

Registered Number 4309378 England

Laing O'Rourke Midlands Limited

Annual Report

for the year ended 31 March 2006



Laing O'Rourke Midlands Limited

**Annual Report
for the year ended 31 March 2006**

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Laing O'Rourke Midlands Limited

Directors, Officers and Advisors

Directors	J Bramall A D Court B A Dempsey A Crompton	
Secretary	C W McKenzie LLB, Solicitor	
Company Number	4309378	
Registered Office and Business Address	Bridge Place Anchor Boulevard Admirals Park Crossways Dartford Kent DA2 6SN	
Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH	
Bankers	Bank of Scotland New Uberior House 11 Earl Grey Street Edinburgh EH3 9BN	Barclays Bank Plc 1 Churchill Place London E14 5HP
Solicitors	Nabarro Nathanson Lacon House Theobalds Road London WC1X 8RW	KirkPatrick & Lockhart Nicholson Graham LLP 110 Cannon Street London EC4N 6AR
Insurance Consultants	Kerry London Limited Clare House Worton Road, Isleworth Middlesex TW7 6ER	

Laing O'Rourke Midlands Limited

Directors' Report for the year ended 31 March 2006

The directors present their annual report together with the audited financial statements of Laing O'Rourke Midlands Limited for the year ended 31 March 2006.

Principal Activity

The principal activity of the company is building contracting.

Review of the Business

The company is a wholly owned subsidiary of Laing O'Rourke Holdings Limited. The directors are satisfied with the results for the year and are optimistic of future performance.

The directors of Laing O'Rourke Plc manage the group's risk at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of Laing O'Rourke Midlands Limited's business. The principal risks and uncertainties of Laing O'Rourke Plc, which include those of the company, are discussed on page 24 of the group's annual report which does not form part of this report.

The directors of Laing O'Rourke Plc manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Laing O'Rourke Midlands Limited. The development, performance and position of the construction division of Laing O'Rourke Plc, which includes Laing O'Rourke Midlands is discussed on page 24 of the group's annual report which does not form part of this report.

Results and dividends

Turnover for the period was £198,434,864 (2005: £200,667,579). The loss before taxation for the period was £18,963,729 (2005: loss £2,992,001), and the loss attributable to shareholders after taxation was £18,963,729 (2005: loss £2,989,724). Total net liabilities of the company at 31 March 2006 were £18,192,577,152 (2005: net assets £771,152).

The directors do not propose the payment of a dividend for the year (2005: Nil).

Health, Safety and Welfare

The Group is committed to ensuring the health, safety and welfare of all employees at work. All reasonable measures have been taken to achieve this policy. Arrangements have been made to protect other persons against risk to health and safety arising from the activities of the Group's employees when at work.

Employment Policy

The Group continues to provide employees with relevant information and to seek their views on matters of common concern through their representatives and through line managers. Priority is given to ensuring that employees are aware of significant matters affecting the Group's trading position and of any significant organisational changes. The Group treats each application for employment, training and promotion on merit. Full and fair consideration is given to both disabled and able-bodied applicants and employees. If existing employees become disabled, every effort is made to find them appropriate work and training is provided if necessary.

Payment of Creditors

While the company does not follow a formal code of practice, its policy for the period to 31 March 2007 for all suppliers is to agree terms of payment for each business transaction, to ensure that the supplier is aware of those terms, and to abide by the agreed terms of payment. The number of days billings from suppliers outstanding to the company as at 31 March 2006 was 28 days (2005: 19 days).

Laing O'Rourke Midlands Limited

Directors' Report (continued) for the year ended 31 March 2006

Directors and their Interests

The current membership of the board is as set out on the directors, officers and advisors page. None of the directors has an interest in the shares of the company. Details of changes to the board are noted below:

G Scarr Hall	- appointed 7 June 2005, resigned 1 March 2006
J Bramall	- appointed 2 May 2006
A Crompton	- appointed 2 May 2006
B G Cheshire	- resigned 30 April 2005
D J Shakeshaft	- resigned 30 September 2005
A Hall	- resigned 6 February 2006
R G O'Rourke	- resigned 2 May 2006
D A Johnson FCCA	- resigned 2 May 2006

Statement of Directors' Responsibilities for the Annual Report

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which 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 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

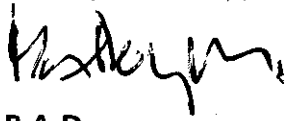
So far as the directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and the directors have taken all the steps that ought to have been taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

The auditors PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

Approval

This report was approved by the Board on 19 July 2006 and signed on its behalf by :



B A Dempsey

Director

Laing O'Rourke Midlands Limited

Independent Auditors' Report to the Members of Laing O'Rourke Midlands Limited

We have audited the financial statements of Laing O'Rourke Midlands Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement in Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you, if in our opinion the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Laing O'Rourke Midlands Limited

**Independent Auditors' Report to the Members of
Laing O'Rourke Midlands Limited**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

13/10/2006

Laing O'Rourke Midlands Limited

**Profit & Loss Account
for the year ended 31 March 2006**

	Note	2006 £	2005 £
Turnover	1	198,434,864	200,667,579
Cost of sales		(208,036,864)	(193,774,580)
Gross (loss)/profit		(9,602,000)	6,892,999
Administrative expenses		(9,552,000)	(10,281,000)
Operating loss		(19,154,000)	(3,388,001)
Interest receivable	4	190,271	396,000
Loss on ordinary activities before taxation	2	(18,963,729)	(2,992,001)
Taxation	5	-	2,277
Loss for the year		<u>(18,963,729)</u>	<u>(2,989,724)</u>

All items in the profit and loss account relate to continuing operations.

