



INTERIM RESULTS

McLAREN HOLDINGS LIMITED
Unaudited Consolidated
Financial Statements Registered
number 10756310
3 months ended
31 March 2021



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Business review and outlook

Principal Activities

McLaren Holdings Limited (the “Group”) is a global leader in luxury automotive, motorsport and technology. The Group is constituted of three key divisions: Automotive, Racing and Applied.

Founded in 1963, the Racing division has been one of the most successful teams in motorsport history. Since its foundation, the team has won 20 Formula 1 World Championships, the Indianapolis 500 three times and the prestigious Le Mans 24 Hour race. During December 2020, McLaren Racing received new third-party investment from which point it is accounted as a joint venture subject to equity method accounting.

Having produced the iconic McLaren F1 road car in 1992, McLaren Automotive launched its first products in 2011 starting with the 12C. Today, McLaren has a range of luxury high performance supercars across four product families: GT, Super Series, Motorsports and Ultimate Series. It has produced ground-breaking cars such as the iconic McLaren P1™, the Senna, the Speedtail and the Elva. 2019 was recognised as a very strong year for the business due to the significant production volume but also for the launches of the 600LT Spider, the 720S Spider and the spectacular all new GT. Further, McLaren built and sold all 75 examples of the McLaren Senna GTR. Although 2020 proved a difficult year due to Covid-19, McLaren successfully completed production of all 106 iconic Speedtail ultimate cars, launched the exclusive 765LT and commenced production of the Elva (the next Ultimate Series car). 2021 has started strongly for the business with significant contribution from the premium vehicles of Elva and 765LT. The Group also revealed the all-new plug-in hybrid supercar, the Artura, which is contributing to the strong order bank for deliveries later in 2021.

The Applied division focuses on the application of McLaren’s technological know-how in a wide variety of fields. The business showcases in motorsport, where to this day it is still a significant supplier of electronic components and software to Formula 1, NASCAR, IndyCar and Formula E. However, it now drives for scale in more market segments beyond the current four by focusing on three key technology pillars across all markets. These technology pillars are virtual product development, telemetry, control and analytics and electrification. These three pillars are where Applied can significantly differentiate itself in the market and draw on the knowhow developed by the brand over the last half century. The Group continues to review all strategic options for the business.

The impact of COVID-19

The COVID-19 pandemic which developed in 2020 had a significant impact on the Group and the global automotive industry more broadly. Further, shareholder support was demonstrated through a £300.0m (£290.7m net receipt after the repayment of a shareholder loan) capital injection in Q1 2020, which was initially arranged to support an updated pre-COVID-19 business plan. However, COVID-19 really began to impact the Group at the end of Q1 2020 as operations at the McLaren Production Centre were suspended and dealers were closed across the globe.

The management team and the Board then re-assessed the entire five-year business plan in order to account for the impact of COVID-19 and to reflect significant cost saving measures that were implemented as a result.

Although through May 2020, McLaren’s retailers, production and development facilities began to re-open the impact on sales meant that a short-term working capital funding was secured to support the Group’s liquidity requirements via a 12-month loan from the National Bank of Bahrain to McLaren Group Limited, and covenant waivers were also secured on the Super Senior Revolving Credit Facility Agreement.

This additional short-term financing was the start of a three-phase strategy designed to strengthen the balance sheet in the aftermath of COVID-19. The Group completed the second phase in December 2020 by securing a deal to sell a stake in McLaren Racing - an investment that is intended to cover future cash requirements for that business. The final phase of the strategy, which is now well underway, includes the Sale and Leaseback transaction on the McLaren Technology Centre and McLaren Production Centre completed in April 2021, and sees the Group raising further equity to replace the short-term financing and then refinance both the bond and Revolving Credit Facility debt.

Business review and outlook (continued)

Group results

Turnover was £184.3m for the three months ended 31 March 2021, an increase of £74.9m or 68.5% on the three months ended 31 March 2020. In addition, the Group reported an operating loss of £53.8m in the first quarter of 2021 versus an operating loss of £94.9m for the same period in 2020. Overall losses for the Group before tax are £54.1m versus the £133.0 loss reported in the prior period.

Volumes were much stronger in Q1 2021 with wholesales of 520 compared to 307 in Q1 2020, which was impacted by the COVID-19 pandemic and the first global lockdown. This drove an EBITDA of £18.9m in the three months ended 31 March 2021, compared to an EBITDA loss of £80.5m in the comparative period for 2020.

