

**McLaren Technology Group Limited**  
*Annual report and consolidated financial statements*  
31 December 2016

**McLaren Technology Group  
Limited**

Annual report and consolidated  
financial statements

Registered number 01967715

31 December 2016



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## **Strategic report**

### **Principal activities**

McLaren Technology Group has strategically grown and diversified from its successful Formula 1 origins, by leveraging the power of its brand and commercialising its intellectual property in technology and innovation.

McLaren Technology Group Limited acts as the holding company for a range of related and complementary businesses including McLaren Racing Limited, McLaren Marketing Limited, McLaren Applied Technologies Limited and Team McLaren Limited.

### **McLaren Technology Group strategy**

The Group's strategy is founded upon building value and scale through the development of technology-led businesses operating in dynamic, high-margin-yielding sectors. Above all, the brand and ethos of the McLaren Technology Group is predicated upon winning: success maximises revenue and attracts the finest minds and partners to the business.

McLaren Racing's focus will always be on winning, and it will continue to fund its racing programme, and form strategic partnerships sufficiently to do so. Success in Formula 1 generates stable, performance-based revenues and, combined with McLaren Marketing's delivery of additional value to commercial partners, facilitates premium sponsorship income.

The financial strength borne of this successful and unique model has enabled the Group to strategically develop scalable businesses in adjacent fields – technology, electronics, automotive manufacturing and marketing services – which in turn bolster the profile and premium attached to the McLaren brand.

### **Business vision**

In Formula 1 racing, the McLaren Technology Group's mission is to win every race and championship.

The McLaren Applied Technologies business vision is to create and apply technological innovations, techniques and expertise to improve the world. The business delivers high-impact products and solutions to diverse industries including healthcare, motorsport, transportation and automotive.

### **Business review**

2016 has been a dynamic and transitional year for the McLaren Technology Group.

In summary:

- Strategic leadership of the Group was transferred from Group Chairman and Chief Executive Ron Dennis to an Executive Committee, comprising Shaikh Mohammed bin Essa Al Khalifa and Mansour Ojjeh
- The Executive Committee appointed Zak Brown to the role of Executive Director, to work alongside Group Chief Operating Officer, Jonathan Neale, and other members of the senior management team
- The McLaren-Honda F1 racing team placed 6<sup>th</sup> in the FIA F1 Constructors' World Championship – up from 9<sup>th</sup> place in 2015
- McLaren Applied Technologies achieved a third consecutive year of double digit growth
- The Group's 55% interest in Absolute Taste was sold at the end of the year, to better allow the business to focus on its core activities

## **Strategic report (continued)**

The Group's Board and Executive Management are committed to returning the F1 team to competitiveness. Accordingly, it has recruited senior technical staff, reorganised its engineering structure, internally developed new management and invested in technologies and assets to improve performance. The Group has also invested significant time and effort into its F1 partnership with Honda, to assist in accelerating the development, reliability and competitiveness of its powertrain programme.

McLaren Applied Technologies has continued its aggressive growth trajectory, with revenues growing 21.2% in 2016, and expected to grow by more than 20% in 2017. MAT has continued to increase headcount in this business as well as its commercial footprint, with offices in the USA, Singapore, Woking and London as well as the McLaren Technology Centre. MAT has developed a business strategy that aligns capabilities with its priority markets. In 2016 this has resulted in a significantly increased presence in the transport sector, most notably rail, and increasing presence in targeted niches such as health. MAT's motorsport market has remained strong, driven by single source contracts across most of the major racing series in the world. The Board and management are excited about the growth of McLaren Applied Technologies and the future positive impact it will have on both the Group business and society.

The Group financial performance is marginally down on 2015, moving from a £3.9m profit to a loss of £5.9m in 2016. However, at an EBITDA level the business still returned a profit of £6.3m. The Group's net debt position remained constant year on year, primarily due to the sale of the Group's shareholding in McLaren Automotive Limited for £28.0m – equating to the cost of the Group's investment.

Group revenues remained stable at £276m, with a fall in F1 revenues of £8.4m and all other business areas remaining stable or increasing. Most notably, McLaren Applied Technologies revenues increased in the period by 21.2%, from £42.8m in 2015 to £51.9m in 2016. The £9.8m swing from a profit in 2015 to a loss in 2016 was driven by lower Formula 1 revenues.

The Group continues to hold a strong balance sheet and has actively managed its debt level, whilst continuing to invest in future revenue growth and financial and on-track performance.

The financial statements have been drawn up on a going concern basis. At the time of their preparation and completion, the Company's £100m facility with HSBC comes up for renewal on 31 October 2017. On the 7 June 2017 the shareholders of both McLaren Technology Group and McLaren Automotive Limited signed a Sale and Purchase Agreement to amalgamate both groups under one holding company. To facilitate this agreement, and provide funds to buy out one of the shareholders and provide adequate funding to the new group, the new holding company is in the process of issuing a public 5 year high yield bond. This bond, together with a revolving credit facility, has now been underwritten by a consortium of banks prior to going to market. As such the Sale and Purchase Agreement will now complete at the latest on 10 August 2017. The proceeds of this bond and linked revolving credit facility are more than sufficient to fund the combined group. Given the above the Directors are assured of the ongoing funding of the Company and have therefore prepared the accounts on a going concern basis. The Company's directors chose not to put a new financing agreement in place as this would incur cost and time on a facility that would be subsequently usurped a short time later.

## **Principal risks and uncertainties**

The McLaren Technology Group rigorously identifies all major risks. Only one of the four key risk areas is outside the Group's direct sphere of control: the performance of Formula 1 as a global sports entertainment business. Other risk areas – on-track performance impacting income from prize money, the renewal and acquisition of sponsorship, and foreign exchange movements – can be and are constantly managed.

Formula 1 has consistently grown in profitability through race promotion fees, broadcasting rights and advertising and sponsorship. McLaren remains confident that the sport's growth trajectory will continue under the new ownership of Liberty Media and that McLaren, as a recognised and important contributor to F1's product and brand reputation, will continue to benefit.

**Strategic report (continued)**

**Principal risks and uncertainties (continued)**

McLaren Racing has been among the most successful teams of the past half-century, and is widely known for its relentless quest for podium results. 2016 proved challenging, and that challenge will continue through 2017 as Honda strives to make up ground to its rivals. 2017 has so far been challenging. Progress has been made on our chassis, but Honda need to make further progress on the powertrain.

Sponsorship acquisition and renewal is affected by a number of factors, principally the attractiveness of Formula 1 as a global marketing platform, on-track performance and the global economy. The Group's underlying business diversity and powerful long-term track record enables it to maintain a selective, premium sponsorship rate card. McLaren Marketing is a substantial, innovative and well-respected resource that works with partners to maximise the value of their sponsorships, enabling the Group to attract and retain blue-chip partners across a broad variety of industry sectors.

As with any company active on a global stage, foreign exchange volatility, primarily related to US Dollar income, presents a risk. To mitigate this, the Board has approved a Group treasury policy to manage currency exposure. The policy is designed to manage short-to-medium-term risk rather than to speculate on currency movements.

**Key Performance Indicators**

Key KPI's for the Group are quite simple; Position in the FIA Formula 1 World Championships (Constructors and Drivers) and the profitable growth rate of Applied Technologies.



