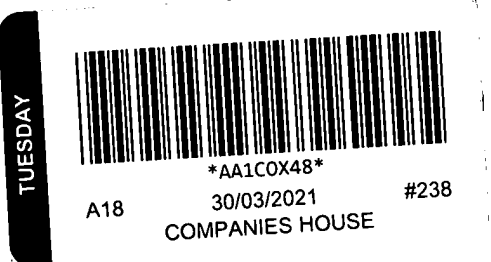


**Directors' Report and
Audited Financial Statements for the Year Ended 31 March 2020
for
Laing O'Rourke Midlands Limited**



Contents of the Directors' Report and Audited Financial Statements
for the Year Ended 31 March 2020

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Laing O'Rourke Midlands Limited

**Company Information
for the Year Ended 31 March 2020**

DIRECTORS:

R C Baker
J F Edmondson

SECRETARY:

R E Turner

REGISTERED OFFICE:

Bridge Place
Anchor Boulevard
Admirals Park, Crossways
Dartford
Kent
DA2 6SN

REGISTERED NUMBER:

04309378 (England and Wales)

INDEPENDENT AUDITORS:

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

**Directors' Report
for the Year Ended 31 March 2020**

The directors present their Directors' Report together with the audited financial statements of Laing O'Rourke Midlands Limited (the "Company") for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are building contracting.

BUSINESS REVIEW

The Company is a wholly owned subsidiary of Laing O'Rourke Holdings Limited and a member of the Laing O'Rourke Corporation Limited Group (the "Group") that is domiciled in England and Wales. The results for the year are set out in the Income Statement on page 7.

Revenue for the year was £nil (2019: £562,000). The loss before taxation was £285,000 (2019: loss of £608,000) and the loss for the financial year was £285,000 (2019: loss of £2,034,000). Total shareholders' deficit of the Company at 31 March 2020 was £7,034,000 (2019: total shareholders' deficit of £6,749,000).

The Company has not entered into new construction contracts for several years. The directors do not expect the Company to engage in new work in the foreseeable future. The Company continues to record income and expenditure relating to existing contracts.

The Group has maintained a strong liquidity position throughout the ongoing Covid-19 pandemic as a result of decisive management actions and support from initiatives including tax deferrals and the Job Retention Scheme. After a period of temporary site closures at certain projects immediately after the first national lockdown was announced all sites were made Covid-safe and recommenced operations.

The directors of Laing O'Rourke Corporation Limited manage financial risks for the Group as a whole, rather than as individual entities. For this reason, the Company's directors believe that analysis of the Company's risks should be viewed in the context of the Group. The principal risks and uncertainties of Laing O'Rourke Corporation Limited, which includes the Company, are discussed in the Group's financial statements (which are available publicly at www.laingorourke.com), however, do not form part of this report.

The directors of Laing O'Rourke Corporation Limited manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators should be viewed in the context of the Group. The development, performance and position of the Europe hub of Laing O'Rourke Corporation Limited, which includes the Company, are discussed in the Group's financial statements which are available publicly, however, do not form part of this report.

The Company has taken exemption from preparing the Strategic Report in accordance with S414B(b) of the Companies Act 2006.

GOING CONCERN

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The Company is a wholly owned subsidiary of Laing O'Rourke Corporation Limited, the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2020 (the "Group"). The directors have assessed whether the going concern basis of preparation is appropriate by reference to the position of the entire Group, as the Company is reliant on its trading relationship with, and financial support from, this group of companies.

The directors of Laing O'Rourke Corporation Limited have carefully considered those factors likely to affect the Group's future development, performance and financial position in relation to the ability of the Group to operate within its current and foreseeable resources, financial and operational. Whilst the Group's consolidated financial statements for the year ended 31 March 2020 (the "Group Financial Statements") were prepared on the assumption that the Group will continue to operate as a going concern for at least the next 12 months from 14 December 2020, being the date on which the Group Financial Statements were signed, the Group's directors have disclosed in the Group Financial Statements a material uncertainty arising from the Group's dependency on both the completion of the renewal or refinancing of current debt facilities, which mostly have an expiry date of 31 December 2021, and the cash generated from the conversion of the Group's order book and replenishment of the future pipeline of work over the 15 months to 31 March 2022, which are subject to market and macroeconomic factors, including the potential future impacts of Covid-19 and Brexit, including the implementation of the UK-EU trade agreement. This material uncertainty may cast significant doubt about the ability of the Group to continue as a going concern.