McLaren Automotive

The Automotive division had a successful year in 2019 delivering 4,662 wholesale units. However, like most businesses, 2020 was a challenging year for the company due to COVID-19. The impact was first felt at the end of Q1 2020 with European supply chain issues and Far East dealer closures. During Q2 2020 the reduction of vehicle components from suppliers began to delay production at the Woking manufacturing centre (Speedtail in particular). This situation was then further magnified during Q2 as production and development facilities closed and retailers around the world shut, preventing the delivery of new vehicles. By the start of Q3 2020 many suppliers and retailers began to re-open and vehicle production was back to one shift. The production shut down in the first half of 2020 and the closure of most dealers around the globe had a significant impact on the results of the company, not only for Q2 and Q3 but for the full year.

From the middle of Q3 and during Q4, the business started to see real evidence of recovery as retail demand far outstripped the production plan. Despite all the COVID related challenges, the business had a strong finish to 2020 achieving 1,659 wholesale units in the year.

Planning for recovery from mid-2020, the McLaren Automotive team created and implemented a new five-year post-COVID business plan. Although market recovery is not easy to predict over the short term, the next two years of the plan focuses on the delivery of premium vehicles (including Elva and 765LT) as well as driving the quality of earnings from both its existing product range (720S coupe and spider, 620R, GT) and the all-new Artura.

2021 has started strongly and traded in line with the new business plan; during Q1 2021 520 wholesales were achieved, reflecting a 69% increase over Q1 2020.

Wholesale volumes by region are:

| Region | Q1 2021 Units | Q1 2020 Units | YoY |
|---------------|--------------------------|--------------------------|------------|
| Europe | 151 | 73 | 107% |
| North America | 169 | 161 | 5% |
| Asia Pacific | 126 | 32 | 294% |
| China | 37 | 19 | 95% |
| Rest of World | 37 | 22 | 68% |
| Global | 520 | 307 | 69% |

Business review and outlook (continued)

McLaren Automotive (continued)

The performance during the quarter was further enhanced by a strong mix of products, with significant contributions from the premium vehicles of Elva and the 765LT. These vehicles, as well as the registered interest for the new Artura, will continue to drive a solid post-COVID business-recovery throughout 2021. Q1 retail volumes for the company also performed exceptionally well with 695 units, a result which continues to drive down dealer stock and create an exclusive demand led market position.

The new 765LT is completely sold out. This lighter, more powerful version of the 720S coupe, has even higher levels of performance on both road and track. This vehicle went into production in Q3 2020 and the order book for this limited series model closed quickly.

McLaren's latest ultimate series vehicle, the Elva, has also made a strong contribution to the start of 2021. This vehicle, with its exceptional performance and unique, thrilling driving experience has created real excitement in the market. This iconic windscreen-less hyper car, with its innovative air deflection technology, allows drivers to experience the full thrill of an F1 car, but in a beautiful and road-legal package.

In Q1 2021 McLaren also revealed the all new McLaren Artura. This was a very significant launch event in the history of the Automotive business. Not only is this the first vehicle to benefit from the new McLaren plug-in hybrid electric powertrain architecture, it was also the first fully digital global on-line vehicle launch. Management has invested heavily in McLaren's transition towards hybridisation and electrification via the development of a world-class hybrid platform, which will lead to a significant reduction in investment over the next cycle. The McLaren Carbon Fibre Lightweight Architecture (MCLA) at its core is all-new, as is the high-performance plug-in hybrid electric powertrain. Our relentless pursuit of light weighting reaches another level with the Artura. Further, aerodynamic efficiency is more advanced than ever, helping to shape a minimalistic, beautiful new design. From the rear suspension to the advanced E-differential, every new element contributes to a uniquely intense driving experience.

McLaren Racing

The Group secured a new £185m investment in McLaren Racing over three years from a consortium of investors in December 2020. The investment is in the form of convertible loan notes and warrants. These warrants are convertible at any time at the option of the warrant holders, for £0.01, into equity shares of McLaren Racing. The warrants have given the investors voting and dividend rights on an 'as-converted' basis. As at 31 March 2021, the investors cumulatively held 21.05% in Racing on a diluted basis. Although the Group owns a majority share of the issued capital of Racing as at the reporting date, the directors have determined that, due to other factors in the framework governance agreement, in particular the substantive rights held by the investor, the Company no longer have unilateral control of McLaren Racing and instead hold joint control with the third party investor. McLaren Racing is now reported as a joint venture and subject to equity method accounting from the date control was lost. This contrasts with the comparative results for 31 March 2020 when McLaren Racing was fully consolidated. As McLaren Racing is no longer accounted for as a subsidiary, it does not form part of the consolidated Group at 31 March 2021.

