

**McLaren Services Limited
(Formerly McLaren Technology
Group Limited)**

**Annual report and financial
statements**

**Registered number 01967715
31 December 2018**



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Strategic report

Principal activities

McLaren Services Limited (formerly McLaren Technology Group Limited) ("the Company") provides shared management services to all McLaren Group Limited companies covering Facilities Management, IT and Corporate Services. These costs are recharged out to the other Group companies as appropriate.

The Company acted as the holding company for McLaren Racing Limited, McLaren Marketing Limited and McLaren Applied Technologies Limited during the year, selling the shares in these companies to McLaren Holdings Limited on 30th November 2018. This is in line with the Group corporate simplification exercise, as announced on 10th April 2018.

Business review and key performance indicators

The profit for the financial year after taxation amounted to £280,798k (2017: profit of £3,433k). The balance sheet as at 31 December 2018 shows net assets of £278,873k (31 December 2017 net liabilities: £1,925k.) The results in 2018 reflect the recharge of services provided by the Company across all entities within the new McLaren Group. 2018 results also reflect the one off gain on sale of subsidiaries McLaren Racing Limited, McLaren Marketing Limited and McLaren Applied Technologies Limited.

The Directors consider total costs to be the key performance indicator of the Company, distinguishing between those driven by specific business demand, and those controlled and managed by the Company on behalf of the Group as a whole.

KPIs are monitored at Group level, for further details please refer to the Annual Report of McLaren Group Limited (the "Group").

The key focus going forward for the Company is to continue in supporting the business demands alongside achieving efficiencies and delivering on identified synergies following the merger of McLaren Automotive Limited and McLaren Services Limited (formerly McLaren Technology Group Limited) in July 2017.

Performance in relation to the strategies of the McLaren Group as a whole are monitored regularly.

Principal risks and uncertainties

The principal risks of the Company are intrinsically linked to those of the Group as a whole to which it supports, for further details please refer to the Annual Report of McLaren Group Limited.

Brexit considerations

The current uncertainty regarding the way the UK leaves the EU makes it very difficult to plan for, with multiple scenarios having to be considered and addressed. The Group continues to keep the progress of the exit discussions under review but considers the impact of the UK's exit on the financial results of the Group to be low.

For further details of future developments, risks and uncertainties, please refer to the Annual Report of McLaren Group Limited.

Strategic report (continued)

By order of the Board



T Murnane
Secretary

10 may 2019

Registered Office:
McLaren Technology Centre
Chertsey Road
Woking
Surrey
GU21 4YH

Directors' report

The Directors present their annual report and the audited financial statements of the Company and independent auditors' report, for the year ended 31 December 2018.

Registered name

On 2 January 2019 The Company's registered name changed from McLaren Technology Group Limited to McLaren Services Limited.

Results

The profit for the financial year after taxation amounted to £280,798k (2017: profit of £3,433k).

Future developments

The future developments of the Company are explained in the Strategic report on page 3.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 3b on page 14.

Financial risk management objectives and policies

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

Foreign exchange and liquidity risk are managed via McLaren Group Limited, as the Company participates in the Group's centralised treasury arrangements. The Group uses long term and short-term debt finance, and forward foreign exchange contracts to manage the net position of the Group as a whole.

The primary function of the Company is to act as a corporate services company for other Group entities. The ability of the Company to pay its liabilities will be dependent upon remittances or repayments from Group entities and, therefore, will be subject to all the risks to which the Group is subject. For details of these risks, please refer to the Annual report of McLaren Group Limited.

Dividends

The Directors do not propose a dividend for the year ended 31 December 2018 (2017: £nil)

Directors

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

P Buddin – appointed 31/07/18
J Neale – appointed 31/07/18
M Al Khalifa – resigned 01/08/18
M Al kooheji – resigned 01/08/18
R Al Masri – resigned 01/08/18
M Ojjeh – resigned 01/08/18
J Allert – resigned 01/08/18
H Kirikian – resigned 14/06/18

Directors' report (continued)

Directors (continued)

W Griffiths – resigned 01/08/18

A Myers – resigned 28/02/18

The changes in Directors were as a result of the Group restructure. See the financial statements of McLaren Group Limited for further information.

