

**McLaren Construction (South)  
Limited**

Annual Report and Financial Statements

Year Ended

31 July 2020

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Company Number 09850560

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# **McLaren Construction (South) Limited**

## **Company Information**

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<b>Directors</b>	M Archer P J Pringle
<b>Registered number</b>	09850560
<b>Registered office</b>	McLaren House 100 Kings Road Brentwood Essex United Kingdom CM14 4EA
<b>Independent auditor</b>	BDO LLP 55 Baker Street London W1U 7EU

# **McLaren Construction (South) Limited**

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# **McLaren Construction (South) Limited**

## **Strategic Report for the Year Ended 31 July 2020**

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### **McLaren Construction Group**

McLaren Construction (South) 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, consultants and the supply chain, through exemplary project management and high-quality delivery.

### **Business review**

It has been a challenging year requiring our project teams and central support services to adapt to new working practices in response to COVID-19.

Turnover in the year increased by £2.6m from the previous year to £134.3 million. The business did not meet the profitability expectations set out at the start of the 2019/20 financial year but focused on a process of overhead realignment to ensure cost aligned with revenue.

The decrease in profitability was driven by the impact of COVID-19. We experienced a general drop in site efficiency levels during lockdown, as the business and our supply chain adapted to revised working practices.

The commitment and adaptability of our teams in evolving safe working practices, revising supply chain labour and materials procurement strategies, remodelling our digital infrastructure and re-sequencing construction works have ensured that our customers have been able to receive their assets in a timely manner. The successful handover of 22 projects across the group, and continued construction of 31 projects during this very challenging year is a real example of the business' 'can do' culture.

The close relationships with customers, consultants and the supply chain have been essential in delivering our projects, with quality of service to customers remaining paramount.

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

Opportunities are positive across the business units in the UK and the UAE, with our work winning teams converting tenders into live projects across all sectors and business units, with turnover expected to stabilise.

Our diversification strategy has shown results over the past year, with the business successfully attaining places on 14 frameworks for both the Local Authorities and Registered Providers, providing the foundations to build new relationships and diversify the pipeline of contracts to the business units.

## **McLaren Construction (South) Limited**

### **Strategic Report (continued) for the Year Ended 31 July 2020**

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#### **In the South**

This business unit focuses its project delivery within the South of England and continues to deliver projects in a diverse range of sectors, including residential, sports and leisure, commercial, industrial, education, retail and mixed use, serving both private and public sector customers. The team also continues to work with prestigious, blue-chip customers across these sectors.

Its expertise has seen the completion of the multi-million pound Ashford Designer Outlet extension for McArthurGlen and the high tech Sports and Science building for Brighton College. In the financial year, the business unit has commenced nine new projects, with seven different customers, of which four are new customers and three are repeat business customers. Key contracts include the extension of Royal Victoria Place in Tunbridge Wells for British Land and the ten-screen Empire Cinema and food and beverage expansion at Queensgate Shopping Centre in Peterborough for Investco.

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

The Edward Street Quarter mixed-use development in Brighton for First Base commenced and continues to transform the area and local community, while the new commercial office building for Microsoft/Metaswitch/Stoford in Enfield reached practical completion. We are pleased to announce the East Square Town Centre regeneration project for Basildon Borough Council has commenced, the first of what we hope are many projects to work in partnership with Basildon Borough Council over the coming years.

The award of the purpose-built distribution unit in Bedford for Equation Properties and end user, AF Blakemore, has seen the business unit re-establish itself as a leader in the Industrial and Logistics market.

There is a strong pipeline of opportunities across the main sectors for 2020-21 and beyond including distribution, manufacturing, data centres, logistics, industrial, commercial, retail, sports and leisure and mixed use. The Industrial and Logistics sector continues to be a growing market.

# **McLaren Construction (South) Limited**

## **Strategic Report (continued) for the Year Ended 31 July 2020**

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### **Future outlook**

The Group has stabilised the orderbook during 2021. We expect turnover for the next financial year to reach pre-covid levels, and profits to normalise.

The business continues to monitor the impact of COVID-19 restriction and considers ways to mitigate any negative effects.

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 within 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, to deliver both development and construction projects.

Over the next year, there will be a focus on converting projects from within the frameworks, aligning our sector specialist and business units to serve our new customers, along with renewed focus on the Education and Health sectors, data centres and logistics sectors.