**A Myers**  
Director

27 June 2017

**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 Group and Company, and the independent auditors' report, for the year ended 31 December 2016.

### **Results**

The consolidated loss for the financial year after taxation and minority interest amount to £5,899,000 (2015: profit of £3,882,000).

### **Future developments**

The future developments of the Group are explained in the Strategic report on pages 3 to 5.

### **Post balance sheet events**

A majority of the shareholders are undertaking a consolidation of McLaren Technology Group and McLaren Automotive, resulting in new financing at a holding company level – refer note 3b page 17.

### **Research and development**

By the nature of its activities, the Group has an ongoing investment into research and development across all of its motoring and engineering operations.

### **Going concern**

The directors have a reasonable expectation that the Company and the Group have 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 17.

### **Financial risk management objectives and policies**

The Group's activities expose it to a number of financial risks including foreign exchange risk, credit risk, and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

#### ***Foreign exchange risk***

The Group is exposed to currency exchange rate risk due to a significant proportion of its receivables and operating expenses being denominated in non-Sterling currencies. The net exposure of each currency is monitored and managed by the use of forward foreign exchange contracts, currency loans or overdrafts. The majority of forward foreign exchange contracts mature within 12 months.

#### ***Credit risk***

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

The Group's credit risk is primarily attributable to its trade receivables. The Group is at risk to the extent that a customer may be unable to pay the debt as it is due. The risk is mitigated by the strong on-going customer relationships. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

## **Directors' report (continued)**

### **Financial risk management objectives and policies (continued)**

#### **Credit risk (continued)**

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

#### **Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt finance.

The objective of the Group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the Group has credit facilities available. This current credit facility expires 31 October 2017 and will not be renewed as new financing arrangements are being undertaken – refer note 3b page 17.

#### **Dividends**

The directors do not propose a dividend for the year ended 31 December 2016 (2015: £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:

M Al Khalifa

M Al Kooheji

J Allert

R Dennis

A Myers

M Ojeh

E Sami – resigned 29/11/16

R Fakhri – appointed 26/10/16 resigned 28/03/17

R Al Masri – appointed 26/10/16

H Kirikian – appointed 26/10/16

J Riches – appointed 29/11/16

W Griffiths – appointed 28/03/17

#### **Disabled employees**

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

## **Directors' report (continued)**

### **Employee consultation**

The Group 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 Group 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.

### **Statement of directors' responsibilities**

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 Group and 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 and the Group will continue in business.

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

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.

### **Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has 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 auditor is aware of that information.

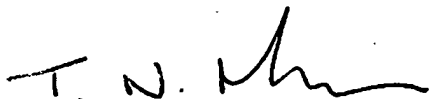
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Directors' report (continued)**

**Independent auditors**

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

The financial statements on pages 12 to 45 were approved by the Board of Directors on 27 June 2017 and signed on its behalf by:



**T Murnane**  
*Secretary, McLaren Technology Group Limited*

27 June 2017

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

# **Independent auditors' report to the members of McLaren Technology Group Limited**

## **Report on the financial statements**

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### **Our opinion**

In our opinion, McLaren Technology Group Limited's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2016 and of the Group's loss and cash flows for the year then ended;
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
- 

### **What we have audited**

The financial statements, included within the Annual report and consolidated financial statements (the "Annual Report"), comprise:

- the consolidated and Company balance sheets as at 31 December 2016;
- the consolidated profit and loss account and consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated and Company statements of changes in equity for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group, the Company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

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
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## Independent auditors' report to the members of McLaren Technology Group Limited (continued)

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### Other matters on which we are required to report by exception (*continued*)

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#### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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### Responsibilities for the financial statements and the audit

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#### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

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#### What an audit of financial statements involves

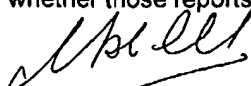
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Mark Gill (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

27 June 2017

**Consolidated profit and loss account**

for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Turnover	5	276,444	277,549
Cost of Sales		<u>(204,092)</u>	<u>(189,660)</u>
<b>Gross profit</b>		<b>72,352</b>	<b>87,889</b>
Administrative expenses		(83,502)	(82,102)
Other operating income		9,876	7,042
Sale of subsidiary		<u>2,177</u>	<u>-</u>
<b>Operating profit</b>	6	<b>903</b>	<b>12,829</b>
Interest receivable and similar income	8	1,208	773
Interest payable and similar expenses	8	<u>(8,715)</u>	<u>(7,494)</u>
<b>(Loss)/profit before taxation</b>		<b>(6,604)</b>	<b>6,108</b>
Tax on (loss)/profit	9	<u>644</u>	<u>(2,203)</u>
<b>(Loss)/profit for the financial year</b>		<b><u>(5,960)</u></b>	<b><u>3,905</u></b>
<b>(Loss)/profit attributable to:</b>			
- owners of the parent		(5,899)	3,882
- Non-controlling interest		<u>(61)</u>	<u>23</u>
		<b><u>(5,960)</u></b>	<b><u>3,905</u></b>

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The loss for the year is presented in the Company balance sheet on page 13.

**Consolidated statement of comprehensive income**

for the year ended 31 December 2016

	2016 £000	2015 £000
<b>(Loss)/profit for the financial year</b>	<b>(5,960)</b>	<b>3,905</b>
<b>Other comprehensive income/(expense):</b>		
Deferred tax movement on revaluation reserve	700	1,426
Currency translation difference on foreign currency net investment	(210)	18
Non-controlling interest elimination on sale of subsidiary	<u>484</u>	<u>-</u>
<b>Total comprehensive (expense)/income for the year</b>	<b><u>(4,986)</u></b>	<b><u>5,349</u></b>
<b>Total comprehensive (expense)/income attributable to:</b>		
- owners of the parent	(5,409)	5,326
- Non-controlling interest	<u>423</u>	<u>23</u>
	<b><u>(4,986)</u></b>	<b><u>5,349</u></b>

**McLaren Technology Group Limited**  
Annual report and consolidated financial statements  
31 December 2016

**Consolidated balance sheet**

as at 31 December 2016

	Note	2016 £000	2015 £000
<b>Fixed assets</b>			
Intangible assets	10	10,209	5,445
Tangible assets	11	205,963	216,762
Heritage assets	12	76,925	76,700
Investments	13	-	27,993
		<u>293,097</u>	<u>326,900</u>
<b>Current assets</b>			
Inventories	14	30,301	24,514
Debtors	15	76,671	70,393
Cash at bank and in hand		2,726	437
		<u>109,698</u>	<u>95,344</u>
<b>Creditors: Amounts falling due within one year</b>	16	<u>(143,693)</u>	<u>(155,801)</u>
<b>Net current liabilities</b>		<u>(33,995)</u>	<u>(60,457)</u>
<b>Total assets less current liabilities</b>		<b>259,102</b>	<b>266,443</b>
<b>Creditors: Amounts falling due after more than one year</b>	17	<b>(35,478)</b>	<b>(33,527)</b>
<b>Provisions for liabilities</b>	19	<b>(993)</b>	<b>(1,642)</b>
<b>Deferred capital funding</b>	21	<u><b>(107,464)</b></u>	<u><b>(111,121)</b></u>
<b>Net assets</b>		<u><b>115,167</b></u>	<u><b>120,153</b></u>
<b>Capital and reserves</b>			
Called-up share capital	23	30	30
Capital redemption reserve		20	20
Foreign currency translation reserve		(288)	(78)
Revaluation reserve		58,127	57,427
Retained earnings		<u>57,278</u>	<u>63,177</u>
<b>Equity attributable to owners of the parent</b>		<b>115,167</b>	<b>120,576</b>
Non-controlling interests		-	<u>(423)</u>
<b>Total Equity</b>		<u><b>115,167</b></u>	<u><b>120,153</b></u>

