

**McLaren Construction (Major  
Projects) Limited**

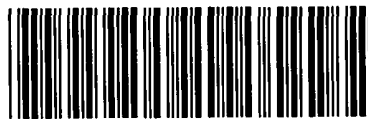
Annual Report and Financial Statements

Year Ended

31 July 2021

Company Number 09850547

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COMPANIES HOUSE

# **McLaren Construction (Major Projects) Limited**

## **Company Information**

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**Directors** M Archer  
P J Pringle

**Registered number** 09850547

**Registered office** McLaren House  
100 Kings Road  
Brentwood  
Essex  
CM14 4EA

**Independent auditor** BDO LLP  
55 Baker Street  
London  
W1U 7EU

# **McLaren Construction (Major Projects) Limited**

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# McLaren Construction (Major Projects) Limited

## Strategic report For the year ended 31 July 2021

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### McLaren Construction Group

McLaren Construction (Major Projects) Limited (the Company), is a subsidiary of McLaren Construction Group Plc (the Group), which together with its fellow subsidiaries, 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, private and public sector frameworks, consultants, and the supply chain, through exemplary project management and high-quality delivery.

### 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.

### Business review

With just one project paused during the pandemic, McLaren handed over 22 projects in the year, and continued construction of 45 projects.

McLaren has been working on some of the UK's best projects in the past 12 months:

- Dar Group: a UK headquarters for one of the world's largest design and engineering consultancies
- Department for International Trade: the high-tech UK Pavilion at Dubai Expo
- Quintain: fourth development at Wembley Park
- Be First: Crown House, 169 affordable homes for Barking & Dagenham
- Cherwell District Council: Castle Quay, a canal side retail and leisure destination
- YardNine: 50 Eastbourne Terrace, Grade A office accommodation, retail space and mews houses

McLaren has won repeat business in the past year from leading developers and local authorities:

- Argent: a mixed use scheme at King's Cross following handover of a high-end residential development
- British Land: Aldgate Place is the 27th project delivered during a 13-year partnership
- Quintain: 490 homes under construction at Repton Gardens in Wembley
- A global data centre facilities provider in both the UK and UAE
- Camden Council: re-cladding of the Chalcots Estate

A challenging year required McLaren's project teams and central support services to adapt to continued COVID-19 restrictions. Such restrictions resulted in further materials and labour fulfilment challenges which continued to hinder site efficiency levels contributing to steadily increasing market inflation risk.

Turnover of £77.7m was a decrease of £23.0m from the previous year. In line with the wider construction sector, McLaren's gross margins and FY21 results were impacted by COVID 19. The Group experienced its first sub-contractor failure as a direct result of COVID with O'Keefe, the concrete frame sub-contractor on our contract at Edward Street, Brighton, entering administration. The sub-contractor failure has caused significant project delays and the resultant additional costs in completing the project have been provided for in these results. In addition to the loss on the Brighton contract, McLaren has also made some significant provisions for the remediation of cladding on historical contracts. The profit after tax for the year was £2.6m (2020 - £8.8m) with a Net Asset Value of £17.8m (2020 - £15.2m).

# McLaren Construction (Major Projects) Limited

Strategic report (continued)  
For the year ended 31 July 2021

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## Business review (continued)

The Group continues to deliver in other key market sectors: commercial offices (building and refurbishment), residential, mixed-use buildings, retail, education, student accommodation, and sports and leisure. These sectors have been consistent during the period.

McLaren's diversification strategy has shown results over the past year, with the business successfully attaining framework places with five local authorities, seven registered providers, and four central government departments.

These frameworks along with direct relationship strategies within the health, education, re-cladding, and development sectors have achieved preferred bidder status and additional secured turnover values of over £140m and are predicted to provide an increasing proportion of turnover into 2023, with the main focus upon local authorities, Department for Education and the NHS.

Opportunities are positive across the business units in the UK and the UAE, with work winning teams converting tenders into live projects across all sectors and business units. Turnover is expected to increase further into 2023 with a forecast of £865m.

## Business unit: Major Projects

Major Projects saw COVID 19 impact turnover with customers being extremely cautious on instructing new major schemes. One of our building contracts was commuted by a key customer, reducing turnover in the year, but the project has now been re-instructed and will be included within the next two years' turnover. The business unit focussed on delivering to programme, with projects such as Hale Wharf at Tottenham being handed over on time, and ensuring margin levels were delivered despite challenging times.

