

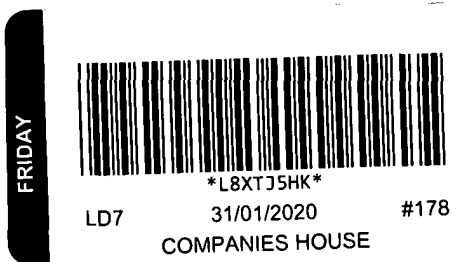
McLaren Construction Group PLC

Report and Financial Statements

Year Ended

31 July 2019

Company Number 05384316



McLaren Construction Group PLC

Company Information

Directors	P J Pringle K R Taylor
Company secretary	Taylor Wessing Secretaries Limited
Registered number	05384316
Registered office	3rd Floor East Leconfield House Curzon Street London W1J 5JA
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU
Bankers	Lloyds Bank plc 47 High Street Brentwood Essex CM14 4RN
Solicitors	Taylor Wessing 5 New Street Square London EC4 3TW

McLaren Construction Group PLC

Contents

	Page
Group Strategic Report	1 - 11
Directors' Report	12 - 14
Independent Auditor's Report	15 - 17
Consolidated Statement of Comprehensive Income	18
Consolidated Statement of Financial Position	19
Company Statement of Financial Position	20
Consolidated Statement of Changes in Equity	21 - 22
Company Statement of Changes in Equity	23
Consolidated Statement of Cash Flows	24
Notes to the Financial Statements	25 - 47

McLaren Construction Group PLC

Group Strategic Report For the Year Ended 31 July 2019

The McLaren Construction Group

McLaren Construction Group PLC (the Company), together with its subsidiary companies (the Group), is an award-winning contractor with an established reputation for consistent delivery of outstanding projects across the sectors where it operates. It specialises in new-build, refurbishment and fitout projects for blue-chip customers and public-sector organisations operating in the UK and the UAE.

The business prides itself on the high calibre of its teams and its ability to bring innovative and creative solutions to customers.

Success is rooted in strong relationships with customers, consultants and the supply chain, through exemplary project management and high-quality delivery.

Business review

It has been another positive year for the Group. The results for 2018-19 reflect continued strong performance, building on the achievements seen in 2017-18.

Close relationships with customers, consultants and the supply chain are maintained through the business unit structure across the geographical areas where the Group operates. The 'can-do culture' promoted throughout the Group ensures that quality of service to customers remains paramount.

The Group continues to deliver in its key market sectors: commercial offices (building and refurbishment), residential, mixed-use buildings, retail, education, student accommodation, senior living, distribution and logistics, hotels, and sports and leisure.

Opportunities have been positive across the business units in the UK and the UAE, enabling the Group to remain selective in the contracts it targets and secures. To diversify the pipeline of contracts to the business units, the Group has also invested considerable effort in establishing new routes to market with the public sector, primarily through places on national and regional framework agreements.

The Group and the projects it delivers continue to win accolades, being shortlisted for or achieving awards in health and safety, community relations, environmental management, people management and construction.

McLaren Construction Group PLC

Group Strategic report (continued) For the Year Ended 31 July 2019

In London

The business continues to focus its specialist sector teams on the delivery of complex commercial and hotel contracts in central London alongside residential, later living and mixed-use projects in outer London.

Darren Gill, managing director, joined the London business in February 2019, strengthening the leadership team with expertise and experience across both public and private sector work.

Contract completions included refurbishment and fitout of Bracken House, a commercial office building for Obayashi Corporation and now home to the Financial Times, as well as Cambium, a residential scheme at Victoria Drive for Lendlease, and The Ray, an award-winning commercial building and home to LinkedIn in Farringdon. The Standard, London hotel in Camden opened to guests in July. Barts phases one and three are set to complete in February 2020.

Starting on site were 150 Holborn, a commercial building and headquarters for Dar Group, Durley House, a boutique hotel for Cadogan Estates, and Crown House, the first project from the Be First framework in Barking and Dagenham. A growing relationship with developer Pocket Living has secured an initial contract at Whiting Avenue, with expectations for future work.

Preconstruction services agreements were signed in 2019 for Cleveland Street, a residential project in Fitzrovia for Dukelease, and a new HQ for The Salvation Army in South London. Both will commence on site in the first quarter of 2020.

There is a strong pipeline of opportunities across the main sectors for 2019-20 and beyond: commercial offices (new-build, refurbishments and extensions), high-end hotels and residential. The team is also well placed to deliver public-sector opportunities in the capital, particularly in the residential sector.

In the South

With its project delivery capability focused on Southern England, this business unit continues to deliver projects in a diverse range of sectors, including sports and leisure, commercial, industrial, education, retail and mixed use, serving both private and public-sector customers.

The team continues to work with prestigious, blue-chip customers across these sectors.

Its expertise in the retail and leisure markets was particularly evident through the completion of the INTU extension at Lakeside Shopping Centre, the Cineworld development within The O2 at Greenwich and the Ashford Designer Outlet extension for McArthurGlen. In 2019, two key contracts in this market were secured: the extension of Royal Victoria Place in Tunbridge Wells and the ten-screen Empire Cinema and food and beverage expansion at Queensgate Shopping Centre in Peterborough.

The St James Residential Development in Brentwood and the B&Q distribution facility in Swindon were completed. In addition, the Tiger Way development (The Otto and Nightingale School) was delivered to long-term customer London Borough of Hackney, combining a new primary school with residential accommodation – the ninth schools' contract to be awarded to McLaren by the borough.

The high-profile Leicester City Football Club training centre is on track for completion in 2020, using the combined expertise in the sports and leisure sector from both the South and Midlands & North business units.

Secured contracts for 2019-20 include the Edward Street Quarter mixed-use development in Brighton for First Base, a new commercial office building for Stoford in Enfield and a town centre cinema regeneration project for Basildon Council. The pipeline includes potential contracts in distribution, manufacturing, logistics, industrial, commercial, retail, sports and leisure and residential.

McLaren Construction Group PLC

Group Strategic report (continued) For the Year Ended 31 July 2019

Parking

McLaren Parking, which specialises in the upgrade, maintenance and construction of car parks, continues to perform in line with Group's expectations.

Managed through the South business unit, it works with several key car park providers nationally, including new-build, refurbishment, facilities management and capital expenditure schemes.