The implementation of the Business' Digital Strategy in response the Building Safety Bill and our 'Building the Best' initiative has involved the integration of our operational business systems into a single common data environment as part of a four-year digital strategy. Our focus on open data and its ability to inform the business and our customers has been promoted through our involvement in the Data Trust, and the Golden Thread Initiative, and evolving our BIM solutions to align with ISO19650.

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 an exceptional level of service and delivery.

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

To ensure we continue to be market leaders and add value to our customers, we are investing in our talent, and support services by enhancing the skills of our specialist sector teams ensuring we provide solutions in response to the ever changing technology, digital and sustainability requirement relevant to their sector.

Internationally, the profile of the business is being raised with the contract to build the UK Pavilion at Expo 2020, its award winning Al Karama school, and HSE project of the year award, House of Wisdom project.

# McLaren Construction (South) Limited

## Strategic Report (continued) for the Year Ended 31 July 2020

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### Principal risks and uncertainties

#### *COVID-19*

On 11 March 2020, the World Health Organisation declared COVID-19 a global pandemic and recommended containment and mitigation measures. The company continues to monitor developments and address the impact on the company's operations. Whilst it is difficult to predict the full impact of COVID-19 at this stage, the directors have considered the company's own financial position and prospects and believe that the company continues to remain a going concern. Further details of this are included in the notes to the financial statements.

#### *UK economy*

The completion of the Brexit process may over the coming months affect the construction industry, with potential labour and material supply restrictions. Our strategy of investing in UK talent, and UK procurement has been a key part of our mitigation strategy to protect our customers, in addition to focusing our spend on businesses and talents local to our projects.

To further 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 £38.8 million (£38.9 million in 2019). 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*

The Group maintains focus upon long-term relationships with key suppliers and subcontractors to ensure that we remain a priority customer should resources and materials become short in supply.

# McLaren Construction (South) Limited

## Strategic Report (continued) for the Year Ended 31 July 2020

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### Corporate social responsibility

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

We aim to be industry leaders under three key policy areas:

- People
- Planet
- Social Conscience

#### People:

##### *Training and development*

Under the direct guidance of the Main Board, McLaren has been focused on attracting and retaining talent; providing a fair and equitable working environment; and creating local employment.

In response to the Building Safety Bill, and our 'Building the Best' strategy, we are refocusing our technical and professional training to an online academy through a Virtual Learning Environment, with online courses tailored to individual careers plans.

##### *Ensure a Fair & Equitable Working Environment*

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

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.

In addition, we strive for Fair Working Conditions and promote Modern Slavery training to our employees and supply chain partners.

Our focus on 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 2021, we will push on with developing materials supply chain traceability process with our supply chain and concentrating on the labour used to manufacture non-UK goods.



# McLaren Construction (South) Limited

## Strategic Report (continued) for the Year Ended 31 July 2020

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### Planet:

#### *Sustainability*

The Group has successfully concluded a four-year sustainability strategy attaining The Planet Mark Certification. This certification is evidence that our resource and education investments have been successful in establishing a certified operational carbon baseline.

Our baseline includes all offices and construction sites within relevant scope 1 & 2, allowing our operational carbon reduction strategy to be implemented and measured.

#### *Driving a culture change throughout the built environment*

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

- Sustainability online learning programme available to all colleagues
- All projects receive sustainability training at the commencement of the project
- All Pre-Construction and Development teams have received Sustainability training

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#### *Minimising resource consumption*

- Data collation has resulted in established baseline – relative carbon footprint 7.35 tCO<sub>2</sub>e per £m T/O
  - o Electricity 13%
  - o Travel 24%
  - o Other Fuels 44%
- The Group will focus its buying power on driving site emissions down through focused procurement strategies, moving away from fossil fuel plant, equipment and generators is a priority, along with incentives to promote the change to electric vehicles.
- We will continue to develop the digital communications infrastructure to reduce travel
- All projects and offices have a sector and programme Water / Fuel and CO<sub>2</sub> consumption Forecast & Tracker, based on our own aggregated baseline from which project team solutions are measured and reductions strategies applied

We are targeting a validated science-based target to meet the goals of the Paris Agreement – limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C

To achieve this, we are targeting:

- 20% reduction in Scope 1 and 2 emissions from 2018 levels by 2025
- 50% reduction in Scope 1 and 2 emissions from 2018 levels by 2030

#### *Promoting environmentally responsible design and operations*

We have a renewed focus on 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.

The next phase of our strategy will be to provide science-based specialist solutions for our customers by our project teams, focusing upon Embodied Carbon and the Circular Economy.