In terms of performance, the much-delayed 2020 season finally got underway in July 2020 and McLaren finished 3rd in the Formula 1 World Constructors' Championship with 202 points. This is McLaren's highest Championship position since 2012 and demonstrates the continued recovery of the on-track performance of the team. On top of this, Lando Norris was able to secure his first podium in Formula 1 at the first race of the season in Austria and Carlos Sainz achieved a second place in Italy.

McLaren Racing have now welcomed 7-time winner Daniel Ricciardo to race alongside Lando Norris in 2021. Both drivers have achieved points finishes in all but one of the first 5 races of the season, with the team currently 3rd in the Formula 1 World Constructors' Championship with 80 points.

Finally, McLaren had a very successful first year in IndyCar during 2020. McLaren SP's driver Pato O'Ward finished fourth in the NTT Indy Car Championship, which is a great achievement in McLaren SP's debut year in the championship.

Business review and outlook (continued)

Intangible investment

The Group continued to invest in new products and services, investing £49.6m in Q1 2021. The majority of this was invested by the Automotive division in new road car projects including new Ultimate and Super Series models.

Post Balance sheet Events

In April 2021, the Group announced it had entered into a Sale & Leaseback transaction with Global Net Lease to sell the McLaren Technology Centre and McLaren Production Centre for proceeds of £170.0m, entering a 20-year lease.

Principal risks and uncertainties

The risks associated with the manufacture of luxury supercars relate primarily to the costs associated with the development of future vehicles, the ability of McLaren Automotive to leverage a competitive advantage or technological advantage, demand for the brand and the economic position of key markets into which cars are sold.

Further, the Group is exposed to the performance of Formula 1 as a global sports entertainment business and on-track performance, although with the new investment into McLaren Racing, this exposure is now reduced. On-track performance impacts income from prize money and the renewal and acquisition of sponsorship.

As with any company active on a global stage, foreign exchange volatility presents a risk. Currency exposure will remain high as c70 per cent of worldwide sales revenues are denominated in non-Sterling currencies. The Group operates in an international environment with revenues denominated primarily in US dollars, Japanese Yen, Chinese Yuan and Euros.

Purchases are transacted primarily in Sterling and Euros. The principal risks, however, are exposure to the US Dollar and Euro. The Group operates under a treasury policy and accordingly has a hedging portfolio in place to cover a proportion of these cash flows.

Interest exposure is governed by the rate at which long-term loans are agreed and the rate contracted with high-yield bond holders and the banking group supporting the revolving credit facility. The interest rate on the revolving credit facility is linked to LIBOR whereas the rate contracted with the high-yield bond holders is fixed.

During 2020, the operations of the business were significantly impacted by COVID-19. Although restrictions are starting to lift, clearly while the pandemic is ongoing there is a risk that retailers or the factory could be forced to close again due to increased COVID restrictions. However, currently the business is managing to operate the factory and wholesale cars, despite the current restrictions in place around the globe.

The Group does not perceive a significant risk from recent announcements regarding the ban of the sale of diesel and petrol cars by 2030. The Group is actively looking at and considering the technology approach for our products including our pioneering McLaren Carbon Lightweight Architecture.

The UK has now left the European Union ("EU") and a Free Trade Agreement ("FTA") has been obtained which was of significant benefit to the Group as a whole. Most significantly, the FTA negated any tariffs that could have applied on vehicle sales to the EU or parts imported from the EU. However, the Group has been preparing for Brexit for some time.

Business review and outlook *(continued)*

Principal risks and uncertainties *(continued)*

In response to the Brexit vote, the management team undertook several actions to mitigate any potential impact. These actions included:

- Establishing a cross-functional team of subject matter experts to monitor the impact of Brexit and report their findings to the management team and, ultimately, the Board.
- Through the Group's Government Affairs department, the Group had strong engagement with Government through bodies such as the Automotive Council and the Society of Motor Manufacturers and Traders.
- The Automotive division obtained AEO accreditation.
- The Group has continued to follow its hedging policy, as described elsewhere in these financial statements, to mitigate any short-term volatility in exchange rates.
- The Group worked with immigration agents to assist employees in mitigating potentially significant visa costs and managing the availability of labour in future years.

The plans that were established have meant that there has been no material impact to date of Brexit on McLaren, with parts continuing to flow into the McLaren Production Centre and vehicles continuing to be delivered into the EU (albeit under a new regime).

Recent developments and factors affecting comparability

Income statement

Revenue

Revenue was £184.3m for the three months ended 31 March 2021, an increase of £74.9m or 68.5% on the three months ended 31 March 2020.