Disabled employees

The policy of the Company 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 consultation

The Company is committed to ensuring that its people are actively engaged in the ongoing management and future direction of the business. Regular formal, and informal, briefings are held with all sections of the workforce.

The Company takes reasonable steps to ensure that all employees, existing and prospective, are given fair and equal opportunity regardless of sex, race, ethnicity, religion or disability.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

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

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

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

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

Statement of disclosure of information to auditors

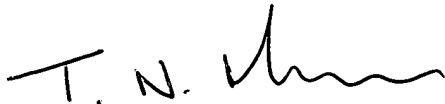
In the case of each director in office at the date the Directors' Report is approved:

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

Independent auditors

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

The financial statements on pages 11 to 33 were approved by the Board of Directors on 10 may 2019 and signed by order of the board:



T Murnane
Secretary

10 may 2019

Registered Office:
McLaren Technology Centre
Chertsey Road
Woking
Surrey
GU21 4YH

Independent auditors' report to the members of McLaren Services Limited (Formerly McLaren Technology Group Limited)

Report on the audit of the financial statements

Opinion

In our opinion, McLaren Services Limited (Formerly McLaren Technology Group Limited)'s financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Independent auditors' report to the members of McLaren Services Limited (Formerly McLaren Technology Group Limited) (Continued)

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and 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 set out on pages 6 and 7, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Independent auditors' report to the members of McLaren Services Limited
(Formerly McLaren Technology Group Limited) (Continued)**

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



James Cadzow (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

10 May 2019

McLaren Services Limited (Formerly McLaren Technology Group Limited)
Annual report and financial statements
31 December 2018

Profit and loss account

for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	5	75,018	83,241
Cost of Sales		<u>(61,671)</u>	<u>(53,991)</u>
Gross profit		13,347	29,250
Administrative expenses		<u>(8,629)</u>	<u>(19,645)</u>
Operating profit	6	4,718	9,605
Dividends received	12	7,805	-
Gain on sale of subsidiaries	12	278,769	-
Interest receivable and similar income	8	2,955	6,553
Interest payable and similar expenses	8	<u>(14,045)</u>	<u>(10,337)</u>
Profit before taxation		280,202	5,821
Tax on profit	9	<u>596</u>	<u>(2,388)</u>
Profit for the financial year		<u>280,798</u>	<u>3,433</u>

The profit for the current year is equal to the total comprehensive income and accordingly a statement of comprehensive income has not been presented.

McLaren Services Limited (Formerly McLaren Technology Group Limited)
Annual report and financial statements
31 December 2018

Balance sheet

as at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	10	1,607	2,278
Tangible assets	11	176,802	182,322
Investments	12	-	74
		<u>178,409</u>	<u>184,674</u>
Current assets			
Inventories	13	367	316
Debtors	14	264,084	88,302
		<u>264,451</u>	<u>88,618</u>
Creditors: Amounts falling due within one year	15	<u>(34,289)</u>	<u>(142,623)</u>
Net current assets/(liabilities)		<u>230,162</u>	<u>(54,005)</u>
Total assets less current liabilities		408,571	130,669
Creditors: Amounts falling due after more than one year	16	<u>(27,683)</u>	<u>(27,122)</u>
Provisions for liabilities	18	<u>(1,865)</u>	<u>(1,665)</u>
Deferred capital funding	20	<u>(100,150)</u>	<u>(103,807)</u>
Net assets/(liabilities)		<u>278,873</u>	<u>(1,925)</u>
Capital and reserves			
Called up share capital	21	30	30
Capital redemption reserve		20	20
Retained earnings/(Accumulated losses)		<u>278,823</u>	<u>(1,975)</u>
Total equity		<u>278,873</u>	<u>(1,925)</u>

The notes on pages 14 to 33 are an integral part of these financial statements.