**Directors' Report
for the Year Ended 31 March 2020**

Having made the appropriate enquiries and considering the uncertainties described in the financial statements of Laing O'Rourke Corporation Limited, the Company's directors have a reasonable expectation that the Group, and therefore the Company, have adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the financial statements.

However, as the Company relies upon its trading relationship with, and financial support from, the Group, the conditions within the Group indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

No director has held office from 1 April 2019 to the date of this report. Changes in directors holding office are as follows:

R C Baker appointed 18 December 2020
J Edmondson appointed 20 December 2019
M Gill resigned 30 September 2019
A S McIntyre resigned 18 December 2020

DIVIDENDS

No dividends were declared or paid during the year (2019: £nil). The directors do not recommend the payment of a final dividend (2019: £nil).

DIRECTORS' INDEMNITIES

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

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 Company'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.

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.

CHANGE IN ACCOUNTING STANDARDS

During the year the Company adopted IFRS 16 'Leases'. However, there are no leases within the Company that fall within the scope of this standard.

**Directors' Report
for the Year Ended 31 March 2020**

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report and Audited Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

DIRECTOR'S CONFIRMATIONS

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

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

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



R C Baker - Director

26 March 2021

Independent auditors' report to the members of Laing O'Rourke Midlands Limited

Report on the audit of the financial statements

Opinion

In our opinion, Laing O'Rourke Midlands Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Audited Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2020; the income statement, the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. The company relies upon its trading relationship with, and financial support from, the group of companies whose parent is Laing O'Rourke Corporation Limited, the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2020 (the "Group"). The Group has disclosed in these consolidated financial statements the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern, including its ability to provide the required trading relationship and financial support to the company. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Andrew Johns (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 March 2021

**Income Statement
for the Year Ended 31 March 2020**

| | Note | 2020 £'000 | 2019 £'000 |
|--|------|---------------------|-----------------------|
| REVENUE | 3 | - | 562 |
| Cost of sales | | <u>(285)</u> | <u>(1,141)</u> |
| GROSS LOSS | | (285) | (579) |
| Administrative expenses | | <u>-</u> | <u>(29)</u> |
| OPERATING LOSS and LOSS BEFORE TAXATION | 5 | (285) | (608) |
| Tax on loss | 6 | <u>-</u> | <u>(1,426)</u> |
| LOSS FOR THE FINANCIAL YEAR | | <u><u>(285)</u></u> | <u><u>(2,034)</u></u> |

**Statement of Comprehensive Income
for the Year Ended 31 March 2020**

| | 2020 £'000 | 2019 £'000 |
|---|---------------|----------------|
| LOSS FOR THE YEAR | (285) | (2,034) |
| OTHER COMPREHENSIVE INCOME | <u>-</u> | <u>-</u> |
| TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR | <u>(285)</u> | <u>(2,034)</u> |

The notes on pages 11 to 19 form part of these financial statements

Statement of Financial Position
As at 31 March 2020

| | Note | 2020 £'000 | 2019 £'000 |
|--|------|----------------|----------------|
| CREDITORS: | | | |
| Amounts falling due within one year | 7 | (7,034) | (6,749) |
| NET CURRENT LIABILITIES | | (7,034) | (6,749) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>(7,034)</u> | <u>(6,749)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 8 | - | - |
| Accumulated losses | | (7,034) | (6,749) |
| TOTAL SHAREHOLDERS' DEFICIT | | <u>(7,034)</u> | <u>(6,749)</u> |

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements on pages 7 to 19 were authorised for issue by the Board of Directors and authorised for issue on 26 March 2021 and were signed on its behalf by:



R C Baker - Director

**Statement of Changes in Equity
for the Year Ended 31 March 2020**

| | Called up share capital £'000 | Accumulated losses £'000 | Total shareholders' deficit £'000 |
|---|--|--------------------------------|--|
| Balance at 1 April 2018 | - | (4,715) | (4,715) |
| Changes in equity | | | |
| Loss for the financial year and total comprehensive expense | - | (2,034) | (2,034) |
| Balance at 31 March 2019 | - | (6,749) | (6,749) |
| Changes in equity | | | |
| Loss for the financial year and total comprehensive expense | - | (285) | (285) |
| Balance at 31 March 2020 | - | (7,034) | (7,034) |

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

1. STATUTORY INFORMATION

Laing O'Rourke Midlands Limited is a private company, limited by shares, incorporated and domiciled in England and Wales. The Company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements of Laing O'Rourke Midlands Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in Sterling (£) which is the functional currency for the Company.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The Company is a wholly owned subsidiary of Laing O'Rourke Corporation Limited, the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2020 (the "Group"). The directors have assessed whether the going concern basis of preparation is appropriate by reference to the position of the entire Group, as the Company is reliant on its trading relationship with, and financial support from, this group of companies.

The directors of Laing O'Rourke Corporation Limited have carefully considered those factors likely to affect the Group's future development, performance and financial position in relation to the ability of the Group to operate within its current and foreseeable resources, financial and operational. Whilst the Group's consolidated financial statements for the year ended 31 March 2020 (the "Group Financial Statements") were prepared on the assumption that the Group will continue to operate as a going concern for at least the next 12 months from 14 December 2020, being the date on which the Group Financial Statements were signed, the Group's directors have disclosed in the Group Financial Statements a material uncertainty arising from the Group's dependency on both the completion of the renewal or refinancing of current debt facilities, which mostly have an expiry date of 31 December 2021, and the cash generated from the conversion of the Group's order book and replenishment of the future pipeline of work over the 15 months to 31 March 2022, which are subject to market and macroeconomic factors, including the potential future impacts of Covid-19 and Brexit, including the implementation of the UK-EU trade agreement. This material uncertainty may cast significant doubt about the ability of the Group to continue as a going concern.

Having made the appropriate enquiries and considering the uncertainties described in the financial statements of Laing O'Rourke Corporation Limited, the Company's directors have a reasonable expectation that the Group, and therefore the Company, have adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the financial statements.

However, as the Company relies upon its trading relationship with, and financial support from, the Group, the conditions within the Group indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

2. **ACCOUNTING POLICIES - continued**

Adoption of standards

IFRS 16 'Leases' became effective in the year ended 31 March 2020 and was adopted. However, there are no leases within the Company that fall within the scope of this standard.

Basis of consolidation

The results of the Company have been incorporated into the consolidated financial statements of Laing O'Rourke Corporation Limited, which are publicly available.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of paragraph 58 of IFRS 16;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

2. ACCOUNTING POLICIES - continued

Current and deferred tax

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the Statement of Financial Position date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Statement of Financial Position date.

A deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying temporary differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date. Deferred tax is measured on an undiscounted basis.

Leases

The Company assesses whether a contract is, or contains, a lease at the inception of the contract. A lease exists if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently depreciated over the lease term. The lease liability is measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, at the Company's incremental borrowing rate. The Company has elected to apply the practical expedient which allows the Company to use a single discount rate for a portfolio of leases with similar characteristics.

The Company has elected not to recognise right-of-use assets and lease liabilities for short term leases of less than 12 months and leases of low value assets (less than USD \$5,000). Instead the Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. This policy is applied from 1 April 2019. Right-of-use assets are presented as part of Property, Plant and Equipment.