The financial statements of McLaren Technology Group Limited were authorised for issue by the board of directors on 27 June 2017 and signed on its behalf by:

A Myers  
Director



**McLaren Technology Group Limited**  
Annual report and consolidated financial statements  
31 December 2016

**Company balance sheet**

as at 31 December 2016

	Note	2016 £000	2015 £000
<b>Fixed assets</b>			
Intangible assets	10	2,720	-
Tangible assets	11	189,224	198,774
Investments	13	74	28,067
		<u>192,018</u>	<u>226,841</u>
<b>Current assets</b>			
Inventories	14	141	113
Debtors	15	67,441	50,667
Cash at bank and in hand		1,830	-
		<u>69,412</u>	<u>50,780</u>
<b>Creditors: Amounts falling due within one year</b>	16	<u>(123,222)</u>	<u>(128,571)</u>
<b>Net current liabilities</b>		<u>(53,810)</u>	<u>(77,791)</u>
<b>Total assets less current liabilities</b>		<b>138,208</b>	<b>149,050</b>
<b>Creditors: Amounts falling due after more than one year</b>	17	<b>(35,109)</b>	<b>(33,007)</b>
<b>Provisions for liabilities</b>	19	<b>(993)</b>	<b>(820)</b>
<b>Deferred capital funding</b>	21	<u><b>(107,464)</b></u>	<u><b>(111,121)</b></u>
<b>Net (liabilities)/assets</b>		<u><b>(5,358)</b></u>	<u><b>4,102</b></u>
<b>Capital and reserves</b>			
Called-up share capital	23	30	30
Capital redemption reserve	23	20	20
Retained earnings			
At 1 January		4,052	10,626
Loss for the year		(9,460)	(6,574)
At 31 December		<b>(5,408)</b>	4,052
<b>Total Equity</b>		<u><b>(5,358)</b></u>	<u><b>4,102</b></u>

The financial statements of McLaren Technology Group Limited were authorised for issue by the board of directors on 27 JUNE 2017 and signed on its behalf by:

A Myers  
Director



**Consolidated statement of changes in equity**  
for the year ended 31 December 2016

	Called up Share Capital	Capital Redemption reserve	Foreign Currency Translation reserve	Revaluation reserve	Retained earnings	Equity attributable to owners of the parent	Non- controlling interest	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 January 2016	30	20	(96)	56,126	59,170	115,250	(446)	114,804
Loss for the financial year	-	-	-	-	3,882	3,882	23	3,905
Other comprehensive income for the year	-	-	18	1,426	-	1,444	-	1,444
<b>Total comprehensive income</b>	-	-	18	1,426	3,882	5,326	23	5,349
Transfer on disposal of revalued fixed assets	-	-	-	(125)	125	-	-	-
<b>At 31 December 2016</b>	<b>30</b>	<b>20</b>	<b>(78)</b>	<b>57,427</b>	<b>63,177</b>	<b>120,576</b>	<b>(423)</b>	<b>120,153</b>
At 1 January 2016	30	20	(78)	57,427	63,177	120,576	(423)	120,153
Loss for the financial year	-	-	-	-	(5,899)	(5,899)	(61)	(5,960)
Other comprehensive income for the year	-	-	(210)	700	-	490	484	974
<b>Total comprehensive income</b>	-	-	<b>(210)</b>	<b>700</b>	<b>(5,899)</b>	<b>(5,409)</b>	<b>423</b>	<b>(4,986)</b>
<b>At 31 December 2016</b>	<b>30</b>	<b>20</b>	<b>(288)</b>	<b>58,127</b>	<b>57,278</b>	<b>115,167</b>	-	<b>115,167</b>

**Company statement of changes in equity**  
for the year ended 31 December 2016

	Called-up Share Capital	Capital Redemption reserve	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 January 2015	30	20	10,626	10,676
Loss for the financial year	-	-	(6,574)	(6,574)
<b>At 31 December 2015</b>	<b>30</b>	<b>20</b>	<b>4,052</b>	<b>4,102</b>
At 1 January 2016	30	20	4,052	4,102
Loss for the financial year	-	-	(9,460)	(9,460)
<b>At 31 December 2016</b>	<b>30</b>	<b>20</b>	<b>(5,408)</b>	<b>(5,358)</b>

**Consolidated statement of cash flows**  
for the year ended 31 December 2016

	Note	2016 £000	2015 £000
<b>Net cash flows from operating activities</b>	24	3,670	6,014
Taxation paid		(9)	(10)
<b>Net cash inflow from operating activities</b>		<u>3,661</u>	<u>6,004</u>
<b>Cash flow from investing activities</b>			
Addition of intangible assets		(2,271)	(1,741)
Purchase of tangible assets		(4,951)	(8,493)
Proceeds from disposal of tangible assets		212	633
Interest received		1,222	18
Proceeds from disposal of investment		27,993	-
Proceeds from disposal of subsidiary		2,614	-
<b>Net cash inflow /(outflow) from investing activities</b>		<u>24,819</u>	<u>(9,583)</u>
<b>Cash flow from financing activities</b>			
Repayments of obligations under finance lease		(496)	(533)
(Repayments of)/Receipts from revolver loan facility		(21,250)	14,300
Interest paid		(4,169)	(5,978)
<b>Net cash (outflow)/inflow from financing activities</b>		<u>(25,915)</u>	<u>7,789</u>
<b>Net increase in cash and cash equivalents</b>		<u>2,565</u>	<u>4,210</u>
Cash and cash equivalents at beginning of year		161	(4,049)
<b>Cash and cash equivalents at end of year</b>		<u>2,726</u>	<u>161</u>
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand		2,726	437
Bank overdraft		-	(276)
<b>Cash and cash equivalents</b>		<u>2,726</u>	<u>161</u>

## **Notes to the financial statements**

### **1. General Information**

McLaren Technology Group 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 given on page 5. The nature of the Group's operations and its principal activities are set out in the Strategic report on pages 3 to 5.

The Company is a private company limited by shares and is incorporated in England. The address of its registered office is McLaren Technology Centre, Chertsey Road, Woking, Surrey, GU21 4YH.

### **2. Statement of compliance**

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

### **3. Summary of significant accounting policies**

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

#### **a. Basis of Preparation**

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Group and Company 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.