Automotive saw a 144.9% increase in revenue, which we primarily attribute to the gradual recovery from COVID-19, resulting in wholesale volume up 69% from 307 in Q1 2020 to 520 in Q1 2021. The model mix was also richer in Q1 2021 with a significant increase in Super (mainly 765LT) and Ultimate series (Elva) wholesales, and the phase out of the lower margin Sports series.

Applied revenue was £8.8m for the three months ended 31 March 2021, a decrease of £1.8m or 17.0% compared to the three months ended 31 March 2020, primarily due to the impact of COVID-19 on the start the motorsport racing season, the effect of Honda and Renault exiting Formula 1 and the expiration of the Uber self-drive contract.

Racing is now subject to equity method accounting from the end of 2020 as a result of external investment. Therefore, the revenue reported in the three months ended 31 March 2021 is nil, compared to revenue of £30.7m in the three months ended 31 March 2020.

Gross profit

The Group reported a gross profit of £64.2m for the three months ended 31 March 2021, compared to a gross loss of £0.6m for the three months ended 31 March 2020.

This is driven by the recovery in production and wholesales due to the measures put in place to ensure operations continue to run despite continuing global restrictions due to COVID-19. Q1 2020 revenues were hugely impacted by COVID-19, and while a proportion of direct costs reduced in line with revenue such as the vehicle bill of materials, there was a significant fixed element relating to labour, commercial and racing costs. The cost saving measures implemented as a result of COVID-19 did not take effect until after Q1 2020.

There is also an improvement as the Q1 2020 results include a gross loss from Racing, whereas the Q1 2021 result does not include Racing.

Administrative expenses

Administrative expenses were £56.8m for the three months ended 31 March 2021, a decrease of £20.4m on the three months ended 31 March 2020. This is primarily attributed to the cost-saving measures that were implemented in response to the COVID-19 pandemic, in particular the headcount reduction, and the exclusion of the results of Racing.

Other operating income

Other operating income was £2.4m for the three months ended 31 March 2021, compared to £6.5m in the three months ended 31 March 2020. This primarily relates to grant income associated with investment spend, which is lower in the Q1 2021 compared to Q1 2020. Q1 2020 also includes grant income from Racing, whereas Q1 2021 does not.

Share of loss from Joint Venture

This represents the Group's 78.95% share of the results of McLaren Racing, subject to equity method accounting from the date control was lost (16 December 2020).

Recent developments and factors affecting comparability (*continued*)

Income statement (*continued*)

Impairment

The positive adjustment represents a revision in Applied due to a change in expectation on projects not expected to be pursued when assessed year end.

Depreciation

Depreciation was £4.9m for the three months ended 31 March 2021, a decrease of £2.5m on the comparative period, which is primarily due to the exclusion of Racing results from Q1 21.

Amortisation

Amortisation was £40.9m for the three months ended 31 March 2021, an increase of £24.8m compared to the three months ended 31 March 2020. This is due to the higher wholesales in Q1 2021 compared to Q1 2020, and the premium mix of cars sold which results in a higher amortisation caused by both the Elva and the 765LT.

Finance costs

Finance costs were a net £0.3m for the three months ended 31 March 2021, compared to £38.0m for the comparative period. The main driver is the movement in foreign exchange with £26.2m of losses in Q1 2020, compared to gains of £11.1m in Q1 2021. Interest was comparable in the two periods.

Income tax

The income tax credit is £6.3m for the 3 months ended 31 March 2021 which compares to a £23.4m credit for the corresponding period in 2020. This variation of £17m is principally driven by the lower group losses that have been recognised for tax purposes in 2021. In addition to this, Automotive overseas profits, on which the rate of corporation tax is higher than the current UK tax rate of 19%, have marginally increased leading to a respectively lower tax credit.

Recent developments and factors affecting comparability (*continued*)

Cash flow statement

The three months ended 31 March 2021 saw a net cash outflow of £22.7m, compared to a net cash outflow of £28.6m in the three months ended 31 March 2020.

Cash flow from operating activities

Cash flow from operating activities for the three months ended 31 March 2021 was an inflow of £46.3m compared to an outflow of £172.1m in the comparative period, a variance of £218.4m.

The operating performance seen through the profit and loss account results in £81.2m of the improvement, for the reasons described above. On top of this, working capital is an inflow of £33.2m in the three months ended 31 March 2021, compared to an outflow of £(96.2)m in the three months ended 31 March 2020. Tax and foreign exchange account for the remainder of the difference.