In the Midlands and North

McLaren is solidifying its position in the Midlands and North of England across its established market sectors: distribution, manufacturing, commercial, mixed-use, retail and sports and leisure. The regional offices in Birmingham and Manchester continue to support contract delivery and close contact with local customers.

Project delivery is ongoing with key customers, including a student accommodation block at Warwick University, a multi-storey car park and test bed facility for Jaguar Land Rover and a new-build manufacturing facility for JCB. Phase one of the refurbishment and extension of the Mercedes Formula One headquarters in Northamptonshire was completed in November 2019.

Maintaining a strong customer focus remains central to the success of the business unit, working closely with repeat customers to ensure key business-critical dates are achieved. Examples include staged completions of the Barcode leisure and retail development at Drake Circus in Plymouth for British Land.

Work has started on Castle Quay 2, at Castle Quay Waterfront, Banbury, building a new waterfront cinema, restaurant and leisure development that will enhance the existing Castle Quay 1 retail outlet.

The team has also secured the contract to build an air freight facility at Manchester Airport for Manchester Airports Group (MAG) and occupier Dnata.

Further opportunities continue to emerge in the open market and with existing customers, offering growth potential for this business unit. These include the Athletes' Village residential complex for the Commonwealth Games and Omega Warrington, a speculative industrial unit development.

McLaren Construction Group PLC

Group Strategic report (continued) For the Year Ended 31 July 2019

Major Projects

In its fifth year, Major Projects has established its credentials in delivering larger, more complex developments, mainly in the residential sector and particularly in build to rent. The team have successfully delivered over 1,000 residential units since the business unit was set up, positive proof of the strong customer relationships that has developed.

Positive performance at Quintain's Wembley Park development saw McLaren hand over the W03 and W06 office contracts in 2019, with the W06 residential element to follow in 2020. This has helped to secure a further residential and mixed-use contract for NW09 and NW10, comprising three distinct blocks. This is McLaren's fourth contract at Wembley Park, taking the overall value of its projects on the Quintain framework to over £300 million.

New Regent's College school and one of the residential elements of The Makers development at Nile Street, London, were handed over to the London Borough of Hackney in September and November respectively, with the high-rise residential tower following in December to complete the contract.

At King's Cross, the Luma building is on track for completion in Spring 2020, a residential contract for developer Argent, as part of a framework.

Phase one at Hale Wharf in Tottenham Hale started on site, a residential development for Waterside Places, a joint venture between Muse and the Canal and River Trust, with potential for further work in phase two.

Looking ahead, the team has secured preconstruction service agreements for residential and later living contracts in London and Tunbridge Wells.

The team is also well placed to deliver any larger-scale opportunities that arise from the Group's push into the public sector, particularly in the residential sector.

McLaren Construction Group PLC

Group Strategic report (continued) For the Year Ended 31 July 2019

International

The year saw the successful delivery of the Komatsu Training and Office Facility for Dubai Ports World in Jebel Ali Free Zone and a variety of modifications and additions to the Al Maryah Central and Galleria Malls on Al Maryah Island, Abu Dhabi for Gulf Related, a joint venture between Gulf Capital and Argent Related.

The Al Karamah Private School in Abu Dhabi, delivered for The Priory Group and Abu Dhabi Education authority, was the winner of the Big Project Middle East 'Best Design and Build Project' award, beating some high-profile projects in the region.

In the airports sector, the team worked on a dual-purpose DNATA Office and Ground Services and Engineering Maintenance (GSEM) facility for Dubai Airports and Engineering Projects (DAEP), with completion expected in late 2019. In Abu Dhabi, the team commenced an upgrade to a flight catering facility for Etihad Airways at the International Airport, set to complete in May 2020.

The first contract in Sharjah was secured: a digital library designed by Foster + Partners for Shurooq (Sharjah Investment and Development Authority).

Much of the focus of the construction sector in Dubai has been on the buildings and infrastructure for Expo 2020. McLaren was awarded the contract by PICO International to build the UK Pavilion, designed by UK artist and designer Es Devlin for the UK Department of International Trade.

The UAE business has fared well in securing both larger schemes and a healthy flow of small-value tenders, against a backdrop of the UAE construction project market at its lowest level since 2014.

The focus for the business in the UAE remains on securing contracts with existing customers in the Emirates, particularly in the industrial, education and aviation sectors, with Abu Dhabi anticipated to have the better opportunities in the coming financial year. As the opportunity and contracting environment develops and evolves in other GCC countries, the business maintains a keen eye on potential schemes that could enable market entry using favourable security and attractive delivery models.

McLaren Construction Group PLC

Group Strategic report (continued) For the Year Ended 31 July 2019

Future outlook

The Group expects to further increase its orderbook and expects a profitable outcome for the financial year ended July 2020.

The business continues to monitor closely the effect of the Brexit process, and considers ways to mitigate any negative effects.

Internationally, the profile of the business is being raised with the contract to build the UK Pavilion at Expo2020, helping the business to identify and secure a healthy number of contracts in the United Arab Emirates, despite a constrained local market.

The focus on core operating sectors remains, with careful review of chosen opportunities in new markets and with new customers.

The growth and diversification strategy have seen progress in establishing new routes to market with the public sector, primarily through places on national and regional framework agreements. This will be bolstered by developing relationships with local authorities and registered providers, in order to deliver both development and construction projects.

To date, McLaren has won places on eight frameworks, with a business plan to secure more in the next couple of years, to give the business a comprehensive spread of agreements and routes to market.

The business is also implementing its digital strategy, through both technology and expertise, to better serve its customers and bring greater efficiencies.

Through continued dedication to the development of people at McLaren, coupled with the implementation of the business plan objectives and innovative 'can do' culture, the Group remains fully committed to providing its valued customers with an exceptional level of service and delivery.

McLaren Construction strengthened its Main Board by promoting four directors from within the business, reflecting the high calibre of colleagues within McLaren and the company's ability to attract and nurture great talent.

The outlook for the Group, in the UK and internationally, remains optimistic, with the business strongly positioned to grow and further enhance its position as one of the industry's leading privately-owned construction companies.

