Financial Statements McLaren Construction Group PLC

For the year ended 31 July 2013

Registered number: 05384316

Company Information

Directors	P J Pringle J A Gatley
Company secretary	Taylor Wessing Secretaries Limited
Registered number	05384316
Registered office	3rd Floor East Leconfield House Curzon Street London W1J 5JA
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Crown House Crown Street Ipswich Suffolk IP1 3HS
Bankers	Lloyds TSB Bank plc 47 High Street Brentwood Essex CM14 4RN
Solicitors	Taylor Wessing 5 New Street Square London EC4 3TW

McLaren Construction Group PLC

Contents

For the year ended 31 July 2013

COMPANY OVERVIEW

McLaren Construction

McLaren Construction is an award-winning contractor with an established reputation for consistent delivery of outstanding projects across all market sectors. We specialise in new build, refurbishment and fit-out projects for major blue chip customers.

Through continuous review and improvement, we continue to develop robust and practical procedures, from inception to completion, that centre on delivering high-quality solutions against challenging demands.

We pride ourselves on the high calibre and expertise of our team, and actively encourage creative engineering solutions that meet the complex needs of our customers.

Our success has been achieved as a result of our relationships with our customers, consultants and supply-chain, managed by our project management teams.

McLaren International

From offices in Dubai, McLaren has expanded into Abu Dhabi. Here we have successfully applied the group's core values of delivery and collaboration to a wide range of international projects.

McLaren International provides customers with expert project management and construction capabilities. Our approach is consistent with McLaren in the UK; we have extensive design and construction expertise, and work with our customers to deliver innovation, an in-depth understanding of customer needs, and timely delivery.

We have experience of working on projects for the broadcasting sector, data centres, commercial offices and large-scale state-of-the-art industrial and distribution facilities.

McLaren Property

The group sold its investment in McLaren Property Limited on 21 December 2012 to a fellow group company ultimately controlled by McLaren SA, a company registered in Luxembourg.

CORPORATE SOCIAL RESPONSIBILITY

Community engagement
We are committed to having a positive impact in all the work that we do with our staff, customers and community stakeholders. We will always conduct our business in an ethical and sustainable way, and support the local communities in which we work.

Safety, health, environment & quality
At McLaren the protection of our employees, sub-contractors and the general public is carefully considered throughout the project lifecycle. Our aim is to provide a working environment that is free from harm by promoting a clear and positive safety culture, ensuring the well-being of all parties involved with our work.

Equality & diversity
We provide an inclusive working environment based on the principle of equal opportunities, ensuring all applicants and employees are treated the same.

Training & development
This is fundamental to the continued growth of our employees within the business. We strive to ensure that our people can develop the knowledge and skills they need to realise their own potential and thus help us to accomplish our business goals.

Sustainability
At the heart of McLaren, we recognise the impact that we have on the environment and the long-term benefits of sustainable construction.

Our values
Integrity
Our work ethics are consistently governed by truthfulness and honesty.

Innovative and Collaborative
We always work to achieve the best possible solutions working collaboratively between our customers, consultants and project management team.

Agile
We encourage an environment of quick decision-making to deliver solutions efficiently and successfully

Customer Service
At McLaren we believe in building close relationships with our customers through consistent high standards of customer service throughout the Group.

Mission Statement
Combine the aspirations, talent and beliefs of McLaren and our people to deliver the common goal of excellence and exceeding expectations repeatedly

BUSINESS OVERVIEW

Review of Business

This year has been a combination of success, planned consolidation and restructuring together with further strengthening of our Senior Management. This has allowed us to continue to grow strategically as we enter our new financial year, whilst remaining fully focussed on the quality of service that we provide our customers.

We have continued to enhance our profile and reputation in key market sectors such as commercial offices, mixed-use, retail, student accommodation, distribution, hotels and leisure, through securing workload with both existing and new customers including revenue generated through frameworks.

Nationally we have witnessed a good level of opportunities during the last year and despite difficult and challenging trading conditions, we have continued to remain selective in terms of those projects that we have targeted and secured.

Internationally, in the UAE, the market has maintained positive signs of recovery from challenging times during the last year and our presence in the region has increased through data centre projects and our selection and appointment as one of Etihad's preferred contractors for the future airport expansion plans in Abu Dhabi.

Commitment to corporate social responsibility remains a focus at McLaren, and the Group aims to continue to excel in customer requirements in sustainability and zero waste targets. McLaren participate in community engagement initiatives across projects, through staff volunteering, supporting local schools and education programmes, as well as sponsoring social activities for young people. McLaren remains a Foundation Partner with the charity LandAid.

In London

The London division has continued to experience strong controlled growth during the period with key projects secured and delivered, particularly in the commercial office, residential, mixed use and student accommodation sectors.

We have recently completed projects including St Paul's Churchyard for AXA and Devonshire Arms for Land Securities. Paris Gardens Student Accommodation has now been completed and opened for the first student term of 2013 for McLaren Property.

Work has been secured on a wide range of new projects in the capital including The Ampersand for Resolution Quadrangle Residential Ltd, One Mabledon Place for Stanhope PLC, Southampton Row hotel for Havza Limited, Bishops Bridge Road for Derwent London and 77 South Audley Street for Rodeo Developments. These schemes include numerous loyal existing customers, alongside new customers, bolstering the company's London presence.