The inflow from working capital in Q1 2021 is attributable to the increase in wholesales seen in Q4 2020 and Q1 2021, of which a large proportion was covered by trade finance. In comparison, the reduction in volumes in Automotive in Q1 2020 resulted in significant working capital outflow across the Group. This is because the Group operates on payment terms of end-of-month plus 60 days with suppliers on average. However, terms of less than 30 days (on average) are offered to retailers, a significant proportion of which are covered by trade finance and therefore cash tends to be received within days of issuing the invoice. As a result, the Group is typically paying for the commitments of the last quarter from the revenues earned in the current quarter. With the significant reduction in volumes (part COVID-19 and part strategic planning) the cash inflow in Q1 2020 was significantly reduced but the commitments for Q4 2019 were still due and were settled.

Cash flow from investing activities

Net cash used in investing activities was £(50.6)m for the three months ended 31 March 2021 compared to £(81.1)m in the comparative period. The reduction in spend is due to the revised business plan that was implemented in response to COVID-19. That plan saw the Group focus on cars that delivered returns in the short term and the new Artura which was launched in Q1 2021.

Investment in Q1 2020 also included capital spend in McLaren Racing, which is now a derestricted subsidiary following the investment received.

Cash flow from financing activities

Net cash flow from financing activities was an outflow of £18.5m for the three months ended 31 March 2021, compared to an inflow of £224.7m for the three months ended 31 March 2010.

During Q1 2020, £243.6m was received from the issuance of new shares to McLaren Group Limited, following a £300m equity contribution from the shareholders into McLaren Group Limited. In total McLaren Holdings received a net £290.7m following the settlement of a £9.3m shareholder loan, with the balance received in Q2 2020.

Interest payments were comparable between the two periods.

Condensed consolidated profit and loss account

for the 3 months ended 31 March 2021

| | Note | 2021 £000 | 2020 £000 |
|--|------|------------------|------------------|
| Turnover | 4 | 184,283 | 109,401 |
| Cost of Sales | | <u>(120,078)</u> | <u>(110,036)</u> |
| Gross profit/(loss) | | 64,205 | (635) |
| Administrative expenses | | (56,787) | (77,233) |
| Other operating income | | <u>2,393</u> | <u>6,469</u> |
| Operating profit/(loss) before interest in joint venture, impairment, depreciation and amortisation | | 9,811 | (71,399) |
| Share of loss from Joint Venture | | (18,299) | - |
| Operating loss before impairment, depreciation and amortisation | | <u>(8,488)</u> | <u>(71,590)</u> |
| Impairment of assets | | 524 | - |
| Depreciation | | (4,929) | (7,439) |
| Amortisation | | <u>(40,913)</u> | <u>(16,084)</u> |
| Operating loss | | (53,806) | (94,922) |
| Finance costs (net) | | <u>(341)</u> | <u>(38,047)</u> |
| Loss before taxation | | (54,147) | (132,969) |
| Tax on loss | 5 | <u>6,282</u> | <u>23,377</u> |
| Loss for the financial period | | <u>(47,865)</u> | <u>(109,592)</u> |

Condensed consolidated statement of comprehensive income

for the 3 months ended 31 March 2021

| | 2021 £000 | 2020 £000 |
|--|-----------------|------------------|
| Loss for the financial period | (47,865) | (109,592) |
| Other comprehensive income/(expense) for the period net of tax: | | |
| Deferred tax movement on revaluation reserve | - | 10 |
| Cash flow hedges: | | |
| - Change in value of hedging instrument | (5,012) | (14,149) |
| - Reclassifications to profit and loss | (1,832) | (4,423) |
| Loss on foreign currency translation reserve | <u>(3,413)</u> | <u>(243)</u> |
| Total comprehensive expense for the period | <u>(58,122)</u> | <u>(128,397)</u> |

Condensed consolidated balance sheet

| | Note | As at 31st March 2021 £000 | As at 31st December 2020 £000 |
|--|------|-------------------------------------|--|
| Fixed assets | | | |
| Intangible assets | 6 | 838,159 | 829,851 |
| Tangible assets | 7 | 256,404 | 260,368 |
| Heritage assets | | 34,155 | 34,155 |
| Investment in Joint Venture | 8 | 14,307 | 32,606 |
| | | 1,143,025 | 1,156,980 |
| Current assets | | | |
| Inventories | 9 | 131,446 | 112,773 |
| Debtors | 10 | 318,818 | 336,375 |
| Cash at bank and in hand | | 43,256 | 66,709 |
| | | 493,520 | 515,857 |
| Creditors: Amounts falling due within one year | 11 | (488,097) | (462,338) |
| Net current assets | | 5,423 | 53,519 |
| Total assets less current liabilities | | 1,148,448 | 1,210,499 |
| Creditors: Amounts falling due after more than one year | 12 | (631,134) | (631,010) |
| Provisions for liabilities | | (37,190) | (40,329) |
| Deferred capital funding | 13 | (91,921) | (92,835) |
| Net assets | | 388,203 | 446,325 |
| Capital and reserves | | | |
| Called-up share capital | | 108 | 108 |
| Share premium account | | 643,763 | 643,763 |
| Revaluation reserve | | 42,624 | 42,586 |
| Capital contribution reserve | | 2,039 | 2,039 |
| Merger reserve | | 218,547 | 218,547 |
| Other reserves | | (1,683) | 8,574 |
| Accumulated losses | | (517,195) | (469,292) |
| Total Equity | | 388,203 | 446,325 |