The business unit focused on expansion into further sectors, such as commercial, recladding and build to rent, to ensure a resilient workload would be available post-COVID.

Working with key clients such as Quintain, Argent, Muse, and others, repeat business was achieved.

Following the successful handover of Luma to Argent at Kings Cross, Major Projects secured a combined commercial and residential scheme known as R8 with a value in excess of £100m and with a start on site in early 2021.

Looking ahead, Major Projects has secured preconstruction service agreements with blue-chip clients such as Camden Council and British Land to further establish the team within the Central London market while targeting new work outside Central London for key clients.

The senior management team has the experience to deliver large scale opportunities, including overcoming complex design and engineering issues to assist clients in delivering schemes on time and to budget. The focus moving forward is to ensure Major Projects maintains its dynamic abilities within the Central London market and fully services customer needs.

# McLaren Construction (Major Projects) Limited

## Strategic report (continued) For the year ended 31 July 2021

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### Outlook

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

In the year to 31 July 2022 the Group's turnover is forecast to exceed pre-COVID levels with turnover of £726.2m, an increase of £184.1m from the previous year. The impact of material and labour cost inflation has impacted margins and is still providing its challenges. Despite these challenges, colleagues have worked incredibly hard, and the Group is forecasting a return to profit for the year. The increase in turnover was driven by increased demand in core sectors such as data centres and industrial and logistics, which provided £129m of the additional turnover from the previous year, with the hotel sector contributing an additional £30m of turnover. The Group forecasts turnover in excess of £850m into 2023 of which 80% is already secured at July 2022.

Internationally, the profile of the business is being raised with the UAE business successfully handing over the UK Pavilion at Expo 2020.

The focus on core operating sectors remains, with a careful review of the capability of McLaren's teams to deliver the specialist skills required as market expectations evolve. To deliver new sectors we have developed a focused leadership, recruitment and capability strategy to respond to the technical requirements of the health, education, and re-cladding sectors, along with integrating the expectations of the Building Safety Act, sustainability and digital capability across all sectors.

### Health and safety

McLaren has an enviable health and safety record.

#### RIDDOR:

- 88.2% reduction in incidents over 5 years from 17 in 2016 to just 2 in 2021
- AFR dropped 65.6% over 5 years from 0.99 in 2016, to 0.60 in 2020 and to 0.34 in 2021

#### Accident Incident Rate:

- 2021 AIR is 0.62
- 73% below construction industry / HSE average of 2.38

#### RoSPA:

- Gold Award achieved for 2021, 4 years in a row

### Managing risk

The business continues to monitor the impact of national and global events such as the cumulative effects of Brexit, COVID-19 and the Ukraine conflict upon materials and labour availability and price risk.

McLaren has focused its preconstruction resource upon two stage and negotiated contracts to protect its customers and itself from inflationary risk, achieving best outcomes by reviewing and managing inflationary risk jointly with customers.

From pre-construction to the delivery stage, McLaren's business units and project teams are required to schedule out the key risks and product action plans on a package-by-package basis, identifying opportunities to offer advance commitment to secure early manufacturing slots or to secure materials on long lead in periods. The Group has procured off site storage facilities where appropriate to protect against potential delays to delivery dates.

McLaren's relationship with its supply chain has been a key area of focus with commercial and performance check continuing throughout the delivery of projects to ensure any potential risk to performance of the supply chain is effectively managed.

# **McLaren Construction (Major Projects) Limited**

**Strategic report (continued)**  
**For the year ended 31 July 2021**

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## **Investment**

To support evolving customer expectations, both private and public sector, new sectors such as health, education and re-cladding, carbon reduction targets, the Building Safety Act, corresponding digital and learning & development demands, the business has invested over £1.5m in additional specialist resource, digital systems and business improvement strategies to enhance our technical services and implemented a three year programme to achieve industry leading capability.

## **Building safety**

The business has successfully implemented an integrated operational business system for design, quality control and handover processes.

Digital systems are being developed to attain ISO99001 and work towards achieving Building a Safer Future Champion status.

Rigorous digital processes are essential to Building Safety Act compliance. McLaren has aligned its systems with ISO19650, and its BIM competence is recognised by L&Q and DLUHC, who chose McLaren as a partner for their Golden Thread Initiative.

McLaren is investing in software and APIs (application programming interfaces) to achieve industry leading capabilities in data management within three years.

