impact of higher brand and marketing spend for product launches and McLaren's 60th anniversary, one-off property exit costs as well as certain inflationary cost increases.

**Other operating income**

Other operating income, predominantly being income from services provided to McLaren Racing and R&D tax credits remained broadly flat year-on-year.

**Other gains and losses**

Other gains and losses in 2022 reflect the gain of £86.5m on the sale of heritage assets.

**Amortisation, depreciation and impairment**

Amortisation of capitalised development costs decreased in 2023, reflecting the shift in product lifecycles, with 2022 including amortisation associated with a broader mix of products compared to 2023.

An exceptional non-cash impairment charge of £375.0m has been recognised in 2023 against capitalised development costs. This charge is reflective of the Group's recent performance which has seen delayed Artura production and one-off costs, resulting in lower actual and anticipated volumes and cash flows. In conjunction with this the charge reflects the impact of broader market conditions on measures used in this assessment. This charge has no impact on the Group's adjusted EBITDA, liquidity or product line-up.

**Finance costs**

Whilst underlying interest costs remained broadly the same year-on-year, net finance costs decreased £120.7m to £22.9m reflecting a £98.9m foreign exchange loss in 2022 compared to an FX gain of £21.8 in 2023m.

**Income tax**

The Group recognised an income tax charge of £87.5m (2022: £59.8m), predominantly reflecting the derecognition of deferred tax assets for UK tax losses in light of trading performance in 2023 and the consequential expected timing of utilisation of losses in the future. This has no impact on the availability of tax losses for offset against future profits.



**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**Cash flow statement**

The Group had a net cash outflow of £61.3m compared to an inflow of £23.0m in 2022.

**Cash flow from operating activities**

Cash outflows from operating activities increased to £309.2m, compared to £0.5m in 2022 (as restated), reflecting both the operating loss described above and a working capital outflow. The working capital outflow of £43.8m was the result of higher debtors, partly offset by higher creditors as the business began to increase its activities and volumes in the latter part of the year following the launch of the 750S.

**Cash flow from investing activities**

Net cash flows from investing activities were an outflow of £209.0m in 2023 compared to £69.4m in the prior year. The increase in spend is due to higher development spend as the business invests in its future models supported by the funding received from shareholders during the year.

In 2022 the Group benefitted from net proceeds of £100.0m on the sale of heritage cars to the McLaren Group's lead shareholder to support the liquidity of the Group.

**Cash flow from financing activities**

Net cash flows from financing activities were an inflow of £457.8m, compared to an inflow of £92.9m (as restated) in 2022. During the year, the shareholder of the Group continued to support the operating and investing cash flows of the business, with £450.0m received from the issue of share capital (2022: £125.0m). Interest paid was generally consistent year-on-year, with £40.3m paid in 2023. Inflows from other financing predominantly reflect greater utilisation of the Group's trade finance facility in light of the higher debtors noted above.

**Company performance review**

The Company's loss for the year was £1,026.8m (2022: £149.6m) and at 31 December 2023 the Company had net liabilities of £92.9m compared to net assets of £483.9m at the start of the year. The loss and the reduction in net assets of the Company reflects a non-cash impairment charge recognised during the year against subsidiary investments and loans. During the current financial year the Company received £450.0m (2022: £125.0m) in the form of ordinary shares from its parent.

**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**Principal risks and uncertainties**

The principal risks and uncertainties of the Group can be summarised as follows:

<b>Risk</b>	<b>Mitigation</b>
<b>Macroeconomic</b>	
<ul style="list-style-type: none"> <li>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 Group's performance and financial position.</li> <li>Events such as significant market disruption (e.g. COVID-19, conflict between Russia and Ukraine, and Israel and Hamas) may adversely impact the Group, its suppliers, customers and dealers, and the macroeconomic environment in which they operate.</li> </ul>	<ul style="list-style-type: none"> <li>Annual strategic plan and budget, as well as regular reforecasts taking into account market trends and the current economic environment.</li> <li>Regular operational and financial reviews of the business by senior management and Board of Directors.</li> <li>Monitoring industry trends, engagement with other industry participants and advisors.</li> </ul>
<b>Development</b>	
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>See below regarding 'Demand and Brand' and 'Technological.'</li> <li>Programme delivery management and regular progress reporting and oversight.</li> </ul>
<b>Financial</b>	
<ul style="list-style-type: none"> <li>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.</li> <li>Movements in foreign exchange may adversely impact the financial results and position of the Group.</li> </ul>	<ul style="list-style-type: none"> <li>Cash managed and reported daily, together with weekly cash / liquidity forecasts.</li> <li>Annual budget and long-term plan processes alongside regular reforecasts, which include assessment of available liquidity and potential downside scenarios.</li> <li>Work closely with shareholders and advisors to raise additional funds / liquidity as required.</li> <li>Hedging policy in place, which guides the level of hedging to have in place to mitigate foreign exchange risk.</li> </ul>
<b>Demand and Brand</b>	
<ul style="list-style-type: none"> <li>Demand for and appeal of the McLaren brand and vehicles, is subject to customer preferences, competitor offerings and industry trends.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Annual strategic plan which considers the Group's existing vehicles, product plan, trends, customer preferences, competitor products and opportunities in the market.</li> <li>Business case for key projects, assessed by senior management and Board of Directors.</li> <li>Quality controls in place, including focus on 'right first time' to maintain vehicle quality and ensure delivery to customers at the expected standard.</li> <li>Careful management and cultivation of the McLaren brand, ensuring cooperation and alignment across lines of business.</li> <li>Focus on quality and scale of dealer network.</li> </ul>

**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**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.
- Continue to invest in being 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 purchased may adversely affect operations.
- Developed close relationships with suppliers and dealerships to ensure proactive engagement on potential risks and disruptions (e.g. COVID-19 and semiconductor shortages).
- We rely on our dealer network to provide sales and services. We do not own our McLaren dealers and virtually all of our sales are made through our network of dealerships located throughout the world. If our dealers are unable to provide sales or service quality that our clients expect or do not otherwise adequately project the McLaren image and its exclusivity, the brand may be negatively affected.
- 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 Group (e.g. quality, volume, frequency, price etc).

**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023****Section 172(1) Companies Act 2006**

This sets out how the Directors comply with the requirements of Section 172(1) Companies Act 2006 and how these requirements have impacted the Board's decision making throughout 2023.

**Section 172(1) Decisions****a) The likely consequence of any decision in the long-term**

The Board approves a five year plan annually, or more frequently where the need arises, against which it monitors operational and financial performance and its forecast liquidity position. The Board has agreed a set of performance indicators and reviews the Group's forecast funding requirements, debt capacity and financing options against these. In approving the strategy, the Directors also consider external factors including the performance of the automotive industry together with the global economic and market conditions. The members of the Board attend by invitation the board meetings of McLaren Group Ltd, its immediate parent company, to present the Group's current and forecast operational and financial performance, its financial position and its forecast funding requirements.

**b) The interest of the Group's employees**

The Board 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.

The Board regularly communicates to its employees through presentations, internal group-wide emails and newsletters. The Group's intranet and structure give our employees the opportunity to interact with members of the Board and other key management personnel. The Group holds presentations at least annually, open to all employees of the Group, at which the Chief Executive of the Automotive business and other members of the executive team inform and update employees on the Group's performance, plans and outlook. Employees are encouraged to ask questions about the Group's purpose, goals, and direction. Employee surveys are undertaken to receive feedback about the employee experience, 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 Group's business relationships with suppliers, customers and others**

The Board regularly reviews how the Group maintains positive relationships with all its stakeholders. It understands the importance of the Group's supply chain in delivering the long-term plans of the Group and the executive team brings a wealth of key industry knowledge in their respective fields.

Our partners play a vital role in our progression and development with the core aim to strive for excellence together. Seamlessly integrating into our businesses, we share fundamental values so that through innovation and technology, we can succeed in our respective marketplaces. We work closely with our partners to develop future vehicles which meet our goals to produce vehicles that push the boundaries of performance and deliver our authentic racing spirit. In recent years, as we and our partners have faced significant supply chain pressures, we have worked even more closely with our suppliers to understand their requirements and challenges and to put in place support where required to ensure they are able to deliver the goods and services we need at the quality and to the timing required by our production processes.

Understanding the needs and aspirations of our customer is critical to the success of the business. The Group regularly engages with both our global dealer network and the owners of our vehicles for feedback on our current models and what they would like to see in the future. We also regularly hold events which allow our customers to test their vehicles or other McLarens in different environments and with the support of experienced drivers. Such events are sometimes run in conjunction with both the Racing and Automotive businesses, such as at Formula 1 events, so that our customers can be part of the wider McLaren brand and experience.

**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

The Group's principal risks and uncertainties set out risks that can impact the long-term success of the Group and how these risks interact with our stakeholders. The Directors 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 Group and how these are reflected within the long-term plans.

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

The Group supports communities in several ways and aims to make a positive contribution to improving people's life chances, especially those of young people. Developing the next generation of automotive expertise is vitally important to McLaren. As the Group continues to grow, the need for a skilled workforce to design, develop, build and sell its cars is also expanding. McLaren partners with various organisations and charities and has worked with various bodies on educational science programming for primary school age groups and above. The Group continually strives to improve, innovate and contribute towards a better future.

The Group is committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) across the Group, and these are expected to be applicable to the Group for the 2024 financial year. Further information on the Group's initiative and commitment to the environment and society can be found on the Directors' Report on page 13.

**e) The desirability of the Group maintaining a reputation for high standards of business conduct**

The Directors take the reputation of the Group seriously. 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 the wider society. 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 group**

The Group remains privately owned, being a wholly owned subsidiary of McLaren Group Limited. On 22 March 2024, McLaren Group Limited announced the completion of its capital reorganisation, under which Bahrain Mumtalakat Holding Company, the sovereign wealth fund of the Kingdom of Bahrain, took full ownership of the share capital of McLaren Group Limited. The Group interacts with the shareholders of McLaren Group Limited through all members of the Board attending McLaren Group Limited board meetings. In 2023 the McLaren Group Limited board comprised the chairman who is a member of the Group's executive, representatives of shareholders and non-executive directors.

The Group is supported by its shareholders and providers of debt funding, primarily via the Group's senior secured notes, in providing 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 holds quarterly meetings for all bondholders to join at which senior management present the current financial and operational results. Investors are invited to ask questions and seek clarification.

**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**Directors**

The Company has four directors - for the period to 31 May 2023 three directors were male and one was female, whilst from 31 May 2023 onwards all four directors were male. The Company had no employees in the year, as all directors were employed by another related company.

This report was approved by the board on 29 April 2024 and signed on its behalf.



**S Alfredson**  
Director

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

The Directors present their Annual Report and the audited Consolidated Financial Statements of the Group for the year ended 31 December 2023.

**Future developments and post balance sheet events**

On 22 March 2024, McLaren Group Limited announced the completion of its capital reorganisation, under which Bahrain Mumtalakat Holding Company, the sovereign wealth fund of the Kingdom of Bahrain, took full ownership of the share capital of McLaren Group Limited. The Group has received further funding of £85m from its shareholder in 2024.

The UK government has announced its intention to end the sale of new petrol and diesel vehicles by 2035, with some limited exceptions. The Artura represents a best-in-class, next generation hybrid supercar which we expect to sell throughout the decade. We continue to assess the availability of suitable technology to enable us to deliver an all-electric vehicle that meets McLaren's needs and standards, and gives customers the ultimate driving experience.

**Research and development**

By the nature of its activities, the Group has an ongoing investment into research and development across all its motoring and engineering operations, which includes new car programmes and specialist products and services to maximise the performance and capabilities of its customers.

**Existence of branches outside of the UK**

The Group has branches, as defined in section 1046(3) of the Companies Act 2006, outside of the UK, in Bahrain, Spain and Japan.

**Going concern**

The shareholders of McLaren Group Limited have shown significant support to the McLaren Group, with £450.0m of funding provided in 2023 and further support in 2024 in consideration for the issue of shares, as part of the ongoing capital reorganisation process. As announced on 22 March 2024, this capital reorganisation process has resulted in our long-term strategic investor, Bahrain Mumtalakat Holding Company, the sovereign wealth fund of the Kingdom of Bahrain, taking full ownership of the share capital of McLaren Group following the conversion of all preference shares into ordinary shares.

With the Elva, 765LT and 720S completing their production runs by the start of 2023, and the deliveries of the 750S not commencing until Q4 2023, the product mix during the year was skewed towards our lower priced GT and the Artura models. This reduced product mix, alongside an enhanced focus on quality resulted in lower volumes and incremental costs. Looking forward into 2024, the Group forecasts a return to a broader product mix, higher volumes and reduced one-off costs, which in the Board's view will have a positive impact on the performance of the business.