# **McLaren Construction (South) Limited**

## **Strategic Report (continued) for the Year Ended 31 July 2020**

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### **Social conscience**

Our Community Engagement teams have successfully delivered key community metrics under the following headings:

#### **Add Value to Local Communities**

To achieve our aims of adding value to the communities we serve, we are pushing on with strengthening our investments in those communities through several initiatives. This includes:

- 85% of our sites 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 requirements 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, playing our part in improving the image of construction and attracting new talents, while being a good neighbour.

#### **Create Local Employment**

With 80% of our overall spend being within the UK, we directly support 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 our supply chain, and the sharing of our learning and development resource through our community relations teams ensures local employment, and upskilling adds values to local communities.

During 2019, we consolidated links with local schools and colleges with our regional business units to establish a talent pipeline across all disciplines. During 2021, 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

## McLaren Construction (South) Limited

### Strategic Report (continued) for the Year Ended 31 July 2020

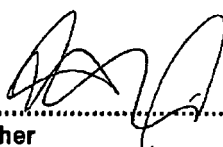
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#### Our values

##### *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:

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

Date: 28/5/21

# **McLaren Construction (South) Limited**

## **Directors' Report for the Year Ended 31 July 2020**

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The directors present their report and the financial statements for the year ended 31 July 2020.

### **Principal activity**

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

### **Results and dividends**

The loss for the year, after taxation, amounted to £3,160,387 (2019 - profit of £296,723).

The directors did not recommend the payment of a final dividend as at year end (2019 - £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 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 - 8. 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 for the company's 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; 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# McLaren Construction (South) Limited

## Directors' Report (continued) for the Year Ended 31 July 2020

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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.

### Post balance sheet events

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

### Going concern

Due to the extraordinary situation of the Covid-19 pandemic the Board continues to assess a series of scenario plans and cash flow forecasts. These forecast scenarios include potential significant impact to revenue, client payment delays and limited recovery of fixed costs. The Company has maintained a strong liquidity position during the Covid-19 pandemic, in line with the prior year. This position was supported due to the timely and decisive actions of the Board and by utilising Government initiatives such as PAYE and CIS payment deferrals and utilising the job retention scheme.

To further ensure there is sufficient liquidity, the Group has secured a £5m revolving credit facility from Lloyds under the Coronavirus Large Business Interruption Loan Scheme (CLBILS) and has also secured a £5m trade supplier finance facility.

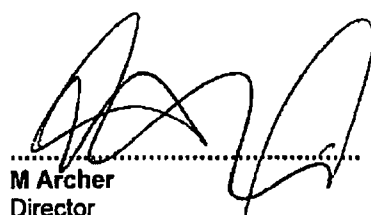
The Company is fully operational across all its construction sites, ensuring that the correct social distancing and all government guidelines are adhered to. With the commitment of a highly skilled and dedicated workforce, close collaboration with our customers and supply chain partners, we continue to adjust to the evolving challenges of this global pandemic.

The board is confident of the Company's ability to survive the current challenges and therefore consider it reasonable to assume that the Company 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.

### 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 by:



.....  
M Archer  
Director

Date: 28/5/21

# **McLaren Construction (South) Limited**

## **Independent Auditor's Report to the Members of McLaren Construction (South) Limited**

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### **Opinion**

We have audited the financial statements of McLaren Construction (South) Limited ("the Company") for the year ended 31 July 2020 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2020 and of its loss 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 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 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 (South) Limited**

## **Independent Auditor's Report to the Members of McLaren Construction (South) Limited (continued)**

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

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

- the information given in the strategic report and 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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 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 has 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 (South) Limited

### Independent Auditor's Report to the Members of McLaren Construction (South) 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*

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**Geraint Jones** (Senior Statutory Auditor)

For and on behalf of BDO LLP

Statutory Auditor

London

United Kingdom

Date: 28 May 2021

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



## McLaren Construction (South) Limited

### Statement of Comprehensive Income for the Year Ended 31 July 2020

	Note	2020 £	2019 £
Turnover	4	134,270,332	131,649,281
Cost of sales		(132,401,665)	(124,280,809)
<b>Gross profit</b>		<b>1,868,667</b>	<b>7,368,472</b>
Administrative expenses		(5,002,586)	(7,067,151)
<b>Operating (loss)/profit</b>	5	<b>(3,133,919)</b>	<b>301,321</b>
Interest payable and expenses	6	(7,421)	(115)
<b>(Loss)/profit before tax</b>		<b>(3,141,340)</b>	<b>301,206</b>
Taxation on (loss)/profit	7	(19,047)	(4,483)
<b>(Loss)/profit for the financial year</b>		<b>(3,160,387)</b>	<b>296,723</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 2020 (2019 - £Nil).