McLaren Construction Group PLC

Group Strategic report (continued) For the Year Ended 31 July 2019

Principal risks and uncertainties

UK economy

The construction industry may be affected by a decline in the UK economy due to uncertainty around the Brexit process. To protect the Group's financial position, it is continuing its strategy of diversification into new market sectors, maintaining strong and productive working relationships with customers, new and existing, and establishing new routes to market for the public sector and development opportunities.

Financing

The Group has strong liquidity, with cash reserves at the end of the financial year of £38.9 million (£37.8 million, 2018). This level of liquidity has further enhanced the operating capability of the Group. Furthermore, it should be noted that the Group has no long-term financing.

Contracts

To safeguard the Group's position against unforeseen losses on construction contracts, sophisticated and enhanced procedures are in place for estimating, design management and planning. Robust cost controls and periodic detailed management reviews ensure profitability is maintained.

Customer relationships

The Group's diversification into new sectors, proactive business development in establishing new opportunities and continued focus on maintaining existing customer relationships have strengthened the Group's market position against its competitors in an uncertain economic environment.

Sub-contractors and suppliers

A lack of capacity in key subcontractor trades or materials markets can cause delays in construction programmes, reduced quality and increased costs. The Group aims to develop long-term relationships with key suppliers and subcontractors to ensure that we remain a priority customer if and when resources and materials are in short supply.

McLaren Construction Group PLC

Group Strategic report (continued) For the Year Ended 31 July 2019

Corporate social responsibility

McLaren is committed to leaving a positive legacy for our colleagues, customers, community and the environment.

In 2018, we embarked upon an ambitious mission to be recognised as industry leaders under three key policy areas by 2022:

- People
- Planet
- Social Conscience

We defined a Five-Year Vision to help us achieve this and we are proud that in 2019, we successfully delivered the Year Two vision.

People:

Training and development

Under the direct guidance of the Main Board, McLaren has been focused upon attracting and retaining talent; providing a fair and equitable working environment; and creating local employment. Through our internal training academy and collaborating with supply chain team, we have achieved the following during the year;

Attract, Retain and Develop Talent

- 65% of leadership level employees are engaged in a development programme
- 57% of trainees have successfully concluded training during the year
- 20% of McLaren workforce are within a structured training plan
- 10% of McLaren workforce are Trainees / Apprentices

Ensure a Fair & Equitable Working Environment

To encourage diversity and embed a culture of a fair and equitable working environment, we have successfully delivered mandatory training on the following topics:

- Encourage Equality & Diversity in Workplace
 - o Equality & Diversity Training

We provide an inclusive working environment based on the principles of equal opportunities, ensuring all applicants and colleagues are treated the same.

All employees have personal responsibility for the practical application of the Group's Diversity and Equality Policy, which extends to the treatment of job applicants, employees, customers, supply chain and visitors.

- Strive for Fair Working Conditions
 - o Modern Slavery Training

Our focus upon modern slavery within the supply chain has continued to evolve, with our supply chain and procurement teams developing supply chain package risk assessments to identify attendant low skilled labour risk within projects. This ensures our suppliers have robust labour management process.

Further into 2020, we will develop materials supply chain traceability process with our supply chain, with focus upon the labour used to manufacture non-UK goods.

McLaren Construction Group PLC

Group Strategic report (continued) For the Year Ended 31 July 2019

Create Local Employment

We continue to combine the resources of our supply chain, learning and development and community relations teams to ensure focus upon local employment. During 2019, we consolidated links with local schools and colleges with our regional business units to establish a talent pipeline across all disciplines. During 2020, we will conclude the social value calculations of the following topics:

- Sharing or offering opportunities to local subcontractors / apprentices
- Creating work placements
- Upskilling disadvantaged groups

Planet:

Sustainability

McLaren Construction recognises the impact it has on the environment and the long-term benefits of sustainable construction, striving always to minimise any negative impact.

Our approach has been to empower our Development, Pre-Construction and Project delivery teams through training and output measurement, to embed sustainability principles and solutions on their projects throughout the concept, design and delivery phases.

Driving a culture change throughout the built environment

- Sustainability Strategy delivered to business leaders 2019
- All projects receive sustainability training at the commencement of the project
- All Pre-Construction and Development teams have received Sustainability training

Minimising resource consumption

- All our projects and offices report upon onsite consumption of Water, Fuel, converted in tonnes of CO₂ / £ million turnover
- All projects have a sector and programme Water / Fuel and CO₂ consumption Forecast & Tracker based upon our own aggregated base line from which project team solutions are measured

Promoting environmentally responsible design and operations

- We have a renewed focus upon embodied carbon, with each project team required to identify where changes in design, programme sequencing and material specification and sourcing can reduce the embodied carbon of a project.

We are focused on delivering innovative design, specification and construction solutions that focus upon reducing the embodied carbon of our projects, alongside monitoring and delivering construction-stage energy use, applying carbon reduction strategies. A robust policy and implementation plan encourage and promote a practical approach at all levels.

During 2020 we will continue to focus upon

- Further Focus upon embodied carbon reductions
- Removal of single use plastics for delivery to site
- Removal of single use plastics within construction fabric

McLaren Construction Group PLC

Group Strategic report (continued)
For the Year Ended 31 July 2019

Social Conscience:

Our Community Engagement teams have successfully delivered key community metrics:

Add Value to Local Communities

To achieve our aims of adding value to the communities we serve, we continue to strengthen our investments in those communities through several initiatives. This includes;

- 85% of our sites now have a defined community investment plan and these plans have delivered positive improvements to the community. For example, a Careers Day event we organised with a supply chain partner in Speke, helped attract an ex military, who is now in full time employment.
- We pride ourselves in delivering more and have encouraged 45% of our sites to go Beyond Customer and S106 obligations to improve the lives of local people.
- Local Charities and the third sector play a vital role in local communities, as such, we have encouraged 85% of our projects to support the work of local charities, further enhancing our offering to the community.

Inspire & Motivate Individuals

- We entrenched ourselves in the community we serve by delivering 32 Community Engagements during 2019. These engagement activities have included local school visits, coffee mornings and fundraising activities.