We have also secured the new Bromley South Central regeneration scheme with Cathedral Plc. The project will see the redevelopment of the local area and we are delighted to take this project on as our first project with Cathedral.

Along with our external Client base, we continue to work closely with McLaren Property on a number of new schemes with a further two student accommodation projects now on site at Greenwich and Paul Street, together with a high end residential development in Pall Mall.

For the year ended 31 July 2013

In the South
During this year we have successfully completed a number of Projects including the Whiteley Shopping Village for British Land, the 1st phase of the Northumberland Development Park Scheme for Tottenham Hotspur Football Club, a Mixed Use Development for Land Securities in Crawley and Morrison's Supermarkets 500th store, on the retail development in Hoddesdon Hertfordshire.

A number of key schemes that have been secured going forward include, a Waitrose and health centre scheme for John Laing Properties in Coulsdon, a New Special Educational Needs School at Ickburgh under the London Borough of Hackney B.S.F. Framework, a new Poundland Distribution Facility for Poundland in Harlow on behalf of McLaren Property / Lynton Development JV and the refurbishment, new build of the Swindon Shopping Outlet Centre for Henderson Global.

With the current workload and the pipeline of opportunities in a very diverse range of sectors, the Southern business is in an excellent position to further grow in a re-emerging market.

In the Midlands and North
We have recently completed a leisure scheme for Peel Holdings PLC in Gloucester and as part of the Jaguar Land Rover framework, we continue with works at both the Solihull and Whiteley plants.

Our relationship with Asda has been further enhanced with a distribution facility at Avonmouth, Bristol, which completed in Dec 2013. This was followed by another facility in Warrington that commenced in autumn 2013 for completion in July 2014.

As part of our preferred contractor status with Wm Morrison and Tesco Stores Ltd, we have successfully delivered new stores in Blyth and Hattersley respectively, together with ongoing works in Bedford (Wm Morrison). Moving forward we see further growth in the region being generated through projects in the distribution, mixed use, retail and leisure sectors having recently secured projects for IM Properties, TJ Morris, MK Dons and British Land.

International
In the wider GCC region, and especially in the UAE, economic recovery in the wake of the global financial crisis has strengthened significantly. In response to this increased demand, and in anticipation of new project launches, we have expanded our regional base in Dubai.

Etihad Airways are the national airline of Abu Dhabi and the world's fastest growing airline; we were therefore particularly delighted to commence our first Etihad project.

Situated on the airside boundary of Abu Dhabi airport, the project entails the Design and Build of a new 8,200 sqm Flight Crew Briefing Centre which also includes baggage handling, customs, security and duty free facilities.

Elsewhere in the U.A.E we are nearing completion on two Data Centres for Gulf Data Hub at Dubai Silicon Oasis. The Etihad award therefore adds to the prestige nature of our Client base in the sector of Design and Build of facilities which demand a high level of technical expertise.

New projects are particularly evident in the Industrial, Commercial and Luxury Residential sectors; and in the coming year we will seek to add further schemes in the aviation support sector to our existing portfolio.

For the year ended 31 July 2013

Future outlook
There are promising signs that the construction industry is emerging out of its long recession and our opportunity pipeline both currently and moving forward reflects this.

We anticipate achieving controlled growth within our core operating sectors whilst seeking to expand our diversification into new markets together with maintaining a high level of repeat order business.

Through our continued dedication towards the development of our people coupled with the implementation of our business plan objectives and innovative "can do" culture, we remain fully committed to providing our valued customers with an exceptional level of service and delivery.

The outlook for McLaren Construction in the UK and internationally is one of optimism and following last year's period of consolidation, the business is now strongly positioned to grow and further enhance its position as one of the industry's leading privately owned construction companies.

Phil Pringle
Managing Director

FINANCE DIRECTOR'S STATEMENT

The group has continued to grow during 2013 and continues to demonstrate that McLaren has the financial capability to take on larger and more diverse contracts across multiple sectors and regions both in the UK and overseas. With turnover increasing to £377.7m (2012 - £376.4m) and pre-tax profits of £11.7m (2012 - £6.1m), the business has delivered a solid financial performance for the year ended 31 July 2013.

The 2013 results reflect sustainable growth and profitability. We remain on track to reach our three year growth plan and forecast to exceed £500m in turnover by 2015.

Financial highlights:

- Turnover increased to £377.7m (2012 - £376.4m)
- Compounded annual growth rate in turnover of 23.4% over the past 5 years.
- Pre-tax profits of £11.7m (2012 - £6.1m)
- Gross margin from continuing operations at 4.3% (2012 - 4.9%)
- Net cash is £35.3m (2012 - £34.8m)
- Net assets increased to £32.9m (2012 - £22.5m)

We maintain good relationships with both Lloyds Bank Plc, the group's banking partner in the UK and Union National Bank, the group's banking partner in the UAE. We continue to successfully work with existing and new surety providers, providing us with wide access to a range of financial instruments that provide financial security to our customers and their projects.