The financial statements on pages 11 to 33 of McLaren Services Limited (formerly McLaren Technology Group Limited) were authorised for issue by the board of directors on 10 May 2019 and signed on its behalf by:



P Buddin
Director

Statement of changes in equity
for the year ended 31 December 2018

	Called up share capital £000	Capital redemption reserve £000	(Accumulated losses) / Retained earnings £000	Total equity £000
At 1 January 2017	30	20	(5,408)	(5,358)
Profit for the financial year	-	-	3,433	3,433
Total comprehensive income	-	-	3,433	3,433
At 31 December 2017	30	20	(1,975)	(1,925)
Balance as at 1 January 2018	30	20	(1,975)	(1,925)
Profit for the financial year	-	-	280,798	280,798
Total comprehensive income	-	-	280,798	280,798
Balance as at 31 December 2018	30	20	278,823	278,873

Notes to the financial statements

1. General Information

McLaren Services Limited (formerly McLaren Technology Group Limited) (the "Company") is a private limited company incorporated in the United Kingdom and registered in England. The address of the registered office is given on page 4. The nature of the Company's operations and its principal activities are set out in the Strategic report on page 3.

The Company is limited by shares.

2. Statement of compliance

The individual financial statements of McLaren Services Limited (formerly McLaren Technology Group Limited) have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of Preparation

These 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 in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

b. Going concern

The Company's activities, together with the factors likely to affect its future development and position are set out in the Strategic report on page 3.

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and subsidiaries. Following the raising of the bond in July 2017 and the issue of new equity of £203.1m during 2018 and 2019, the Directors have assessed the updated Business plan and future cashflows for the Group and are assured of the ongoing funding of the Company and have therefore prepared the financial statements on a going concern basis.

The Company's Directors therefore are confident that the Company will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

c. Exemptions for qualifying entities under FRS 102

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

The Company has taken advantage of the following exemptions:

- (i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, McLaren Group Limited, includes the Company's cash flows in its own consolidated financial statements;
- (ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.41 to 11.48A 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; and
- (iv) The financial statements contain information about McLaren Services Limited (formerly McLaren Technology Group Limited) as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, McLaren Group Limited.

d. Consolidated financial statements

The Company is a wholly owned subsidiary of McLaren Group Limited. It is included in the consolidated financial statements of McLaren Group Limited which are publicly available. Therefore, the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is McLaren Group Limited. The address of the parent's registered office is McLaren Technology Centre, Chertsey Road, Woking, Surrey, GU21 4YH.

e. Foreign currency

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).

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

f. 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 Company and value added taxes.

Revenue represents recharges and management fee charges by the Company to other Group companies, and sales to external customers excluding value added tax. Revenue is recognised when the Company has performed its obligations in order to earn the revenue.

Interest income is recognised using the effective interest method.

g. Employee benefits

(i) Defined contribution pension plans

The Company participates in a defined contribution pension scheme and also pays contributions to personal pension schemes of certain employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

(ii) Short term benefits

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

(iii) Annual bonus plan

The Company operates a number of annual bonus plans for employees. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

h. 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 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.

Notes to the financial statements *(continued)*

3. Summary of significant accounting policies *(continued)*

h. Taxation (continued)

(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 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 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

i. 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. In accordance with section 18 of FRS 102, 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.

IT software is capitalised and amortised over 5 years from the date of implementation, using the straight-line method.

Amortisation is charged to administrative expenses in the profit and loss account.

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.

Notes to the financial statements (continued)

3. Summary of significant accounting policies (continued)

j. Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

Freehold buildings	- 2% - 10% straight line
Leasehold premises and improvements	- written off over the life of the lease
Plant, machinery, tools and equipment	- 4 - 5 years straight line
Motor vehicles	- 4 years straight line
Fixtures, fittings and office equipment	- 4 - 5 years straight line

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.

k. Deferred capital funding

Capital based funding received for the construction of 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.

l. Leased assets

At inception the Company assesses agreements that transfer the right to use assets.