The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

#### **b. Going concern**

The financial statements have been drawn up on a going concern basis. At the time of their preparation and completion, the Company's bank facility with HSBC comes up for renewal on 31 October 2017. On the 7 June 2017 the shareholders of both McLaren Technology Group and McLaren Automotive Limited signed a Sale and Purchase Agreement to amalgamate both groups under one holding company. To facilitate this agreement, and provide funds to buy out one of the shareholders and provide adequate funding to the new group, the new holding company is in the process of issuing a public 5 year high yield bond. This bond, together with a revolving credit facility, has now been underwritten by a consortium of banks prior to going to market. As such the Sale and Purchase Agreement will now complete at the latest on 10 August 2017. The proceeds of this bond and linked revolving credit facility are more than sufficient to fund the combined group.

Given the above the Directors are assured of the ongoing funding of the Company and have therefore prepared the accounts on a going concern basis.

## Notes to the financial statements *(continued)*

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

#### **b. Going concern *(continued)***

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 3 to 5.

The directors believe that the Company is well placed to manage its business risk successfully, despite the current uncertainties in global economic markets. The directors made enquiries of, and considered the Company's performance against its plans and objectives and satisfied themselves that the Company is performing as expected.

The directors have also considered the Company's ability to provide ongoing support to those subsidiaries which may require it, and have concluded that the Company has sufficient resources to provide the support required by those subsidiaries.

#### **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 the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flow;
- (ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.36 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

#### **d. Basis of consolidation**

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

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

## Notes to the financial statements *(continued)*

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

#### **e. Foreign currency**

The Group financial statements are presented in pound sterling and rounded to thousands. The Company's functional and presentational currency is the pound sterling.

Foreign currency transactions are translated into the functional currency at the rates ruling at the beginning of the month in which the transactions took place, unless they are deemed to be materially different to the spot rate, in which case spot exchange rates are used.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

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

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

#### **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 Group and value added taxes. The Group bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue represents sponsorship fees, other motor racing revenue receivables and sales by the Group to external customers, excluding value added tax. The Group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Group's sales channels have been met, as described below.

- i. Sponsorship income is deferred and recognised over the period in which the Group performs its obligations under the sponsorship contract.
- ii. Income from the sale of goods is recognised when the risks and rewards of the goods have passed to the customer.
- iii. Other motor racing revenue is recognised when the Group has performed its obligations in order to earn the revenue.

In certain cases, the Group enters into agreements with suppliers whereby goods and services are received in exchange for various sponsorship and marketing activities. In such cases revenue is recorded at the fair value of the goods or services rendered.

Where the Group is party to a joint arrangement which is not an entity, its part of the income and expenditure, assets, liabilities and cash flows have been included in these financial statements.

## Notes to the financial statements *(continued)*

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

#### *f. Revenue recognition (continued)*

Interest income is recognised using the effective interest method.

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

#### *g. Long-term contracts*

Long-term contract balances represent costs incurred on specific contracts, net of amounts transferred to cost of sales in respect of work recorded as turnover, less foreseeable losses and payments on account not matched with turnover. Contract work in progress is recorded as turnover on the following bases.

- i. On contracts which provide for delivery of own manufactured units or components, turnover is recorded when deliveries are made to customers.
- ii. In respect of initial research and development contracts, turnover is determined by reference to the value of work carried out to date. No profit is recognised until the contract has advanced to a stage where the total profit can be assessed with reasonable certainty. Provision is made for the full amount of foreseeable losses on contracts.

#### *h. Employee benefits*

##### *(i) Defined contribution pension plans*

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

##### *(ii) Short term benefits*

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

##### *(iii) Annual bonus plan*

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

#### *i. 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)

#### i. 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.

#### j. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, up to 10 years for development costs.

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.

Research expenditure is written off in the period it is incurred. Development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are not expected to exceed related future sales and adequate resources exist to enable the project to be completed.

#### k. Tangible assets

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

Depreciation is provided over the estimated useful lives of the assets at the following rates:

Freehold buildings	- 2% - 10% straight line
Leasehold premises and improvements	- written off over the life of the lease
Plant, machinery, tools and equipment	- 5 - 20% of reducing balance
Motor vehicles	- 25% of reducing balance
Fixtures, fittings and office equipment	- 20% of reducing balance

Depreciation is not provided on freehold land as in the directors' opinion the residual value exceeds cost.

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

## **Notes to the financial statements (continued)**

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

#### **k. Tangible assets (continued)**

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.

#### **l. Deferred capital funding**

Capital based funding 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.

#### **m. Heritage assets**

McLaren Racing Limited has a collection of heritage vehicles, made up of 150 racing cars, 6 F1 road cars, 4 historic vehicles and 20 spare F1 racing car monocoques. Under previous UK GAAP the Group had a policy of revaluing Heritage assets every 5 years. On transition to FRS 102 the Group elected to follow the cost model and use the previous revaluation at 31 December 2013 as the deemed cost for the assets. Heritage assets are stated at cost less accumulated impairment losses. Cost includes any costs that are directly attributable to bringing the asset to its working condition for its intended use.

The vehicles are maintained by the business on a regular basis with maintenance costs being charged to the profit and loss account when incurred. The cars are deemed to have indeterminate lives and the directors do not therefore consider it appropriate to charge depreciation.

In addition, McLaren Racing Limited has a collection of racing memorabilia, including trophies and helmets, which the directors have not sought to value and is therefore not recognised on the balance sheet.

#### **n. Borrowing costs**

All borrowing costs are recognised in profit and loss in the period in which they are incurred.

#### **o. Leased assets**

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

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

##### **(i) Finance leased assets**

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

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

## Notes to the financial statements *(continued)*

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

#### **o. Leased assets**

##### **(i) Finance 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.

#### **p. 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.

#### **q. Investments - Company**

Investments in subsidiary companies are held at cost less accumulated impairment losses.

#### **r. Inventories**

Inventories are stated at the lower of cost and net realisable value. Inventories are recognised as an expense in the period in which the related revenue is recognised.

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.

Racing cars are expected to be used for one season. All expenditure on the production and maintenance of such cars is charged to profit and loss account during the racing season in which the racing car is used. The board considers that research and development continues to play a vital role in the Group's success. The Group carries forward to the following year certain development costs incurred in the current year which relate to the production of next season's racing car.

## Notes to the financial statements (continued)

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

#### r. Inventories (continued)

The directors consider this policy to be appropriate because the considerable and valuable effort expended in preparing a racing car is recognised as an asset and charged in the period in which the corresponding racing arises and benefit is therefore derived.

#### s. Cash and cash equivalents

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

Bank overdrafts are shown within borrowing in current liabilities.

#### t. Provisions and contingencies

Provisions are recognised when the Group 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.

#### u. Financial instruments

The Group 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.

## **Notes to the financial statements (continued)**

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

#### **u. Financial instruments (continued)**

##### **(ii) Financial liabilities (continued)**

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.

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.