Condensed consolidated statement of changes in equity
for the 3 months ended 31 March 2021

| | Called up share capital | Share premium account | Merger reserve | Capital contribution reserve | Other reserves | Revaluation reserve | Accumulated losses | Total equity |
|---|-------------------------------|-----------------------------|-------------------|------------------------------------|-------------------|------------------------|-----------------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| At 1 January 2020 | 89 | 203,123 | 218,547 | 2,039 | 4,880 | 44,219 | (195,236) | 277,661 |
| Loss for the financial period | - | - | - | - | - | - | (109,592) | (109,592) |
| Other comprehensive (expense)/income for the period net of tax | - | - | - | - | (18,815) | (52) | 62 | (18,805) |
| Total comprehensive expense net of tax | - | - | - | - | (18,815) | (52) | (109,530) | (128,397) |
| Issue of share capital | 10 | 243,543 | - | - | - | - | - | 243,553 |
| At 31 March 2020 | 99 | 446,666 | 218,547 | 2,039 | (13,935) | 44,167 | (304,766) | 392,817 |
| At 1 January 2021 | 108 | 643,763 | 218,547 | 2,039 | 8,574 | 42,586 | (469,292) | 446,325 |
| Loss for the financial period | - | - | - | - | - | - | (47,865) | (47,865) |
| Other comprehensive (expense)/income for the period net of tax | - | - | - | - | (10,257) | 38 | (38) | (10,257) |
| Total comprehensive (expense)/income net of tax | - | - | - | - | (10,257) | 38 | (47,903) | (58,122) |
| At 31 March 2021 | 108 | 643,763 | 218,547 | 2,039 | (1,683) | 42,624 | (517,195) | 388,203 |

The Other reserve represents a combination of the movement on the effective portion of cash flow hedges and revaluation of foreign subsidiaries.

Condensed consolidated statement of cash flows
for the 3 months ended 31 March 2021

| | Note | 2021 £000 | 2020 £000 |
|---|------|-----------------|--------------|
| Net cash flows from operating activities | 14 | 46,950 | (172,321) |
| Taxation paid | | (650) | 185 |
| Net cash from/(used in) operating activities | | 46,300 | (172,136) |
| Cash flow from investing activities | | | |
| Addition of intangible assets | | (49,612) | (74,360) |
| Addition of tangible assets | | (966) | (6,764) |
| Interest received | | - | 34 |
| Net cash used in investing activities | | (50,578) | (81,090) |
| Cash flow from financing activities | | | |
| Repayments of obligations under finance lease | | (568) | (549) |
| Interest paid | | (17,883) | (18,345) |
| Proceeds from issue of ordinary share capital | | - | 243,553 |
| Net cash (used in)/from financing activities | | (18,451) | 224,659 |
| Net decrease in cash and cash equivalents | | (22,729) | (28,567) |
| Cash and cash equivalents at beginning of period | | 66,709 | 56,214 |
| Effect of foreign exchange rate changes | | (724) | 1,606 |
| Cash at end of period | | 43,256 | 29,253 |

Notes to the condensed consolidated financial statements

1. General Information

McLaren Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) is privately owned and incorporated in the United Kingdom. The address of the registered office is McLaren Technology Centre, Chertsey Road, Woking, Surrey, GU21 4YH.

2. Basis of preparation

The condensed consolidated interim financial information for the period ended 31 March 2021 has been prepared with reference to FRS 104, ‘Interim financial reporting’, and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. This condensed consolidated interim financial information has not been audited or reviewed.

3. Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements of McLaren Group Limited for the year ended 31 December 2020.