## **Sustainability**

McLaren's sustainability baseline was certified in 2020 through Planet Mark and now supports a three-year strategy working towards net zero Scope 1 and 2 emissions from 2019 levels by 2025.

Scope 3 emissions are being targeted through establishing sector focused embodied carbon baselines from which changes in design, programme sequencing, material specification and sourcing will support our target of net zero by 2045 and allow McLaren to enhance our customers' net zero ambitions.

## **Competency and learning & development**

In response to the Building Safety Act, and our new sector strategy we have instigated a process of competency assessments for all colleagues ensuring they have the right skills and competencies to deliver their roles.

Substantial investments have been made in our technical and professional training resource and an online academy through a virtual learning environment, with online courses tailored to individual careers plans along with competency mapping.

## **Ensuring a fair and equitable working environment**

To encourage diversity and embed a culture of a fair and equitable work environment, McLaren has successfully delivered mandatory Equality & Diversity in the Workplace training.

McLaren provides 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 McLaren Diversity and Equality Policy, which extends to the treatment of job applicants, employees, customers, supply chain and visitors.

In addition, McLaren strives for fair working conditions and promote modern slavery training to our employees and supply chain partners.

McLaren's attention to modern slavery within the supply chain has continued to evolve, with its supply chain and procurement teams developing supply chain package risk assessments to identify attendant low skilled labour risk within projects. This ensures suppliers have robust labour management process.

# McLaren Construction (Major Projects) Limited

## Strategic report (continued) For the year ended 31 July 2021

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### Social impact

McLaren considers social impact in how it employs people, engages with communities and buys products and services.

#### Highlights:

- Edward Street Quarter, Brighton: delivered over £9 million of benefits to the community in the first year of construction
- Crown House, Barking: employment and training initiatives for 160 people, including 24 apprentices and 56 jobs for local residents; 160 students supported by education programmes; 180 days volunteering delivered by the team
- Barking Mad about Christmas: £15,000 sponsorship supported a free event for 3,000 residents
- Over £6k raised for chosen charities: Construction Youth Trust, helping young people overcome barriers to construction careers; and Lighthouse Club, providing emotional and financial support to construction workers in need

### Creating local employment

With 80% of our overall spend being within the UK, McLaren directly supports local communities by targeting at least 50% of the services, supply chain and labour of project value to be procured within a 20-mile radius of the project.

This commitment to local spend combined with the resources of McLaren's supply chain, and the sharing of our learning and development resource through community relations teams, ensures local employment and upskilling adds values to local communities.

### Section 172 Statement

Section 172 Companies Act 2006 Section 172(1) of the Companies Act 2006 imposes a general duty on every company director to act, in good faith, in the way they consider would be most likely to promote the success of the Company for the benefit of its shareholders, while taking into account how the Company's activities and main board decisions will affect its stakeholders. This statement explains how the Board complies with its obligations under s172 is consistent with that disclosed in the consolidated McLaren Construction Limited annual report for the year ended 31 July 2021. The Company recognises the importance of its stakeholders' views and actively engage with them, proactively considering their interests in the decisions it makes.

#### *The likely consequences of any decisions in the long term*

The Board operates a forward agenda of standard items appropriate to the Group's operating and reporting cycles. Items requiring Board approval or endorsement are defined clearly. These include strategy and key contracts, as well as items required by law and regulation. The Board monitors or reviews progress against strategic priorities, risk management, health and safety or the adequacy of internal controls. During much of 2020 & 21, the Board's focus has been primarily on the Group's response to the pandemic. The Board annually approves an updated strategic plan and monitors its implementation throughout the year using detailed reports on operating and financial performance. In approving the plan, the Board considers factors such as competitor behaviour, the performance of the construction industry, as well as the evolving economic, political and market conditions. In January 2021, the Group launched its environmental campaign setting out its sustainability ambitions and will continue to consider its response to climate change and biodiversity loss. The Board established a list of strategic priorities that are to be addressed by management throughout 2022. The Board will monitor and guide progress against these priorities during 2022. Some specific 2021 & 22 outputs have included diversification of the customer base, with sector specific delivery strategies to include further expansion in the public sector targeting the health and education markets and evolving our industrial capacity to build our Data Centre delivery capability, ensuring the Group intensifies its focus on the opportunities that lie ahead.