#### **v. 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.

#### **w. Related party transactions**

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

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

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

**4. Critical accounting judgements and key sources of estimation uncertainty**

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

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

The judgements, estimates and assumptions which are of most significance in preparing the Group's accounts are:

- (i) Impairment of intangible assets – refer note 3j
- (ii) Valuation and recoverability of deferred tax assets – refer note 20

**5. Turnover, profit and net assets by class of business**

<b>Turnover</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Racing car constructor – Formula 1	179,781	188,197
3 <sup>rd</sup> party technical services	808	6,256
Marketing	30,360	27,117
Supporters' club	6,558	8,038
Application of developed technologies, engine management systems and manufacture	51,934	42,776
Catering services	19,889	18,601
GT3 car distribution	55	104
Corporate services	54,239	53,664
	<b>343,624</b>	<b>344,753</b>
Less inter-segmental turnover	<b>(67,180)</b>	<b>(67,204)</b>
	<b>276,444</b>	<b>277,549</b>

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

**5. Turnover, profit and net assets by class of business (continued)**

	2016 £000	2015 £000
<b>(Loss)/profit before tax</b>		
Racing car constructor – Formula 1	(4,173)	5,533
3 <sup>rd</sup> party technical services	149	858
Marketing	2,904	3,501
Supporters' club	1,706	2,329
Application of developed technologies, engine management systems and manufacture	2,864	1,918
Catering services	(136)	86
GT3 car distribution	50	97
Corporate services	(12,178)	(7,906)
	<u>(8,814)</u>	<u>6,416</u>
Sale of subsidiary	2,177	-
Less intercompany elimination and non-controlling interest	33	(308)
	<u>(6,604)</u>	<u>6,108</u>
	2016 £000	2015 £000
<b>Net assets/(liabilities)</b>		
Racing car constructor – Formula 1	87,157	89,698
3 <sup>rd</sup> party technical services	7,502	8,754
Marketing	3,760	1,505
Supporters' club	6,832	5,484
Application of developed technologies, engine management systems and manufacture	14,865	11,204
F1 GTR racing	(813)	(813)
Catering services	-	(888)
Race participation – Formula 3000	7	7
GT3 car distribution	490	450
Corporate services	(5,358)	4,102
	<u>114,442</u>	<u>119,503</u>
Less intercompany elimination and non-controlling interest	725	650
	<u>115,167</u>	<u>120,153</u>

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

**6. Operating profit**

<b>Operating profit is stated after charging/(crediting)</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	87,464	80,956
Social security costs	10,439	9,715
Other pension costs	2,972	2,946
<b>Total staff costs</b>	<b>100,875</b>	<b>93,617</b>
Amounts capitalised	(3,002)	(4,600)
<b>Staff costs charged to profit and loss</b>	<b>97,873</b>	<b>89,017</b>
Loss/(profit) on disposal of tangible assets	26	(292)
Depreciation of tangible assets	12,545	12,728
Amortisation of intangible assets	546	134
Amortisation of deferred capital funding	(3,657)	(3,658)
Impairment of trade receivables	23	65
Inventory recognised as an expense	22,225	22,892
R&D tax credits	(9,876)	(7,042)
Operating lease charges	899	742
Fees payable to the Company's auditor and its associates for the audit of the parent Company and the Group's consolidated financial statements	23	22
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiaries	114	123
- Audit-related assurance services	-	39
<b>Total amount payable to the Company's auditor and its associates</b>	<b>137</b>	<b>184</b>

**7. Employees and directors**

**Employees**

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

	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
Production	286	371
Design & Engineering	503	407
Hospitality	325	295
Administration	483	450
	<b>1,597</b>	<b>1,523</b>

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

**7. Employees and directors (continued)**

**Directors**

<b>The directors' emoluments were as follows:</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Aggregate emoluments	7,335	7,228
Pension contributions	36	161
	<u>7,371</u>	<u>7,389</u>

	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
Number of directors who are members of a defined contribution pension scheme	4	4

<b>The amounts set out above include remuneration in respect of the highest paid director as follows:</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Emoluments	<u>3,703</u>	<u>3,932</u>

Details of transactions with directors and members during the year are disclosed in note 26.

**8. Net interest expense**

<b>(a) Interest receivable and similar income</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Interest receivable on related party loans	781	750
Bank interest received	2	23
Net exchange gain	425	-
	<u>1,208</u>	<u>773</u>

<b>(b) Interest payable and similar expenses</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Interest payable on related party loans	1,766	1,686
Finance lease interest	52	49
Interest payable on bank loans and overdrafts	1,865	2,553
Other interest payable and finance charges	598	489
Net exchange losses	-	2,678
	<u>4,281</u>	<u>7,455</u>

Losses on derivative financial instruments	<u>4,434</u>	39
	<u>8,715</u>	<u>7,494</u>

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

**9. Income tax**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>(a) Tax expense/(income) included in profit or loss</b>		
<b>Current tax:</b>		
- UK corporation tax on profits for the year	-	50
- Foreign corporation tax on profits for the year	80	52
- Adjustment in respect of prior years	-	-
<b>Total current tax</b>	<b>80</b>	<b>102</b>
<b>Deferred tax:</b>		
- Origination and reversal of timing differences	(1,495)	828
- Adjustment in respect of prior years	(373)	665
- Impact of change in tax rate	1,144	608
<b>Total deferred tax (note 20)</b>	<b>(724)</b>	<b>2,101</b>
<b>Tax on (loss)/profit</b>	<b>(644)</b>	<b>2,203</b>
<b>(b) Tax income included in other comprehensive income</b>		
<b>Deferred tax:</b>		
- Origination and reversal of timing differences	-	(25)
- Impact of change in tax rate	(700)	(1,401)
<b>Tax income included in other comprehensive income</b>	<b>(700)</b>	<b>(1,426)</b>

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

**9. Income tax (continued)**

**(c) Reconciliation of tax charge:**

The current tax credit for the year is lower (2015: charge was higher) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
(Loss)/profit before taxation	<u>(6,604)</u>	<u>6,108</u>
(Loss)/profit multiplied by the standard rate of tax in the UK of 20% (2015: 20.25%)	<b>(1,321)</b>	1,237
Effects of:		
- Income not subject to tax	<b>(1,140)</b>	(1,109)
- Unrecognised deferred tax	<b>139</b>	-
- Expenses not deductible for tax purposes	<b>596</b>	774
- Impact of overseas tax rates	<b>(19)</b>	2
- Adjustments in respect of prior years	<b>(373)</b>	665
- Re-measurement of deferred tax – change in UK tax rate	<b>1,474</b>	634
<b>Total tax (credit)/charge for year</b>	<u><b>(644)</b></u>	<u>2,203</u>

**(d) Tax rate changes**

In March 2015, the UK corporation tax rate was reduced from 20% to 19%, effective for the three years from 1 April 2017 to 31 March 2020. In March 2016, the UK corporation tax rate was further reduced to 17%, effective from 1 April 2020. Deferred tax balances at 31 December 2015 and 31 December 2016 are measured at the rate at which they are expected to reverse.

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

**10. Intangible assets**

Group	Internally developed software £000	Other development costs £000	Total £000
<b>Cost:</b>			
At 1 January 2016	4,806	1,688	6,494
Additions	1,811	474	2,285
Reclassification	3,025	-	3,025
At 31 December 2016	<u>9,642</u>	<u>2,162</u>	<u>11,804</u>
<b>Accumulated amortisation:</b>			
At 1 January 2016	-	1,049	1,049
Charge for the year	418	128	546
At 31 December 2016	<u>418</u>	<u>1,177</u>	<u>1,595</u>
<b>Net book value:</b>			
At 31 December 2016	<u>9,224</u>	<u>985</u>	<u>10,209</u>
At 31 December 2015	<u>4,806</u>	<u>639</u>	<u>5,445</u>

Company	Software £000
<b>Cost:</b>	
At 1 January 2016	-
Additions	113
Reclassification	3,025
At 31 December 2016	<u>3,138</u>
<b>Accumulated amortisation:</b>	
At 1 January 2016	-
Charge for the year	418
At 31 December 2016	<u>418</u>
<b>Net book value:</b>	
At 31 December 2016	<u>2,720</u>
At 31 December 2015	<u>-</u>

During the year the Company reclassified £3,025,000 from Tangible assets in the course of construction to Intangible assets relating to software development costs.