4. Turnover by class of business

| | 3 months ended 31st March | |
|-----------------------------------|--------------------------------------|-------------|
| Turnover | 2021 | 2020 |
| | £000 | £000 |
| Automotive | 170,546 | 69,636 |
| Racing * | - | 30,655 |
| Applied | 8,790 | 10,569 |
| Corporate | 21,534 | 22,855 |
| | 179,336 | 133,715 |
| Less: Inter-segmental turnover | (16,588) | (24,314) |
| | 184,283 | 109,401 |
| EBITDA by business segment | | |
| Automotive | 18,734 | (65,230) |
| Racing * | - | (15,592) |
| Applied | (2,413) | (2,306) |
| Corporate services | 2,557 | 2,633 |
| Inter segmental | (14) | (36) |
| | 18,864 | (80,531) |

* McLaren Racing is reported as a joint venture from 16th December 2020 and subject to equity method accounting from the date control was lost, refer note 8.

EBITDA is defined as profit before interest and taxes, adding back interest payable/receivable and similar charges and depreciation and amortisation. The interest added back excludes foreign exchange gains and losses apart from those resulting from the retranslation of the USD senior secured notes.

Notes to the condensed consolidated financial statements (continued)

5. Tax on loss

| | 3 months ended 31st March | |
|--|--------------------------------------|----------------------|
| Tax (expense)/income included in profit or loss | 2021 £000 | 2020 £000 |
| Current tax | (1,494) | (226) |
| Deferred tax | 7,776 | 23,603 |
| Total tax | 6,282 | 23,377 |

6. Intangible assets

| | New production development costs £000 | IT systems development costs £000 | Internally developed software £000 | Other development costs £000 | Total £000 |
|---|---|--|---|---------------------------------------|------------------|
| Cost: | | | | | |
| At 1 January 2021 | 1,583,185 | 71,995 | 12,350 | 17,891 | 1,685,421 |
| Additions | 49,655 | - | - | (43) | 49,612 |
| At 31 March 2021 | 1,632,840 | 71,995 | 12,350 | 17,848 | 1,735,033 |
| Accumulated amortisation and impairment: | | | | | |
| At 1 January 2021 | 801,973 | 33,985 | 3,939 | 15,673 | 855,570 |
| Charge for the period | 39,628 | 1,817 | 267 | 116 | 41,828 |
| Impairment | - | - | - | (524) | (524) |
| At 31 March 2021 | 841,601 | 35,802 | 4,206 | 15,265 | 896,874 |
| Net book value: | | | | | |
| At 31 March 2021 | 791,239 | 36,193 | 8,144 | 2,583 | 838,159 |
| At 31 December 2020 | 781,212 | 38,010 | 8,411 | 2,218 | 829,851 |

Notes to the condensed consolidated financial statements (continued)

7. Tangible assets

| | Freehold land and buildings | Leasehold Premises and Improve- ments | Plant, machinery, tools and equipment | Motor vehicles | Fixtures, Fittings and office equipment | Assets in the course of construction | Total |
|----------------------------------|-----------------------------------|---|--|-------------------|--|---|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost: | | | | | | | |
| At 1 January 2021 | 279,119 | 30,404 | 67,562 | 2,071 | 69,237 | 3,951 | 452,344 |
| Additions | - | 591 | - | - | 199 | 176 | 966 |
| Exchange adjustment | - | - | - | - | (7) | - | (7) |
| At 31 March 2021 | 279,119 | 30,995 | 67,562 | 2,071 | 69,429 | 4,127 | 453,303 |
| Accumulated depreciation: | | | | | | | |
| At 1 January 2021 | 83,184 | 4,166 | 52,139 | 1,107 | 49,045 | 2,335 | 191,976 |
| Charge for the period | 1,484 | 547 | 1,667 | 60 | 1,171 | - | 4,929 |
| Exchange adjustment | - | - | - | - | (6) | - | (6) |
| At 31 March 2021 | 84,668 | 4,713 | 53,806 | 1,167 | 50,210 | 2,335 | 196,899 |
| Net book value: | | | | | | | |
| At 31 March 2021 | 194,451 | 26,282 | 13,756 | 904 | 19,219 | 1,792 | 256,404 |
| At 31 December 2020 | 195,935 | 26,238 | 15,423 | 964 | 20,192 | 1,616 | 260,368 |

Notes to the condensed consolidated financial statements (continued)

8. Investments

| Investment in Joint Venture | 2021 £000 |
|--|----------------------|
| At 1 January 2021 | 32,606 |
| Share of losses in subsidiary after transaction date | (18,299) |
| At 31 March 2021 | 14,307 |

The Group secured a new £185m investment in McLaren Racing over three years from a consortium of investors in December 2020. The investment is in the form of convertible loan notes and warrants. These warrants are convertible at any time at the option of the warrant holders, for £0.01, into equity shares of McLaren Racing. The warrants have given the investors voting and dividend rights on an 'as-converted' basis. As at 31 March 2021, the investors cumulatively held 21.05% in Racing on a diluted basis. Although the Group owns a majority share of the issued capital of Racing as at the reporting date, the directors have determined that, due to other factors in the framework governance agreement, in particular the substantive rights held by the investor, the Company no longer have unilateral control of McLaren Racing and instead hold joint control with the third party investor. McLaren Racing is now reported as a joint venture and subject to equity method accounting from the date control was lost.