We continue to invest in improving our business and financial systems and processes, thus driving efficiency and improvement in financial reporting required to support a fast growing business across multiple sectors and regions

Looking forward our pipeline remains healthy. We have currently secured 95% of our turnover for the 2014 year end and our forward order book remains robust.

Craig Young
Group Finance Director

Directors' Report
For the year ended 31 July 2013

The directors present their report and the financial statements for the year ended 31 July 2013.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

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

Principal activities

The principal activity of the parent is that of a holding company.

The principal activities of the primary subsidiaries are detailed in the introduction page following the Contents page of this document.

Business review

A detailed review of the business is contained in the Business Overview section.

Results

The profit for the year, after taxation and minority interests, amounted to £10,063,782 (2012 - £4,404,405).

Directors

The directors who served during the year were:

P J Pringle
J A Gatley

Directors' Report

For the year ended 31 July 2013

Charitable donations

The Group made payments totalling £43,400 (2012 £19,352) during the year for charitable purposes.

Principal risks and uncertainties

Losses on contracts

Unforeseen losses on construction contracts will have a major impact on the group's financial results. To safeguard the Group's position a sophisticated estimating procedure for quotations is in place and when contracts are won, robust cost controls and detailed periodic management reviews ensure profitability is delivered to budget.

Decline in the economy

The construction industry is affected by a decline in the economy. The Group's strategy of diversification into new market sectors and investment in high-end property developments has protected the Group's financial position.

Financing

Lack of financing will affect the operating capability of the Group. The Group has renewed its working capital facility with Lloyds Bank plc of £25m to facilitate the Group's operating cash flow.

Loss of customer relationships

Losing customers will have direct impact on financial performance. The Group's diversification into new sectors, proactive new business development in establishing new customer opportunities and continued focus on maintaining existing customer relationships have strengthened the Group's market position against its competitors in a difficult economic environment.

Future developments

Refer to the comments made in the business overview.

Group's policy for payment of creditors

The Group's policy is to clearly agree and set down the payment terms with suppliers and subcontractors when agreeing the terms for each transaction and to make payments in accordance with its obligations save in the case of genuine dispute.

As at 31 July 2013, the Group's number of creditor days was averaging 15 (2012- 21).

Disclosure of information to auditor

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

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

Directors' Report

For the year ended 31 July 2013

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 10th April 2014 and signed on its behalf.

P J Pringle
Managing Director

Grant Thornton

Independent Auditor's Report to the Members of McLaren Construction Group PLC

We have audited the financial statements of McLaren Construction Group PLC for the year ended 31 July 2013, which comprise the consolidated Profit and loss account, the consolidated and company Balance sheets, the consolidated Statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, 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). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2013 and of the group's profit 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Grant Thornton

Independent Auditor's Report to the Members of McLaren Construction Group PLC

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Grant Thornton UK LLP

James Brown (Senior Statutory Auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Ipswich
Date: 11 April 2014

Consolidated Profit and Loss Account

For the year ended 31 July 2013

	Note	2013 £	2012 £
Turnover	1,2		
Continuing operations		**352,140,285**	374,880,215
Discontinued operations		**25,571,746**	732,453
		377,712,031	375,612,668
Cost of sales	4	**(363,508,728)**	(357,115,524)
Gross profit		**14,203,303**	18,497,144
Administrative expenses	4	**(14,983,923)**	(15,823,222)
Other operating income	3	**43,081**	12,000
Operating (loss)/profit	5		
Continuing operations		**2,466,968**	5,458,047
Discontinued operations		**(3,204,507)**	(2,772,125)
		(737,539)	2,685,922
Share of operating profit in joint ventures		**5,472,500**	547,451
Total operating profit		**4,734,961**	3,233,373
Exceptional items			
Net profit on sale of tangible fixed assets- investments	11	**5,929,534**	-
Profit on ordinary activities before interest		**10,664,495**	3,233,373
Income from other participating interests		**808,935**	1,756,902
Interest receivable and similar income	9	**588,854**	1,658,273
Interest payable and similar charges	10	**(345,688)**	(591,207)
Profit on ordinary activities before taxation		**11,716,596**	6,057,341
Tax on profit on ordinary activities	12	**(2,122,099)**	(1,818,404)
Profit on ordinary activities after taxation		**9,594,497**	4,238,937
Minority interests		**469,285**	165,468
Profit for the financial year	25	**10,063,782**	4,404,405

The notes on pages 17 to 37 form part of these financial statements.

Consolidated Statement of Total Recognised Gains and Losses
For the year ended 31 July 2013

	2013	2012
	£	£
Profit for the financial year	**10,063,782**	4,404,405
Unrealised surplus on revaluation of investment properties	-	1,091,091
Total recognised gains and losses relating to the year	**10,063,782**	5,495,496

The notes on pages 17 to 37 form part of these financial statements.