Create a Positive Perception of the Construction Industry

- We averaged a CCS Score of 41 across our sites and playing our part in improving the image of construction and attracting new talents, while being a good neighbour

During 2020, we are on target deliver our community relations strategy through increasing local supply chain partnerships and collaborating with education establishments. This will enable us to improve our social value statistics covering local employment, inspiring and motivating individuals and creating a positive perception of the industry. As part of this, McLaren will be delivering more thought leadership to enhance our industry standing.

Our values

Mission statement

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

This report was approved by the board and signed on its behalf by:.



.....
K R Taylor
Director

Date:

31/01/2020

McLaren Construction Group PLC

Group Strategic report (continued)
For the Year Ended 31 July 2019

Finance Statement

McLaren Construction Group Plc demonstrated a continued strong performance in the financial year ended 31 July 2019.

Key performance indicators

- Turnover in the year of £650.9 million (2018 – £585.6 million), a £65.3m increase from the previous year.
- Net cash of £38.9 million (2018 - £37.8 million), strong liquidity within the Group and an increase from the previous year.
- No long-term financing within the Group
- Net assets increased by £3.3 million to £32.4 million (2018 – £29.1 million)

We continue to partner successfully with new and existing surety providers, allowing us access to a wide range of financial instruments that provide the required financial security to our customers and their projects.

We continue to improve on our payment times to our supply chain, recognising the importance of our suppliers to our continued performance. The Group continues to seek ways build upon this year on year.

We are committed to being at the forefront of technology, construction design efficiencies, data management, and embedding efficient management reporting as part of the business culture for the benefit of our customers. During 2019, we continued our investment in technology. We successfully delivered a new ERP platform, which will continue to be delivered into 2020. It will include the full role out of supply chain, customer and project management tools, alongside finance, HR and training.

Further, following our successful delivery of numerous BIM projects and achieving BIM Level 2 accreditation, we are on track to deliver our three-year digital strategy which will include the integration of our Common Data Environment with project design, programme and procurement process. This will ensure that all projects have a project Digital Delivery Plan.

Our substantial investment over the past year in BIM Management, Talent, Visualization, Design and Archive tools will ensure that all projects are able to consolidate data with all disciplines, and that project information from concept, delivery, hand over and maintenance is domiciled in a single location. This will allow the aggregation of data for use in the future and improve our efficiencies as a business.

Our forward order book continues to be robust, with 86.4% per cent of turnover secured for the 2020 year-end and turnover forecast to exceed £600 million.


.....
Craig Young
Group Finance Director

Date:

31/01/2020

McLaren Construction Group PLC

Directors' Report For the Year Ended 31 July 2019

The directors present their report and the financial statements for the year ended 31 July 2019.

Results and dividends

The profit for the year, after taxation, amounted to £2,628,787 (2018 - £2,190,808).

During the year the directors did not recommend a dividend during the year (2018 - £Nil).

Director

The directors who served during the year were:

P J Pringle
K R Taylor

Financial risk

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Board receives rolling cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Employee involvement

The Group places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them directly as well as the various factors affecting the performance of the Group. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Diversity and inclusion

It is the Group's policy that all persons should be considered for employment training, career development and promotion based on their abilities and aptitudes, regardless of physical ability, age, gender, sexual orientation, religion or ethnic origin.

McLaren Construction applies employment policies that are fair and equitable for all employees and these ensure that entry into, and progression within the Group, are determined solely by application of job criteria and personal ability and competency.

Full and fair consideration, having regard to the person's aptitudes and abilities, is given to applications for employment and the career development of disabled persons. Our training and development policies also make it clear that it will take all steps practicable to ensure that employees who become disabled during the time they are employed by the company are able to remain employed by the company.

Entities outside of the United Kingdom

The company has an overseas subsidiary in UAE, which represents less than 10% of the group.

Matters covered in the strategic report

As permitted by paragraph 1A of schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008, certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on pages 1-11. These matters relate to the principal activity of the company, the principal risks that it faces and future developments.

McLaren Construction Group PLC

Directors' Report (continued) For the Year Ended 31 July 2019

Directors' responsibilities

The directors are responsible for preparing the Group strategic report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 for the financial statements and then apply them consistently;
- make judgements 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 to 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.

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 the directors are aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the directors have 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.

Post balance sheet events

There have been no significant events affecting the Group since the year end, that requires additional disclosure in these financial statements.

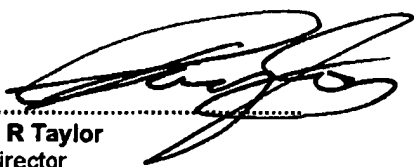
McLaren Construction Group PLC

Directors' Report (continued) For the Year Ended 31 July 2019

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006 at the annual general meeting.

This report was approved by the board and signed on its behalf.


.....
K R Taylor
Director

Date: 31/01/2020

McLaren Construction Group PLC

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

Opinion

We have audited the financial statements of McLaren Construction Group Plc ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 July 2019 which comprise the Consolidated Statement of comprehensive income, the Consolidated Statement of financial position, the Company Statement of financial position, the Consolidated Statement of changes in equity, the Company Statement of changes in equity, the Consolidated Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

McLaren Construction Group PLC

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and director's report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.


A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

McLaren Construction Group PLC

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

Use of our report

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.

 BDO LLP

Geraint Jones (Senior Statutory Auditor)
For and on behalf of BDO LLP
Statutory auditor
London
United Kingdom

Date: 31 January 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

McLaren Construction Group PLC

Consolidated Statement of Comprehensive Income For the Year Ended 31 July 2019

	Note	2019 £	2018 £
Turnover	4	650,881,827	585,592,066
Cost of sales		(613,365,582)	(550,240,544)
Gross profit		37,516,245	35,351,522
Administrative expenses		(33,965,436)	(30,784,287)
Operating profit	5	3,550,809	4,567,235
Impairment of joint ventures		-	(29,294)
Provision against related party debtors		(1,789,617)	(1,946,238)
Interest receivable and similar income	8	1,550,765	1,114,655
Interest payable and similar expenses	9	(12,173)	(15,428)
Profit before taxation		3,299,784	3,690,930
Tax on profit	10	(670,997)	(1,500,122)
Profit for the financial year		2,628,787	2,190,808
Movement on foreign exchange		661,452	151,470
Other comprehensive income for the year		661,452	151,470
Total comprehensive income for the year		3,290,239	2,342,278

The Consolidated statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

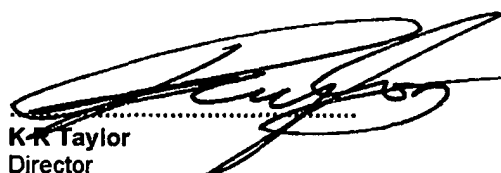
The notes on pages 25 to 47 form part of these financial statements.