For the prior year IAS 17 applied where leases other than finance leases were classified as operating leases. The 2019 comparatives show payments made under operating leases as an expense in the Income Statement on a straight-line basis over the lease term.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Creditors are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting period.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

2. ACCOUNTING POLICIES - continued

Revenue recognition

The Company recognises revenue when it transfers control over a product or service to its customer. Revenue is measured at the fair value of the consideration received or receivable, net of sales tax, for goods and services supplied to external customers and excludes amounts collected on behalf of third parties. Revenue recognition is based on the satisfaction of individual performance obligations and these obligations are satisfied over time therefore contract revenue and costs are recognised by reference to the stage of completion of each contract, as measured by the proportion of total costs at the statement of financial position date to the total expected cost of the contract. Revenue from services and construction contracts is recognised by reference to the stage of completion of the contract, as set out in the accounting policy for construction and service contracts.

Where consideration is not specified in the contract with a customer, and is therefore subject to variability, the Company estimates the amount of consideration to be received from its customer. The measurement of variable consideration is subject to the constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur.

Where a modification to an existing contract occurs, the Company assesses the nature of the modification and whether it represents a separate performance obligation or whether it is a modification to the existing performance obligation.

The Company does not expect to have any contracts where the period between the request for payment for the transfer of goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust its transaction price for the time value of money.

In the year ended 31 March 2020, a change in methodology in relation to revenue recognition has been applied across the Group. Up until 31 March 2019, profit margin for certain contracts (generally fixed price lump sum) has been recognised by applying a 'bowed' profit recognition. This methodology applies additional contingency to projects in the earlier stages where end of project margin was historically less certain. For the year ended 31 March 2020, all projects have recognised profit on a straight-line basis cumulatively to 31 March 2020. This represents a change in accounting estimate per IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, and has been made on the basis that revenue is recognised more accurately by holding appropriate levels of contingencies within all projects and not to rely on a generic risk overlay position. The change is further supported by the Company's governance process assessing contingencies in projects, improved forecasting accuracy of projects in recent years, a move to a more selective bidding process and commencement of more pre-construction arrangements prior to commencing main works.

Construction and service contracts

The Company earns revenue by providing construction services under fixed-price and variable priced contracts.

When the outcome of individual contracts can be estimated reliably, contract revenue is recognised over time by reference to the stage of completion of each contract, as measured by the proportion of total costs at the Statement of Financial Position date to the estimated total cost of the contract. Contracts costs are expensed as incurred.

Provision is made for all known or expected losses on individual contracts once such losses are foreseen.

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is recognised as contract assets within trade and other receivables. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is recognised as contract liabilities within trade and other payables.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

2. ACCOUNTING POLICIES - continued

Estimates of the final outcome on each contract may include cost contingencies to take account of specific risks within each contract. Cost contingencies are reviewed on a regular basis throughout the life of the contract and adjusted where appropriate. However, the nature of the risks on projects are such that they often cannot be resolved until the end of the project and therefore may not reverse until the end of the project. The estimated final outcome on projects is continuously reviewed, recoveries from insurers are assessed and adjustments are made where necessary. Insurance recoveries are only recognised when they are virtually certain.

Key judgements and estimation uncertainty

The preparation of financial statements under FRS 101 requires management to make estimates and assumptions that affect amounts recognised for assets and liabilities at the statement of financial position date and the amounts of revenue and expenses incurred during the reported period. Actual outcomes may therefore differ from these estimates and assumptions. These estimates and assumptions that have the most significant impact on the carrying value of assets and liabilities of the Company within the next financial year are detailed as below:

a) Revenue and margin recognition

The Company's revenue recognition and margin recognition policies, which are set out in note 2, are central to the way the Company values the work it has carried out in each financial year and have been consistently applied.

No contracts (2019: 2) were income generating in the year. There were 2 (2019:1) projects which individually had a material impact on operating loss.

The key judgements and estimates relating to determining the revenue and profit of these material contracts are:

The economic outcome of construction contracts is principally determined by the contractual terms (including related to how revenue is calculated (which can include milestone payments, progress based payments, incentives and gain-share or pain-share), the type of service being provided/risks being managed (for example traditional contracting or construction management) and the actual operational and financial performance versus forecast (at the time of contract award or subsequently). Other external factors can also have a material impact on performance, such as inflation, aspects of design development, ground conditions and the performance of sub-contractors.