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

**11. Tangible assets**

Group	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
<b>Cost:</b>							
At 1 January 2016	226,280	2,819	64,518	7,121	62,509	7,061	370,308
Additions	61	706	1,646	-	1,790	1,062	5,265
Disposals	-	(72)	(908)	(37)	(152)	-	(1,169)
Disposal of subsidiary	-	(995)	(1,124)	(55)	(548)	-	(2,722)
Transfers	-	837	410	-	467	(4,739)	(3,025)
Exchange adjustment	5	34	3	-	43	-	85
<b>At 31 December 2016</b>	<b>226,346</b>	<b>3,329</b>	<b>64,545</b>	<b>7,029</b>	<b>64,109</b>	<b>3,384</b>	<b>368,742</b>
<b>Accumulated depreciation:</b>							
At 1 January 2016	49,571	1,612	49,041	6,572	46,750	-	153,546
Charge for the year	4,979	229	2,977	141	4,219	-	12,545
Disposals	-	-	(775)	(16)	(140)	-	(931)
Disposal of subsidiary	-	(989)	(981)	(55)	(421)	-	(2,446)
Exchange adjustment	-	32	2	-	31	-	65
<b>At 31 December 2016</b>	<b>54,550</b>	<b>884</b>	<b>50,264</b>	<b>6,642</b>	<b>50,439</b>	<b>-</b>	<b>162,779</b>
<b>Net book value:</b>							
<b>At 31 December 2016</b>	<b>171,796</b>	<b>2,445</b>	<b>14,281</b>	<b>387</b>	<b>13,670</b>	<b>3,384</b>	<b>205,963</b>
At 31 December 2015	176,709	1,207	15,477	549	15,759	7,061	216,762

The net carrying amount of assets held under finance leases included in plant, machinery, tools and equipment is nil (2015: £219,000) and within fixtures and fittings is £488,000 (2015: £610,000).

Freehold land and buildings includes land with a net book value of £26,089,000 (2015: £26,089,000).

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

**11. Tangible assets (continued)**

Company	Freehold land and buildings	Leasehold Premises and Improvements	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
<b>Cost or valuation:</b>							
At 1 January 2016	225,061	1,470	23,066	123	36,141	6,712	292,573
Additions	-	706	40	-	212	877	1,835
Disposals	-	(72)	-	(37)	-	-	(109)
Transfers	-	837	60	-	467	(4,389)	(3,025)
At 31 December 2016	<u>225,061</u>	<u>2,941</u>	<u>23,166</u>	<u>86</u>	<u>36,820</u>	<u>3,200</u>	<u>291,274</u>
<b>Depreciation:</b>							
At 1 January 2016	49,391	314	14,979	46	29,069	-	93,799
Charge for the year	4,874	193	1,027	23	2,151	-	8,268
Disposals	-	-	-	(17)	-	-	(17)
At 31 December 2016	<u>54,265</u>	<u>507</u>	<u>16,006</u>	<u>52</u>	<u>31,220</u>	<u>-</u>	<u>102,050</u>
<b>Net book value:</b>							
At 31 December 2016	<u>170,796</u>	<u>2,434</u>	<u>7,160</u>	<u>34</u>	<u>5,600</u>	<u>3,200</u>	<u>189,224</u>
At 31 December 2015	<u>175,670</u>	<u>1,156</u>	<u>8,087</u>	<u>77</u>	<u>7,072</u>	<u>6,712</u>	<u>198,774</u>

The net carrying amount of assets held under finance leases included in plant, machinery, tools and equipment is nil (2015: £219,000).

Freehold land and buildings includes land with a net book value of £26,089,000 (2015: £26,089,000).

**12. Heritage assets**

McLaren Racing Limited has a collection of heritage vehicles, made up of 150 racing cars, 6 F1 road cars, 4 historic vehicles and 20 spare F1 racing car monocoques. The collection is held in several locations; at the McLaren Technology Centre, most of which is on display to visitors and employees; on display at Donington Park Race Circuit; at McLaren Automotive Dealerships; and the remainder is held in secure storage. These assets are held on the balance sheet at cost.

Under previous UK GAAP the Company had a policy of revaluing Heritage assets every 5 years. On transition to FRS 102 the Company elected to follow the cost model and use the previous revaluation at 31 December 2013 as the deemed cost for the assets. Heritage assets are stated at cost less accumulated impairment losses. Cost includes any costs that are directly attributable to bringing the asset to its working condition for its intended use. The vehicles are maintained by the business on a regular basis with maintenance costs being charged to the profit and loss account when incurred. The cars are deemed to have indeterminate lives and the directors do not therefore consider it appropriate to charge depreciation.

In addition, McLaren Racing Limited has a collection of racing memorabilia, including trophies and helmets, which the directors have not sought to value and is therefore not recognised on the balance sheet.

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

**12. Heritage assets (continued)**

Group	Historic Cars £000
<b>Cost and Net book value:</b>	
At 1 January 2016	76,700
Additions	225
Disposals	-
<b>At 31 December 2016</b>	<b>76,925</b>

Five year financial summary of heritage asset transactions:

	2016	2015	2014	2013	2012
	£000	£000	£000	£000	£000
Additions	225	225	300	300	300
Disposals:					
Carrying value	-	125	-	-	-
Sales proceeds	-	600	-	-	-

McLaren Racing Limited has a collection of heritage vehicles, made up of 150 racing cars, 6 F1 road cars, 4 historic vehicles and 20 spare F1 racing car monocoques. The collection is held in several locations; at the McLaren Technology Centre, most of which is on display to visitors and employees; on display at Donington Park Race Circuit; at McLaren Automotive Dealerships; and the remainder is held in secure storage. These assets are held on the balance sheet at cost. Under previous UK GAAP the Company had a policy of revaluing Heritage assets every 5 years. On transition to FRS 102 the Company elected to follow the cost model and use the previous revaluation at 31 December 2013 as the deemed cost for the assets. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period.

The Company had no Heritage assets at 31 December 2016.

**13. Investments**

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Shares in Group undertakings	-	-	74	74
Other investments and loans	-	27,993	-	27,993
	-	27,993	74	28,067

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

**13. Investments (continued)**

**Other investments**

During 2016, the Group sold its 3.7% shareholding in McLaren Automotive Limited at cost for £27,993,000.

**Shares in Group undertakings**

In the directors' opinion, the aggregate net value of the subsidiaries is not less than their aggregate cost.

Further information on the investments is contained in note 29.