# McLaren Construction (Major Projects) Limited

## Strategic report (continued) For the year ended 31 July 2021

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### Section 172 Statement (continued)

#### *The likely consequences of any decisions in the long term (continued)*

The strategy meetings also gave the Board the opportunity to determine where the Group's available capital should be invested, this included our digital, data, and sustainability goals in response to evolving legislation within the Building Safety Bill, and to contribute to an industry wide focus upon enhancing skills and quality for building owners, operators and users. Investments will be made in a way that balances expected returns and the risks caused by changing economic and market conditions. In setting the long-term strategic plan, as well as the day-to-day management of the business, the Board considers the key stakeholders referred to as follows:

#### *The Interest of the companies colleagues:*

We use the following mechanisms to outline our approach to colleague priorities and gather feedback on our interactions:

- Wider communication tools such as emails, videos, webcasts, while also monitoring various metrics such as employee churn, sickness leave and wider health and safety KPI's.
- Independent support such as access to our Employee Assistance Programme and whistleblowing hotline.
- Encouraging and analysing independent employee feedback via employee surveys or external sites.

#### *The need to foster the Company's business relationships with suppliers customers and others:*

Our strategy promoted diversification of sectors and growth, driven by continuing to focus upon core sectors, repeat customers and bringing in new customers to the Group, with a focus upon new sectors. To do this, we maintained strong customer relationships, and curated sector specialist teams to evolve our business process in response to new markets.

Our suppliers and subcontractors are fundamental to our business success and we value all of our relationships with them.

We expect all of our suppliers and subcontractors to adhere to our standards, such as those relating to the environmental responsibility, data protection and ethics.

The directors understand the importance of the Group's supply chain and one of the way we can maintain effective relationship is to them on time.

#### *The impact of the Company's operations on the community and the Environment Community:*

We construct buildings and infrastructure in communities and must meet the needs of local groups so we are welcomed and can carry out our work.

- Direct engagement such as through our membership of the Considerate Constructors Scheme, local newsletters, town hall meetings and exhibitions, school and college visits, site tours, Open Doors and local community engagement plans.
- Indirect engagement such as an up-to-date website, press coverage and engaging in social media.

# McLaren Construction (Major Projects) Limited

Strategic report (continued)  
For the year ended 31 July 2021

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## Section 172 Statement (continued)

### *Environmental impact:*

The Group is committed to playing its part in achieving the 2015 Paris agreement limited global warming to 1.5 degrees. The Group has invested heavily in building up its sustainability team, and evolving business process' and training to focus upon reducing carbon. The Group is developing its strategy to deliver net zero for scope 1 & 2, with scope 3 with our consultant and supply chain partners. During 2022, the Board will make verifiable net zero commitments.

### *The reputation for a high standard of business conduct:*

The Board is acutely aware of the need to maintain high standards of business conduct.

The Group has a strong ethical culture, underpinned by our values, policies and our Code of Conduct, all of which are endorsed by the Board. The Code of Conduct sets out the ethical standards everyone in McLaren Construction must adhere to and provides a framework to ensure we always behave in a way that reflects our values. The Group also has specific policies and procedures to prevent bribery and corruption.

### *The need to act fairly as between members of the Company:*

The primary responsibility of the board is to promote the long-term success of the Group by creating and delivering shareholder value as well as contributing to society. To achieve this, the Group relies on key inputs and positive relationship with a wide range of stakeholders. Stakeholders are impacted by, or benefit from, decision made by the Board. It is the Boards responsibility to ensure that they have acted both individually and collectively in a manner that is most likely to promote the success of the Group for the benefit of its members as a whole taking into consideration all of its stakeholders and to the matters set out in paragraph a-f Section 172 of the Companies Act 2006.

During the period, the directors have focused business units on sharing and promoting sector specific capability, and will enhance sector specific solution within the business strategy.

## **Mission statement**

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

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



.....  
**M Archer**  
Director

Date: 31 October 2022

# **McLaren Construction (Major Projects) Limited**

## **Directors' report For the year ended 31 July 2021**

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The directors present their report and the financial statements for the year ended 31 July 2021.

### **Principal activity**

The principal activity of the Company is that of property construction.

### **Results and dividends**

The profit for the year, after taxation, amounted to £2,613,038 (2020 - £8,846,912).

The directors did not recommend the payment of a dividend as at year end (2020 - £Nil).

### **Directors**

The directors who served during the year were:

M Archer  
P J Pringle

### **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 - 7. These matters relate to the principal activity and financial risk.