The Group has used its most recent McLaren Group board-approved long-term plan and forecasts to carry out an assessment of the ability of the Group to fund its plans for a period of at least 12 months from the issuance of these financial statements. These cash flow forecasts have considered typical cash cycles, 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 principal risks and uncertainties, especially those which have the potential to have the greatest impact for the period under assessment.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

Whilst recognising potential risks to performance, such as lower volumes or delays to the launch of new vehicles, the Board remains positive with regard to the future direction and long-term plans of the business. Completion of the capital reorganisation process strengthens the McLaren Group's ownership and governance structure, enabling the business to focus on delivering its long-term business plan, including investment in new products and technologies, whilst continuing to explore potential technical partnerships with industry partners. The Board recognises that further funding is needed to support the long-term plans of the business and to meet liabilities as and when they fall due in the 12 months following the date of approval of the financial statements. Until further funding is guaranteed, consistent with the conclusions reached in prior years, such conditions indicate a material uncertainty which may cast significant doubt over the Group's and the Company's ability to continue as a going concern. These financial statements do not include any adjustments that would arise if the Group and the Company were unable to continue as a going concern.

**Financial risk management objectives and policies**

The Group's activities expose it to a number of financial risks including foreign exchange risk, credit risk, liquidity risk and price risk.

**Foreign exchange risk**

The Group is exposed to currency exchange rate risk due to a significant proportion of its revenue, receivables, cost of sales and payables being denominated in non-Sterling currencies. The Group uses a mixture of foreign exchange forward and option contracts to hedge this exposure based on forecast cash inflows and outflows over a 24-month period.

The Group 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. The use of financial derivatives is governed by the Group's policies approved by the board of McLaren Group, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

**Credit risk**

The Group's principal financial assets are bank balances, cash and cash equivalents and trade and other receivables.

The Group's receivables are at risk to the extent that a customer may be unable to pay the debt as it is due. The risk is mitigated by the strong on-going customer relationships with a dealership network carefully selected by the Group. The credit risk on cash, liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. In addition, many customers 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 Group uses a mixture of long term and short-term deposit and funding facilities available to it, including revolving credit facilities, liquid funds, trade finance and other working capital facilities. As the Group approaches the maturity of its borrowing facilities it expects to refinance these in the capital markets via a mix of bank lending and capital markets issuance (senior secured notes) providing additional funding required for the Group's strategic plans. Cash and liquidity deposits are currently placed with counterparties that have minimum investment grade credit ratings of BBB- or higher.

The Group has received significant funding from its immediate shareholder, McLaren Group Limited, in 2023 and 2024, via the issuance of ordinary shares. The Board is in regular dialogue with McLaren Group Limited and provides it with frequent liquidity forecasts to provide sufficient information on the current liquidity position of the business and detail on the timing and quantum of future funding requirements.

More detail is included in the Strategic report on pages 1 to 12, and above regarding going concern assessments for the Group.



**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**Price risk**

The Group is exposed to price risk through its purchases from suppliers, especially where parts are exposed to changes in commodity prices (e.g. metal prices), or in relation to utility pricing (e.g. electricity). The Group does manage price fluctuations through agreeing longer-term pricing of certain purchases (e.g. utilities) but the pricing of many other parts is not actively hedged. The sales price of the Group's vehicles are based on a number of factors including cost of development and build as well the relative pricing and features of competitors' vehicles. Price risk due to foreign currency movements is managed through hedging as described above.

The luxury performance car market is generally affected by global macroeconomic conditions and many factors affect the level of consumer spending in the luxury performance car industry, including the state of the economy as a whole, stock market performance, interest and exchange rates, inflation, political uncertainty, the availability of consumer credit, tax rates, unemployment levels and other matters that influence consumer confidence.

Our sales have historically been comparatively resilient in periods of economic turmoil. Sales of luxury goods tend to decline during recessionary periods when the level of disposable income tends to be lower or when consumer confidence is low. Significant inflationary pressures appeared in recent years in many of the markets in which we operate.

**Heritage assets**

The Group has established a large collection of heritage race cars and other vehicles which chronicle our racing heritage and have been used to serve as promotional vehicles for the brand within our headquarters at the McLaren Technology Centre, our other sites and also at museums, retailers and heritage track days around the world.

As at 31 December 2023, the collection numbered 28 vehicles which were held at a cost of £9.3m. There is a market for these assets, and the Group may determine as appropriate to sell a specific and limited number of these cars to specialist collectors from around the world.

As noted in the Strategic Report, in 2022 the Group completed the sale of certain heritage cars to its lead shareholder for consideration of £100.0m.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**Directors' responsibilities statement**

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated audited Consolidated Financial Statements of the Group in accordance with applicable law and regulations.

Company law requires the directors to prepare audited Consolidated Financial Statements of the Group for each financial year. Under that law the directors have elected to prepare the audited Consolidated Financial Statements of the Group in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the audited Consolidated Financial Statements of the Group unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these audited Consolidated Financial Statements of the Group, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the audited Consolidated Financial Statements of the Group comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Directors**

The Directors of the Company who were in office during the year and up to the date of signing the financial statements, unless otherwise stated, were:

P Walsh  
Z Brown  
M Leiters  
S Alfredson (appointed 31 May 2023)  
C Ferry (resigned 31 May 2023)

**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.

**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.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**Disabled employees**

The policy of the Company and its subsidiaries is to give full and fair consideration to employment applications by disabled persons and to ensure that disabled employees receive appropriate training and career development opportunities. Employees who become disabled during their working life will be retained in employment wherever possible, with appropriate retraining being given if necessary.

**Employee engagement**

The Group is committed to ensuring that its people are actively engaged in the ongoing management and future direction of the business. Employee involvement is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a major role in maintaining its ongoing success. Regular formal, and informal, briefings are held with all sections of the workforce.

**Statement of engagement with suppliers, customers and others in a business relationship with the company**

Refer to Principle 6 Stakeholders of the statement of corporate governance arrangements for further details.

**Statement of corporate governance arrangements**

Corporate governance refers to the way that the Group 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 Group has always maintained strong governance procedures and welcomes the opportunity to make a formal disclosure.

The Group applies the Wates Corporate Governance Principles for large private companies. They provide a framework for the Group 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(1) of the Companies Act 2016.

**Principle 1 – Purpose and leadership**

McLaren was founded by Bruce McLaren and his ethos still permeates the organisation today. Bruce worked his way up through club races in and around his native Auckland, New Zealand, and won his first grand prix at just 22. The youngest-ever winner at the time, he had the mind of an engineer and formed a racing team in 1963 to build his own cars. Years later, McLaren has won 20 Formula 1 World Championships (12 driver and 8 constructor championships) and established a luxury road car division where his spirit continues to inspire every car that we build today. Thriving in the summit of luxury automotive - our people maintain that commitment, courage and creativity throughout the business in the unrelenting search for excellence.

The McLaren brand clearly links the shared heritage of McLaren Automotive and Racing to their products, services and activities. The Group exists to push the boundaries of performance as it seeks to deliver an authentic racing spirit to its customers. The Group focuses on its core brand attributes of performance, exhilaration and belonging and it is this philosophy that has driven the Group to its current position as one of the world's most illustrious luxury automotive brands. The Group's leadership is constantly thinking of ways to improve performance for all our stakeholders.

We support the communities we are part of and aim to make a positive contribution to improving people's life chances, especially those of young people. The Group is committed to investing in its charities. The Group's global charity partner is children's charity Plan International. Plan International and we pledge to support, empower, and inspire the next generation to reach their full potential. The partnership brings together our long-standing commitment to inspire and encourage young people to take up careers in science, technology, engineering, and maths (STEM), with Plan International's track record of challenging gender stereotypes to support girls globally to stay in school and open opportunities to pursue fulfilling careers.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

We understand the importance and benefit of having a broad range of skills, experiences, perspectives and backgrounds in our teams and that is why we continuously strive to attract, engage and retain a diverse range of talented people across our companies. Our purpose is communicated to the people through the intranet, weekly updates and regular Town Hall-style briefings led by the senior executive team. 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 for us. 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 Board includes the McLaren Group Limited's Executive Chairman whose role is to maintain a strong link between the McLaren Group board and the executive management team, and ensure that responsibilities, accountabilities and decision making across the Group are sustained.

The Board comprises the Executive Chairman, the Chief Executive Officers of McLaren Automotive Group and McLaren Racing and the Group Finance Director. The board reflects the interests and ambitions of our stakeholders and introduces perspectives originating in businesses outside those in which the Group operates. The Board supervises the work of the executive management and is responsible for challenging performance and agreeing strategic direction, while the executive management drives the operations and management of the business. The Chief Executive Officers of the Automotive Group and McLaren Racing are assessed to have skills that complement the activities of the business. We believe that the size and composition of our Board is appropriate for the scale of the Group.

The Remuneration and Nomination Committee of McLaren Group periodically carries out a 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. The roles of the directors are clearly established, and each has a clear understanding of his accountability and responsibilities.

The members of the Board also attend the McLaren Group Board meetings which have a formalised programme of meetings that is established at the start of each year and allows for time with each Chief Executive Officer 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 successful delivery of the long-term plans relies on key inputs and positive relationships with a wide range of stakeholders and so the Board approves an updated five year strategic plan on an annual basis. The Board receives regular data on the main business activities in respect of financial matters, risks and opportunities and operational matters. During the year the Board continued its focus on cash management and regularly reviews the Group's cash flows, and overall financial resilience of the Group. The information is collated by the Group's finance team who are recruited with the skills and expertise to safeguard the quality of the data produced.

The McLaren Group operates an outsourced internal audit function which has a defined annual programme of work and reports against this to the McLaren Group's Audit and Risk Committee on a quarterly basis. In the event that they become aware of a specific matter the internal audit team has direct access to Board and the Audit and Risk Committee Chair. To support good governance the Audit and Risk Committee of the McLaren Group regularly reviews the relationship with the external auditors.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**Principle 4 – Opportunity and risk**

The executive management (as delegated by the Board) has responsibility for maintaining sufficient and effective internal controls and risk management systems in relation to financial reporting. The Group has systems and controls in place that manage the risk of failure to achieve its annual plan.

The Group has in place a formal process for risk management including the maintenance of risk registers. Through this process, the risks of the Group are analysed based on likelihood and impact of occurrence, and are considered by senior management with deep dives into specific risks as appropriate. Once considered by executive management, the risk register is presented to the McLaren Group Audit and Risk Committee and the McLaren Group Board. Any points raised by the Board are fed back to executive management to be actioned.

The risk management process is broken into six key stages. This process complements the risk management processes of the Group and aims to ensure that the Group effectively identifies, manages and reports on risk across the organisation. All employees have a responsibility for the management of risk. The Group promotes a culture of risk awareness and as such all employees should have the ability to identify key risks. The risks themselves remain the responsibility of the relevant process owner.

The six steps to determine this measure and related actions are as follows: -

1. Risk identification: To gain a full understanding of any risk that McLaren faces which might create, prevent, accelerate or delay the Group's achievements;
2. Current control identification: To establish whether our existing controls environment adequately mitigates the risk;
3. Prioritising risks: To rank risks in order of their potential impact and likelihood of occurring;
4. Risk response planning: Proactive management of those risks which are at an unacceptably high level and which require further mitigating actions;
5. Risk reporting: To inform decisions and ensure that the Group's risk profile is adequately managed; and
6. Monitor and review: To ensure that the planned risk response actions are put into place and continue to be effective.

McLaren Group Limited has an Audit and Risk Committee with defined terms of reference. Specific responsibilities include reviewing and recommending for approval the annual financial statements, reviewing the Group's accounting policies, oversight of the internal audit function and reviewing the effectiveness of internal controls and risk. The Audit and Risk Committee assesses the effectiveness of the external auditor's performance.

**Principle 5 – Remuneration**

McLaren Group Limited has a Remuneration and Nomination Committee, whose primary objective is to establish that remuneration is established in such a way that the 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 Remuneration and Nomination Committee has clearly defined terms of reference and is responsible for making recommendations to the McLaren Group Board concerning the Group's remuneration strategy and recruitment framework. Remuneration is aligned to the Group's performance targets. The directors' remuneration is disclosed in the Group and subsidiary financial statements.