McLaren Construction Group PLC
Registered number: 05384316

Consolidated Statement of Financial Position
As at 31 July 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	11	3,496,728	4,177,726
Investments	12	-	-
		<u>3,496,728</u>	<u>4,177,726</u>
Current assets			
Debtors: amounts falling due after more than one year	13	12,909,669	17,695,466
Debtors: amounts falling due within one year	13	209,253,488	157,791,479
Cash at bank and in hand	14	38,928,613	37,787,813
		<u>261,091,770</u>	<u>213,274,758</u>
Creditors: amounts falling due within one year	15	(232,201,358)	(188,355,583)
Net current assets		<u>28,890,412</u>	<u>24,919,175</u>
Net assets		<u><u>32,387,140</u></u>	<u><u>29,096,901</u></u>
Capital and reserves			
Share capital	18	3,010,400	3,010,400
Share premium account	19	28,570,000	28,570,000
Foreign exchange reserve	19	1,232,502	571,050
Capital contribution reserve	19	1,948,562	1,948,562
Retained earnings	19	(2,374,324)	(5,003,111)
		<u>32,387,140</u>	<u>29,096,901</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


K.R. Taylor
Director

Date: 31/01/2020

The notes on pages 25 to 47 form part of these financial statements.

McLaren Construction Group PLC
Registered number:05384316

Company Statement of Financial Position
As at 31 July 2019

	Note	2019 £	2018 £
Fixed assets			
Investments	12	21,958,573	21,958,573
Current assets			
Debtors	13	11,715,526	4,268,152
Cash at bank and in hand	14	4,727	15,904,822
		<u>11,720,253</u>	<u>20,172,974</u>
Creditors: amounts falling due within one year	15	(127,396)	(8,580,047)
Net current assets		<u>11,592,857</u>	<u>11,592,927</u>
Net assets		<u><u>33,551,430</u></u>	<u><u>33,551,500</u></u>
Capital and reserves			
Share capital	18	3,010,400	3,010,400
Share premium account	19	28,570,000	28,570,000
Capital contribution reserve	19	1,948,562	1,948,562
Retained earnings	19	22,468	22,538
		<u><u>33,551,430</u></u>	<u><u>33,551,500</u></u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent Company for the year was £70 (2018 - profit £2).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

.....
K R Taylor
Director

Date: 31/01/2020

The notes on pages 25 to 47 form part of these financial statements.

McLaren Construction Group PLC

Consolidated Statement of Changes in Equity For the Year Ended 31 July 2019

	Share capital £	Share premium account £	Foreign exchange reserve £	Capital contribution reserve £	Retained earnings £	Total equity £
At 1 August 2018	3,010,400	28,570,000	571,050	1,948,562	(5,003,111)	29,096,901
Comprehensive income for the year						
Profit for the year	-	-	-	-	2,628,787	2,628,787
Movement on foreign exchange	-	-	661,452	-	-	661,452
Total comprehensive income for the year	-	-	661,452	-	2,628,787	3,290,239
At 31 July 2019	3,010,400	28,570,000	1,232,502	1,948,562	(2,374,324)	32,387,140

The notes on pages 25 to 47 form part of these financial statements.

McLaren Construction Group PLC

Consolidated Statement of Changes in Equity For the Year Ended 31 July 2018

	Share capital £	Share premium account £	Foreign exchange reserve £	Capital contribution reserve £	Retained earnings £	Total equity £
At 1 August 2017	3,010,400	28,570,000	419,580	1,948,562	(7,193,919)	26,754,623
Comprehensive income for the year						
Profit for the year	-	-	-	-	2,190,808	2,190,808
Movement on foreign exchange	-	-	151,470	-	-	151,470
Total comprehensive income for the year	-	-	151,470	-	2,190,808	2,342,278
At 31 July 2018	3,010,400	28,570,000	571,050	1,948,562	(5,003,111)	29,096,901

The notes on pages 25 to 47 form part of these financial statements.

McLaren Construction Group PLC

Company Statement of Changes in Equity For the Year Ended 31 July 2019

	Share capital £	Share premium account £	Capital contribution reserve £	Retained earnings £	Total equity £
At 1 August 2018	3,010,400	28,570,000	1,948,562	22,538	33,551,500
Comprehensive loss for the year					
Loss for the year	-	-	-	(70)	(70)
At 31 July 2019	3,010,400	28,570,000	1,948,562	22,468	33,551,430

Company Statement of Changes in Equity For the Year Ended 31 July 2018

	Share capital £	Share premium account £	Capital contribution reserve £	Retained earnings £	Total equity £
At 1 August 2017	3,010,400	28,570,000	1,948,562	22,536	33,551,498
Comprehensive income for the year					
Profit for the year	-	-	-	2	2
At 31 July 2018	3,010,400	28,570,000	1,948,562	22,538	33,551,500

The notes on pages 25 to 47 form part of these financial statements.

McLaren Construction Group PLC

Consolidated Statement of Cash Flows For the Year Ended 31 July 2019

	2019 £	As restated 2018 (see note 2.17) £
Cash flows from operating activities		
Profit for the financial year	2,628,787	2,190,808
Adjustments for:		
Depreciation of tangible assets	557,350	511,000
Loss on disposal of tangible assets	107,924	-
Interest payable	12,173	15,428
Interest receivable	(1,550,765)	(1,114,655)
Taxation charge	670,997	1,500,122
(Increase) in debtors	(46,012,461)	(11,872,403)
Increase in creditors	50,879,684	11,816,917
Corporation tax received/(paid)	390,509	(742,437)
Foreign Exchange	(70,153)	151,470
Impairment of joint ventures	-	29,294
Net cash used in operating activities	7,614,045	2,485,544
Cash flows from investing activities		
Purchase of tangible fixed assets	(134,275)	(1,159,706)
Sale of tangible fixed assets	149,999	-
Interest received	1,550,765	1,114,655
HP interest paid	-	(12,523)
Loans advanced to related parties	(8,027,561)	(18,770,423)
Net cash from/(used in) investing activities	(6,461,072)	(18,827,997)
Cash flows from financing activities		
Interest paid	(12,173)	(2,905)
Net cash used in financing activities	(12,173)	(2,905)
Net increase/(decrease) in cash and cash equivalents	1,140,800	(16,345,358)
Cash and cash equivalents at beginning of year	37,787,813	54,133,171
Cash and cash equivalents at the end of year	38,928,613	37,787,813
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	38,928,613	37,787,813
	38,928,613	37,787,813