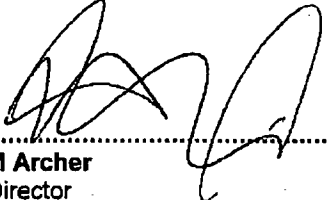
The notes on pages 17 to 25 form part of these financial statements.

**McLaren Construction (South) Limited**  
Registered number: 09850560

**Statement of Financial Position  
as at 31 July 2020**

	Note	2020 £	As restated 2019 £
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	8	4,148,253	2,287,022
Debtors: amounts falling due within one year	8	56,236,033	58,820,031
Cash at bank and in hand		-	333
		<u>60,384,286</u>	<u>61,107,386</u>
Creditors: amounts falling due within one year	9	(47,105,174)	(45,102,778)
<b>Net current assets</b>		<u>13,279,112</u>	<u>16,004,608</u>
<b>Total assets less current liabilities</b>		<u>13,279,112</u>	<u>16,004,608</u>
Creditors: amounts falling due after more than one year	10	(1,858,420)	(1,423,529)
<b>Net assets</b>		<u><u>11,420,692</u></u>	<u><u>14,581,079</u></u>
<b>Capital and reserves</b>			
Share capital	12	3,000,125	3,000,125
Share premium account	13	4,999,975	4,999,975
Retained earnings	13	3,420,592	6,580,979
		<u><u>11,420,692</u></u>	<u><u>14,581,079</u></u>

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

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

Date: 28/5/21

The notes on pages 17 to 25 form part of these financial statements.

## McLaren Construction (South) Limited

### 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	6,580,979	14,581,079
Loss for the financial year	-	-	(3,160,387)	(3,160,387)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(3,160,387)</b>	<b>(3,160,387)</b>
<b>At 31 July 2020</b>	<b>3,000,125</b>	<b>4,999,975</b>	<b>3,420,592</b>	<b>11,420,692</b>

### Statement of Changes in Equity for the Year Ended 31 July 2019

	Share capital £	Share premium account £	Retained earnings £	Total equity £
At 1 August 2018	3,000,125	4,999,975	6,284,256	14,284,356
Profit for the financial year	-	-	296,723	296,723
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>296,723</b>	<b>296,723</b>
<b>At 31 July 2019</b>	<b>3,000,125</b>	<b>4,999,975</b>	<b>6,580,979</b>	<b>14,581,079</b>

The notes on pages 17 to 25 form part of these financial statements.

# **McLaren Construction (South) Limited**

## **Notes to the Financial Statements for the Year Ended 31 July 2020**

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### **1. General information**

McLaren Construction (South) Limited is a company incorporated in England & Wales under the Companies Act. 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 strategic 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 2020 and these financial statements may be obtained from The Registrar of Companies, Crown Way, Cardiff.

#### **2.3 Turnover**

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

# **McLaren Construction (South) Limited**

## **Notes to the Financial Statements for the Year Ended 31 July 2020**

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

#### **2.4 Going concern**

Due to the extraordinary situation of the Covid-19 pandemic the Board continues to assess a series of scenario plans and cash flow forecasts. These forecast scenarios include potential significant impact to revenue, client payment delays and limited recovery of fixed costs. The Company has maintained a strong liquidity position during the Covid-19 pandemic, in line with the prior year. This position was supported due to the timely and decisive actions of the Board and by utilising Government initiatives such as PAYE and CIS payment deferrals and utilising the job retention scheme.

To further ensure there is sufficient liquidity, the Group has secured a £5m revolving credit facility from Lloyds under the Coronavirus Large Business Interruption Loan Scheme (CLBILS) and has also secured a £5m trade supplier finance facility.

The Company is fully operational across all its construction sites, ensuring that the correct social distancing and all government guidelines are adhered to. With the commitment of a highly skilled and dedicated workforce, close collaboration with our customers and supply chain partners, we continue to adjust to the evolving challenges of this global pandemic.

The board is confident of the Company's ability to survive the current challenges and therefore consider it reasonable to assume that the Company 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.

#### **2.5 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 statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

#### **2.6 Finance costs**

Finance costs are charged to profit or loss 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.

# **McLaren Construction (South) Limited**

## **Notes to the Financial Statements for the Year Ended 31 July 2020**

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

#### **2.7 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.

#### **2.8 Provisions for liabilities**

Provisions are made where an event has taken place that gives the company 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 statement of comprehensive income in the year that the company 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 into the statement of financial position.