**14. Inventories**

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Racing car development costs	23,705	19,116	-	-
Raw materials and consumables	4,895	3,949	3	-
Work in progress	1,311	1,134	-	-
Finished goods and goods for resale	390	315	138	113
	30,301	24,514	141	113

**15. Debtors**

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Trade debtors	9,943	8,580	2,872	190
Amounts owed by group undertakings	-	-	26,740	10,441
Amounts owed by related parties (note 26)	32,267	32,400	31,765	32,590
Taxation	18,404	8,636	-	-
Other debtors	8,991	14,445	1,385	3,689
Prepayments and accrued income	6,096	6,240	1,413	1,995
Deferred tax asset	575	-	2,871	1,670
Derivative financial assets (note 22)	395	92	395	92
	76,671	70,393	67,441	50,667

Trade debtors are stated after provisions of impairment of £32,000 (2015: £55,000).

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

**15. Debtors (continued)**

Amounts owed by group undertakings include business transactions, under normal commercial terms and conditions, and Group loans. Group loans attract interest at 2.5% above Bank of England base rate, are unsecured, and repayable on demand.

Amounts owed by related parties include business transactions, under normal commercial terms and conditions, and related party loans. The loans are unsecured, and attract interest at 2.5% above Bank of England base rate.

**16. Creditors – amounts falling due within one year**

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Bank loans and overdrafts (note 18)	64,750	86,276	64,750	86,360
Obligations under finance leases (note 18)	313	484	175	350
Trade creditors	11,631	12,185	3,041	4,280
Amounts owed to group undertakings (note 18)	-	-	44,137	25,920
Amounts owed to related parties (note 26)	215	-	39	146
Taxation and social security	4,528	4,058	1,823	1,558
Other creditors	590	225	-	-
Derivative financial liabilities (note 22)	4,710	2,229	4,710	2,229
Accruals and deferred income	56,956	50,344	4,547	7,728
	<b>143,693</b>	<b>155,801</b>	<b>123,222</b>	<b>128,571</b>

**17. Creditors – amounts falling due after more than one year**

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Obligations under finance leases (note 18)	369	695	-	175
Amounts owed to related parties (note 26)	34,213	32,430	34,213	32,430
Derivative financial liabilities (note 22)	896	402	896	402
	<b>35,478</b>	<b>33,527</b>	<b>35,109</b>	<b>33,007</b>

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

**18. Loans and other borrowings**

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Bank loans	64,750	86,000	64,750	86,000
Overdraft	-	276	-	360
Obligations under finance leases	682	1,179	175	525
Amounts owed to group undertakings	-	-	44,137	25,920
Amounts owed to related parties	34,428	32,430	34,252	32,576
	<b>99,860</b>	<b>119,885</b>	<b>143,314</b>	<b>145,381</b>

**Bank loans and overdraft**

The bank loans comprise £64,750,000 of drawings under a revolving credit facility. The commitment under the revolving credit facility totals £100m with a final maturity date of 31 October 2017. The facility is secured by way of fixed and floating charges over the assets of the Group. The facility will not be renewed beyond this date as alternative financing arrangements are being undertaken – refer note 3b page 17.

**Finance leases**

The future minimum finance lease payments are as follows:

	2016 £000	2015 £000
Not later than one year	356	549
Later than one year and not later than five years	369	725
Total gross payments	725	1,274
Less finance charges	(43)	(95)
Carrying amount of liability	<b>682</b>	<b>1,179</b>

The finance leases primarily relate to data storage systems and high performance and precision cutting tools. When the cutting tools lease terminates in 2020 the title of goods will pass following final payment under the contract and settlement of a nominal option to purchase fee.

**Amounts owed to group undertakings**

Amounts owed to group undertakings include business transactions, under normal commercial terms and conditions, and Group loans. Group loans bear interest at Bank of England base rate, are unsecured and are repayable on demand.

**Amounts owed to related parties**

Amounts owed to related parties are loans from shareholders, unsecured and bearing interest at 5.3% which is added to the outstanding balance. Repayment of those loans can only be demanded if agreed by McLaren Technology Group Limited board resolution.

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

**19. Provisions for liabilities**

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Provision for charges relating to leased premises	490	820	490	820
Provision for deferred tax	-	822	-	-
Other provisions	503	-	503	-
	993	1,642	993	820

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 2017 and 2020 as the leases terminate. Other provisions includes various legal matters where the outcome is not certain and has been estimated. This provision is expected to be utilised between 2017 and 2018.

**20. Deferred tax**

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

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Depreciation in excess of capital allowances	(2,297)	(862)	(2,347)	(1,021)
Revaluation of tangible assets	11,906	12,606	-	-
Financial instruments	(357)	(419)	(357)	(419)
Other timing differences	(390)	(450)	(167)	(230)
Losses carried forward	(9,437)	(10,053)	-	-
	(575)	822	(2,871)	(1,670)

The Group deferred tax assets expected to reverse in 2017 total £661,000. This primarily relates to fixed asset timing differences and losses carried forward.

**21. Deferred capital funding**

	Group and Company £000
<b>Cost:</b>	
At 1 January 2016	111,121
Amortisation credit for the year	(3,657)
At 31 December 2016	107,464

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

**22. Financial instruments**

The Group has the following financial instruments:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>Financial assets measured at fair value through profit or loss</b>		
- Derivative financial assets (note 15)	395	92
<b>Financial assets that are debt instruments measured at amortised cost</b>		
- Cash	2,726	437
- Trade debtors (note 15)	9,943	8,580
- Amounts owed by related parties (note 15)	32,267	32,400
- Other debtors (note 15)	8,991	14,445
- Accrued income (note 15)	1,889	589
	<b>55,816</b>	<b>56,451</b>
<b>Financial liabilities measured at fair value through profit or loss</b>		
- Derivative financial liabilities (note 16 and 17)	5,606	2,631
<b>Financial liabilities measured at amortised cost</b>		
- Bank overdrafts (note 18)	-	276
- Bank loans (note 18)	64,750	86,000
- Finance leases (note 18)	682	1,179
- Trade creditors (note 16)	11,631	12,185
- Amounts owed to related parties (note 18)	34,428	32,430
- Other creditors (note 16)	590	225
- Accruals (note 16)	19,784	15,178
	<b>131,865</b>	<b>147,473</b>

The Group enters into forward foreign exchange contracts to mitigate the exchange rate risk exposure from payments and receipts in foreign currency.

At 31 December 2016, the outstanding contracts mature out to October 2018. The Group has entered into fixed forward contracts to sell \$32,550,000 at an average exchange rate of 1.318 and to purchase €2,213,110 at an average exchange rate of 1.347.

In addition, the Group has entered into option forward contracts to sell \$31,700,000 in exchange for Sterling where the contracts are protected at various rates between 1.167 and 1.415, they trigger if they breach rates between 1.30 and 1.60 within one month of maturity, in which case they revert to the protected rate, and in between these ranges the contracts fall away at maturity.

The Group has also entered into option forward contracts to purchase €2,750,000 in exchange for Sterling where the contracts are protected at various rates between 1.24 and 1.44, they trigger if they breach rates between 1.14 and 1.33 within one month of maturity, in which case they revert to the protected rate, and in between these ranges the contracts fall away on maturity.

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

**22. Financial instruments (continued)**

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs.