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

1. General information

McLaren Construction Group PLC is a company incorporated in England under the Companies Act. The address of the registered office is stated on the company information page and company's operations and its principal activities is stated in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent *company*, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the year has been presented as the reconciliation for the Company and the parent *company* would be identical;
- No Statement of Cash Flows has been presented for the parent *company*;
- Disclosures in respect of the parent *company's* financial instruments have not been presented as equivalent disclosures have been provided in respect of the Company as a whole; and
- No disclosures have been given for the aggregate remuneration of the key management personnel of the parent *company* as their remuneration is included in the totals for the Company as a whole.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Parent Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

2. Accounting policies (continued)

2.3 Turnover

Turnover represents the value of work done on contracting activities, which is recognised by reference to the stage of completion of the contract at the reporting date.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Freehold property	- 2% straight line method (land at nil)
Tower cranes	- 20% straight line
Motor vehicles	- 10% straight line method
Fixtures and fittings	- 15% reducing balance method
Office equipment	- 25-50% straight line method
Computer equipment	- 25-50% straight line method
Improvements to property	- over period of lease

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.5 Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Fixed assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased, except for goodwill where impairment losses previously recognised are not reversed.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

2. Accounting policies (continued)

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.8 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Consolidated Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an 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.

2.9 Creditors

Short term creditors are measured at the transaction price.

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

2. Accounting policies (continued)

2.10 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

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 and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.11 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.12 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the expected lease period.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 1 August 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

2. Accounting policies (continued)

2.13 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.14 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

2. Accounting policies (continued)

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.17 Comparative figures

An adjustment to the comparative figures in the cash flow statement has been recorded to present £18,770,423 as a cash outflow in relation to Loans advanced to related parties included in Investing cash flows rather than being included in movement in debtors within operating cash flows. There is no overall change in the net movement in cash in the comparative figures. Certain other immaterial items in the financial statement have been adjusted to improve consistency with the presentation of amounts in the current year.

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

3. Judgements and other key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgements:

- **Tangible fixed assets (see note 11)**
Tangible fixed assets, other than investments properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Other key sources of estimation uncertainty

- **Long term contracts**
Recognition of turnover and profit on long term contracts requires management judgement regarding the anticipated final outcome of individual contracts and of the proportion of works completed at the year end date. Management undertakes detailed reviews on a monthly basis in order to exercise judgement over the outcome of each contract and the associated risks and opportunities.

The value of work completed at the year end date is assessed by undertaking surveys and completing internal valuations on each element of works completed and in progress. Regular management reviews of contract progress include a comparison of internal valuations to the applications for payment made by supply chain partners and to external valuations completed on behalf of clients. Any material variances are investigated and updates made where appropriate.

Consistent procedures and management tools are in place to ensure that estimates are applied and results determined on a consistent basis.

- **Impairment of investments**
The company makes an estimate of the realisable value of its investments. When assessing impairment of investments, management considers factors including the current and predicted future profitability of the investment, future cash flows from the investments and the discount factors to be applied.
- **Recoverability of debtors**
The recoverability of debtor balances is uncertain and can depend on a number of factors which may affect repayment conditions and could lead to possible impairment. The Group assesses the recoverability of debtors based on historical experience of losses and recognise impairments where there is objective evidence of a loss having incurred, with reference to the financial position and performance of the counterparty amongst other factors.

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

4. Turnover

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	607,709,969	533,377,063
United Arab Emirates	43,171,858	52,215,003
	<u>650,881,827</u>	<u>585,592,066</u>

5. Operating profit

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

	2019 £	2018 £
Depreciation of tangible fixed assets	557,350	537,588
Exchange differences	(70,153)	(105,169)
Impairment charges	1,789,617	1,946,238
Operating lease expense	937,621	488,528
Defined contribution pension cost	1,967,284	1,599,689
Loss on disposal of fixed assets	107,924	-
Fees payable to the Group's auditors for:		
The audit of the Group and subsidiaries' financial statements	115,000	83,000
Preparation of the Group and subsidiaries' financial statements	24,000	18,000
	<u>115,000</u>	<u>83,000</u>
	<u>24,000</u>	<u>18,000</u>

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

6. Employees and directors

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

	Group 2019 £	Group 2018 £
Wages and salaries	48,351,647	45,994,318
Social security costs	5,141,580	4,628,580
Cost of defined contribution scheme	1,967,284	1,599,689
	<u>55,460,511</u>	<u>52,222,587</u>

The company had no employees during the period. Staff costs are borne in McLaren Construction Limited, a subsidiary company.

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

	2019 No.	2018 No.
Executive board of directors	2	2
Technical directors	70	56
Senior managers and site managers	385	368
Pre-construction staff	16	17
Administration and support	204	195
Onsite staff	56	53
	<u>733</u>	<u>691</u>

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

7. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	475,100	466,143
Company contributions to defined contribution pension schemes	23,100	22,668
	<u>498,200</u>	<u>488,811</u>

During the year, retirement benefits were accruing to 1 director (2018 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £315,100 (2018 - £286,437).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £23,100 (2018 - £22,668).