The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(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 Company'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.

Notes to the financial statements *(continued)*

3. Summary of significant accounting policies *(continued)*

l. Leased assets (continued)

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge,

using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

(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.

m. 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 pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

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.

n. Investments

Investment in subsidiary companies is held at cost less accumulated impairment losses.

o. Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost 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. Standard costs are used to value stock.

p. Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank overdrafts.

Bank overdrafts are shown within borrowing in current liabilities.

Notes to the financial statements *(continued)*

3. Summary of significant accounting policies *(continued)*

q. Provisions and contingencies

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

r. Financial instruments

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

(i) Financial assets

Basic financial assets, including trade and other receivables (except for prepayments) and cash and bank balances are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables (except for deferred income), bank loans and loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. 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.

Notes to the financial statements *(continued)*

3. Summary of significant accounting policies *(continued)*

r. Financial instruments (continued)

(ii) Financial liabilities (continued)

Derivatives, including forward foreign exchange contracts, are not basic financial instruments.

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 the profit and loss in finance costs or finance income as appropriate. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) 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.

s. 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.

t. Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

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

The Directors have considered the areas of judgement and estimation and believe the only area of significance in preparing the Company's financial statements is the potential impairment of Tangible assets.

The Directors regularly consider factors that could indicate that the carrying amount of Tangible assets could be impaired. Whenever events or changes in circumstances indicate that the carrying amount will not be recovered, there is a need to estimate recoverable amount (refer to Note 3j for further details).

Notes to the financial statements (continued)

5. Turnover

Analysis of turnover by geography and category

	2018 £000	2017 £000
United Kingdom and corporate services	<u>75,018</u>	<u>83,241</u>

6. Operating profit

Operating profit is stated after charging/(crediting)	2018 £000	2017 £000
Depreciation of tangible assets	8,119	7,893
Amortisation of intangible assets	671	662
Amortisation of deferred capital funding	(3,657)	(3,657)
Operating lease rentals	1,656	2,400
Auditors' remuneration – audit of these financial statements	34	33
Profit on disposal of fixed assets	<u>-</u>	<u>(5)</u>

7. Employees and directors

Employees

	2018 £000	2017 £000
Employee costs during the year:		
Wages and salaries	14,829	17,522
Social security costs	1,726	2,560
Other pension costs	730	612
	<u>17,285</u>	<u>20,694</u>

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

	2018 Number	2017 Number
Administration	<u>235</u>	<u>237</u>

Notes to the financial statements *(continued)*

7. Employees and directors *(continued)*

Directors

The Directors' emoluments were as follows:	2018	2017
	£000	£000
Aggregate emoluments	1,508	3,109
Compensation for loss of office	-	1,960
	<u>1,508</u>	<u>5,069</u>

	2018	2017
	£000	£000
Number of directors who are members of a defined contribution pension scheme	<u>1</u>	<u>2</u>

The amounts set out above include remuneration in respect of the highest paid director as follows:	2018	2017
	£000	£000
Emoluments	<u>1,508</u>	<u>1,174</u>

Paul Buddin was also a director of other companies within the McLaren Group, and remuneration for services to the Group have been borne by another Group company. The share of total emoluments in respect of services to this company is £38k.