Consolidated Balance Sheet
As at 31 July 2013

	Note	£	2013 £	£	2012 £
Fixed assets					
Intangible assets	13		**5,381**		13,414
Tangible assets	14		**3,116,070**		3,291,721
Investment property	15		**4,311,000**		4,311,000
Investments in joint ventures					
-Share of gross assets		**5,264,920**		27,076,328	
-Share of gross liabilities		**(1,190,548)**		(27,170,019)	
Share of net assets	16		**4,074,372**		(93,691)
			11,506,823		7,522,444
Current assets					
Stocks	17	**-**		20,299,818	
Debtors	18	**119,388,501**		112,276,188	
Cash at bank and in hand		**35,299,754**		34,848,596	
		154,688,255		167,424,602	
Creditors: amounts falling due within one year	19	**(133,124,155)**		(152,332,178)	
Net current assets			**21,564,100**		15,092,424
Total assets less current liabilities			**33,070,923**		22,614,868
Creditors: amounts falling due after more than one year	20		**(81)**		(91)
Provisions for liabilities					
Other provisions	22		**(142,735)**		(142,735)
Net assets			**32,928,107**		22,472,042
Capital and reserves					
Called up share capital	24		**2,010,400**		2,010,400
Revaluation reserve	25		**48,939**		48,939
Profit and loss account	25		**30,868,768**		20,804,986
Shareholders' funds	26		**32,928,107**		22,864,325
Minority interests	27		**-**		(392,283)
			32,928,107		22,472,042

Company Balance Sheet
As at 31 July 2013

	Note	£	2013 £	£	2012 £
Fixed assets					
Investments	16		**10,413**		10,493
Current assets					
Debtors	18	**5,893,396**		8,725,398	
Creditors: amounts falling due within one year	19	**(1,465,983)**		(5,521,538)	
Net current assets			**4,427,413**		3,203,860
Total assets less current liabilities			**4,437,826**		3,214,353
Creditors: amounts falling due after more than one year	20		**(141)**		(91)
Net assets			**4,437,685**		3,214,262
Capital and Reserves					
Called up share capital	24		**2,010,400**		2,010,400
Profit and loss account	25		**2,427,285**		1,203,862
Shareholders' funds	26		**4,437,685**		3,214,262

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
10th April 2014

P J Pringle
Director

The notes on pages 17 to 37 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 July 2013

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of Investment Property and in accordance with applicable accounting standards.

1.2 Going concern

The Group remains in a sound financial position with net cash and banking facilities totalling in excess of £55 million and well-established relationships with key customers and suppliers. No single customer accounts for more than 10% of annual turnover.

The directors have a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual financial statements.

1.3 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements will be publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.4 Basis of consolidation

The financial statements consolidate the accounts of McLaren Construction Group PLC and all of its subsidiary undertakings ('subsidiaries').

Subsidiary undertakings are included using the acquisitions method of accounting. Under this method the group profit and loss account includes the results and cashflows of subsidiaries from the date of acquisition and to the date of sale outside the group in the case of disposals of subsidiaries. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Entities in which the group holds an interest on a long-term basis and are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the gross equity method.

The subsidiary McLaren Cambridge Brunswick Limited has a non coterminous year end of 31 December. Results for this subsidiary have been included on the basis of management accounts up to 21 December 2012 when interest in this subsidiary, along with other subsidiaries, was sold.

The results of subsidiaries sold are included up to the effective date of disposal.

1.5 Turnover

Turnover represents the invoiced value of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts, together with the value of contracting work executed during the year as measured by quantity surveyors.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses.

Notes to the Financial Statements
For the year ended 31 July 2013

1. Accounting Policies (continued)

1.6 Intangible fixed assets and amortisation

Amortisation is provided at the following annual rates in order to write off each asset over its estimated useful life

Single farm payment entitlement	-	33% Straight line method

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2% Straight line method (land at nil)
Improvements to property	-	Over period of lease
Fixtures & fittings	-	15% Reducing balance method
Computer and office equipment	-	25-50% Straight line method

1.8 Investments

(i) Subsidiary undertakings
Investments in subsidiaries are valued at cost less provision for impairment.

(ii) Joint venture undertakings
Investments in joint ventures are stated at the group's share of net assets. The group's share of the profits or losses of the joint ventures is included in the Profit and loss account using the gross equity accounting basis.

(iii) Other investments
Investments held as fixed assets are shown at cost less provision for impairment.

1.9 Investment properties

Investment properties are included in the Balance sheet at their open market value in accordance with Statement of Standard Accounting Practice No.19 and are not depreciated. This treatment is contrary to the Companies Act 2006 which states that fixed assets should be depreciated but is, in the opinion of the directors, necessary in order to give a true and fair view of the financial position of the company and the group.

1.10 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Notes to the Financial Statements
For the year ended 31 July 2013

1. Accounting Policies (continued)

1.11 Stocks

Stocks of property and development expenditure is included at cost. Stock is included at the lower of cost and net realisable value. Net realisable value is based on selling price less anticipated costs to completion and selling costs. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads including interest specifically attributable to the project whilst under development.where appropriate interest costs will on occasion be charged to the profit and loss account rather than be capitalised.

1.12 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.13 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

1.14 Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

1.15 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Notes to the Financial Statements
For the year ended 31 July 2013

1. Accounting Policies (continued)

1.16 Short-term cash deposits

The Group has a policy of investing surplus monies on deposit to earn additional interest for up to three months.