8. Interest receivable and similar income

	2019 £	2018 £
Interest receivable from related parties	1,549,404	1,058,320
Other interest receivable	1,361	56,335
	<u>1,550,765</u>	<u>1,114,655</u>

9. Interest payable and similar expenses

	2019 £	2018 £
Other interest payable	12,173	15,428
	<u>12,173</u>	<u>15,428</u>

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

10. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	594,734	1,266,979
Adjustments in respect of previous periods	(20,096)	(74,880)
	<u>574,638</u>	<u>1,192,099</u>
Total current tax	<u>574,638</u>	<u>1,192,099</u>
Deferred tax		
Origination and reversal of timing differences	118,906	384,322
Changes to tax rates	(12,517)	(35,845)
Adjustment in respect of prior periods	(10,030)	(40,454)
Total deferred tax	<u>96,359</u>	<u>308,023</u>
Taxation on profit on ordinary activities	<u>670,997</u>	<u>1,500,122</u>

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	3,299,784	3,690,930
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	626,959	701,277
Effects of:		
Expenses not deductible for tax purposes	86,679	951,128
Losses	6	(1,305)
Adjustments to tax charge in respect of prior periods	(30,128)	(110,524)
Deferred tax not provided	-	(40,454)
Tax rate changes	(12,519)	-
Total tax charge for the year	670,997	1,500,122

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

11. Tangible fixed assets Group

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Other fixed assets £	Total £
Cost							
At 1 August 2018	3,016,886	679,652	391,782	585,569	601,925	284,774	5,560,588
Additions	-	-	-	-	134,275	-	134,275
Transfers intra group	-	-	-	(7,224)	7,224	-	-
Disposals	-	-	(391,782)	(194,127)	(171,788)	(237,046)	(994,743)
At 31 July 2019	3,016,886	679,652	-	384,218	571,636	47,728	4,700,120
Depreciation							
At 1 August 2018	631,990	131,249	16,324	147,039	306,154	150,106	1,382,862
Charge for the year	51,191	135,930	39,178	127,489	177,472	26,090	557,350
Disposals	-	-	(133,859)	(194,127)	(171,788)	(237,046)	(736,820)
Transfers between classes	-	-	78,357	-	-	(78,357)	-
At 31 July 2019	683,181	267,179	-	80,401	311,838	(139,207)	1,203,392
Net book value							
At 31 July 2019	2,333,705	412,473	-	303,817	259,798	186,935	3,496,728
At 31 July 2018	2,384,896	548,403	375,458	438,530	295,771	134,668	4,177,726

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

11. Tangible fixed assets (continued)

The net book value of land and buildings may be further analysed as follows:

	2019 £	2018 £
Freehold	2,333,705	2,384,896
	<u>2,333,705</u>	<u>2,384,896</u>

12. Fixed asset investments

Group

	Investment in joint ventures £
Cost	
At 1 August 2018	29,294
At 31 July 2019	<u>29,294</u>
Impairment	
At 1 August 2018	29,294
At 31 July 2019	<u>29,294</u>
Net book value	
At 31 July 2019	<u>-</u>
At 31 July 2018	<u>-</u>

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

12. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost	
At 1 August 2018	21,958,573
At 31 July 2019	<u>21,958,573</u>
Net book value	
At 31 July 2019	<u>21,958,573</u>
At 31 July 2018	<u>21,958,573</u>

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

12. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Celcool Limited	Rental of investment property	Ordinary	100%
McLaren Construction (UK) Ltd*	Design and construction specialist	Ordinary	100%
McLaren Construction (South) Ltd*	Design and construction specialist	Ordinary	100%
McLaren Construction (Midlands) Ltd*	Design and construction specialist	Ordinary	100%
McLaren Construction (London) Ltd*	Design and construction specialist	Ordinary	100%
McLaren Construction (International) Ltd*	Design and construction specialist	Ordinary	100%
McLaren Construction (Major Projects) Ltd*	Design and construction specialist	Ordinary	100%
McLaren Construction Ltd	Design and construction specialist	Ordinary	100%
McLaren Parking Limited*	Upgrade, maintenance and construction of car parks	Ordinary	100%
McLaren Construction (Ventures) Limited*	Dormant	Ordinary	100%
McLaren Construction LLC*	Design and construction specialist	Ordinary	100%
ECC Jane**	Design and construction specialist	Ordinary	50%

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

*The above companies are indirectly owned subsidiaries.

**The above entity ECC Jane is a indirectly owned jointly controlled operation.

All of the above subsidiaries have the same registered office address as follows: McLaren House, 100 Kings Road, Brentwood, Essex, CM14 4EA. Other than, ECC Jane and McLaren Construction LLC, their registered office address is 1403, 14th Floor, Marina Plaza, PO Box 27900, Dubai, UAE.

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

13. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Due after more than one year				
Trade debtors	12,909,669	17,695,466	-	-
	<u>12,909,669</u>	<u>17,695,466</u>	<u>-</u>	<u>-</u>
	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Due within one year				
Trade debtors	68,141,878	56,589,502	-	-
Other debtors	76,134,276	58,001,155	11,715,265	4,267,891
Prepayments and accrued income	1,186,827	1,496,606	-	-
Amounts recoverable on long term contracts	62,967,676	41,279,469	-	-
Tax recoverable	599,204	104,761	-	-
Deferred taxation (see note 17)	223,627	319,986	261	261
	<u>209,253,488</u>	<u>157,791,479</u>	<u>11,715,526</u>	<u>4,268,152</u>

For further information on other debtors see related parties (note 23).

The total amount of impairments losses in the year was £1,789,617 (2018 - £1,946,238). These amounts relate to balances held within other debtors.

14. Cash and cash equivalents

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash at bank and in hand	38,928,613	37,787,813	4,727	15,904,822
	<u>38,928,613</u>	<u>37,787,813</u>	<u>4,727</u>	<u>15,904,822</u>

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

15. Creditors: Amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Payments received on account	66,103,681	12,395,708	-	-
Trade creditors	26,069,754	23,549,393	-	-
Amounts owed to group undertakings	-	-	124,765	8,577,416
Corporation tax	3,128,325	1,668,735	-	-
Other taxation and social security	4,802,665	9,029,577	-	-
Other creditors	32,395,002	25,036,052	131	131
Accruals and deferred income	99,701,931	116,676,118	2,500	2,500
	<u>232,201,358</u>	<u>188,355,583</u>	<u>127,396</u>	<u>8,580,047</u>

The amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

Other creditors primarily consists of supplier retentions.

For further information on other creditors see related parties (note 23).