### **Directors' responsibilities**

The directors are responsible for preparing the 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 of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# McLaren Construction (Major Projects) Limited

## Directors' report (continued) For the year ended 31 July 2021

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

### Going concern

The directors continue to adopt the going concern basis in preparing the company's financial statements. The wider group has maintained a strong cash position throughout the year with closing cash at bank of £43.9m, an increase of £5.0m. To further support our working capital position since the year end the group is able to call upon its £5.0m rolling credit facility from Lloyds, under the Coronavirus Large Business Interruption Scheme (CLBILS), and can also utilise a £5.0m supplier trade finance facility. During the year the group also took advantage of government initiatives such as Time-to-Pay on PAYE and CIS payment deferrals. These deferrals have subsequently all been repaid.

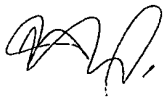
The board regularly review the group's profitability and long term cashflow forecasts. These reviews include scenario planning such as significant impacts to revenue, delays to client payments and recovery of fixed costs. After the balance sheet date, in April 2022, the ultimate parent undertaking's shareholders made a further injection of share capital of £5m, adding further balance sheet resilience.

The board is confident of the Group's ability to survive the current challenges and therefore consider it reasonable to assume that the Group has adequate resources to continue for the foreseeable future and, for this reason and as explained in note 2.3, have continued to adopt the going concern basis in preparing these financial statements.

### Post balance sheet events

There have been no significant events affecting the Company since the year end.

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



.....  
**M Archer**  
Director

Date: 31 October 2022

# **McLaren Construction (Major Projects) Limited**

## **Independent auditor's report to the members of McLaren Construction (Major Projects) Limited**

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### **Opinion on the financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2021 and of its 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.

We have audited the financial statements of McLaren Construction (Major Projects) Limited for the year ended 31 July 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity 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).

### **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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the 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.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

# **McLaren Construction (Major Projects) Limited**

## **Independent auditor's report to the members of McLaren Construction (Major Projects) Limited (continued)**

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### **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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

### **Other Companies Act 2006 reporting**

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

# **McLaren Construction (Major Projects) Limited**

## **Independent auditor's report to the members of McLaren Construction (Major Projects) Limited (continued)**

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### **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.

### **Extent to which the audit was capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud (as required by auditing standards). We designed audit procedures to respond to the risk. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and tax legislation. The procedures carried out included:

- discussion with management of any known or suspected instances of noncompliance with laws and regulations and fraud;
- consideration of management's controls designed to prevent and detect irregularities;
- review of the financial statement disclosures to underlying supporting documentation;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to contract accounting, asset impairment considerations and provisions; and
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# McLaren Construction (Major Projects) Limited

## Independent auditor's report to the members of McLaren Construction (Major Projects) Limited (continued)

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### 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.

DocuSigned by:  
*Geraint Jones*  
BFDD86955DB642A...

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

Date: 31 October 2022

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



# McLaren Construction (Major Projects) Limited

## Statement of comprehensive income For the year ended 31 July 2021

	Note	2021 £	2020 £
Turnover	4	77,704,905	100,703,150
Cost of sales		(71,535,434)	(89,284,878)
<b>Gross profit</b>		<b>6,169,471</b>	<b>11,418,272</b>
Administrative expenses		(3,545,945)	(2,681,504)
<b>Operating profit</b>	5	<b>2,623,526</b>	<b>8,736,768</b>
Interest payable and similar expenses	6	-	(628)
<b>Profit before tax</b>		<b>2,623,526</b>	<b>8,736,140</b>
Taxation on profit	7	(10,488)	110,772
<b>Profit for the financial year</b>		<b>2,613,038</b>	<b>8,846,912</b>

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

There was no other comprehensive income for 2021 (2020 - £Nil).

The notes on pages 17 to 24 form part of these financial statements.

# McLaren Construction (Major Projects) Limited

Registered number: 09850547

## Statement of financial position As at 31 July 2021

	Note	2021 £	2020 £
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	8	3,821,569	5,067,981
Debtors: amounts falling due within one year	8	41,952,281	38,897,033
		<u>45,773,850</u>	<u>43,965,014</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	9	(25,777,938)	(25,759,326)
<b>Net current assets</b>		<u>19,995,912</u>	<u>18,205,688</u>
<b>Total assets less current liabilities</b>		<u>19,995,912</u>	<u>18,205,688</u>
Creditors: amounts falling due after more than one year	10	(2,207,785)	(3,030,599)
<b>Net assets</b>		<u>17,788,127</u>	<u>15,175,089</u>
<b>Capital and reserves</b>			
Share capital	11	3,000,125	3,000,125
Share premium account	12	4,999,975	4,999,975
Retained earnings	12	9,788,027	7,174,989
		<u>17,788,127</u>	<u>15,175,089</u>

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



.....  
**M Archer**  
Director

Date: 31 October 2022

The notes on pages 17 to 24 form part of these financial statements.