The Group annually reports its Gender Pay Report and we are confident that men and women are paid equally for doing equivalent jobs. The Group operates 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 and therefore within our most senior roles – coupled with the relative scarcity of women within our sector's talent pipelines. The Group has developed its own action plans to address any gender pay gaps but also pool resources and share best practice across the Group where appropriate.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**Principle 6 – Stakeholders**

The Board supports good governance practices within our businesses to deliver our business plan and to protect the Group's 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 Group'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 Group has a sustainable business strategy with mature and well- designed sites and processes, a suite of measures, external accreditations and a number of environmental awards. Measuring and managing our environmental impact is essential for the financial sustainability of our supply chain and business. We are committed to minimising our environmental impact across the full range of our operations.

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. We engage with governments, regulators, industry bodies and our stakeholder community in a constructive manner to promote good governance. We also ensure we act in accordance with the governance systems of the countries we operate in. Automotive customers expect the service from a supercar company that is met by a dedicated retailer network, after sales events and on-going customer satisfaction engagement.

Together with the executive management, the Board has overseen several initiatives to improve employee relations by encouraging more flexible working practices, providing benefits that are relevant to our employees and updating the Group's intranet platform to share information, best practice, achievements and success.

In addition to regular town hall briefings, employee briefings delivered by senior management and recorded for delivery to all employees provides an awareness of the Group's performance and allows individuals to raise questions and concerns. The Group has expanded its electronic communications and updates to ensure that employees are fully engaged in the Group's status and development. The executive management is aware of the results which are used to assess and react to workforce issues including corporate culture, employee engagement and satisfaction.

The Group operates a defined contribution scheme in conjunction with advisors who are independent of the Group. The pension committee meets twice a year to ensure that the decisions made in relation to the scheme reflect the interest of all stakeholders.

The Group has a formal whistleblowing policy to support any employee who wishes to report any concern that they have while remaining anonymous.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**Climate, environment and sustainability**

The Group 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 reviews 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 Group also realises the opportunities to identify and drive further financial savings and lower climate impact where appropriate.

The McLaren Group board 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; and
- d. A sustainable culture and organisational strategy,

to which we remain committed and compliant.

In October 2021 the Financial Stability Board's Task Force for Climate-related Financial Disclosures published an updated report recommending that climate-related risks and opportunities should be incorporated into companies' risk management and strategic planning processes. The task force also recommended that these risks and opportunities should be quantified and reported on. Whilst recognising that the Group currently builds vehicles that run on fossil fuels, the Group has a policy of sustainability and reducing its direct carbon emissions. Progress towards this target is recorded in the 'Streamlined energy and carbon report' (SECR), below. The Group has achieved certification from the Carbon Trust for energy and carbon management methodology. The Audit and Risk Committee has been presented with a strategy to consider governance, strategy, risk, and metrics.

**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

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**Objectives**

As part of our drive and ambition for professionalism in all areas of our work, the environmental commitments are 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 the McLaren Group of companies 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.
- Manage water in a way that conserves this scarce resource by minimising unnecessary water consumption.
- Periodically evaluate our activities to identify significant environmental concerns and put in place management action plans.
- Develop sustainable procurement policies and standards for our suppliers, franchisees and licensees and collaborate with them to identify opportunities for sustainable practices across materials, packaging, logistics and supply chain models.
- 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:

(i) 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 to 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 where 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 Group's UK operations which covers our principal engineering, manufacturing and commercial activities together with all international travel and freight.

(ii) 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 Group welcomes these macro trends and our business plans and product strategy reflects the developing requirements. The Group 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.



**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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.

(iii) 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 Centre were developed with sustainability and biodiversity in mind and maintained and developed to a high standard. Over the 20 years since the construction of the McLaren Technology Centre, what were once considered one-in-twenty-year climate events are assessed to have increased in likelihood. We monitor these risks, ensure we have suitable insurance arrangements in place and build into our financial plans any expenditure to manage and mitigate risks as necessary. 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 2023. 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.

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

In addition to the specialist environmental management teams the McLaren Group's Audit and Risk Committee to oversee these and other material business risks.

**Streamlined energy and carbon reporting ('SECR')**

The companies included in the Group's financial statements are part of the consolidated financial statements of McLaren Group Limited. The annual report and financial statements of McLaren Group Limited include the disclosures required under the Streamlined energy and carbon reporting regulations on a group wide basis and accordingly, separate disclosures have not been made in these financial statements.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**Statement of directors' responsibilities in respect of the financial statements**

The Directors are responsible for preparing the Annual Report and Consolidated 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 Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and profit or loss of the Group 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 and the Group will continue in business.

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

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

**Directors' confirmations**

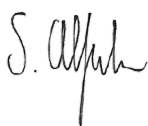
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

**Independent Auditors**

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

The financial statements on pages 33 to 83 were approved by the Board of Directors on 29 April 2024 and signed by order of the Board.



S Alfredson  
Director

# Independent auditors' report to the members of McLaren Holdings Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, McLaren Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2023 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 Annual report and financial statements (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 31 December 2023; the Consolidated profit and loss account, the Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity and the Consolidated cash flow statement 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.4 to the financial statements concerning the group's and the company's ability to continue as a going concern. The group and company will require additional funding in order to be able to meet their liabilities as they fall due in the period of 12 months from the date of approval of these financial statements. This additional funding has not yet been secured. These conditions, along with the other matters explained in note 2.4 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and 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 evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- considering the extent to which the group's and company's future cash flows might be adversely affected by lower volumes and delays in launch of new vehicles;
- reviewing management's cash flow forecasts, assessing the existing sources of finance and considering the overall impact on liquidity; and
- considering the adequacy of the disclosures in the financial statements, particularly Note 2.4, Summary of significant accounting policies - going concern.

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

## Our audit approach

### Overview

#### Audit scope

- Full scope audits of McLaren Automotive Limited, McLaren Automotive Incorporated and McLaren Automotive Asia Pte Limited.
- Audit of certain financial statement line items of McLaren Finance Plc, McLaren Services Limited, McLaren Support Services Limited, McLaren Automotive Distribution (Shanghai) Company Limited and McLaren Holdings Limited in the UK.

#### Key audit matters

- Material uncertainty related to going concern (group and company)
- Capitalisation of research and development costs (group)
- Assessment of investment and certain long lived assets for impairment (group and company)

#### Materiality

- Overall group materiality: £4.8M (2022: £6.3M) based on 1% of revenue from continuing operations.
- Overall company materiality: £7.8M (2022: £14.7M) based on 1% of total assets but restricted to group materiality allocated.
- Performance materiality: £3.6M (2022: £4.7M) (group) and £5.9M (2022: £11.8M) (company).

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

#### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

**Key audit matter**

***Capitalisation of research and development costs (group)***

As disclosed in Note 11 to the consolidated financial statements, the group has £508.8M of capitalised new production development costs as at 31 December 2023 (£803.0M as at 31 December 2022).

There is judgement involved in determining whether or not such development costs meet the relevant criteria for capitalisation under FRS 102 and this increases the risk of error or misstatement.

**How our audit addressed the key audit matter**

Our procedures included the following:

- Reviewing and testing management's capitalisation criteria for development costs on new and ongoing programmes, including feasibility studies for new projects and business plans for new and ongoing projects, against the requirements of FRS 102;
- Understanding and evaluating the design and operating effectiveness of management's review and approval of project related vendor costs;
- Verifying the existence and accuracy of capitalised project costs by substantively testing a sample of costs capitalised in the year back to supporting documentation and confirming that they met the criteria for capitalisation; and
- Assessing the overall appropriateness of salary costs capitalised by comparing these to budgets.

Based on the procedures performed, we noted no material issues from our work.

***Assessment of investment and certain long lived assets for impairment (group and company)***

As disclosed in the company balance sheet, the company had investments in subsidiaries totalling £379.9M as at 31 December 2023 (31 December 2022: £177.4M). This primarily consisted of direct ownership of the McLaren Automotive Limited sub-group, the McLaren Services Limited sub-group and McLaren Finance Plc.

In addition, as per the consolidated balance sheet, the carrying value of the group's fixed assets at 31 December 2023 was £601.8M (31 December 2022: £895.9M).

During the year, management assessed these assets for impairment and, as part of the process, calculated the recoverable amounts of these assets. These recoverable amounts were compared with the corresponding carrying values and consequently, an impairment of £1,047.5M (31 December 2023: £96.7M) in respect of the company's investment and an impairment of £375.0M in respect of the group's fixed assets was recognised (31 December 2022: no impairment charge was recognised in respect of the group's fixed assets).

The recoverable amounts of the assets were determined from value in use calculations. The key assumptions for the value in use calculations included (i) expected future revenue and profit growth rates; (ii) EBITDA multiple to calculate the terminal value; and (iii) the discount rates to be applied to the estimated future cash flows.

Our procedures included the following:

- Obtaining management's discounted cash flow model at 31 December 2023 and ensuring that it was in line with the current Board approved forecast and consistent with the expectations of future business performance observed elsewhere within our work;
- Understanding the process for the Board's review and approval of the cash flow forecast underlying the model used at 31 December 2023;
- Testing the mathematical accuracy of the model;
- Engaging our valuation specialists to assist in the assessment of the reasonableness of certain key assumptions in the model, including discount rate and EBITDA multiple;
- Reviewing the key strategies and plans being put in place by management and evaluating the reasonableness of the related assumptions for future profitability and revenue growth; and
- Considering the adequacy of disclosures in the consolidated financial statements.

Based on the procedures performed, we noted no material issues from our work.

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determined our audit scope for each component within the group. The group is split into two segments being Automotive and Corporate Services. Each segment in turn is further disaggregated into reporting components within the consolidation.

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements we performed an audit of the complete financial information of three components. We also performed audit procedures on specific financial statement line items for five components.

### The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk and their climate commitments disclosed in the Climate, environment and sustainability section of the Director's report. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - company
<i>Overall materiality</i>	£4.8M (2022: £6.3M).	£7.8M (2022: £14.7M).
<i>How we determined it</i>	1% of revenue from continuing operations	1% of total assets but restricted to group materiality allocated
<i>Rationale for benchmark applied</i>	The group's principal focus is selling luxury sports cars and developing the McLaren brand and reputation using its high technology skills and knowledge to build sports and supercars. The group's business plan reiterates a commitment to invest in research and development for future products and technology in order to be able to achieve its pre-pandemic levels of revenue. Revenue is also one of the key metrics used by management in assessing the performance of the group. As a result, revenue rather than profit or loss is considered to be the most relevant measure of performance.	The company is the ultimate parent company of the group's investments and is not in itself profit-oriented. The strength of the balance sheet is the key measure of financial health that is important to the shareholders, since the primary focus for the company is on the payment of dividends. As a result, total assets are considered to be the most relevant benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £1.0M to £4.5M. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £3.6M (2022: £4.7M) for the group financial statements and £5.9M (2022: £11.8M) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £239,050 (group audit) (2022: £313,850) and £391,800 (company audit) (2022: £785,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## **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 Directors' report, 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 Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2023 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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, 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 group's and 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 group or 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 group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment regulation, health and safety legislation and other legislation specific to the automotive industry in which the group operates, 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 the UK and overseas tax legislation as applicable to the group. 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 provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the Audit & 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 certain journal entries posted with unusual account combinations, such as, journals crediting revenue where 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 recoverability of development costs and the recoverability of deferred tax assets; and
- communicating relevant identified laws and regulations and potential fraud risks to all engagement team members 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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](http://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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



James Cadzow (Senior Statutory Auditor)

for and on behalf of  
PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Watford  
29 April 2024

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 £M	2022 £M
Turnover	4	<b>465.9</b>	627.8
Cost of sales		<b>(508.3)</b>	(506.1)
Administrative expenses		<b>(249.2)</b>	(205.2)
Other operating income		<b>40.6</b>	39.8
Other gains		-	86.5
Amortisation	11	<b>(126.8)</b>	(143.2)
Depreciation	12	<b>(9.3)</b>	(9.8)
Impairment of assets		<b>(375.0)</b>	(21.1)
<b>Operating loss</b>	5	<b>(762.1)</b>	(131.3)
Interest receivable and similar income		<b>30.5</b>	0.2
Interest payable and similar expenses		<b>(53.4)</b>	(143.8)
<b>Loss before tax</b>		<b>(785.0)</b>	(274.9)
Tax on loss	10	<b>(87.5)</b>	(59.8)
<b>Loss for the financial year</b>		<b>(872.5)</b>	(334.7)

The notes on pages 39 to 81 form part of these consolidated financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Company profit and loss account. The loss for the year is presented in the Company balance sheet on page 35.