1.17 Employee Benefit Trust (EBT) and Employer Funded Retirement Benefit Scheme (EFRBS)

The group has established trusts for the benefit of employees and certain of their dependants. Monies held in these trusts are held by independent trustees and managed at their discretion.

Where the group retains future economic benefit from, and has de facto control of the assets and liabilities of the trust, they are accounted for as assets and liabilities of the company until the earlier date that an allocation of trust funds to employees in respect of past services is declared and the date that assets of the trust vest in identified individuals.

Where monies held in a trust are determined by the group on the basis of employees' past services to the business and the company can obtain no future economic benefit from those monies, such monies, whether in the trust or accrued for by the company are charged to the profit and loss account in the period to which they relate.

1.18 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Notes to the Financial Statements
For the year ended 31 July 2013

2. Turnover

A geographical analysis of turnover is as follows:

	2013	2012
	£	£
United Kingdom	**374,693,836**	370,870,689
United Arab Emirates- joint ventures	**3,018,195**	4,741,979
	377,712,031	375,612,668

Segmental analysis has not been disclosed as the directors consider that this would be seriously prejudicial to the group's interest.

3. Other operating income

	2013	2012
	£	£
Other operating income	**-**	12,000
Sundry income	**92,590**	-
	92,590	12,000

4. Analysis of operating (loss)/profit

	2013		2012	
	Continuing	**Discontinued**	Continuing	Discontinued
	£	£	£	£
Turnover	**352,140,285**	**25,571,746**	374,880,215	732,453
Cost of sales	**(336,998,773)**	**(26,509,955)**	(356,561,374)	(554,150)
Gross profit	**15,141,512**	**(938,209)**	18,318,841	178,303
Administrative expenses	**(12,717,625)**	**(2,266,298)**	(12,872,794)	(2,950,428)
Other operating income	**92,590**	**-**	12,000	-
	2,516,477	**(3,204,507)**	5,458,047	(2,772,125)

Notes to the Financial Statements
For the year ended 31 July 2013

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2013	2012
	£	£
Amortisation - intangible fixed assets	**8,033**	8,033
Depreciation of tangible fixed assets:		
- owned by the group	**103,286**	188,873
Operating lease rentals:		
- other operating leases	**117,136**	210,958
Difference on foreign exchange	**(70,342)**	(45,197)

6. Auditors' remuneration

	2013	2012
	£	£
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	**2,500**	2,500
Fees payable to the company's auditor and its associates in respect of:		
The auditing of accounts of associates of the company	**57,500**	47,500
Taxation compliance services	**14,000**	12,500
All other non-audit services not included above	**-**	6,000

Notes to the Financial Statements

For the year ended 31 July 2013

7. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2013 £	2012 £
Wages and salaries	**20,196,261**	17,503,854
Social security costs	**2,180,326**	1,569,560
Other pension costs	**1,207,353**	629,193
	23,583,940	19,702,607

The average monthly number of employees, including the directors, during the year was as follows:

	2013 No.	2012 No.
Executive board of directors	**2**	2
Technical directors	**43**	39
Senior managers and site managers	**237**	203
Pre-construction staff	**12**	13
Administration and support	**72**	56
	366	313

8. Directors' remuneration

	2013 £	2012 £
Remuneration	**357,490**	741,790
Company pension contributions to defined contribution pension schemes	**14,726**	16,190

During the year retirement benefits were accruing to 2 directors (2012 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £282,973 (2012 - £405,400).

The value of the group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,375 (2012 - £NIL).

Notes to the Financial Statements

For the year ended 31 July 2013

9. Interest receivable

	2013	2012
	£	£
Share of joint ventures' interest receivable	154,503	766,167
Other interest receivable	434,351	892,106
	588,854	1,658,273

10. Interest payable

	2013	2012
	£	£
On bank loans and overdrafts	68,103	7,424
On other loans	277,585	164,886
Share of joint ventures' interest payable	-	418,897
	345,688	591,207

11. Exceptional items

	2013	2012
	£	£
Profit on sale of tangible fixed assets- investments	5,929,534	-

The group sold its investment in McLaren Property Limited on 21 December 2012.

Notes to the Financial Statements
For the year ended 31 July 2013

12. Taxation

	2013 £	2012 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	**52,344**	1,844,012
Adjustments in respect of prior periods	**1,058,274**	-
	1,110,618	1,844,012
Share of joint ventures' current tax	**1,090,418**	19,794
Total current tax	**2,201,036**	1,863,806
Deferred tax		
Origination and reversal of timing differences	**(56,624)**	(47,089)
Adjustments in respect of prior periods	**(22,313)**	1,687
Total deferred tax (see note 21)	**(78,937)**	(45,402)
Tax on profit on ordinary activities	**2,122,099**	1,818,404

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2012 - lower than) the standard rate of corporation tax in the UK of 23.67% (2012 - 25.33%). The differences are explained below:

	2013 £	2012 £
Profit on ordinary activities before tax	**11,716,596**	6,057,341
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.67% (2012 - 25.33%)	**2,773,318**	1,534,324
Effects of:		
Expenses not deductible for tax purposes	**56,768**	262,652
Differences between depreciation and capital allowances	**74,357**	43,091
Utilisation of tax losses	**-**	(35,500)
Adjustments to tax charge in respect of prior periods	**1,058,274**	26,314
Movement on short term timing differences	**(6,855)**	33,930
Non-taxable income	**(229,930)**	-
Group relief	**(1,524,896)**	-
Marginal relief	**-**	(1,005)
Current tax charge for the year (see note above)	**2,201,036**	1,863,806

Notes to the Financial Statements
For the year ended 31 July 2013

12. Taxation (continued)

Factors that may affect future tax charges

In prior periods £1 million was paid into an Employer Funded Retirement Benefit Scheme and a tax deduction was claimed for this amount. Had the tax deduction not been claimed an extra payment of £273,315 would have been payable by the company. No provision has been included for this in the accounts as the directors believe that a tax deduction should be available for this payment.

13. Intangible fixed assets

	Single farm payment entitlement
Group	**£**
Cost	
At 1 August 2012 and 31 July 2013	**24,098**
Amortisation	
At 1 August 2012	**10,684**
Charge for the year	**8,033**
At 31 July 2013	**18,717**
Net book value	
At 31 July 2013	**5,381**
At 31 July 2012	13,414

Notes to the Financial Statements

For the year ended 31 July 2013

14. Tangible fixed assets

Group	Freehold property £	Fixtures & fittings £	Office equipment £	Computer equipment £
Cost or valuation				
At 1 August 2012	2,979,667	264,383	148,277	133,524
Disposals	-	-	(115,312)	-
At 31 July 2013	2,979,667	264,383	32,965	133,524
Depreciation				
At 1 August 2012	272,517	149,425	48,098	133,524
Charge for the year	51,752	17,244	8,241	-
On disposals	-	-	(42,947)	-
At 31 July 2013	324,269	166,669	13,392	133,524
Net book value				
At 31 July 2013	2,655,398	97,714	19,573	-
At 31 July 2012	2,707,150	114,958	100,179	-

Group	Improvements to property £	Total £
Cost or valuation		
At 1 August 2012	521,820	4,047,671
Disposals	-	(115,312)
At 31 July 2013	521,820	3,932,359
Depreciation		
At 1 August 2012	152,386	755,950
Charge for the year	26,049	103,286
On disposals	-	(42,947)
At 31 July 2013	178,435	816,289
Net book value		
At 31 July 2013	343,385	3,116,070
At 31 July 2012	369,434	3,291,721

Notes to the Financial Statements

For the year ended 31 July 2013

15. Investment property

	Freehold investment property
Group	**£**
Valuation	
At 1 August 2012 and 31 July 2013	**4,311,000**
Comprising	
Cost	**4,291,460**
Annual revaluation surplus/(deficit): 2012	**19,540**
At 31 July 2013	**4,311,000**

The 2012 valuation was made by Church and Hawes, an external valuer, on 22 November 2012, on an open market value for existing use basis.

16. Fixed asset investments

	Investments in subsidiary companies	Investment in joint ventures	Total
Group	**£**	**£**	**£**
Cost or valuation			
At 1 August 2012	**80**	**(93,771)**	**(93,691)**
Disposals	**(80)**	**-**	**(80)**
On disposal of joint ventures	**-**	**(222,352)**	**(222,352)**
Share of profit/(loss)	**-**	**4,390,495**	**4,390,495**
At 31 July 2013	**-**	**4,074,372**	**4,074,372**
Net book value			
At 31 July 2013	**-**	**4,074,372**	**4,074,372**
At 31 July 2012	80	(93,771)	(93,691)

Notes to the Financial Statements

For the year ended 31 July 2013

16. Fixed asset investments (continued)

The group's aggregate share of the joint ventures' net assets at the Balance sheet date was as follows:

		2013		2012
	£	**£**	£	£
Share of assets				
Current assets		**5,264,922**		27,076,328
Share of liabilities				
Due within one year or less	**(1,190,547)**		(11,432,331)	
Due after more than one year	**-**		(15,737,688)	
		(1,190,547)		(27,170,019)
Share of net assets		**4,074,375**		(93,691)

	Investments in subsidiary companies
Company	**£**
Cost or valuation	
At 1 August 2012	**10,493**
Disposals	**(80)**
At 31 July 2013	**10,413**
Net book value	
At 31 July 2013	**10,413**
At 31 July 2012	10,493

17. Stocks

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Stock of development property	**-**	20,299,818	**-**	-

Notes to the Financial Statements

For the year ended 31 July 2013

18. Debtors

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Trade debtors	**38,204,695**	38,315,965	**-**	-
Amounts owed by group undertakings	**32,223,290**	2,180,474	**4,811,464**	-
Amounts owed by undertakings in which the company has a participating interest	**10,140**	15,896,691	**10,140**	6,091,498
Directors' current accounts	**735,602**	635,727	**-**	-
Other debtors	**9,141,741**	19,073,382	**1,071,792**	1,035,815
Prepayments and accrued income	**227,901**	3,561,804	**-**	1,598,085
Amounts recoverable on long term contracts	**38,790,246**	32,593,091	**-**	-
Tax recoverable	**3,933**	-	**-**	-
Deferred tax asset (see note 21)	**50,953**	19,054	**-**	-
	119,388,501	112,276,188	**5,893,396**	8,725,398