## McLaren Construction (Major Projects) Limited

### Statement of changes in equity For the year ended 31 July 2021

	Share capital £	Share premium account £	Retained earnings £	Total equity £
At 1 August 2020	3,000,125	4,999,975	7,174,989	15,175,089
Profit for the year	-	-	2,613,038	2,613,038
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>2,613,038</b>	<b>2,613,038</b>
<b>At 31 July 2021</b>	<b>3,000,125</b>	<b>4,999,975</b>	<b>9,788,027</b>	<b>17,788,127</b>

### Statement of changes in equity For the year ended 31 July 2020

	Share capital £	Share premium account £	Retained earnings £	Total equity £
At 1 August 2019	3,000,125	4,999,975	(1,671,923)	6,328,177
Profit for the year	-	-	8,846,912	8,846,912
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>8,846,912</b>	<b>8,846,912</b>
<b>At 31 July 2020</b>	<b>3,000,125</b>	<b>4,999,975</b>	<b>7,174,989</b>	<b>15,175,089</b>

The notes on pages 17 to 24 form part of these financial statements.

# McLaren Construction (Major Projects) Limited

## Notes to the financial statements For the year ended 31 July 2021

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### 1. General information

McLaren Construction (Major Projects) Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is stated on the Company information page and the nature of the Company's operations and its principal activities is stated in the Directors' report.

The financial statements are presented in Sterling.

### 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 management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

#### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of McLaren Construction Limited as at 31 July 2021 and these financial statements may be obtained from The Registrar of Companies, Crown Way, Cardiff.

# McLaren Construction (Major Projects) Limited

## Notes to the financial statements For the year ended 31 July 2021

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### 2. Accounting policies (continued)

#### 2.3 Going concern

The directors continue to adopt the going concern basis in preparing the company's financial statements. The wider group has maintained a strong cash position throughout the year with closing cash at bank of £43.9m, an increase of £5.0m. To further support our working capital position since the year end the group is able to call upon its £5.0m rolling credit facility from Lloyds, under the Coronavirus Large Business Interruption Scheme (CLBILS), and can also utilise a £5.0m supplier trade finance facility. During the year the group also took advantage of government initiatives such as Time-to-Pay on PAYE and CIS payment deferrals. These deferrals have subsequently all been repaid.

The board regularly review the group's profitability and long term cashflow forecasts. These reviews include scenario planning such as significant impacts to revenue, delays to client payments and recovery of fixed costs. After the balance sheet date, in April 2022, the ultimate parent undertaking's shareholders made a further injection of share capital of £5m, adding further balance sheet resilience.

The board is confident of the Group's ability to survive the current challenges and therefore consider it reasonable to assume that the Group has adequate resources to continue for the foreseeable future and, for this reason have continued to adopt the going concern basis in preparing these financial statements.

#### 2.4 Construction contracts

Turnover and profit from construction contracts is recognised based on the stage of completion of the contract. The Group uses an output method to measure progress for contracts where turnover is recognised over time. The turnover recognised reflects the value of the contract at the reporting date, with reference to a survey of work performed. The value of work carried out during the period includes amounts which have not been invoiced at the period end.

Profit on contracts is recognised when the Group is satisfied that the outcome of the contract can be assessed with reasonable certainty. When it is probable that total contract costs will exceed turnover, the expected total loss is recognised as an expense immediately.

Contract costs are recognised as expenses in the period in which they are incurred. Contract costs include costs that relate directly to the specific contracts and costs that are attributable to contract activity in general and can be allocated to the contract.

The amount due from customers for contract work is shown as a debtor. The amount due comprises costs incurred plus recognised profits less the sum of recognised losses and progress billings. Progress payments for contracts are deducted from amounts recoverable.

Where the sum of recognised losses and progress billings exceeds costs incurred plus recognised profits, the amount is shown as a liability. Any payments received in excess of turnover recognised are recognised as liabilities.

