

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

10. Tax on loss

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

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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:

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

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11. Intangible assets

Group and Company

	New Production Development Costs £M	IT Systems Development Costs £M	Total £M
Cost			
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>
Accumulated amortisation and impairment			
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>
Net book value			
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>

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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:

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

MCLAREN HOLDINGS LIMITED

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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
Cost							
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	<u>2.9</u>	<u>50.5</u>	<u>54.6</u>	<u>2.1</u>	<u>60.1</u>	<u>1.1</u>	<u>171.3</u>
Accumulated depreciation							
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	<u>-</u>	<u>9.5</u>	<u>47.4</u>	<u>1.4</u>	<u>52.0</u>	<u>-</u>	<u>110.3</u>
Net book value							
At 31 December 2023	<u>2.9</u>	<u>41.0</u>	<u>7.2</u>	<u>0.7</u>	<u>8.1</u>	<u>1.1</u>	<u>61.0</u>
At 31 December 2022	<u>2.9</u>	<u>33.2</u>	<u>7.2</u>	<u>0.9</u>	<u>9.3</u>	<u>2.7</u>	<u>56.2</u>

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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).

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

Five year financial summary of heritage asset transactions:

	2023 £M	2022 £M	2021 £M	2020 £M	2019 £M
Additions	-	1.1	0.4	0.2	0.3
Disposals:					
Carrying value	(0.1)	(13.5)	(12.8)	23.2	-
Sales proceeds	0.1	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).

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14. Investments**Company**

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

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.

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15. Inventories

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

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

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

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.

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17. Creditors: Amounts falling due within one year

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

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

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

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

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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:

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

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

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21. Provisions**Group**

	Dilapi- dations £M	Product Warranty £M	End of Contract £M	Other £M	Total £M
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)
At 31 December 2023	1.9	27.6	7.5	38.1	75.1

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).

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22. Deferred tax asset

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

	Group 2023 £M	Group 2022 £M
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:

	Group £M
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)
At 31 December 2023	<u>41.5</u>

Company

	2023 £M	2022 £M
Losses carried forward	-	-

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.

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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:

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

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:

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

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23. Financial instruments (continued)

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

24. Derivative financial instruments**Current**

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

Non-current

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

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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
Buy/(Sell)						
USD	1.2559	1.3130	193.5	174.4	2.9	(14.9)
JPY	168.73	155.66	48.3	30.3	1.7	(0.2)
CNY	8.7087	8.6180	16.7	25.9	0.4	(1.1)
AUD	1.6804	1.6575	26.0	22.0	-	(0.3)
EUR	1.1262	1.1373	193.6	127.5	(2.7)	2.2
					2.3	(14.3)
					2.3	(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)

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

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

Analysis of changes in net debt

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

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:

	Group 2023 £M	Group 2022 £M
Not later than 1 year	31.9	28.1
Later than 1 year and not later than 5 years	96.2	101.0
Later than 5 years	223.0	257.0
	351.1	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).

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

29. Related party transactions

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
Group				
Sales to related parties				
Mile Marketing Limited	0.5	0.4	100.4	0.4
United Autosports Limited	0.9	0.2	-	-
McLaren Racing Limited	15.7	1.0	15.4	0.9
McLaren Group Limited	4.8	10.8	3.2	5.9
		<hr/>		<hr/>
Amounts owed by related parties at 31 December		12.4		7.2
		<hr/>		<hr/>
Split by:				
Amounts owed to related parties due < 1 year		12.4		7.2
Amounts owed to related parties due > 1 year		-		-
		<hr/>		<hr/>
		12.4		7.2
		<hr/> <hr/>		<hr/> <hr/>
	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
Group				
Purchases from related parties				
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
		<hr/>		<hr/>
Amounts owed to related parties at 31 December		6.6		17.8
		<hr/>		<hr/>
Split by:				
Amounts owed to related parties due < 1 year		6.6		17.8
Amounts owed to related parties due > 1 year		-		-
		<hr/>		<hr/>
		6.6		17.8
		<hr/> <hr/>		<hr/> <hr/>

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

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
FOR THE YEAR ENDED 31 DECEMBER 2023**

31. Subsidiaries and related undertakings

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

Incorporated in the UK:

Name	Principal activity	Holding ordinary share capital
McLaren Automotive Limited	Development, manufacture and sale of high performance sports cars	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:

Name	Principal activity	Holding ordinary share capital
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.LU, 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.