8. Net interest

	2018	2017
	£000	£000
(a) Interest receivable and similar income		
Interest receivable on group loans	2,925	838
Interest receivable on related party loans	23	-
Other interest receivable	7	50
Gains on derivative financial instruments	-	5,665
	<u>2,955</u>	<u>6,553</u>

Notes to the financial statements *(continued)*

8. Net interest *(continued)*

	2018 £000	2017 £000
(b) Interest payable and similar expenses		
Interest payable on group loans	9,280	2,799
Interest payable on related party loans	-	1,953
Finance lease interest	49	17
Interest payable on bank loans and overdrafts	233	1,338
Other interest payable and finance charges	-	442
Net exchange losses	1,862	3,788
Losses on derivative financial instruments	2,621	-
	<u>14,045</u>	<u>10,337</u>

9. Tax on profit

(a) Tax (income)/expense included in profit or loss	2018 £000	2017 £000
Current tax:		
- UK corporation tax on profits for the year at 19% (2017: 19.25%)	(1,120)	-
- Foreign corporation tax on profits for the year	5	5
- Adjustments in respect of prior years	469	337
Total current tax	<u>(646)</u>	<u>342</u>
Deferred tax:		
- Origination and reversal of timing differences	438	(709)
- Adjustments in respect of prior years	(360)	2,678
- Impact of change in tax rate	(28)	77
Total deferred tax (see note 19)	<u>50</u>	<u>2,046</u>
Tax on profit	<u>(596)</u>	<u>2,388</u>

Notes to the financial statements (continued)

9. Tax on profit (continued)

(b) Reconciliation of tax (credit)/charge:

The total tax credit for the year is lower (2017: tax charge for the year is higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit before taxation	<u>280,202</u>	<u>5,821</u>
Profit multiplied by the standard rate of tax in the UK of 19% (2017: 19.25%)	53,238	1,121
Effects of:		
- Income not subject to tax	(55,145)	(704)
- Expenses not deductible for tax purposes	1,225	1,034
- Unrecognised deferred tax	-	(2,160)
- Withholding tax suffered	5	5
- Adjustments in respect of prior years	109	3,015
- Re-measurement of deferred tax	<u>(28)</u>	<u>77</u>
Tax (credit)/charge for year	<u>(596)</u>	<u>2,388</u>

(c) Tax rate changes

The current UK corporation tax rate is 19%. The UK Finance Act 2016 was enacted during the year ended 31 March 2017, which included provisions for a reduction in the UK corporation tax rate to 17% with effect from 1 April 2020. Deferred tax balances at 31 December 2018 are measured at the rate at which they are expected to reverse.

10. Intangible assets

	Software £000
Cost:	
At 1 January 2018	<u>3,358</u>
At 31 December 2018	<u>3,358</u>
Accumulated amortisation:	
At 1 January 2018	1,080
Charge for the year	<u>671</u>
At 31 December 2018	<u>1,751</u>
Net book value:	
At 31 December 2018	<u>1,607</u>
At 31 December 2017	<u>2,278</u>

Notes to the financial statements (continued)

11. 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 or valuation:							
At 1 January 2018	225,045	3,568	23,166	18	37,525	2,896	292,218
Additions	-	693	20	-	1,186	700	2,599
Transfers	-	(214)	-	-	198	16	-
At 31 December 2018	225,045	4,047	23,186	18	38,909	3,612	294,817
Accumulated depreciation:							
At 1 January 2018	59,138	746	17,036	17	32,959	-	109,896
Charge for the year	4,872	271	1,028	-	1,948	-	8,119
At 31 December 2018	64,010	1,017	18,064	17	34,907	-	118,015
Net book value:							
At 31 December 2018	161,035	3,030	5,122	1	4,002	3,612	176,802
At 31 December 2017	165,907	2,822	6,130	1	4,566	2,896	182,322

Freehold land and buildings includes land with a net book value of £26,089k (2017: £26,089k).

12. Investments

	Shares in Group companies £000
Cost:	
At 1 January 2018	74
Disposals	(74)
At 31 December 2018	-
Net book value:	
At 31 December 2018	-
At 31 December 2017	74

Notes to the financial statements *(continued)*

12. Investments *(continued)*

On 30th November 2018, the Company sold its investment of £50k (2017 £50k) in McLaren Racing Limited to McLaren Holdings Limited, recognising a gain on disposal of £165,268k.