#### 2.5 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 (Major Projects) Limited**

## **Notes to the financial statements For the year ended 31 July 2021**

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### **2. Accounting policies (continued)**

#### **2.6 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### **2.7 Finance costs**

Finance costs are charged to the 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.

#### **2.8 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the 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 operates and generates 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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.

# McLaren Construction (Major Projects) Limited

## Notes to the financial statements For the year ended 31 July 2021

### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

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

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.

- Recoverability of debtors

The recoverability of debtor balances, including retentions and amounts owed by group undertakings, 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.

### 4. Turnover

The whole of the turnover is attributable to the principal activity of the Company.

All turnover arose within the United Kingdom.

### 5. Operating profit

The operating profit is stated after charging:

	2021 £	2020 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	-	7,000

The Company had no employees during the year. Staff costs are recharged from the Company's parent.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the Group accounts of the parent company.

For 2021, the audit fee is borne by McLaren Construction Limited, the intermediate parent company.

# McLaren Construction (Major Projects) Limited

## Notes to the financial statements For the year ended 31 July 2021

### 6. Interest payable and similar expenses

	2021 £	2020 £
Other interest payable	-	628
	<u>          </u>	<u>          </u>

### 7. Taxation

	2021 £	2020 £
<b>Corporation tax</b>		
Current tax on profits for the year	-	47,524
Adjustments in respect of previous periods	10,488	(182,772)
	<u>10,488</u>	<u>(135,248)</u>
<b>Total current tax</b>	<u>10,488</u>	<u>(135,248)</u>
<b>Deferred tax</b>		
Adjustment in respect of previous periods	-	24,476
<b>Total deferred tax</b>	<u>-</u>	<u>24,476</u>
<b>Taxation on profit on ordinary activities</b>	<u>10,488</u>	<u>(110,772)</u>



# McLaren Construction (Major Projects) Limited

## Notes to the financial statements For the year ended 31 July 2021

### 7. Taxation (continued)

#### Factors affecting tax charge/(credit) for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	<b>2,623,526</b>	8,736,140
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	<b>498,470</b>	1,659,867
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>3,066</b>	399
Effects of group relief	<b>(501,536)</b>	(1,612,741)
Adjustments from previous periods	<b>10,488</b>	(158,297)
<b>Total tax charge/(credit) for the year</b>	<b>10,488</b>	(110,772)

# McLaren Construction (Major Projects) Limited

## Notes to the financial statements For the year ended 31 July 2021

### 8. Debtors

	2021 £	2020 £
<b>Due after more than one year</b>		
Retentions	<u>3,821,569</u>	<u>5,067,981</u>
	2021 £	2020 £
<b>Due within one year</b>		
Trade debtors	1,943,556	1,812,394
Amounts owed by group undertakings	32,293,455	30,463,254
Other debtors	-	369,906
Amounts recoverable on long term contracts	7,715,270	6,251,479
	<u>41,952,281</u>	<u>38,897,033</u>

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand.

### 9. Creditors: amounts falling due within one year

	2021 £	2020 £
Payments received on account	957,000	4,776,275
Trade creditors	1,159,113	3,476,805
Corporation tax	49,334	38,846
Other taxation and social security	2,912,703	239,061
Other creditors	2,683,874	761,067
Accruals and deferred income	18,015,914	16,467,272
	<u>25,777,938</u>	<u>25,759,326</u>

### 10. Creditors: amounts falling due after more than one year

	2021 £	2020 £
Other creditors	<u>2,207,785</u>	<u>3,030,599</u>

# McLaren Construction (Major Projects) Limited

## Notes to the financial statements For the year ended 31 July 2021

### 11. Share capital

	2021 £	2020 £
<b>Allotted, called up and fully paid</b>		
3,000,125 Ordinary shares of £1.00 each	<u>3,000,125</u>	<u>3,000,125</u>

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

### 12. Reserves

#### Share premium account

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

#### Retained earnings

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

### 13. 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.

### 14. Controlling party

The Company's immediate parent undertaking is McLaren Construction Limited, a company registered in England and Wales, for which consolidated financial statements for the year have been prepared and filed and are publicly available.

The Company's ultimate parent undertaking is McLaren Construction Group Plc, a company registered in England and Wales, for which consolidated financial statements for the year have been prepared and filed and are publicly available.

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 ultimate parent company for the benefit of K R Taylor, a director of the ultimate parent company, and family.