All operations in 2023 relate to continuing operations.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 £M	2022 £M
Loss for the financial year		(872.5)	(334.7)
<b>Other comprehensive income/(expense)</b>			
Deferred tax movement on revaluation reserve		-	3.0
Deferred tax movement on other reserves		(3.7)	(0.6)
Cash flow hedges:			
- Change in value of hedging instrument		7.4	(32.6)
- Reclassifications to profit and loss		9.2	29.0
Gain on foreign currency translation reserve		0.8	8.2
<b>Total comprehensive expense for the year</b>		<b>(858.8)</b>	<b>(327.7)</b>

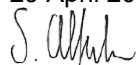
The notes on pages 39 to 81 form part of these audited consolidated financial statements.

**MCLAREN HOLDINGS LIMITED**  
**REGISTERED NUMBER: 10756310**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2023**

	Note	2023 £M	2022 £M
<b>Fixed assets</b>			
Intangible Assets	11	531.5	830.3
Tangible assets	12	61.0	56.2
Heritage assets	13	9.3	9.4
		<u>601.8</u>	<u>895.9</u>
<b>Current assets</b>			
Inventories	15	163.7	167.6
Debtors	16	193.9	231.0
Cash at bank and in hand		39.3	100.7
		<u>396.9</u>	<u>499.3</u>
Creditors: amounts falling due within one year	17	(436.3)	(413.8)
<b>Net current (liabilities)/assets</b>		<u>(39.4)</u>	<u>85.5</u>
<b>Total assets less current liabilities</b>		<u>562.4</u>	<u>981.4</u>
Creditors: amounts falling due after more than one year	18	(481.0)	(511.7)
<b>Provisions for liabilities</b>			
Provisions	21	(75.1)	(54.6)
		<u>(75.1)</u>	<u>(54.6)</u>
<b>Net assets</b>		<u>6.3</u>	<u>415.1</u>
<b>Capital and reserves</b>			
Called up share capital		0.1	0.1
Share premium account	26	1,414.5	964.5
Merger reserve	26	218.5	218.5
Capital redemption reserve	26	2.0	2.0
Other reserves	26	5.8	(7.2)
Revaluation reserve	26	5.4	5.4
Accumulated losses	26	(1,640.0)	(768.2)
<b>Total equity</b>		<u>6.3</u>	<u>415.1</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 April 2024.



**S Alfredson**  
Director

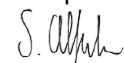
The notes on pages 39 to 81 form part of these consolidated financial statements.

**MCLAREN HOLDINGS LIMITED**  
**REGISTERED NUMBER: 10756310**

**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 2023**

	Note	2023 £M	2022 £M
<b>Fixed assets</b>			
Investments	14	379.9	177.4
		<u>379.9</u>	<u>177.4</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	16	377.6	1,214.0
Cash at bank and in hand		26.1	77.9
		<u>403.7</u>	<u>1,291.9</u>
Creditors: amounts falling due within one year	17	(396.0)	(474.9)
		<u>7.7</u>	<u>817.0</u>
<b>Net current assets</b>			
<b>Total assets less current liabilities</b>		<u>387.6</u>	<u>994.4</u>
Creditors: amounts falling due after more than one year	18	(480.5)	(510.5)
<b>Net (liabilities)/assets</b>		<u>(92.9)</u>	<u>483.9</u>
<b>Capital and reserves</b>			
Called up share capital		0.1	0.1
Share premium account	26	1,414.5	964.5
Capital redemption reserve	26	2.0	2.0
Accumulated losses brought forward		(482.7)	(333.1)
Loss for the year		(1,026.8)	(149.6)
Accumulated losses carried forward		(1,509.5)	(482.7)
<b>Total (deficit)/equity</b>		<u>(92.9)</u>	<u>483.9</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 April 2024.



**S Alfredson**  
Director

The notes on pages 39 to 81 form part of these financial statements.

MCLAREN HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023

	Called up share capital £M	Share premium account £M	Capital redemption reserve £M	Revaluation reserve* £M	Other reserves £M	Merger reserve £M	Accumu- lated losses £M	Total equity £M
<b>At 1 January 2022</b>	<b>0.1</b>	<b>839.5</b>	<b>2.0</b>	<b>12.9</b>	<b>(10.6)</b>	<b>218.5</b>	<b>(444.6)</b>	<b>617.8</b>
Loss for the year	-	-	-	-	-	-	(334.7)	(334.7)
Other comprehensive income /(expense) for the year	-	-	-	(7.5)	3.4	-	11.1	7.0
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7.5)</b>	<b>3.4</b>	<b>-</b>	<b>(323.6)</b>	<b>(327.7)</b>
Shares issued during the year	-	125.0	-	-	-	-	-	125.0
<b>At 31 December 2022 and 1 January 2023</b>	<b>0.1</b>	<b>964.5</b>	<b>2.0</b>	<b>5.4</b>	<b>(7.2)</b>	<b>218.5</b>	<b>(768.2)</b>	<b>415.1</b>
Loss for the year	-	-	-	-	-	-	(872.5)	(872.5)
Other comprehensive income for the year	-	-	-	-	13.0	-	0.7	13.7
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13.0</b>	<b>-</b>	<b>(871.8)</b>	<b>(858.8)</b>
Shares issued during the year	-	450.0	-	-	-	-	-	450.0
<b>At 31 December 2023</b>	<b>0.1</b>	<b>1,414.5</b>	<b>2.0</b>	<b>5.4</b>	<b>5.8</b>	<b>218.5</b>	<b>(1,640.0)</b>	<b>6.3</b>

The notes on pages 39 to 81 form part of these financial statements.

\* 2022 revaluation reserve includes transfer of revaluation gain of £13.0m to accumulated losses, upon sale of underlying assets.

**MCLAREN HOLDINGS LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Called up share capital £M	Share premium account £M	Capital redemption reserve £M	Accumu- lated losses £M	Total equity £M
<b>At 1 January 2022</b>	<b>0.1</b>	<b>839.5</b>	<b>2.0</b>	<b>(333.1)</b>	<b>508.5</b>
Loss for the year	-	-	-	(149.6)	(149.6)
Shares issued during the year	-	125.0	-	-	125.0
<b>At 31 December 2022 and 1 January 2023</b>	<b>0.1</b>	<b>964.5</b>	<b>2.0</b>	<b>(482.7)</b>	<b>483.9</b>
Loss for the year	-	-	-	(1,026.8)	(1,026.8)
Shares issued during the year	-	450.0	-	-	450.0
<b>At 31 December 2023</b>	<b>0.1</b>	<b>1,414.5</b>	<b>2.0</b>	<b>(1,509.5)</b>	<b>(92.9)</b>

The notes on pages 39 to 81 form part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	<b>2023</b>	2022
	<b>£M</b>	£M
		Restated - refer to note 27
<b>Net cash used in operating activities</b>	<b>(304.9)</b>	(0.1)
Taxation paid	<b>(4.3)</b>	(0.4)
<b>Net cash used in operating activities</b>	<b>(309.2)</b>	(0.5)
<b>Cash flows from investing activities</b>		
Addition of intangible fixed assets	<b>(204.2)</b>	(164.6)
Addition of tangible fixed assets	<b>(12.9)</b>	(5.1)
Proceeds from disposal of heritage assets	<b>0.1</b>	100.0
Proceeds from disposal of tangible assets (net of associated transaction costs)	<b>-</b>	0.3
Proceeds from insurance claims	<b>7.1</b>	-
<b>Net cash used in investing activities</b>	<b>(209.9)</b>	(69.4)
<b>Cash flows from financing activities</b>		
Repayment of obligations under finance leases	<b>(1.6)</b>	(1.7)
Receipt/(Repayment) of revolving loan facility	<b>3.0</b>	15.0
Receipt/(Repayment) of working capital facilities	<b>54.0</b>	(5.9)
Repayment of loan from parent undertaking	<b>(7.3)</b>	-
Interest paid	<b>(40.3)</b>	(39.5)
Proceeds from issue of Ordinary shares	<b>450.0</b>	125.0
<b>Net cash generated from/(used in) financing activities</b>	<b>457.8</b>	92.9
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(61.3)</b>	23.0
Cash and cash equivalents at beginning of the year	<b>100.7</b>	76.7
Effect of foreign exchange rate changes	<b>(0.1)</b>	1.0
<b>Cash and cash equivalents at end of year</b>	<b>39.3</b>	100.7
<b>Cash and cash equivalents consist of:</b>		
Cash at bank and in hand	<b>39.3</b>	100.7
<b>Cash and cash equivalents</b>	<b>39.3</b>	100.7

The notes on 39 to 81 form part of these consolidated financial statements



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**1. General information**

McLaren Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) is privately owned company limited by shares and incorporated in the United Kingdom and registered in England 10756310. The address of the registered office is given on page 25. The nature of the Group’s operations and its principal activities are set out in the Strategic report on pages 1 to 12.

**2. 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.

**2.1 Basis of preparation**

The Group and individual financial statements of McLaren Holdings Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (FRS 102) and the Companies Act 2006.

The consolidated and separate 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 Group’s and 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 3.

**2.2 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 the consolidated statement of cash flows, included in these financial statements, includes the Company’s cash flow;
- (ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.42 to 11.48C and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statements disclosure;
- (iii) from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**2. Accounting policies (continued)**

**2.3 Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns more than 50% of the equity but has joint control over the financial and operating policies of an entity, it accounts for that entity as a joint venture using the equity method of accounting.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control.

Any subsidiary undertakings or joint venture sold or acquired during the year are accounted for as described above up to, or from, the dates of change of control or change of significant influence respectively.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated profit and loss account. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with joint ventures to the extent of the Group's interest in the entity.

When the Group's share of losses exceeds its interest in an equity accounted investment, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023****2. Accounting policies (continued)****2.4 Going concern**

The shareholders of McLaren Group Limited have shown significant support to the McLaren Group, with £450.0m of funding provided in 2023 and further support in 2024 in consideration for the issue of shares, as part of the ongoing capital reorganisation process. As announced on 22 March 2024, this capital reorganisation process has resulted in our long-term strategic investor, Bahrain Mumtalakat Holding Company, the sovereign wealth fund of the Kingdom of Bahrain, taking full ownership of the share capital of McLaren Group following the conversion of all preference shares into ordinary shares.

With the Elva, 765LT and 720S completing their production runs by the start of 2023, and the deliveries of the 750S not commencing until Q4 2023, the product mix during the year was skewed towards our lower priced GT and the Artura models. This reduced product mix, alongside an enhanced focus on quality resulted in lower volumes and incremental costs. Looking forward into 2024, the Group forecasts a return to a broader product mix, higher volumes and reduced one-off costs, which in the Board's view will have a positive impact on the performance of the business.

The Group has used its most recent McLaren Group board-approved long-term plan and forecasts to carry out an assessment of the ability of the Group to fund its plans for a period of at least 12 months from the issuance of these financial statements. These cash flow forecasts have considered typical cash cycles, 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 principal risks and uncertainties, especially those which have the potential to have the greatest impact for the period under assessment.

Whilst recognising potential risks to performance, such as lower volumes or delays to the launch of new vehicles, the Board remains positive with regard to the future direction and long-term plans of the business. Completion of the capital reorganisation process strengthens the McLaren Group's ownership and governance structure, enabling the business to focus on delivering its long-term business plan, including investment in new products and technologies, whilst continuing to explore potential technical partnerships with industry partners. The Board recognises that further funding is needed to support the long-term plans of the business and to meet liabilities as and when they fall due in the 12 months following the date of approval of the financial statements. Until further funding is guaranteed, consistent with the conclusions reached in prior years, such conditions indicate a material uncertainty which may cast significant doubt over the Group's and the Company's ability to continue as a going concern. These financial statements do not include any adjustments that would arise if the Group and the Company were unable to continue as a going concern.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**2. Accounting policies (continued)**

**2.5 Foreign currency**

The Group's financial statements are presented in pound sterling and rounded to millions. 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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings 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)'.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023****2. Accounting policies (continued)****2.6 Revenue recognition**

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 Group and value added taxes. The Group 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 Group represents sale of vehicles and other goods to external customers, sponsorship fees, and supply of services, excluding value added tax. The Group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group 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 Group's sales channels have been met, as described below.

- i. Income from the sale of goods 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 Group 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**2. Accounting policies (continued)**

**Other income**

i. Government grants

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 Group classifies 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.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset.

ii. Management fees

The Group 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.

iii. R&D tax credits

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 Group accounts for such allowances as tax credits which are recognised in profit and loss as other operating income.

iv. Insurance proceeds

Monies received as a result of an insurance claim are recognised when the compensation is virtually certain.