On 30th November 2018, the Company sold its investment of £10k (2017 £10k) in McLaren Marketing Limited to McLaren Holdings Limited, recognising a gain on disposal of £7,469k.

On 30th November 2018, the Company sold its investment of £10k (2017 £10k) in McLaren Applied Technologies Limited to McLaren Holdings Limited, recognising a gain on disposal of £106,032k.

McLaren Services Limited (formerly McLaren Technology Group Limited) received a dividend of £7,538k from McLaren Performance Limited on 30th June 2018. McLaren Performance Limited was dissolved on 26th February 2019, and therefore the residual investment of £1k has been written off.

McLaren Services Limited (formerly McLaren Technology Group Limited) received a dividend of £267k from McLaren Technologies Limited on 30th June 2018. McLaren Technologies Limited was dissolved on 30th November 2018, and therefore the residual investment of £1k has been written off.

McLaren Cars Limited was dissolved on 29th May 2018, and therefore the residual investment of £1k has been written off.

13. Inventories

	2018 £000	2017 £000
Raw materials and consumables	7	14
Finished goods and goods for resale	360	302
	<u>367</u>	<u>316</u>

Notes to the financial statements (continued)

14. Debtors

	2018	2017
	£000	£000
Trade debtors	17	236
Amounts owed by group undertakings	257,626	82,084
Amounts owed by related parties (note 24)	1,010	31
Other debtors	369	1,945
Deferred tax asset (note 19)	775	825
Derivative financial assets	150	914
Prepayments and accrued income	4,137	2,267
	264,084	88,302

Amounts owed by group undertakings include business transactions, on an arm's length basis, and group loans.. **£213,124k of group loans attract interest at 5.5%, are unsecured, and repayable on demand.**

Amounts owed by related parties are unsecured and attract interest at 3%.

15. Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Bank loans and overdrafts (note 17)	3,011	882
Obligations under finance leases (note 17)	295	-
Trade creditors	7,910	5,309
Amounts owed to group undertakings (note 17)	12,891	126,937
Other creditors	11	-
Taxation and social security	2,658	2,086
Derivative financial liabilities	2,121	446
Accruals and deferred income	5,392	6,963
	34,289	142,623

Notes to the financial statements (continued)

16. Creditors: amounts falling due after more than one year

	2018	2017
	£000	£000
Obligations under finance leases (note 17)	379	-
Amounts owed to group undertakings (note 17)	27,107	27,107
Derivative financial liabilities	197	15
	27,683	27,122

17. Loans and other borrowings

	2018	2017
	£000	£000
Overdraft	3,011	882
Obligations under finance leases	674	-
Amounts owed to Group undertakings	39,998	154,044
	43,683	154,926

Finance leases

The future minimum finance lease payments are as follows:

	2018	2017
	£000	£000
Not later than one year	267	-
Later than one year and not later than five years	451	-
Total gross payments	718	-
Less finance charges	(44)	-
Carrying amount of liability	674	-

The finance leases primarily relate to IT equipment. The lease terms are between 2 and 3 years. At the end of the lease terms McLaren Services Limited (formerly McLaren Technology Group Limited) has the option to extend in perpetuity, at a cost of £100.

Amounts owed to Group undertakings

Amounts owed to Group undertakings falling due within one year include business transactions, under normal commercial terms. Amounts owed to Group undertakings falling due after more than one year includes £27,107k of group loans which attract interest of 5.3% and are repayable by July 2023.

Notes to the financial statements (continued)

18. Provisions for liabilities

	2018	2017
	£000	£000
Provision for charges relating to leased premises	865	865
Other provisions	1,000	800
	1,865	1,665

The provision for charges relating to leased premises relates to the contractual obligation to reinstate all leased premises to their original condition upon cessation of the lease. The cost is charged to the profit and loss as the obligation arises. The provision is expected to be utilised between 2019 and 2020 as the leases terminate. Other provisions include various legal matters where the outcome is not certain and has been estimated. This provision is expected to be utilised between 2019 and 2020.