#### **2.9 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.

#### **2.10 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. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

# **McLaren Construction (South) Limited**

## **Notes to the Financial Statements for the Year Ended 31 July 2020**

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

#### **2.11 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.

#### **2.12 Provisions for liabilities**

Provisions are made where an event has taken place that gives the company 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 profit or loss in the year that the company 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.

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### **3. Judgements in applying accounting policies and 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.

### **4. Turnover**

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

All turnover arose within the United Kingdom.

# McLaren Construction (South) Limited

## Notes to the Financial Statements for the Year Ended 31 July 2020

### 5. Operating (loss)/profit

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

	2020 £	2019 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	14,000	13,000
Exchange differences	49	98
	<u>14,049</u>	<u>13,098</u>

The company had no employees during the period. 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.

### 6. Interest payable and similar expenses

	2020 £	2019 £
Other interest payable	7,421	115
	<u>7,421</u>	<u>115</u>

### 7. Taxation

	2020 £	2019 £
<b>Corporation tax</b>		
Current tax on (loss)/profits for the year	-	8,139
Adjustments in respect of previous periods	18,630	(4,750)
<b>Total current tax</b>	<u>18,630</u>	<u>3,389</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,003	1,223
Effect of changes in tax rates	(586)	(129)
<b>Total deferred tax</b>	<u>417</u>	<u>1,094</u>
<b>Taxation on profit on ordinary activities</b>	<u>19,047</u>	<u>4,483</u>



# McLaren Construction (South) Limited

## Notes to the Financial Statements for the Year Ended 31 July 2020

### 7. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
(Loss)/profit on ordinary activities before tax	<u>(3,141,340)</u>	<u>301,206</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	<u>(596,855)</u>	<u>57,229</u>
Effects of:		
Expenses not deductible for tax purposes	350	(47,867)
Effects of group relief	597,508	-
Adjustment from previous periods	18,630	(4,750)
Tax rate changes	(586)	(129)
<b>Total tax (credit)/charge for the year</b>	<u><b>19,047</b></u>	<u><b>4,483</b></u>

# McLaren Construction (South) Limited

## Notes to the Financial Statements for the Year Ended 31 July 2020

### 8. Debtors

	2020 £	2019 £
<b>Due after more than one year</b>		
Trade debtors	4,148,253	2,287,022
	<u>4,148,253</u>	<u>2,287,022</u>
<b>Due within one year</b>		
Trade debtors	10,524,591	12,035,225
Amounts owed by group undertakings	34,436,482	39,679,414
Prepayments and accrued income	18,490	61,346
Amounts recoverable on long term contracts	11,251,903	7,039,062
Deferred taxation	4,567	4,984
	<u>56,236,033</u>	<u>58,820,031</u>

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

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

	2020 £	As restated 2019 £
Payments received on account	10,154,572	9,754,973
Trade creditors	10,951,393	4,011,451
Corporation tax	6,819	294,364
Other taxation and social security	3,189,769	2,534,440
Other creditors	3,695,281	6,554,812
Accruals and deferred income	19,107,340	21,952,738
	<u>47,105,174</u>	<u>45,102,778</u>

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

	2020 £	As restated 2019 £
Other creditors	<u>1,858,420</u>	<u>1,423,529</u>

# McLaren Construction (South) Limited

## Notes to the Financial Statements for the Year Ended 31 July 2020

### 11. Deferred taxation

	2020 £	2019 £
At beginning of year	4,984	6,078
Credited to statement of comprehensive income	(417)	(1,094)
<b>At end of year</b>	<b>4,567</b>	<b>4,984</b>

The deferred tax asset is made up as follows:

	2020 £	2019 £
Fixed asset timing differences	4,567	4,984

### 12. Share capital

	2020 £	2019 £
<b>Allotted, called up and fully paid</b>		
3,000,125 Ordinary shares of £1.00 each	3,000,125	3,000,125

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.

### 13. 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.

### 14. Prior year adjustment

An adjustment to the comparative figures in the Statement of Financial Position relating to the aging of supplier retentions has been recorded to separately disclose Creditors due after more than one year from Creditors due within one year.

# **McLaren Construction (South) Limited**

## **Notes to the Financial Statements for the Year Ended 31 July 2020**

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### **15. 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.

During the year work undertaken by the company on personal contracts for K R Taylor, a director of the ultimate parent company, amounted to £40,000 (2019 - £1,160,427).

### **16. 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.