**2.7 Research and development**

Research expenditure is recognised to the profit and loss account 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.

Research and development tax credits are treated as grant income and recognised as other income in the profit and loss account.

Any withheld portion is treated as a deferred tax asset so as to be offset against future taxable profit.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**2. Accounting policies (continued)****2.8 Employee benefits**

Employee benefits include the following items:

i. Defined contribution pension plans

The Group 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 Group pays fixed contributions to a separate entity. Once the contributions have been paid the Group 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 Group 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 Group operates a number of annual bonus plans for employees. An expense is recognised in the profit and loss account when the Group 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 Group 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.

v. Long-term incentive plans

The group operates cash-settled long term incentive plans for certain members of management. The plans are based on certain performance targets over a period of two to three years. A liability for the plan is raised on the estimated amount payable in terms of the incentive scheme plans.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023****2. Accounting policies (continued)****2.9 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.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity or other comprehensive income.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023****2. Accounting policies (continued)****2.10 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. 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 on a straight-line basis over 10 years from the date of implementation. Bespoke and limited volume programme development costs are amortized across the programme lifecycle based on units produced. For all other intangible assets, amortisation is calculated using the straight-line method to allocate the depreciable amount of the asset 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.

**2.11 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**2. Accounting policies (continued)**

**2.11 Tangible fixed assets (continued)**

Depreciation is provided on the following basis:

Freehold property	-	2% - 10% straight line
Leasehold improvements	-	over the life of the lease
Plant and machinery	-	5% - 20% of reducing balance or 5 years straight line
Motor vehicles	-	25% of reducing balance or 4 years straight line
Fixtures, fittings and office equipment	-	20% of reducing balance or 3-5 years straight line

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.

**2.12 Heritage assets**

The Group has a collection of heritage vehicles, treated as heritage assets, which are stated at cost less accumulated impairment losses. Cost includes any costs that are directly attributable to bringing the asset to its working condition for its intended use.

The vehicles are maintained by the business on a regular basis with maintenance costs being charged to the profit and loss account when incurred. The cars are deemed to have indeterminate lives and therefore are not depreciated but instead are assessed for impairment.

At the point a car is identified for sale, those cars are transferred to inventory. On disposal of the cars, the sales proceeds are recognised as revenue and the carrying value and associated costs are recognised within cost of sales.

**2.13 Borrowing costs**

All borrowing costs are recognised in profit and loss in the period in which they are incurred, except for costs directly incurred in relation to a new financing facility in which case the cost is deferred on the balance sheet net of the relevant facility balance, and amortised over the term of the facility.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**2. Accounting policies (continued)**

**2.14 Leased assets**

At inception the Group 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.

i. 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.

ii. 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.

iii. 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.

**2.15 Impairment of non-financial assets**

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset. The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a discount rate that represents the current market risk-free rate and the risks inherent in the asset. The forecast cash flows are based on the Group's approved business plan that was in effect as at the reporting date.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**2. Accounting policies (continued)**

**2.16 Investments**

Investments in associates, joint ventures and subsidiaries in the Company's standalone financial statements are held at cost less accumulated impairment losses.

**2.17 Inventories**

Inventories 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 measured on a first in first out basis. The 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.

**2.18 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and bank overdrafts, whilst bank overdrafts are shown within borrowing in current liabilities where applicable.

**2.19 Provisions and contingencies**

Provisions are recognised when an event has taken place that gives rise to a legal or constructive obligation, a transfer of economic benefits is probable and a reliable estimate can be made.

Provisions are measured as the best estimate of the amount required to settle the obligation, taking into account the related risks and uncertainties.

Increases in provisions are generally charged as an expense to profit or loss.

Restructuring provisions are recognised when the Group 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023****2. Accounting policies (continued)****2.20 Financial instruments**

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

**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.

**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. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Under the terms of the trade financing facility, on the raising of an invoice the Group will receive an agreed amount of cash and recognise trade finance liabilities at the present value of future cash flows in other creditors. 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.

**Foreign currency derivative financial instruments**

Forward foreign exchange contracts are derivatives which are not basic financial instruments. The Group uses derivative financial instruments to reduce exposure to foreign exchange risk movements. The Group does not hold or issue derivative financial instruments for speculative

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023****2. Accounting policies (continued)**

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 note below) or otherwise in the profit and loss in finance costs or finance income as appropriate.

**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.

**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.

**2.21 Hedge accounting**

The Group 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 Group determines, and documents causes for hedge ineffectiveness.

**Cash flow hedges**

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

Hedge accounting is discontinued when the Group 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.

**2.22 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023****2. Accounting policies (continued)****2.23 Related party transactions**

The Group 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 Group financial statements. The Company does not disclose transactions with members of the same Group that are wholly owned.

**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described in note 2, 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 Group's financial statements are:

**(a) Critical judgements in applying the Group'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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023****(b) Key accounting estimates and assumptions****i. Impairment of tangible and intangible assets**

The Directors regularly consider the carrying value of tangible and intangible assets and alongside the factors that could indicate that the carrying amount of these 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 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 11 and 2.15 for further details). Management completed an assessment of these assets for impairment at year end and, as part of the process, calculated their recoverable amount. The recoverable amount was compared with the corresponding carrying value. See note 11 for details of the impairment identified and the key assumptions and sensitivities.

**ii. Capitalisation of research and development costs**

In determining whether the development expenditure can 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 asset**

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 Group, tax losses with a carrying value of £85.5m (2022: £105.5m) have been derecognised during 2023 where taxable profits to offset these losses were not expected to be available until after 2035.

**iv. Warranty costs**

The Group provides product warranties under which the performance, quality and standard of the vehicle sold is guaranteed for a defined period of time. A provision is recognised at the point of sale for the estimated future cost of such a warranty. The estimated future costs of these warranty obligations are based on historical claims data and other assumptions regarding the warranty costs of each model. Whilst the Group has significant experience estimating the future warranty costs to the business, the uncertain nature of these future costs, such as the identification of quality issues after launch, could require adjustments based on the facts and circumstances existing at the time, and such changes would impact both the provision and the results of operations.

**v. Recoverability of the Company's investment in subsidiaries**

The Directors regularly consider the recoverability of the carrying amount of the investment in subsidiaries alongside the factors that could indicate that the carrying amount could be impaired. Such factors include expected cash flow generation from the underlying assets held by the subsidiaries. If there are events or changes in circumstances that indicate that the carrying amount will not be recovered, there is a need to estimate the recoverable amount by determining future cash flows and applying an appropriate discount rate.

Management completed an assessment of its investment in McLaren Automotive Limited for impairment at year end and, as part of the process, calculated its recoverable amount. The recoverable amount was compared with the corresponding carrying value and consequently, an impairment of £1,047.5m (2022: £96.7m) was recognised. See note 14 for details of the key assumption and sensitivity analysis.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**4. Segment information****Description of business segments and principal activities**

The Group's Board of Directors examine the Group's performance from two identifiable business segments:

**Automotive** – a global leader in the design and manufacture of luxury high performance sports and supercars.

**Corporate services** - provides facilities management, IT and corporate services.

**Turnover by business segment**

	<b>2023</b>	2022
	<b>£M</b>	£M
Automotive	<b>465.9</b>	627.8
Corporate services	<b>56.6</b>	58.9
	<b>522.5</b>	686.7
Less inter-segmental turnover	<b>(56.6)</b>	(58.9)
	<b>465.9</b>	627.8

Inter-segmental turnover reflects the elimination of corporate services provided to other members of the Group and the reclassification of remaining corporate services turnover to other income.

**Analysis of turnover by region**

	<b>2023</b>	2022
	<b>£M</b>	£M
Europe	<b>130.1</b>	172.4
North America	<b>174.8</b>	279.8
Asia Pacific	<b>94.1</b>	101.1
China	<b>34.4</b>	45.4
Rest of World	<b>32.5</b>	29.1
<b>Global</b>	<b>465.9</b>	627.8

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**4. Segment information (continued)**

**Analysis of turnover by category**

	<b>2023</b>	2022
	<b>£M</b>	£M
Sales of goods	<b>395.2</b>	558.3
Rendering of services	<b>68.7</b>	68.2
Royalties	<b>2.0</b>	1.3
	<hr/> <b>465.9</b> <hr/>	<hr/> 627.8 <hr/>

Rendering of services includes commissions of £30.7m (2022: £34.5m).

**Adjusted EBITDA by business segment**

	<b>2023</b>	2022
	<b>£M</b>	£M
Automotive	<b>(245.4)</b>	(82.7)
Corporate services	<b>(9.4)</b>	(6.8)
Gain on sale of heritage cars*	<b>-</b>	86.5
	<hr/> <b>(254.8)</b> <hr/>	<hr/> (3.0) <hr/>

\* As this item is not included within the Group's segment information reviewed by the chief operating decision maker, they have not been allocated to a specific segment and instead are presented separately in this reconciliation.

Adjusted EBITDA is defined as loss before taxation, adding back interest payable/receivable and similar charges, depreciation, amortisation and impairment and share in loss of joint venture. The interest added back excludes foreign exchange gains and losses apart from those resulting from the retranslation of the USD senior secured notes.

Adjusted EBITDA is calculated as follows:

	<b>2023</b>	2022
	<b>£M</b>	£M
Loss before taxation	<b>(785.0)</b>	(274.9)
Interest receivable (excluding foreign exchange)	<b>(1.3)</b>	(0.2)
Interest payable (excluding foreign exchange)	<b>46.4</b>	44.9
Senior secured notes retranslation foreign exchange	<b>(26.0)</b>	53.1
Amortisation	<b>126.8</b>	143.2
Depreciation	<b>9.3</b>	9.8
Impairment of assets	<b>375.0</b>	21.1
	<hr/> <b>(254.8)</b> <hr/>	<hr/> (3.0) <hr/>

**Adjusted EBITDA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**5. Operating loss**

Operating loss is stated after (crediting)/charging:

	<b>2023</b>	2022
	<b>£M</b>	£M
Gain on sale of heritage assets	-	(86.5)
Depreciation of tangible assets	<b>9.3</b>	9.8
Amortisation of intangible assets	<b>126.8</b>	143.2
Impairment of intangible assets	<b>375.0</b>	21.1
Impairment of trade receivables	<b>2.9</b>	-
Impairment of inventory (recognised within cost of sales)	<b>45.5</b>	39.7
Inventory recognised as an expense	<b>221.3</b>	260.0
Research & development tax credits	<b>(6.3)</b>	(9.1)
Insurance proceeds	<b>(7.1)</b>	-
Operating lease charges	<b>31.9</b>	21.3
	<hr/> <hr/>	<hr/> <hr/>

In 2022 the Group sold a number of heritage cars with a net book value of £13.5m for consideration of £100.0m, giving a net gain of £86.5m.

Other operating income primarily comprises research & development tax credits, expenses recharged to McLaren Racing Limited and McLaren Applied Limited, and insurance proceeds received.

Insurance proceeds relate to a claim made for the part replacement of the roof at the Group's premises and have been recognised within other operating income.

Impairment of inventory has arisen through changes to our product line-up, additional test and validation processes and quality enhancements across our product range.

	<b>2023</b>	2022
	<b>£M</b>	£M
Fees payable to the Company's auditors and its associates for the audit of the Company's and the Group's consolidated financial statements	<b>0.1</b>	0.1
Fees payable to the Company's auditors and its associates for other services:		
- The audit of the Company's subsidiaries	<b>0.6</b>	0.6
- Audit related assurance services	<b>0.1</b>	0.1
<b>Total amount payable to the Company's auditors and its associates</b>	<hr/> <hr/> <b>0.8</b>	<hr/> <hr/> <b>0.8</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**6. Employees and Directors****Group****Employees**

The average monthly number of persons (including executive Directors) employed by the Group during the year was:

	<b>2023 Number</b>	2022 Number
Production	<b>587</b>	552
Design & engineering	<b>569</b>	555
Administration	<b>1,352</b>	1,368
	<hr/> <b>2,508</b> <hr/>	<hr/> 2,475 <hr/>
	<b>2023 £M</b>	2022 £M
Wages and salaries	<b>156.0</b>	142.4
Social security costs	<b>11.4</b>	11.1
Other pension costs	<b>4.8</b>	4.2
Capitalised labour costs	<b>(52.7)</b>	(47.6)
<b>Staff costs charged to profit and loss</b>	<hr/> <b>119.5</b> <hr/>	<hr/> 110.1 <hr/>

**7. Directors**

The Directors of the Company are considered to be the only Key Management Personnel of the Group. Details of transactions with Directors and members during the year are disclosed in note 29.