19. Creditors:
Amounts falling due within one year

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Bank loans	**-**	15,811,572	**-**	-
Payments received on account	**17,407,662**	18,518,284	**-**	-
Trade creditors	**13,398,960**	20,597,406	**-**	-
Amounts owed to group undertakings	**6,401,590**	406,705	**-**	4,552,528
Amounts owed to joint ventures	**3,512,339**	-	**-**	-
Corporation tax	**-**	496,820	**383,600**	383,600
Other taxation and social security	**4,118,624**	5,522,274	**-**	-
Director's current account	**-**	582,910	**-**	-
Directors' loan	**-**	750,000	**-**	-
Other creditors	**10,026,362**	15,187,010	**1,079,883**	582,910
Accruals and deferred income	**78,258,618**	74,459,197	**2,500**	2,500
	133,124,155	152,332,178	**1,465,983**	5,521,538

At the balance sheet date Lloyds TSB Bank plc had a fixed and floating charge over all property and assets of the group.

Bank loans consist of £nil (2012 £3,962,110) due to QIB (UK) Plc attracting an interest rate of 14% and £nil (2012 £11,849,462) due to The Co-operative Bank Plc attracting an interest rate of 3% over base rate.

Notes to the Financial Statements
For the year ended 31 July 2013

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

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Other creditors	**81**	91	**141**	91

21. Deferred taxation

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
At beginning of year	**19,054**	(1,623)	**-**	-
Released during the year (P&L)	**56,624**	20,677	**-**	-
Release deferred tax on disposal of investments in subsidiary undertakings	**(24,725)**	-	**-**	-
At end of year (note 17)	**50,953**	19,054	**-**	-

The deferred taxation balance is made up as follows:

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Difference between accumulated depreciation and amortisation	**43,649**	11,750	**-**	-
Short term timing differences	**7,304**	7,304	**-**	-
	50,953	19,054	**-**	-

22. Provisions

Group	**Other Provision £**
At 1 August 2012 and 31 July 2013	**142,735**

Other Provision

This amount represents the monies received from the insurers, in respect of damage to a building caused by a fire in 2009. The provision is expected to be used in the future to repair the building.

The Company has no provisions

Notes to the Financial Statements

For the year ended 31 July 2013

23. Capital Commitments

There were no capital commitments at 31 July 2013 or 31 July 2012.

24. Share capital

	2013	2012
	£	£
Allotted, called up and fully paid		
10,400 Ordinary A, B, C shares of £1 each	**10,400**	10,400
2,000,000 Non-cumulative reedemable preference shares of £1 each	**2,000,000**	2,000,000
	2,010,400	2,010,400

The non-cumulative redeemable preference shares are redeemable at £1 per share and carry no right to vote. On winding up of the company the holders of the shares have a right to receive the nominal amount paid up in preference to the ordinary shares. The company has the right to redeem any or all of the non-cumulative preference shares at any time by giving not less than one months notice.

The ordinary A, B and C shares rank pari passu.

Notes to the Financial Statements

For the year ended 31 July 2013

25. Reserves

Group	Revaluation reserve £	Profit and loss account £
At 1 August 2012	**48,939**	**20,804,986**
Profit for the year	**-**	**10,063,782**
At 31 July 2013	**48,939**	**30,868,768**

Company	Profit and loss account £
At 1 August 2012	**1,203,862**
Profit for the year	**1,223,423**
At 31 July 2013	**2,427,285**

26. Reconciliation of movement in shareholders' funds

Group	**2013** **£**	2012 £
Opening shareholders' funds	**22,864,325**	17,368,829
Profit for the financial year	**10,063,782**	4,404,405
Other recognised gains and losses during the year	**-**	1,091,091
Closing shareholders' funds	**32,928,107**	22,864,325

Company	**2013** **£**	2012 £
Opening shareholders' funds	**3,214,262**	2,602,369
Profit for the financial year	**1,223,423**	611,893
Closing shareholders' funds	**4,437,685**	3,214,262

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss account.

27. Minority interests

The minority interest represented 20% of McLaren Property Limited which is not owned by McLaren Construction Group PLC. The shareholding in McLaren Property Limited was sold during the year.

Notes to the Financial Statements
For the year ended 31 July 2013

28. Pension commitments

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £1,207,353 (2012 - £629,193).

Contributions totalling £15,776 (2012 - £90,292) were payable to the scheme at the end of the year and are included in creditors.

29. Operating lease commitments

At 31 July 2013 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2013	2012
Group	**£**	£
Expiry date:		
Within 1 year	-	257,212

30. Related party transactions

Directors' advances and credits

As at the balance sheet date the amount due from K R Taylor was £63,125 (2012- £582,910).

As at the balance sheet date the amount due from P J Pringle was £671,703 (2012- £635,727). Interest charged in respect of this loan was £nil (2012- £20,120).

As at the balance sheet date the loan from J A Gatley was £Nil (2012- £750,000). Interest has been accrued on the loan of £nil (2012 - £75,000).