The key judgements and estimates relating to determining the revenue and profit of these material contracts within the Company's accounts are:

- identification of separable performance obligations;
- ensuring revenue recognised is highly probable, specific attention being paid to the estimates of:
 - recoverability of claims and variations from clients for changes in condition/scope;
 - revenue receivable in relation to achievement of gain-share (or pain-share), milestones and other incentive arrangements;
 - deductions for any damages levied by clients e.g. for late handover;
 - percentage of completion of the project versus the planned cost programme;
 - achievability of the planned build programme;
 - forecast cost to complete (including contingencies); and
 - allowances for post practical completion works (including rectification of defects).

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

2. ACCOUNTING POLICIES - continued

Each contract is treated on its merits and subject to a regular review of the revenue and costs to complete by the project team and senior management.

The level of estimation uncertainty in our construction business is mitigated by:

- the processes in place regarding the selection of projects during the bid/work-winning phase;
- the level of experience of management and the Board in delivering projects and accounting for the various types of projects;
- the process in place to identify and mitigate issues promptly; and
- volatility is also reduced by the effect of managing a significant portfolio of projects

Nevertheless, the profit recognition in our construction business is a key estimate, due to the variety of contract terms and the inherent uncertainties in any construction project.

The estimation techniques used for revenue and profit recognition on construction contracts require forecast to be made of the outcome of long-term contracts which require assessments and judgements to be made on the recovery of pre-contract costs, changes in the scope of work, contract programmes, maintenance and defects liabilities and changes in costs.

As at 31 March 2020, Covid-19 was reasonably expected to have an impact on costs to complete across the Group's portfolio of construction contracts. After the Statement of Financial Position date, Management has performed an ongoing assessment of forecast costs for construction contracts. Additional costs to progress or complete projects, and associated revenue, as a result of Covid-19 have been categorised as follows:

- costs that do not contribute to the progression or completion of a performance obligation; these costs are classified as inefficiencies and are expensed in the period in which they are incurred;
- costs associated with delay or additional measures required, such as those due to social distancing and additional PPE, are included in the costs to complete forecast insofar as they were reasonably foreseeable at 31 March 2020; and
- revenue associated with additional Covid-19 costs has been recognised where it was considered highly probable of not reversing as at the balance sheet date in accordance with IFRS 15 and the Company's policy on revenue and margin recognition.

Other judgement and estimating uncertainty

a) Disputes

Management has used judgement in accounting for disputed amounts, legal cases and claims but the actual future outcome may be different.

b) Taxation

The Company is subject to tax and judgement is required in determining the provision for income taxes including the recognition of deferred tax assets. The Company provides for future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based upon management's assessment of exposures. Assets are only recognised where it is reasonably certain additional tax will become payable in future periods and when the asset can be utilised.

c) Covid-19 and Brexit

In light of Covid-19 and Brexit, including the implementation of the UK-EU trade agreement, management has considered other areas of judgement and estimation, including expected credit loss provisioning and impacts on costs to progress or complete construction contracts. Management has concluded that any updates to the estimates associated with these areas of the financial statements are not expected to result in significant change.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

3. REVENUE

All revenue is generated in the United Kingdom from building contracting.

Revenue from contracts with customers

Assets and liabilities related to contracts with customers

The Company disclosed assets and liabilities related to contracts with customers as contract assets and contract liabilities. Contract assets represents unbilled amounts which have been recognised as revenue but not yet billed to the customer and retentions due. Contract liabilities occur when cumulative cash received exceeds cumulative revenue on a contract.

Significant changes in contract assets and liabilities

There were no significant changes in contract assets and liabilities in the year.

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Revenue recognised in relation to contract liabilities disclosed in the prior year | - | 562 |

4. EMPLOYEES AND DIRECTORS

The Company has no employees (2019: none). All of the directors and staff working on the Company's contracts are employed by another subsidiary undertaking of Laing O'Rourke Corporation Limited, Laing O'Rourke Services Limited. Costs for staff are incurred on the basis of time spent on the Company's contracts and these costs are included in cost of sales or administrative expenses as appropriate. As directors hold directorships for other Group companies it is not possible to make a reasonable apportionment of the emoluments, therefore no key management personnel compensation has been disclosed. The Laing O'Rourke Services Limited financial statements discloses this, available from Companies House.