	<b>2023 £M</b>	2022 £M
Highest paid director's emoluments and amounts receivable under long-term incentive schemes	<b>1.4</b>	1.0
Aggregate emoluments excluding highest paid director	<b>0.1</b>	1.1
	<hr/> <b>1.5</b> <hr/>	<hr/> 2.1 <hr/>

Directors' emoluments in 2023 included 2 directors (2022: 2 directors) paid by subsidiaries of the Group, with the remaining directors being employees of and remunerated by McLaren Group Limited, the parent of the Company. 2 directors (2022: 1 director) were members of defined contribution schemes. No recharges were made to the Company in relation to the remuneration of the directors who were employees of McLaren Group Limited.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**8. Interest receivable and similar income**

	<b>2023</b>	2022
	<b>£M</b>	£M
Bank interest received	<b>1.3</b>	0.2
Net exchange gain	<b>29.2</b>	-
<b>Total interest receivable and similar income</b>	<b>30.5</b>	0.2

**9. Interest payable and similar expenses**

	<b>2023</b>	2022
	<b>£M</b>	£M
Interest payable on related party loans	<b>0.2</b>	0.4
Finance lease interest	<b>0.4</b>	0.3
Interest payable on bank loans and overdrafts	<b>2.3</b>	2.3
Interest payable on senior secured notes	<b>39.5</b>	39.9
Net exchange loss	<b>-</b>	69.9
Other interest payable and finance charges	<b>4.0</b>	2.0
<b>Total interest expense on financial liabilities not measured at fair value through profit or loss</b>	<b>46.4</b>	114.8
Losses on derivative financial instruments	<b>7.1</b>	29.0
<b>Total interest payable and similar expenses</b>	<b>53.5</b>	143.8

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**10. Tax on loss**

	<b>2023 £M</b>	<b>2022 £M</b>
<b>Corporation tax</b>		
Current tax on loss for the year	<b>3.7</b>	1.7
Adjustments in respect of previous periods	<b>1.2</b>	(0.3)
	<u><b>4.9</b></u>	<u>1.4</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	<b>2.8</b>	3.3
	<u><b>2.8</b></u>	<u>3.3</u>
<b>Total current tax</b>	<u><b>7.7</b></u>	<u>4.7</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>(88.5)</b>	(42.6)
Adjustments in respect of prior years	<b>1.4</b>	4.9
Unrecognised deferred tax	<b>95.2</b>	43.2
Derecognition of previously recorded deferred tax assets	<b>77.4</b>	62.3
Impact of change in tax rate	<b>(5.7)</b>	(12.7)
<b>Total deferred tax</b>	<u><b>79.8</b></u>	<u>55.1</u>
<b>Tax charge on loss</b>	<u><b>87.5</b></u>	<u>59.8</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**10. Tax on loss (continued)****Reconciliation of tax charge for the year**

The tax assessed for the year is higher than (2022 - higher than) the standard rate of corporation tax in the UK of 25% (2022 - 19%). The differences are explained below:

	<b>2023 £M</b>	2022 £M
Loss before tax	<b>(785.0)</b>	(274.9)
Loss multiplied by standard rate of corporation tax in the UK of 23.5% (2022 - 19%)	<b>(184.5)</b>	(52.2)
<b>Effects of:</b>		
Income not subject to tax	<b>(1.7)</b>	(13.9)
Unrecognised deferred tax	<b>95.2</b>	40.5
Derecognition of previously recorded deferred tax assets	<b>77.4</b>	62.3
Expenses not deductible for tax purposes	<b>103.9</b>	30.4
Impact of overseas tax rates	<b>(0.2)</b>	0.8
Adjustments in respect of prior years	<b>2.6</b>	4.4
Withholding tax suffered	<b>0.5</b>	0.2
Re-measurement of deferred tax	<b>(5.7)</b>	(12.7)
<b>Total tax charge for the year</b>	<b>87.5</b>	59.8

**Tax rate changes**

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. For the financial year ended 31 December 2023, the current weighted averaged tax rate was 23.5%

Any changes in the rate of UK corporation tax will have an impact on the future tax charge. UK corporation tax rates changed from 19% to 25% on 1 April 2023. The rate change has become effective in the period and is therefore included within the statutory rate, and utilised in the measurement of deferred taxes.

The Organisation for Economic Co-operation and Development has published Pillar Two model rules that are designed to address the tax challenges arising from the digitalisation of the global economy. The Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, most notably the UK where the parent and principal subsidiaries are tax resident. However, this legislation does not apply to the Group as global revenues have not exceeded €750m in at least two of the previous four years.

Whilst the rules may apply to McLaren in future years the FRC has issued amendments to FRS 102 introducing a mandatory temporary exception to the requirements under which a company does not recognise or disclose information about the impact on deferred tax assets and liabilities arising from these rules. The McLaren Group have applied this temporary exception at 31st December 2023.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**11. Intangible assets****Group and Company**

	<b>New Production Development Costs £M</b>	<b>IT Systems Development Costs £M</b>	<b>Total £M</b>
<b>Cost</b>			
At 1 January 2023	1,896.5	75.4	1,971.9
Additions	201.8	2.4	204.2
Disposals	-	(0.1)	(0.1)
Transfers between classes	(1.2)	-	(1.2)
At 31 December 2023	<u>2,097.1</u>	<u>77.7</u>	<u>2,174.8</u>
<b>Accumulated amortisation and impairment</b>			
At 1 January 2023	1,093.5	48.1	1,141.6
Amortisation	119.8	7.0	126.8
On disposals	-	(0.1)	(0.1)
Impairment	375.0	-	375.0
At 31 December 2023	<u>1,588.3</u>	<u>55.0</u>	<u>1,643.3</u>
<b>Net book value</b>			
At 31 December 2023	<u>508.8</u>	<u>22.7</u>	<u>531.5</u>
At 31 December 2022	<u>803.0</u>	<u>27.3</u>	<u>830.3</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**11. Intangible assets (continued)**

Research and development costs recognised as an expense in the year were £1.3m (2022: £1.5m). 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 Group'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 and 750S. Spend on one model may support the development of other models and therefore the amortisation of these costs will reflect this fact.

The Company had no intangible assets at 31 December 2023 (2022: £nil).

The Group assesses at each reporting date whether there is any indication that assets of the Company or the Group may be impaired. In light of the Group's recent operating results which reflect the production challenges experienced and the ongoing focus on quality which resulted in a slowing of customer deliveries, alongside changes in broader market conditions which have adversely impacted market measures, an impairment assessment was carried out. This assessment compared the recoverable amount of the assets of the Group, calculated by reference to the present value of the future cash flows arising from the assets' continued use, to the carrying value of the assets. The forecast cash flows are based on the Group's approved business plan that was in effect at the reporting date. Based on this assessment a non-cash impairment charge of £375.0m was recognised by the Group against intangible assets.

The recoverable amount is a source of significant estimation uncertainty and was determined using a value-in-use calculation which required the use of various assumptions. The discount rate applied to future cash flows is 16% (2022: 15.6%). For cash flow projections beyond the period covered by the board approved business plan, a terminal value was determined by reference to an EBITDA multiple of 7-7.5x, whilst in 2022 it was calculated applying a subsequent growth rate of 2%.

As intangible assets in the Group have been impaired to their recoverable value in the current financial period based on the inputs noted above, a worsening in these inputs would result in an additional impairment. Changes to assumptions used in the impairment review would in isolation lead to an increase in the impairment charge recognised as shown in the table below, although this analysis has not taken into account potential mitigating actions:

	<b>£M</b>
Increase in discount rate by 1% and 1x reduction in EBITDA multiple	<b>104.4</b>
10% worsening of cash flows	<b>90.2</b>

MCLAREN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

12. Tangible fixed assets

Group

	Freehold property £M	Short Leasehold Premises £M	Plant, Machinery, Tools and Equipment £M	Motor vehicles £M	Office equipment £M	Assets in the Course of Con- struction £M	Total £M
<b>Cost</b>							
At 1 January 2023	2.9	40.2	52.2	2.1	65.3	2.7	165.4
Additions	-	7.6	1.6	-	2.8	0.9	12.9
Disposals	-	-	-	-	(8.2)	-	(8.2)
Transfers between classes	-	2.7	0.8	-	0.2	(2.5)	1.2
At 31 December 2023	2.9	50.5	54.6	2.1	60.1	1.1	171.3
<b>Accumulated depreciation</b>							
At 1 January 2023	-	7.0	45.0	1.2	56.0	-	109.2
Depreciation	-	2.5	2.4	0.2	4.2	-	9.3
Disposals	-	-	-	-	(8.2)	-	(8.2)
At 31 December 2023	-	9.5	47.4	1.4	52.0	-	110.3
<b>Net book value</b>							
At 31 December 2023	2.9	41.0	7.2	0.7	8.1	1.1	61.0
At 31 December 2022	2.9	33.2	7.2	0.9	9.3	2.7	56.2

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**12. Tangible fixed assets (continued)**

The net carrying amount of assets held under finance leases included within fixtures, fittings and office equipment is £nil (2022: £1.6m).

These assets are included within total assets, which are offered as security against liabilities - see note 18.

Reclassifications between assets in the course of construction and short leasehold premises consist of leasehold improvements projects begun in a prior year that were completed in the current year.

The Company had no tangible assets at 31 December 2023 (2022: £nil).

**13. Heritage assets**

Over the last 50 years the Group has established a large collection of heritage race and road cars which chronicle the Group's racing heritage and its development into a global leader in high performance supercars. These vehicles have been used to serve as promotional vehicles for the brand within the McLaren Technology Centre (MTC) as well as at museums, retailers and heritage track days around the world. The collection comprises 28 vehicles (2022: 29).

	<b>Group 2023 £M</b>
<b>Cost and net book value:</b>	
At 1 January 2023	<b>9.4</b>
Disposals	<b>(0.1)</b>
<b>At 31 December 2023</b>	<b>9.3</b>

Five year financial summary of heritage asset transactions:

	<b>2023 £M</b>	2022 £M	2021 £M	2020 £M	2019 £M
Additions	-	1.1	0.4	0.2	0.3
Disposals:					
Carrying value	<b>(0.1)</b>	(13.5)	(12.8)	23.2	-
Sales proceeds	<b>0.1</b>	100.0	93.6	-	-

In 2022 McLaren Services Limited disposed of 32 heritage asset vehicles with a carrying value of £13.5m for proceeds of £100.0m. This gave a net gain on disposal of £86.5m.

The Company had no Heritage assets at 31 December 2023 (2022: £nil).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**14. Investments****Company**

	<b>Investments in subsidiary companies £M</b>
<b>Cost or valuation</b>	
At 1 January 2023	274.1
Additions	1,250.0
	<hr/>
At 31 December 2023	1,524.1
	<hr/>
<b>Impairment</b>	
At 1 January 2023	96.7
Charge for the period	1,047.5
	<hr/>
At 31 December 2023	1,144.2
	<hr/>
<b>Net book value</b>	
At 31 December 2023	379.9
	<hr/> <hr/>
At 31 December 2022	177.4
	<hr/> <hr/>

A list of subsidiaries of the Company are provided in note 31.

During the year the Company's investment in McLaren Automotive Limited increased by £1,250.0m following the issue of new shares by that company in return for a reduction in the intercompany loan provided to McLaren Automotive Limited by £1,250.0m.

A non-cash impairment charge of £1,047.5m (2022: £96.7m) was recognised during the year in the standalone Company accounts, to reflect the estimated recoverable amount of investments in subsidiaries and joint ventures based on the Group's approved business plan that was in effect as at the reporting date. See further information on impairment assessment in note 11.

As subsidiary investments have been impaired to their recoverable value in the current financial period based on the inputs noted above, a worsening in cash flows, or a higher discount rate alongside a lower long-term EBITDA multiple would result in an additional impairment. To illustrate this sensitivity, if the discount rate had been 1% higher and the EBITDA multiple 1x lower, this would have resulted in an additional impairment charge of £104.4m being recognised. Similarly, a 10% worsening in forecast cash flows would have resulted in an additional impairment charge of £90.2m being recognised.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**15. Inventories**

	<b>Group 2023 £M</b>	Group 2022 £M
Raw materials and consumables	<b>94.3</b>	65.7
Work in progress	<b>18.4</b>	58.2
Finished goods and goods for resale	<b>51.0</b>	43.7
	<hr/> <b>163.7</b> <hr/>	<hr/> 167.6 <hr/>

Changes to our product line-up, additional test and validation processes and quality enhancements across our product range has resulted in the recognition of a provision against some inventories.