9. Inventories

| | As at 31 March 2021 £000 | As at 31 December 2020 £000 |
|-------------------------------------|---|--|
| Raw materials and consumables | 58,805 | 57,174 |
| Work in progress | 16,102 | 21,985 |
| Finished goods and goods for resale | 56,539 | 33,614 |
| | 131,446 | 112,773 |

10. Debtors

| | As at 31 March 2021 £000 | As at 31 December 2020 £000 |
|---------------------------------|---|--|
| Trade debtors | 101,962 | 149,012 |
| Amounts owed by related parties | 3,337 | 4,164 |
| Amounts owed by Joint Venture | 1,981 | 423 |
| Taxation | 16,892 | 6,998 |
| Other debtors | 22,847 | 16,491 |
| Deferred tax asset | 124,274 | 116,498 |
| Derivative financial assets | 20,100 | 16,734 |
| Prepayments and accrued income | 27,425 | 26,055 |
| | 318,818 | 336,375 |

Notes to the condensed consolidated financial statements (continued)

11. Creditors – amounts falling due within one year

| | As at 31 March 2021 £000 | As at 31 December 2020 £000 |
|----------------------------------|---|--|
| Bank loans and overdrafts | 68,899 | 68,899 |
| Amounts owed to related parties | 1,615 | 700 |
| Amounts owed to Joint Venture | 1,016 | 2,133 |
| Obligations under finance leases | 2,130 | 1,945 |
| Trade creditors | 56,314 | 61,398 |
| Taxation and social security | 11,356 | 6,435 |
| Other creditors | 147,172 | 111,369 |
| Derivative financial liabilities | 8,593 | 2,784 |
| Accruals and deferred income | 191,002 | 206,674 |
| | 488,097 | 462,338 |

Other creditors includes £92,986k (31 Dec 2020: £63,713k) of Trade Finance which is used to support wholesales to McLaren retailers.

12. Creditors – amounts falling due after more than one year

| | As at 31 March 2021 £000 | As at 31 December 2020 £000 |
|-------------------------------------|---|--|
| Senior secured notes | 612,962 | 613,576 |
| Obligations under finance leases | 2,367 | 3,308 |
| Amounts owed to parent undertakings | 9,644 | 12,467 |
| Derivative financial liabilities | 6,161 | 1,659 |
| | 631,134 | 631,010 |

13. Deferred capital funding

| Cost: | £000 |
|------------------------------------|---------------|
| At 1 January 2021 | 92,836 |
| Amortisation credit for the period | (915) |
| At 31 March 2021 | 91,921 |

Funding received to build the McLaren Technology Centre is treated as deferred income and is credited to the profit and loss account in annual instalments over the estimated useful lives of the fixed assets concerned.

Notes to the condensed consolidated financial statements *(continued)*

14. Statement of cash flows

Reconciliation of profit to net cash flow from operating activities

| | As at 31 March 2021 £000 | As at 31 March 2020 £000 |
|---|---|---|
| Loss for the financial period | (47,865) | (109,592) |
| Adjustments for: | | |
| Tax on loss | (6,282) | (23,377) |
| Net interest expense | 341 | 38,047 |
| Operating loss | (53,806) | (94,922) |
| Interest in Joint venture | 18,299 | - |
| Depreciation and amortisation charges | 45,842 | 23,523 |
| Increase in stocks, work in progress and finished goods | (18,673) | (74,464) |
| Decrease in debtors | 21,296 | 66,615 |
| Increase/(decrease) in creditors | 37,595 | (83,646) |
| Decrease in amounts owed to related parties | (3,908) | (1,352) |
| Decrease in provisions | (3,139) | (3,393) |
| Impairment of assets | (524) | - |
| Trade receivable impairment losses | - | (13) |
| Realised foreign exchange gain/(loss) | 3,968 | (4,669) |
| Cash flow from operating activities | 46,950 | (172,321) |

15. Events after the reporting period

Sale and Leaseback transaction

In April 2021, the Group announced it had entered into a Sale & Leaseback transaction with Global Net Lease to sell the McLaren Technology Centre and McLaren Production Centre for proceeds of £170.0m, entering into a 20 year lease.

The transaction will result in derecognition of fixed assets amounting to £191.7m, deferred capital funding amounting to £91.6m and recognition of gain on sale of property.