5. OPERATING LOSS AND LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Management charge | - | 13 |
| Expense relating to short term leases and leases of low value assets | 2 | - |
| Hire of plant and equipment | - | 29 |

The audit fee and other administrative expenses of the Company were borne by another Group company, Laing O'Rourke Services Limited. A new category of expense relating to short term leases or leases of low value assets has been introduced as a result of applying IFRS 16. Comparative prior year cost is shown in hire of plant and equipment.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

6. TAXATION

| | 2020 £'000 | 2019 £'000 |
|---------------------------------------|---------------|---------------|
| Current tax | | |
| Adjustments in respect of prior years | - | 1,426 |
| Total current tax result/charge | - | 1,426 |

The tax assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%).

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Loss before taxation | (285) | (608) |
| Loss before taxation multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%) | (54) | (116) |
| Effects of: | | |
| - adjustments in respect of prior years | - | 1,426 |
| - group relief for no credit/ at no charge | 54 | 116 |
| Total tax result/charge | - | 1,426 |

Group companies will between them no longer charge for the surrender of tax losses, unless specifically agreed between the surrendering and claimant companies.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing it to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020 and therefore all UK deferred tax assets and liabilities, which were recognised at 17%, have been recalculated at 19% as at 31 March 2020, this did not result in either a credit or charge to the Income Statement.

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2020 £'000 | 2019 £'000 |
|---------------------------------------|---------------|---------------|
| Trade payables | 32 | 89 |
| Amounts owed to Group undertakings | 7,001 | 4,645 |
| Other payables | - | 2,000 |
| Subcontractor accruals and retentions | 1 | 15 |
| | <u>7,034</u> | <u>6,749</u> |

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Included in current liabilities in the prior year within trade and other payables were contract liabilities across a number of legacy projects related to rectification works of £2.0 million, there are none in the current year to disclose.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

8. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

| | | | 2020 | 2019 |
|-------------|----------|----------------|----------|----------|
| Number: | Class: | Nominal value: | £ | £ |
| 1 (2019: 1) | Ordinary | £1 | <u>1</u> | <u>1</u> |

9. **ULTIMATE PARENT COMPANY**

The immediate parent undertaking of Laing O'Rourke Midlands Limited, is Laing O'Rourke Holdings Limited, a company registered in England and Wales.

The ultimate parent undertaking and controlling party is Suffolk Partners Corporation, a company incorporated in the British Virgin Islands.

Laing O'Rourke Corporation Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2020. The Laing O'Rourke Corporation Limited consolidated financial statements are available for viewing at www.laingorourke.com.

Laing O'Rourke Plc is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Laing O'Rourke Plc are available from the Registrar of Companies in England and Wales on payment of the appropriate fee.

10. **RELATED PARTY DISCLOSURES**

As a wholly owned subsidiary within the Group, the Company has taken advantage of the exemption permitted by FRS 101 not to provide information on related party transactions with other wholly owned subsidiaries within the Group.

11. **EVENTS AFTER THE REPORTING PERIOD**

The UK-EU trade agreement took effect from 1 January 2021. The Group planned for potential outcomes to ensure we have robust contingency plans in place that will enable us to mitigate any impact on our core activities. As a result there has been no change to the Group's work winning discipline nor material negative impact on current live projects, staff recruitment and attrition nor unexpected input price inflation due to Brexit.

12. **GUARANTEES AND CONTINGENT LIABILITIES**

As at 31 March 2020, the Company was the guarantor of unsecured committed revolving credit facility and term loans of Laing O'Rourke Plc, for an amount of £159.0 million (2019: £163.4 million) that expires in December 2021. The Company is also a guarantor in respect of Surety Bonds and Bank Guarantees issued on behalf of Laing O'Rourke Plc and its subsidiaries. These guarantees may give rise to liabilities in the Company if Laing O'Rourke Plc does not meet its obligations under the terms of the guarantees. No material losses are anticipated in respect of these contingent liabilities.