**23. Called up share capital**

	2016 £000	2015 £000
Authorised, called-up and fully paid		
120,372 (2015: 120,372) ordinary shares of 25p each	30	30

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

**24. Statement of cash flows**

**Reconciliation of profit to net cash flow from operating activities**

	2016 £000	2015 £000
(Loss)/profit for the financial year	(5,960)	3,905
Adjustments for:		
Tax on (loss)/profit	(644)	2,203
Net interest expense	7,507	6,721
Operating profit	903	12,829
Depreciation and amortisation charges	9,434	9,204
R&D expenditure credits	(9,876)	(7,042)
(Increase)/decrease in stocks and work in progress	(6,092)	8,590
Decrease in debtors	3,095	10,067
Increase/(decrease) in creditors	7,813	(27,567)
Decrease in amounts due from related parties	348	290
Increase in provisions	173	-
Impairment losses	23	(65)
Loss/(profit) on disposal of fixed assets	26	(292)
Profit on disposal of subsidiary	(2,177)	-
<b>Cash generated by operations</b>	<b>3,670</b>	<b>6,014</b>

**Non-cash transactions**

During the year the Group did not acquire any new tangible assets under finance leases. In 2015 £762,500 was capitalised as the cost of the asset, being the present value of the minimum lease payments.

## Notes to the financial statements (continued)

### 25. Financial commitments

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

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Payments due:				
Not later than one year	528	786	338	400
Later than one year and not later than five years	461	979	213	553
Later than five years	-	-	-	-
	<b>989</b>	<b>1,765</b>	<b>551</b>	<b>953</b>

### 26. Related party transactions

Transactions with related companies during the year were as follows:

Group	Year ended	Balance	Year ended	Balance
	31 December	outstanding at	31 December	outstanding at
	2016 £000	31 December 2016 £000	2015 £000	31 December 2015 £000
<b>Sales to related parties</b>				
Logically Applied Solutions Limited	1	-	8	6
McLaren Automotive Limited	39,496	7,262	40,100	7,331
TAG Group Limited	(6)	-	839	47
R Dennis	92	-	75	-
M Al Khalifa	-	-	1	-
M Ojeh	-	-	22	14
E Sami	-	5	2	2
A Myers	-	-	17	-
L Redding	-	-	8	-
<b>Loans to related parties:</b>				
McLaren Automotive Limited		25,000		25,000
<b>Amounts owed by related parties at 31 December</b>		<b>32,267</b>		<b>32,400</b>
<b>Split by:</b>				
Amounts owed by related parties due < 1 year		4,155		4,952
Amounts owed by related parties due > 1 year		28,112		27,448
		<b>32,267</b>		<b>32,400</b>

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

**26. Related party transactions (continued)**

Group	Year ended 31 December 2016 £000	Balance outstanding at 31 December 2016 £000	Year ended 31 December 2015 £000	Balance outstanding at 31 December 2015 £000
<b>Purchases from related parties</b>				
Cinimod Studios	-	-	6	-
Logically Applied Solutions Limited	580	-	430	-
McLaren Automotive Limited	223	215	110	-
TAG Group Limited	-	-	1	-
<b>Loans from shareholders:</b>				
Bahrain Mumtalakat Holding Company		18,436		17,475
R Dennis		7,892		7,481
TAG Group Limited		7,885		7,474
<b>Amounts owed to related parties at 31 December</b>		<b>34,428</b>		<b>32,430</b>
<b>Split by:</b>				
Amounts owed to related parties due < 1 year		215		-
Amounts owed to related parties due > 1 year		34,213		32,430
		<b>34,428</b>		<b>32,430</b>

Company	Year ended 31 December 2016 £000	Balance outstanding at 31 December 2016 £000	Year ended 31 December 2015 £000	Balance outstanding at 31 December 2015 £000
<b>Sales to related parties</b>				
Absolute Taste Limited	267	-	334	905
Logically Applied Solutions Limited	1	-	2	-
McLaren Automotive Limited	34,065	6,765	34,390	6,685
R Dennis	92	-	66	-
M Al Khalifa	-	-	1	-
A Myers	-	-	1	-
<b>Loans to related parties:</b>				
McLaren Automotive Limited		25,000		25,000
<b>Amounts owed by related parties at 31 December</b>		<b>31,765</b>		<b>32,590</b>
<b>Split by:</b>				
Amounts owed by related parties due < 1 year		3,653		5,112
Amounts owed by related parties due > 1 year		28,112		27,478
		<b>31,765</b>		<b>32,590</b>

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

**26. Related party transactions (continued)**

Company	Year ended 31 December 2016 £000	Balance outstanding at 31 December 2016 £000	Year ended 31 December 2015 £000	Balance outstanding at 31 December 2015 £000
<b>Purchases from related parties</b>				
Cinimod Studios	-	-	6	-
Absolute Taste Limited	1,158	-	1,224	146
Logically Applied Solutions Limited	580	-	430	-
McLaren Automotive Limited	55	39	101	-
<b>Loans from shareholders:</b>				
Bahrain Mumtalakat Holding Company		18,436		17,475
R Dennis		7,892		7,481
TAG Group Limited		7,885		7,474
<b>Amounts owed to related parties at 31 December</b>		<b>34,252</b>		<b>32,576</b>
<b>Split by:</b>				
Amounts owed to related parties due < 1 year		39		146
Amounts owed to related parties due > 1 year		34,213		32,430
		<b>34,252</b>		<b>32,576</b>

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

**27. Ultimate parent company**

Ownership of McLaren Technology Group Limited at 31 December 2016 was as follows: 50% Bahrain Mumtalakat Holding Company (incorporated in Bahrain), 25% Mr R Dennis and 25% TAG Group Limited (incorporated in Jersey).

**28. Subsequent events**

The Company is undertaking a consolidation of the McLaren shareholders across McLaren Technology Group and McLaren Automotive, resulting in new financing at a holding company level – refer note 3b page 17.

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

**29. Subsidiaries and related undertakings**

The related undertakings whose results or financial performance principally affect the figures shown in the consolidated financial statements are as follows:

Name	Principal activity	Holding Ordinary share capital
<i>Incorporated in the UK:</i>		
McLaren Racing Limited	Racing car constructor	100%
McLaren Marketing Limited	Marketing	100%
Team McLaren Limited	Supporters' club	100%
McAllico Limited (formerly McLaren GT Limited)	Distributor of McLaren GT cars	100%
McLaren Applied Technologies Limited	Engine management systems design and manufacture and application of technologies within the Group	100%
McLaren Performance Limited	Provision of technical support to a Formula One team	100%
<i>Incorporated overseas:</i>		
McLaren Applied Technologies Inc, incorporated in the United States of America	Marketing and sales of McLaren Applied Technologies Limited products	100%
McLaren Applied Technologies Pte Ltd, incorporated in the Republic of Singapore	Marketing and sales of McLaren Applied Technologies Limited products	100%

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

McLaren Applied Technologies Inc registered office is: 2711 Centerville Road, Suite 400, City of Wilmington, DE 19808.

McLaren Applied Technologies Pte Ltd registered office is: 8 Marina Boulevard, #05-02 Marina Bay Financial Centre, Singapore, 018981.

Absolute Taste Limited was a 55% owned subsidiary, which in turn owned 100% of Absolute Taste SA, and was disposed of on 30<sup>th</sup> December 2016.