The Company had no inventories at 31 December 2023 (2022: £nil).

**16. Debtors**

		<b>Group 2023 £M</b>	Group 2022 £M	<b>Company 2023 £M</b>	Company 2022 £M
Trade debtors		<b>60.7</b>	53.5	-	-
Amounts owed by group undertakings		-	-	<b>376.6</b>	1,212.6
Amounts owed by related parties	29	<b>12.4</b>	7.2	-	-
Taxation and social security		<b>16.8</b>	4.3	-	-
Other debtors		<b>25.2</b>	18.9	-	-
Deferred tax asset	22	<b>41.5</b>	125.0	-	-
Derivative financial assets	23	<b>5.9</b>	2.9	-	-
Prepayments and accrued income		<b>31.4</b>	19.2	<b>1.0</b>	1.4
		<hr/> <b>193.9</b> <hr/>	<hr/> 231.0 <hr/>	<hr/> <b>377.6</b> <hr/>	<hr/> 1,214.0 <hr/>

**Group**

Trade debtors are stated after provisions for impairment of £3.5m (2022: £0.6m).

Trade debtors balances falling due after more than one year are £nil (2022: £nil). Deferred tax assets of £41.5m (2022: £122.9m) are recoverable after more than one year.

Amounts owed by related parties are repayable on demand and represent business transactions under normal commercial terms and conditions.

**Company**

Amounts owed by group undertakings include loans and interest accrued thereon. £378.0m of group loans attract interest at 7.5% (2022: £1,138.0m, 7.5%), are unsecured and repayable on demand. £10.4m of the group loans attract interest of 7.5% (2022: £5.4m, 7.5%) and are repayable on demand. £4.9m of group loans that were interest free (originally £7.5m discounted at a market rate of interest) were repaid in July 2023. £27.1m of group loans which had attracted interest of 5.3% were also repaid in July 2023.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**17. Creditors: Amounts falling due within one year**

		<b>Group 2023 £M</b>	<b>Group 2022 £M</b>	<b>Company 2023 £M</b>	<b>Company 2022 £M</b>
Bank loans and overdrafts	19	<b>18.0</b>	15.0	<b>18.0</b>	15.0
Obligations under finance leases	19	-	1.6	-	-
Trade creditors		<b>38.4</b>	59.0	-	-
Other creditors		<b>112.9</b>	62.9	-	-
Amounts owed to related parties	29	<b>6.6</b>	17.8	-	-
Amounts owed to group undertakings		-	-	<b>377.7</b>	459.7
Taxation and social security		<b>3.9</b>	18.1	-	-
Derivative financial liabilities	23,24	<b>3.1</b>	16.0	-	-
Accruals and deferred income		<b>253.4</b>	223.4	<b>0.3</b>	0.2
		<b>436.3</b>	413.8	<b>396.0</b>	474.9

**Group**

The Group is party to a trade finance arrangement whereby a financial institution settles certain trade debtors in advance of the cash being due from the debtor. Other creditors include £49.9m (2022: £17.6m) of Trade Finance, relating to £49.9m of trade debtors (2022: £17.6m). The facility can also be used to finance finished goods of the Group and £28.6m was drawn at 31 December 2023 (2022: £0.2m). The total facility available is up to US\$220m or equivalent, at a calculated interest rate of SONIA (Sterling Overnight Index Average) for Sterling, US LIBOR for US Dollars and Euribor (for Euros) for the applicable period plus the bank funding cost (if any) plus a margin of 1.125% plus a credit adjustment spread. In addition, other creditors also include £13.6m (2022: £20.5m) of drawn other working capital financing facilities associated with inventories of the Group, to support working capital management and cash flows.

**Company**

McLaren Holdings Limited is party to an unlimited cross company guarantee securing all monies due, or to become due, in respect of the overdraft and £95.0m loan facility (2022: £95.0m) provided to McLaren Holdings Limited by its bankers. As at 31 December 2023 the balance guaranteed was £nil (2022: £nil).

Amounts owed to group undertakings include group loans of £353.5m (2022: £418.3m) which accrue interest at a rate of 7.5% (2022: 7.5%), are unsecured and repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**18. Creditors: Amounts falling due after more than one year**

		<b>Group 2023 £M</b>	<b>Group 2022 £M</b>	<b>Company 2023 £M</b>	<b>Company 2022 £M</b>
Amounts owed to group undertakings		-	-	<b>480.5</b>	510.5
Amounts owed to parent undertakings		-	7.3	-	-
Senior secured notes	19	<b>480.5</b>	503.2	-	-
Derivative financial liabilities	23,24	<b>0.5</b>	1.2	-	-
		<b>481.0</b>	511.7	<b>480.5</b>	510.5

**Company**

Amounts owed to group undertakings relates to a term loan facility of USD \$620.0m (£487.0m less transaction fees), due in August 2026 at a rate of 7.5% interest. The loan facility is secured by way of a fixed and floating charge over the total assets of the Group and its subsidiaries unless designated as unrestricted.

In 2022, amounts owed to group undertakings included £7.3m of interest free group loans (originally £7.5m discounted at a market rate of interest) that were repaid in July 2023.

**19. Loans and other borrowings**

	<b>Group 2023 £M</b>	<b>Group 2022 £M</b>
Bank loans and overdraft	<b>18.0</b>	15.0
Senior secured notes	<b>480.5</b>	503.2
Obligations under finance leases	-	1.6
Amounts owed to parent undertakings	-	7.3
	<b>498.5</b>	527.1

**Bank loans and overdraft**

The Group's financing facility includes a Revolving Credit Facility (RCF) of £95.0m. The balance available to draw is reduced by £40.0m committed guarantee facility, and the overdraft available of £15.0m. At 31 December 2023 there was no bank overdraft drawn (2022: £nil), and the RCF was drawn at £18.0m (2022: £15.0m) with a final maturity date of May 2026. Interest is charged at SONIA plus 3.75% on the drawn down amount.

The revolving credit facility and senior secured notes are secured by way of a fixed and floating charge over the total assets of McLaren Holdings Limited and its subsidiaries unless designated as unrestricted.

A number of the Group's subsidiaries have provided guarantees in respect of the obligations under the revolving credit facility and the Group is restricted in its use of assets secured by these facilities.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**19. Loans and other borrowings (continued)****Senior secured notes**

In August 2021, McLaren Finance plc, a subsidiary of McLaren Holdings Limited, issued US\$620m 7.50% Senior Secured Notes due August 2026.

Under the terms of the revolving credit facility and the senior secured notes the Group has certain covenants and restrictions (in respect of matters such as indebtedness, dividends, acquisitions, investments, disposals, transfers etc).

**Interest rates**

The Group's borrowings have limited exposure to floating interest rates and the facilities where floating rates are applied were transitioned to the new benchmark during the previous year with the applicable reference rate being SONIA. The Senior Secured Notes apply a fixed interest rate.

**Finance leases**

The future minimum finance lease payments are as follows:

	<b>2023</b>	2022
	<b>£M</b>	£M
Not later than one year	-	1.7
<b>Total gross payments</b>	-	1.7
Less finance charges	-	(0.1)
<b>Carrying amount of liability</b>	<u>-</u>	<u>1.6</u>

The finance leases primarily related to IT equipment and data storage systems.

**20. Post-employment benefits****Defined contribution scheme**

The Group provides a defined contribution scheme for its employees. The amount recognised as an expense for the defined contribution scheme was:

	<b>Group</b>	<b>Group</b>
	<b>2023</b>	2022
	<b>£M</b>	£M
Current year contributions	<u>4.8</u>	<u>4.2</u>



**NOTES TO THE FINANCIAL STATEMENTS  
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**21. Provisions****Group**

	<b>Dilapi- dations £M</b>	<b>Product Warranty £M</b>	<b>End of Contract £M</b>	<b>Other £M</b>	<b>Total £M</b>
At 1 January 2023	2.0	28.6	11.4	12.6	54.6
Charged to profit or loss	0.1	27.6	6.0	34.0	67.7
Utilised in year	(0.2)	(28.6)	(9.9)	(8.5)	(47.2)
<b>At 31 December 2023</b>	<b>1.9</b>	<b>27.6</b>	<b>7.5</b>	<b>38.1</b>	<b>75.1</b>

**Dilapidations 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. The increase in the provision due to the passage of time is recognised as a finance cost. The provision is expected to be utilised between 2023 and 2038.

**Product Warranty provision**

The Group is liable for the parts and labour costs associated with repairing manufacturing faults arising on vehicles during the warranty period (typically three years). The provision for product warranties reflects the expected claims value during the remaining warranty period for vehicles under warranty at the reporting date. It is estimated that £10.3m (2022: £21.1m) of the provision will be utilised within 12 months.

**End of Contract provision**

The provision is for the Group's obligation to provide a residual value guarantee to the finance provider on the Personal Contract Purchase (PCP) arrangements between the retailers and customers. The provision covers estimated losses on these contracts based on the contractually agreed residual value between the Group 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 3 years but is adjusted for new cars sold and market conditions.

**Other provisions**

Other provisions relate to the estimated cost associated with various matters where the outcome, timing or amount of the liability is uncertain. These matters include commitments made to customers at the point of sale; possible customer returns and compensation payments, certain legal claims and cash-settled long-term incentive schemes dependent on specific performance targets over a number of years. The amounts provided for these matters are broadly expected to be paid over the next 2 years using available cash resources of the business.

The Company had no provisions for liabilities as at 31 December 2023 (2022: £Nil).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**22. Deferred tax asset**

The deferred tax consists of the following deferred tax assets/(liabilities):

	<b>Group 2023 £M</b>	<b>Group 2022 £M</b>
Depreciation in excess of capital allowances	0.2	6.4
Revaluation of heritage assets	(1.7)	(1.7)
Financial instruments	0.3	0.6
Other timing differences	8.1	11.9
Other reserves	(2.1)	1.5
Tax R&D incentives	13.0	11.5
Losses carried forward	23.7	94.8
	<u>41.5</u>	<u>125.0</u>

The movement in net deferred tax assets is reconciled as follows:

	<b>Group £M</b>
At 1 January 2023	125.0
Add: net deferred tax charge for the year recognised in profit and loss account	(79.8)
Add: deferred tax charge recognised in other comprehensive income/(expense)	(3.7)
<b>At 31 December 2023</b>	<u><b>41.5</b></u>

**Company**

	<b>2023 £M</b>	<b>2022 £M</b>
Losses carried forward	<u>-</u>	<u>-</u>

The Company deferred tax assets expected to reverse in 2024 total £nil (2023: £nil).

The Directors regularly review the Group's long-term plans and forecasts to assess the extent to which profits can reasonably be identified to offset available tax losses. Deferred tax assets are recognised for losses against income forecasts in 2024 to 2034 and the reversal of taxable timing differences. Tax R&D incentive credits are forecast to be utilised against taxable income after offset. The decrease in the group's deferred tax assets in the year is as a result of a downward revision to management's group forecast income along with risk weightings increasing from 5% to 15% over the forecast period.

At the balance sheet date the Company has UK tax losses of £37.9m (2022: £37.9m) which have an indefinite life. The trade losses are not recognised in deferred tax assets due to the uncertainty over available future profits to offset the losses.

The Group deferred tax assets expected to reverse in 2024 total £nil (2023: £nil). Tax losses with a carrying value of £95.2m have been derecognised during 2023 where taxable profits to offset these losses were not probable based on the current business plan.

**NOTES TO THE FINANCIAL STATEMENTS  
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**22. Deferred tax asset (continued)**

At 31 December 2023 the Group has losses amounting to £0.6m (2022: £1.0m) in respect of UK subsidiaries which are only available for offset against future capital gains, and since it is uncertain whether these losses will be utilised, no deferred tax asset has been recognised. The trading losses do not expire.

At the balance sheet date, the Group has UK tax losses of £1,183.6m (2022: £789.9m), which have an indefinite life. The directors regularly review the group forecast plans and the extent to which profits can reasonably be identified to offset these losses. As a result of these reviews, deferred tax has not been recognised on the following amounts:

	<b>2023 £M</b>	2022 £M
Trade losses	<b>1,087.9</b>	410.8
Accelerated capital allowances	<b>27.2</b>	-
Other timing differences	<b>3.2</b>	-
	<hr/> <b>1,118.3</b> <hr/>	<hr/> 410.8 <hr/>

In addition, the Group has disallowed tax interest expenses amounting to £187.1m (2022: £143.7m) which may be reactivated under certain conditions.