16. Financial instruments

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>205,578,187</u>	<u>173,565,592</u>	<u>11,715,265</u>	<u>4,267,891</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(224,270,367)</u>	<u>(177,657,271)</u>	<u>(127,396)</u>	<u>(8,580,047)</u>

Cash and cash equivalents comprise cash in hand, and deposits that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial assets measured at amortised cost comprise trade debtors, other debtors, amounts recoverable from long term contracts and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, payments received on account, amounts owed to group undertakings, other creditors and accruals and deferred income

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

17. Deferred taxation

Group

	2019 £	2018 £
At beginning of year	319,986	628,021
Charged to profit or loss	(106,389)	(343,865)
Adjustment in respect of prior years	10,030	35,830
At end of year	223,627	319,986

Company

	2019 £	2018 £
At beginning of year	261	193
Charged to profit or loss	-	68
At end of year	261	261

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Losses	65,933	276,844	261	261
Short term timing differences	29,434	51,902	-	-
Fixed asset timing differences	128,260	(8,760)	-	-
	223,627	319,986	261	261

18. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
10,400 ordinary A, B, C shares of £1.00 each	10,400	10,400
3,000,000 non-cumulative redeemable preference shares of £1.00 each	3,000,000	3,000,000
	3,010,400	3,010,400

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

18. Share capital (continued)

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.

19. Reserves

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Foreign exchange reserve

This reserve represents the gains and losses arising on retranslating the net assets/liabilities of overseas operations into British sterling.

Capital contribution reserve

Capital contribution reserve relates to the amount of capital contributed by the owner.

Retained earnings

Retained earnings account represents cumulative profits or losses, net of dividends paid and other adjustments.

20. Contingent liabilities

As at 31 July 2019, Lloyds Bank plc has a right to set off with all companies within the Group holding a Lloyds Bank account.

21. 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 £1,967,284 (2018 - £1,599,689).

Contributions totalling £372,338 (2018 - £274,654) were payable to the scheme at the end of the year and are included in creditors.

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

22. Commitments under operating leases

At 31 July 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	Group 2018 £
Not later than 1 year	910,104	933,481
Later than 1 year and not later than 5 years	2,377,898	3,295,309
	<u>3,288,002</u>	<u>4,228,790</u>

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

23. Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 102 Section 33 'Related Party Disclosures' paragraph 33.1A not to disclose transactions with certain group companies on the grounds that the subsidiaries party to the transactions are wholly owned members of the group.

P J Pringle (director)

As at the balance sheet date the amount due from P J Pringle was £69,542 (2018 - £81,110) and is included within other debtors. Interest was charged in respect of this balance amounting to £1,974 (2018 - £2,415). The balance accrues interest at an annual rate of 3.5% and is repayable on demand.

K R Taylor (director)

During the year work undertaken by the group on personal contracts for K R Taylor amounted to £1,160,427 (2018 - £Nil). As at the balance sheet date the amount due from K R Taylor was £10,897,445 (2018 - £4,036,529) and is included within other debtors. Interest was charged in respect of this balance amounting to £283,780 (2018 - £70,677). On 7 January 2020 the balance account was fully repaid. The balance accrues interest at an annual rate of 3.5% and is repayable on demand.

McLaren Furniture Limited (Under common control)

At the balance sheet date the amount due to the Group from McLaren Furniture Limited was £Nil (2018 - £Nil). An amount totalling £50,676 (2018 - £2,417,227) was provided for in the year. The carry forward impairment balance totals £2,467,903 (2018 - £2,417,227). The balance accrues interest at an annual rate of 5% and is repayable on demand.

Arthur Brett & Sons Limited (Under common control)

At the balance sheet date the amount due to the Group from Arthur Brett & Sons Limited was £1,328,386 (2018 - £1,269,405) and is included within other debtors. Interest was charged in respect of this balance amounting to £66,644 (2018 - £60,757). The balance accrues interest at an annual rate of 5% and is repayable on demand.

Golden Apple Limited (Under common control)

At the balance sheet date the amount due to the group from Golden Apple Limited was £137,991 (2018 - £3,092,202) and is included within other debtors. Interest was charged in respect of this balance amounting to £91,677 (2018 - £139,399). An amount totalling £1,099,650 (2018 - £Nil) was provided for in the year. The carry forward impairment balance totals £3,045,888 (2018 - £1,946,238). The balance accrues interest at an annual rate of 8% and is repayable on demand.

McLaren Property Limited (Under common control)

During the year other income of £Nil (2018 - £240,000) was receivable from McLaren Property Limited. At the balance sheet date the amount due to the Group from McLaren Property Limited was £7,739,938 (2018 - £958,151) and is included within other debtors. Interest was charged in respect of this loan amounting to £385,340 (2018 - £Nil). The balance accrues interest at an annual rate of 3.5% and is repayable on demand.

McLaren Property Services SARL (Under common control)

At the balance sheet date the amount due to the Group from McLaren Property Services (SARL) was £Nil (2018 - £689,718) and is included within other debtors. An amount totalling £689,967 (2018 - £Nil) was provided for in the year. The carry forward impairment balance totals £689,967 (2018 - £Nil). The balance does not accrue interest and is repayable on demand.

McLaren (Finance 2) Limited (Under common control)

At the balance sheet date the amount due to the Group from McLaren (Finance 2) Limited was £29,738,947 (2018 - £28,493,173) and is included within other debtors. Interest was charged in respect of this loan amounting to £922,139 (2018 - £598,543). On 20 November 2019, £24,746,510 of the outstanding balance was repaid. The balance accrues interest at an annual rate of 3.5% and is repayable on demand.

McLaren Construction Group PLC

Notes to the Financial Statements For the Year Ended 31 July 2019

24. Controlling party

The Group is under the control of Optimus Corporate Services Limited as trustee of the McLaren Construction Limited Employee Trust 2007 who hold the shares of the Parent company for the benefit of K R Taylor, a director of the Parent company, and family.

25. Guarantees

The Company has entered directly into certain financial guarantees concerning delivery obligations and performance of construction contracts entered into by McLaren Construction Limited, a 100% owned subsidiary company, in the normal course of business. The Company has also entered directly into certain financial guarantees concerning development and other contracts of related parties, which are listed below:

McLaren Life Limited, a 50% JV of McLaren Property Limited, a related party under common control. Guarantee of finance and ground rent payable to council. Maximum exposure estimated at £0.1m.

McLaren (Upper Brook Street) Limited, a related party under common control. Guarantee of obligations in sale contract. Maximum exposure estimated at £0.8m.