19. Deferred tax

The deferred tax asset consists of the following deferred tax assets:

	2018	2017
	£000	£000
Depreciation in excess of capital allowances	(957)	118
Financial instruments	255	309
Other timing differences	208	317
Trading losses carried forward	1269	81
	775	825

The deferred tax asset expected to reverse in 2019 totals £108k (2018: £445k). This primarily relates to the revaluation of tangible assets.

Notes to the financial statements (continued)

20. Deferred capital funding

	2018 £000	2017 £000
Cost:		
At 1 January	103,807	107,464
Amortisation credit for the year	(3,657)	(3,657)
At 31 December	<u>100,150</u>	<u>103,807</u>

21. Called up share capital

	2018 £000	2017 £000
Authorised, called up and fully paid		
120,372 (2017: 120,372) ordinary shares of 25p each	<u>30</u>	<u>30</u>

The Company has one class of ordinary shares which carry no right to fixed income.

22. Financial commitments

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

	2018 £000	2017 £000
Payments due:		
Not later than one year	2,943	978
Later than one year and not later than five years	11,383	493
Later than five years	28,245	-
	<u>42,571</u>	<u>1,471</u>

The increase in financial commitments in 2018 represents a new property lease that has been signed, with the additional premises needed to support the growth of the McLaren Group.

Notes to the financial statements (continued)

23. Contingent liability

McLaren Services Limited (formerly McLaren Technology Group Limited) is party to an unlimited cross company guarantee securing all monies due, or to become due, in respect of the overdraft and £90,000k loan facility provided to McLaren Holdings Limited by its bankers. As at 31 December 2018 the balance guaranteed was £nil. In addition, McLaren Services Limited (formerly McLaren Technology Group Limited) is party to a guarantee securing all monies due, or to become due, in respect of £370,000k of sterling-denominated Senior Secured Notes and \$250,000k of dollar-denominated Senior Secured Notes issued by the Group in July 2017.

McLaren Services Limited (formerly McLaren Technology Group Limited) has given guarantees in favour of third parties. As at 31 December 2018, the balances guaranteed were EUR 550k (2017: EUR 550k) in favour of Cedric Cornebois, £83k (2017: £83k) in favour of County Council of Surrey and £49k (2017: £49k) in favour of Thames Water Utilities.

24. Related party transactions

Transactions with related companies during the year were as follows:

	Year ended 31 December	Balance outstanding at 31 December	Year ended 31 December	Balance outstanding at 31 December
	2018 £000	2018 £000	2017 £000	2017 £000
Sales to related parties				
Logically Applied Solutions Limited	-	-	45	-
R Dennis	-	-	32	-
M Ojeh	-	-	31	31
R Aguirre	24	8	-	-
MAO Financial Services SA	48	2	-	-
Loans to related parties:				
Z Brown	-	1,000	-	-
Amounts owed by related parties at 31 December		1,010		31
Split by:				
Amounts owed by related parties due < 1 year		10		31
Amounts owed by related parties due > 1 year		1,000		-
		1,010		31

There were no related party purchases during the year.

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

Notes to the financial statements (continued)

25. Ultimate parent company and controlling party

In the opinion of the Directors, the Company's immediate parent is McLaren Holdings Limited.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is McLaren Group Limited. Copies of the McLaren Group Limited consolidated financial statements are available from Companies House, Crown Way, Cardiff CF14 3UZ.

Ownership of McLaren Group Limited at 31 December 2018 was as follows: 57.74% Bahrain Mumtalakat Holding Company, 14.67% TAG Group Limited, 7.69% Nidala Limited, 5.91% Favorita Limited, 5.91% Perlman Investments Limited, 5.37% McKal Holdings Limited, 2.72% Acanitt Limited.

26. Other matters

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

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