**23. Financial instruments**

The Group has the following financial instruments:

		<b>Group 2023 £M</b>	<b>Group 2022 £M</b>
<b>Financial assets measured at fair value through profit or loss</b>			
Derivative financial assets	24	<b>5.9</b>	2.9
<b>Financial assets that are debt instruments measured at amortised cost</b>			
Trade debtors	16	<b>60.7</b>	53.5
Other debtors	16	<b>25.2</b>	18.9
Accrued income		<b>6.2</b>	8.6
		<hr/> <b>98.0</b> <hr/>	<hr/> 83.9 <hr/>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**23. Financial instruments (continued)**

		<b>Group 2023 £M</b>	<b>Group 2022 £M</b>
<b>Financial liabilities measured at fair value through profit and loss</b>			
Derivative financial liabilities	24	<b>3.6</b>	17.2
<b>Financial liabilities measured at amortised cost</b>			
Bank loan	19	<b>18.0</b>	15.0
Senior secured notes	19	<b>480.5</b>	503.2
Finance leases		-	1.6
Trade creditors	17	<b>38.4</b>	59.0
Other creditors	17	<b>112.9</b>	62.9
Accruals		<b>180.8</b>	142.4
		<b>834.2</b>	801.3

**24. Derivative financial instruments****Current**

	<b>Group 2023 £M</b>	<b>Group 2022 £M</b>
<b>Assets</b>		
Forward foreign currency contracts	<b>5.3</b>	2.4
<b>Liabilities</b>		
Forward foreign currency contracts	<b>(3.1)</b>	(16.0)
	<b>2.2</b>	(13.6)

**Non-current**

	<b>Group 2023 £M</b>	<b>Group 2022 £M</b>
<b>Assets</b>		
Forward foreign currency contracts	<b>0.6</b>	0.5
<b>Liabilities</b>		
Forward foreign currency contracts	<b>(0.5)</b>	(1.2)
	<b>0.1</b>	(0.7)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**24. Derivative financial instruments (continued)**

The Group enters into forward foreign exchange contracts to mitigate the exchange rate risk exposure from payments and receipts in foreign currency. At 31 December 2023, the outstanding contracts mature out to May 2025. Group companies have entered into fixed forward contracts to sell various currencies, primarily USD. Group companies have also entered into fixed forward contracts and forward option contracts to purchase Euros.

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The Company had no derivative financial instruments at 31 December 2023 (2022: £nil).

**Forward foreign currency contracts**

The following table details the forward foreign currency contracts outstanding as at the year end.

Outstanding contracts	Average contractual exchange rate		Notional value		Mark to Market	
	2023	2022	2023 £M	2022 £M	2023 £M	2022 £M
<b>Buy/(Sell)</b>						
USD	<b>1.2559</b>	1.3130	<b>193.5</b>	174.4	<b>2.9</b>	(14.9)
JPY	<b>168.73</b>	155.66	<b>48.3</b>	30.3	<b>1.7</b>	(0.2)
CNY	<b>8.7087</b>	8.6180	<b>16.7</b>	25.9	<b>0.4</b>	(1.1)
AUD	<b>1.6804</b>	1.6575	<b>26.0</b>	22.0	-	(0.3)
EUR	<b>1.1262</b>	1.1373	<b>193.6</b>	127.5	<b>(2.7)</b>	2.2
					<b>2.3</b>	(14.3)

The table above details the forward foreign currency contracts outstanding as at the year end.

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

Losses of £9.2m (2022: £29.0m) were recognised in profit or loss in 2023.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**25. Called up share capital and reserves****Group and company**

Ordinary shares of £0.01 each (2021: £0.01 each)

	<b>2023 Number</b>	2022 Number	<b>2023 £M</b>	2022 £M
Allotted and fully paid:				
<b>At 31 December</b>	<b>10,802,290</b>	10,801,898	<b>0.1</b>	0.1

**26. Reserves****Share premium account**

The £450.0m increase in share premium relates to the issue of ordinary shares in the year.

**Revaluation reserve**

The revaluation reserve relates to the heritage assets.

**Capital redemption reserve**

The capital contribution reserve arises on gifts or equivalent made to the Company by a shareholder, with the current balance relating to a discount on a shareholder loan as part of the group reconstruction in 2017.

**Other reserves**

Other reserves represent a combination of the movement on the effective portion of cash flow hedges and the impact of foreign exchange movements on the consolidation of foreign subsidiaries.

**Merger Reserve**

The merger reserve represents the Group reconstruction relief that arose upon the merger of McLaren Automotive into the McLaren Group in 2017.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**27. Cash used in operating activities**

	<b>2023 £M</b>	2022 £M Restated
<b>Cash flows from operating activities</b>		
Loss for the financial year	<b>(872.5)</b>	(334.7)
<b>Adjustments for:</b>		
Tax on loss	<b>87.5</b>	59.8
Net interest expense	<b>22.9</b>	143.6
<b>Operating loss</b>	<b>(762.1)</b>	(131.3)
Depreciation and amortisation expense	<b>136.1</b>	153.0
Impairment of intangible assets	<b>375.0</b>	21.1
Increase in heritage assets	-	(1.1)
Realised net exchange loss	<b>(3.0)</b>	(35.4)
Proceeds from insurance claims	<b>(7.1)</b>	-
Profit on disposal of heritage assets	-	(86.5)
<b>Operating cash outflow before movements in working capital</b>	<b>(261.1)</b>	(80.2)
Decrease in inventories and work in progress	<b>4.0</b>	17.5
Increase in debtors	<b>(86.9)</b>	(13.8)
Increase in creditors	<b>38.4</b>	57.1
(Decrease)/increase in amounts owed to related parties	<b>(16.3)</b>	9.8
Increase in provisions	<b>17.0</b>	9.5
<b>Cash used in operating activities</b>	<b>(304.9)</b>	(0.1)

## Analysis of changes in net debt

	<b>At 1 January 2023 £M Restated</b>	<b>Cash flows £M</b>	<b>Fair value &amp; exchange movements £M</b>	<b>Other non- cash changes £M</b>	<b>At 31 December 2023 £M</b>
Cash and cash equivalents	<b>100.7</b>	<b>(61.3)</b>	<b>(0.1)</b>	-	<b>39.3</b>
Revolving credit facility	<b>(15.0)</b>	<b>(3.0)</b>	-	-	<b>(18.0)</b>
Senior secured notes	<b>(503.2)</b>	-	<b>25.9</b>	<b>(3.2)</b>	<b>(480.5)</b>
Finance leases	<b>(1.6)</b>	<b>1.6</b>	-	-	-
Working capital facilities	<b>(38.1)</b>	<b>(54.0)</b>	-	-	<b>(92.1)</b>
Amounts owed to parent undertaking	<b>(7.3)</b>	<b>7.3</b>	-	-	-
<b>Total</b>	<b>(464.5)</b>	<b>(109.4)</b>	<b>25.8</b>	<b>(3.2)</b>	<b>(551.3)</b>

Non-cash movements represent effective interest rate adjustments which include debt issue costs.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**27. Cash used in operating activities (continued)****Prior year restatement**

Restatement in the prior year relates to presentation of the cash flows amounting to £5.9m, arising from the group's trade finance arrangements disclosed in note 17, as part of cash flows from financing activities. In 2022, these were included in the net cash used in operating activities. The opening balance in the analysis of changes in net debt presented above was also updated to reflect this change in presentation. These changes did not have any impact on the reported consolidated loss for the year, the consolidated balance sheet or the consolidated statement of changes in equity.

**28. Financial commitments**

At 31 December 2023 the Group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	<b>Group 2023 £M</b>	Group 2022 £M
Not later than 1 year	<b>31.9</b>	28.1
Later than 1 year and not later than 5 years	<b>96.2</b>	101.0
Later than 5 years	<b>223.0</b>	257.0
	<b>351.1</b>	386.1

The reduction in lease commitments from 2022 is due to the termination of a lease for office premises in February 2024.

The Group has issued guarantees and irrevocable Letter of Credits which reduces the funding available under the Group's revolving credit facility. The balance at 31 December 2023 was £26.2m (2022: £27.4m).

Capital commitments as at 31 December 2023 totalled £88.7m (2022: £113.5m).

The Company had no financial commitments at 31 December 2023 (2022: £nil).



Transactions with related companies during the year were as follows:

	Year ended 31 December 2023 £M	Balance outstanding at 31 December 2023 £M	Year ended 31 December 2022 £M	Balance outstanding at 31 December 2022 £M
<b>Group</b>				
<b>Purchases from related parties</b>				
Mile Marketing Limited	0.5	0.5	0.4	0.4
McLaren Racing Limited	0.8	1.8	8.9	15.3
McLaren Group Limited	6.3	4.3	6.3	2.1
<b>Amounts owed to related parties at 31</b>				
<b>December</b>		6.6		17.8
<b>Split by:</b>				
Amounts owed to related parties due < 1 year		6.6		17.8
Amounts owed to related parties due > 1 year		-		-
		6.6		17.8

**NOTES TO THE FINANCIAL STATEMENTS  
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**29. Related party transactions (continued)**

Mile Marketing Limited is a wholly owned subsidiary of Bahrain Mumtalakat Holding Company, the ultimate controlling party.

United Autosports Limited is jointly controlled by Z Brown, director of the Company.

Amounts owed to McLaren Racing Limited are repayable on demand and represent business transactions under normal commercial terms and conditions.

Other than the transactions disclosed above, the Group's other related party transactions were with wholly owned subsidiaries and so have not been disclosed.

**30. Ultimate controlling party**

McLaren Group Limited is the parent company of the Company and the smallest group of undertakings which included the Company and for which Group financial statements are prepared. At 31 December 2023 McLaren Group Limited was owned by a number of private shareholders, with Bahrain Mumtalakat Holding Company being the largest holding and ultimate controlling party at 59.91% of the ordinary share capital of the Company and being the parent company of the largest group of undertakings which includes the Company, for which Group financial statements are prepared.

Bahrain Mumtalakat Holding Company, registered address Arcapita Building, 4th Floor, Building No. 551, Road 4612, Sea Front 346, Bahrain Bay, Kingdom of Bahrain (incorporated in Bahrain), is the parent Company of the largest Group of undertakings which included the Company and for which Group financial statements are prepared.

**NOTES TO THE FINANCIAL STATEMENTS  
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**31. Subsidiaries and related undertakings**

All the below subsidiaries are wholly owned and included in the consolidation of the Group:

**Incorporated in the UK:**

<b>Name</b>	<b>Principal activity</b>	<b>Holding ordinary share capital</b>
	Development, manufacture and sale of high performance sports cars	
McLaren Automotive Limited		100 %
McLaren Automotive Events Limited	Events company	100 %
McLaren Finance Plc	Financing company	100 %
McLaren Services Limited	Managed services	100 %
McLaren Support Services Limited	Managed services	100 %

**Incorporated overseas:**

<b>Name</b>	<b>Principal activity</b>	<b>Holding ordinary share capital</b>
McLaren Automotive Inc, incorporated in the United States of America	Sports car retailer	100 %
McLaren Automotive Asia Pte Limited, incorporated in Singapore	Sports car retailer	100 %
McLaren Automotive Distribution (Shanghai) Company Limited, incorporated in China	Sports car retailer	100 %
McLaren Automotive Europe S.L.U, incorporated in Spain	Maintenance and repair of motor vehicles	100 %

The registered office for all UK incorporated companies is: McLaren Technology Centre, Chertsey Road, Woking, Surrey, GU21 4YH.

McLaren Automotive Inc registered office is: Baker & McKenzie LLP, 1114 Avenue of the Americas, New York, New York, 10036.

McLaren Automotive Asia Pte Limited registered office is: 7 Temasek Boulevard, Suntec Tower One #27-05, Singapore 038987.

McLaren Automotive Distribution (Shanghai) Company Limited registered office is: Unit 11-02, West Tower, 1299 Minsheng Road, Pudong District, Shanghai, 200135, P.R. China.

McLaren Automotive Europe S.L.U registered office is: Poligono Industrial de L'Arbornar, S/N, Santa Oliva 43710, Tarragona.

**32. Subsequent events**

In 2024, the Group received £85.0m of funding from McLaren Group Limited in consideration for the issue of ordinary shares.

On 22 March 2024, McLaren Group Limited announced the completion of its capital reorganisation, under which Bahrain Mumtalakat Holding Company, the sovereign wealth fund of the Kingdom of Bahrain, took full ownership of the share capital of McLaren Group Limited.