The group has taken advantage of the exemption in FRS 8 "Related Party Disclosures" from disclosing transactions with other members of the group.

During the year work undertaken on personal contracts for K R Taylor, a director and shareholder of the company, amounted to £2,310,820 (2012 - £3,395,000).

McLaren Furniture Limited (company under common control)
During the previous year loans were made to this company. At the balance sheet date the amount due from McLaren Furniture Limited was £270,760 (2012 - £305,849). No interest was charged in respect of this loan (2012 - £51,270)

Arthur Brett & Sons Limited (company under common control)
At the balance sheet date the amount due from Arthur Brett & Sons Limited was £708,399, which was unchanged from 2012. No interest was charged.

Golden Apple Ltd (company under common control)
During the year sales were made to Golden Apple Ltd amounting to £479,358 (2012 - £5,288,025). At the balance sheet date the amount due from Golden Apple Ltd was £3,710,134 (2012 - £2,673,125). No interest was charged.

Sparmax Limited (beneficial interest held by the ultimate controlling party)
During the year loans totalling £520,385 (2012 - £3,716,350) were made to and payments totalling £16,584,849 (2012 - £7,332,512) were received from Sparmax Limited. Interest has been charged on the outstanding loan, amounting to £179,995 (2012 - £759,582). At the balance sheet date the amount due from Sparmax Limited was £4,800,013(2012 – £2,180,473). Sales were made to Sparmax Limited totalling £12,782,003 (2012 - £4,381,595).

Maximilian Properties Limited (Joint venture)
At the balance sheet date the company was owed £3,512,339 (2012 - £151,166) from Maximilian Properties Limited. No interest was charged.

Segaun Capital Partners (beneficial interest held by the ultimate controlling party)
During the year sales were made to Segaun Capital amounting to £157,904 (2012 - £143,484). At the balance sheet date the amount due from Segaun Capital was £nil (2012 - £950,173). No interest was charged.

Beaudream Limited (company under common control)
At the balance sheet date the group were owed £nil (2012 - £2,675,885). Interest of £174,927 (2012- £33,036) was charged on this balance.

Bridleway Limited (company under common control)
At the balance sheet date the group were owed £nil (2012 - £3,809,576).

30. Related party transactions (continued)

Kaptai Limited (company under common control)
At the balance sheet date the group were owed £nil (2012 - £2,131,183).

Capedawn Limited (company under common control)
At the balance sheet date the group were owed £nil (2012 - £1,248,287).

Reining Limited (company under common control)
At the balance sheet date the group were owed £nil (2012 - £1,383,602).

Paperwave Limited (company under common control)
At the balance sheet date the group were owed £nil (2012 - £163,369).

McLaren Life Limited (Joint venture)
At the balance sheet date the company was owed £nil (2012 - £4,759,517) from McLaren Life Limited. No interest was charged.

Benjamin Properties (Pall Mall) Limited (Joint venture)
At the balance sheet date, the amount due from Benjamin Properties (Pall Mall) Limited was £nil (2012 - £3,037,389).

Joshua Properties Limited (Joint venture)
At the balance sheet date, the amount due from Joshua Properties Limited was £nil (2012 - £1,938,288).

Evala Limited (Joint venture)
Sales were made to Evala Limited of £nil (2012 - £50,000).

McLaren Cambridge Brunswick Limited (Indirectly owned subsidiary)
At the balance sheet date, the amount due from McLaren Cambridge Brunswick Limited was £nil (2012 - £479,542). Interest has been charged on this loan of £345,420 (2012- £489,121).

McLaren Property Limited (Fellow subsidiary)
At the balance sheet date, the amount due from McLaren Property Limited was £19,859,663 (2012 - £25,073,951). A management recharge was made from McLaren Property Limited to McLaren Construction Limited of £612,353 (2012 - £232,780).

McLaren Property BV (company under common control)
At the balance sheet date the company was owed £2,469,000 (2012 - £nil) from McLaren Property BV. No interest was charged.

31. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is McLaren SA, a company registered in Luxembourg, which will be preparing consolidated financial statements for the year which will be publicly available.

The group is controlled by K R Taylor.

Notes to the Financial Statements
For the year ended 31 July 2013

32. Principal subsidiaries and joint ventures

a. Principal subsidiaries

Company name	Country	Percentage Shareholding	Description
Verve Construction Limited	United Kingdom	100	Dormant
Celcool Limited	United Kingdom	100	Rental of investment property
McLaren Construction Limited	United Kingdom	100	Design and construction specialist

b. Principal joint ventures

Company name	Country	Percentage Shareholding	Description
Maximilian Properties Limited	United Kingdom	50	Property Development

The indirectly owned subsidiaries and joint ventures are all owned by McLaren Property Limited with the exception of McLaren Cambridge Student Limited and Evala Limited which are owned by McLaren Cambridge Brunswick Limited and Joshua Properties Limited respectively.

The percentage shareholding represents the aggregate group interest in the shares.

McLaren Investment Property Limited, McLaren (Paris Gardens General Partner) Limited and McLaren Cambridge Student Limited have not been consolidated on the basis of being immaterial to the group.

The above joint ventures have been referred to throught the accounts as participating interests.