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year as stated above and their historical cost equivalents.

The company has no recognised gains and losses other than those shown above and therefore, no separate statement of total recognised gains and losses has been presented.

Laing O'Rourke Midlands Limited

Balance Sheet
as at 31 March 2006

		2006		2005	
	Note	£	£	£	£
Current assets					
Debtors:					
Amounts falling due					
within one year	6	28,400,888		30,798,335	
after more than one year	7	1,109,000		3,289,648	
		<u>29,509,888</u>		<u>34,087,983</u>	
Cash at bank and in hand		1,896,499		17,984,300	
		<u>31,406,387</u>		<u>52,072,283</u>	
Creditors:					
Amounts falling due					
within one year	8	(49,302,050)		(50,637,980)	
Net current (liabilities)/assets			(17,895,663)		1,434,303
Creditors:					
Amounts falling due					
after more than one year	9		(296,914)		(663,151)
Net (liabilities)/assets			<u>(18,192,577)</u>		<u>771,152</u>
Capital and reserves					
Called up share capital	10		1		1
Profit and loss reserve	11		(18,192,578)		771,151
Equity shareholders'					
(deficit)/funds	11		<u>(18,192,577)</u>		<u>771,152</u>

The financial statements were approved by the Board on 19 July 2006 and signed on its behalf by



B A Dempsey
Director

**Notes to Financial Statements
for the year ended 31 March 2006**

1 ACCOUNTING POLICIES

1.1 Basis of preparation of accounts

These financial statements are prepared in accordance with applicable accounting standards under the historical cost convention in accordance with reporting requirements of the Companies Act 1985. The company has consistently applied all relevant accounting standards.

The financial statements have been prepared on a going concern basis having regard to an undertaking given by Laing O'Rourke Plc that it will continue to provide such funds as are necessary for the company to continue to trade as a going concern for the foreseeable future.

1.2 Cash flow statement

The company has taken the FRS1 exemption not to prepare a cashflow statement as it is a wholly owned subsidiary of O'Rourke Investments Holdings (UK) Limited.

1.3 Turnover

Turnover represents amounts invoiced to customers, excluding value-added tax, except in respect of contracting activities where turnover represents the estimated sales value of work done in the year, including amounts not invoiced. All turnover is generated from the United Kingdom.

1.4 Profit recognition

Profit on contracting activities is recognised on a prudent basis as work progresses. Profit is calculated on an individual contract basis as the element of profit forecast at completion that can prudently be attributed to the proportion of work done at the year end. Immediate provision is made for all foreseeable losses if a contract is assessed as unprofitable.

1.5 Long-term contracts

Amounts recoverable on long-term contracts, which are included in debtors are stated at the net sales value of the work done after provisions for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Where such amounts have been received and exceed amounts recoverable, the net amounts are included in creditors as payments on account.

1.6 Operating leases

Rentals payable under operating leases are charged against income on a straight line basis as incurred.

**Notes to Financial Statements
for the year ended 31 March 2006**

1 ACCOUNTING POLICIES (Cont'd.)

1.7 Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences in the treatment of certain items for taxation and accounting purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS19. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

In accordance with FRS19 deferred tax is not provided in respect of: revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date; gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over; extra tax payable if the overseas retained profits of subsidiaries and joint ventures are remitted in future; fair value adjustments gains to fixed assets and stock when an acquisition is made.

1.8 Foreign currencies

Transactions denominated in foreign currencies are recorded at the exchange rates in effect when they take place. Resulting foreign currency denominated assets and liabilities are re-translated at the exchange rates ruling at the balance sheet date unless they are covered by forward foreign exchange contracts, in which case the contract rates are used. Exchange differences arising from foreign currency transactions are reflected in the profit and loss account.

2 Loss on ordinary activities before taxation

	2006	2005
	£	£
Loss before taxation is stated after charging:		
Short term hire of plant and machinery	<u>-</u>	<u>189,905</u>

The audit fees and other administrative expenses of the company together with those of certain other Laing O'Rourke Holdings Limited subsidiaries have been recorded in Laing O'Rourke Services Limited and recharged to the relevant companies at the year end via a management charge.

3 Employees and Directors

The company has no employees. All of the directors and employees working on the company's contracts are employed by a fellow subsidiary undertaking, Laing O'Rourke Services Limited. Costs in respect of those individuals are recharged through a management charge. It is not possible to ascertain separately the elements of management charge that relates to directors and staff costs.

Laing O'Rourke Midlands Limited

**Notes to Financial Statements
for the year ended 31 March 2006**

4 Interest receivable

	2006	2005
	£	£
Bank interest	190,271	396,000
	<u>190,271</u>	<u>396,000</u>

5 Taxation

	2006	2005
	£	£
Current tax		
UK corporation tax on loss for the year	-	-
Adjustment in respect of prior years	-	(2,277)
Total current tax	<u>-</u>	<u>(2,277)</u>

The tax for the year is higher (2005: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Current tax reconciliation

Loss on ordinary activities before tax	<u>(18,963,729)</u>	<u>(2,992,001)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	(5,689,119)	(897,600)
Effects of :		
- Group relief surrendered not paid	5,689,119	868,651
- expenditure that is not tax deductible	-	28,949
- adjustments in respect of prior years	-	(2,277)
Actual current taxation charge	<u>-</u>	<u>(2,277)</u>

Laing O'Rourke Midlands Limited

**Notes to Financial Statements
for the year ended 31 March 2006**

6 Debtors: amounts falling due within one year

	2006	2005
	£	£
Trade debtors	8,582,272	4,237,527
Amounts recoverable on long-term contracts	14,661,736	20,280,448
Amounts due from other group undertakings	5,156,880	6,280,264
Other debtors	-	96
	<u>28,400,888</u>	<u>30,798,335</u>

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

7 Debtors: amounts falling due after more than one year

Amounts recoverable on long-term contracts	<u>1,109,000</u>	<u>3,289,648</u>
	<u>1,109,000</u>	<u>3,289,648</u>

8 Creditors : amounts falling due within one year

Payments on account	9,461,756	2,192,655
Trade creditors	12,043,254	6,599,550
Accruals and sub contractor retentions	25,711,508	40,112,079
Amounts owed to other group undertakings	1,038,463	1,711,779
Corporation tax	-	-
Other taxes and social security	1,047,069	21,917
	<u>49,302,050</u>	<u>50,637,980</u>

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

9 Amounts falling due after more than one year

Subcontractors' retentions		
Due between one and two years	286,318	663,151
Due between two and five years	10,596	-
	<u>296,914</u>	<u>663,151</u>

Laing O'Rourke Midlands Limited

**Notes to Financial Statements
for the year ended 31 March 2006**

10 Share capital

	2006	2005
	£	£
Authorised equity		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid equity		
1 ordinary share of £1	<u>1</u>	<u>1</u>

11 Reconciliation of movements in equity shareholders' (deficit)/funds

	Share capital	Profit and loss reserve	Total 2006	Total 2005
	£	£	£	£
Opening shareholders' funds	1	771,151	771,152	3,760,876
Loss for the year	-	(18,963,729)	(18,963,729)	(2,989,724)
Closing shareholders' (deficit)/funds	<u>1</u>	<u>(18,192,578)</u>	<u>(18,192,577)</u>	<u>771,152</u>

12 Financial commitments

As at 31 March 2006 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2006	2005
	£	£
Expiry date:		
Within one year	78,240	40,313
Between one and five years	414,800	134,540
	<u>493,040</u>	<u>174,853</u>

Future commitments have been computed on current rental payments which are subject to periodic review.

Laing O'Rourke Midlands Limited

Notes to Financial Statements for the year ended 31 March 2006

13 Contingent liabilities

The company has given performance and trade guarantees in the normal course of business. At the balance sheet date the directors are not aware of any circumstances that may give rise to a liability under these guarantees. The company is party to disputes from which legal actions have or may arise in the ordinary course of business. While the outcome of these disputes is uncertain, the directors believe that, except where provided in these accounts, no material loss to the company will occur. In forming their opinions the directors have taken relevant legal advice.

14 Related party transactions

As a wholly owned subsidiary of O'Rourke Investments Holdings (UK) Limited, the company has taken advantage of the exemption under Financial Reporting Standard 8 not to provide information on related party transactions with other undertakings within the O'Rourke Investments Holdings (UK) Group.

15 Ultimate parent undertaking

The immediate parent company of Laing O'Rourke Midlands Limited is Laing O'Rourke Holdings Limited. The parent company of Laing O'Rourke Holdings Limited is Laing O'Rourke Plc, a company registered in England and Wales. Copies of consolidated parent company accounts are available from the Registrar of Companies on payment of the appropriate fee. O'Rourke Investments Holdings (UK) Limited is the parent company of Laing O'Rourke Plc and is the largest group of undertakings for which group accounts are prepared.

The ultimate parent company of Laing O'Rourke Plc is Suffolk Partners Corporation, a company incorporated in the British Virgin Islands. The interests in the share capital of Suffolk Partners Corporation are held in trusts, the beneficiaries of which are R G O'Rourke, H D O'Rourke and B A Dempsey.

**Independent Auditors' Report to the Members of
Laing O'Rourke Midlands Limited**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

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