

REGISTERED NUMBER: 04309378 (England and Wales)

Directors' Report and Audited Financial Statements

For the Year Ended 31 March 2021

for

Laing O'Rourke Midlands Limited



Laing O'Rourke Midlands Limited (Registered number: 04309378)

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for the Year Ended 31 March 2021**

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Laing O'Rourke Midlands Limited

**Company Information
for the Year Ended 31 March 2021**

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 2021**

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 2021.

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 8.

Revenue for the year was £nil (FY20: £nil). The loss before taxation was £586,000 (FY20: loss of £285,000) and the loss for the financial year was £586,000 (FY20: loss of £285,000). Total shareholders' deficit of the Company at 31 March 2021 was £7,620,000 (FY20: total shareholders' deficit of £7,034,000).

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 expenditure relating to existing contracts.

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 Annual Report and Consolidated Financial Statements (which are available publicly at www.laingorourke.com); however these 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 Annual Report and Consolidated Financial Statements which are available publicly; however these do not form part of this report.

The Company has taken exemption from preparing the Strategic Report in accordance with s.414B(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 2021 (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. The Group's Annual Report and Consolidated Financial Statements for the year ended 31 March 2021 (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 20 October 2021, being the date on which the Group Financial Statements were signed. The going concern analysis prepared for the purpose of preparing the Group financial statements extended to 31 March 2023 and there were no material uncertainties identified that may cast significant doubt on the Group's going concern status. Further details of the assumptions used and the judgements made by the Directors of Laing O'Rourke Corporation Limited in relation to the Group's going concern assessment are disclosed on pages 53 to 54 of the Group Financial Statements.

**Directors' Report
for the Year Ended 31 March 2021**

GOING CONCERN – continued

Having made the appropriate enquiries, including with the Directors of the Group, and considering a letter of support provided by the Group to the Company, the Company's Directors have a reasonable expectation that the Group, and therefore the Company, have adequate resources to continue in operational existence for a period of at least twelve months from the date on which the Company's financial statements have been signed. For these reasons, the Company's Directors continue to adopt the going concern basis in preparing the financial statements.

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

J F Edmondson has held office from 1 April 2020 to the date of this report. Changes in Directors holding office are as follows:

R C Baker appointed 18 December 2020
A S McIntyre resigned 18 December 2020

DIVIDENDS

No dividends were declared or paid during the year (FY20: £nil). The Directors do not recommend the payment of a final dividend (FY20: £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

All the UK staff are employed by another company within the Group, Laing O'Rourke Services Limited. 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.

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.

**Directors' Report
for the Year Ended 31 March 2021**

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, comprising 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:

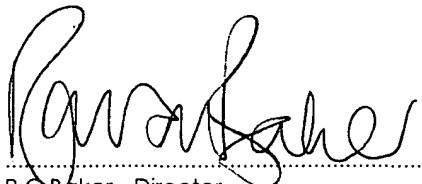
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's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

Date: 10th March 2022

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 2021 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 2021; 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.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

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

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 on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

**Independent Auditors' Report to the Members of
Laing O'Rourke Midlands Limited (Registered number: 04309378)**

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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.

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to data protection legislation, anti-bribery and corruption legislation, tax legislation and construction laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of

**Independent Auditors' Report to the Members of
Laing O'Rourke Midlands Limited (Registered number: 04309378)**

the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit and the Company's internal legal counsel, including consideration of potential instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Substantive testing of journal entries which met a defined risk criteria, focusing on where and how fraud could arise; and
- Challenging assumptions and judgements made by management in its accounting estimates or judgements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

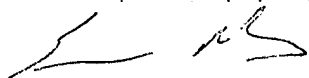
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained 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: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Simon Morley (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

10 March 2022

**Income Statement
for the Year Ended 31 March 2021**

	Note	2021 £'000	2020 £'000
REVENUE		-	-
Cost of sales		<u>(586)</u>	<u>(285)</u>
GROSS LOSS		(586)	(285)
OPERATING LOSS and LOSS BEFORE TAXATION	4	(586)	(285)
Tax on loss	5	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR		<u><u>(586)</u></u>	<u><u>(285)</u></u>

The notes on pages 12 to 18 form part of these financial statements

Statement of Comprehensive Income
for the Year Ended 31 March 2021

	2021 £'000	2020 £'000
LOSS FOR THE YEAR	(586)	(285)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	—	—
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u>(586)</u>	<u>(285)</u>


The notes on pages 12 to 18 form part of these financial statements

Statement of Financial Position
As at 31 March 2021

	Note	2021 £'000	2020 £'000
CREDITORS			
Amounts falling due within one year	6	<u>(7,620)</u>	<u>(7,034)</u>
NET CURRENT LIABILITIES		<u>(7,620)</u>	<u>(7,034)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(7,620)</u>	<u>(7,034)</u>
CAPITAL AND RESERVES			
Called up share capital	7	-	-
Accumulated losses		<u>(7,620)</u>	<u>(7,034)</u>
TOTAL SHAREHOLDERS' DEFICIT		<u>(7,620)</u>	<u>(7,034)</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 8 to 18 were authorised for issue by the Board of Directors on 10th March 2022 and were signed on its behalf by:



.....

R C Baker - Director

**Statement of Changes in Equity
for the Year Ended 31 March 2021**

	Called up share capital £'000	Accumulated losses £'000	Total shareholders' deficit £'000
Balance at 1 April 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)
Changes in equity			
Loss for the financial year and total comprehensive expense	-	(586)	(586)
Balance at 31 March 2021	-	(7,620)	(7,620)

The notes on pages 12 to 18 form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 March 2021**

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 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 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; and
- the requirements of IFRS 7, 'Financial instruments: Disclosures'.

Consolidation

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

Significant accounting policies

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.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

2. ACCOUNTING POLICIES - continued

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 2021 (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. The Group's Annual Report and Consolidated Financial Statements for the year ended 31 March 2021 (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 20 October 2021, being the date on which the Group Financial Statements were signed. The going concern analysis prepared for the purpose of preparing the Group financial statements extended to 31 March 2023 and there were no material uncertainties identified that may cast significant doubt on the Group's going concern status. Further details of the assumptions used and the judgements made by the Directors of Laing O'Rourke Corporation Limited in relation to the Group's going concern assessment are disclosed on pages 53 to 54 of the Group Financial Statements.

Having made the appropriate enquiries, including with the Directors of the Group, and considering a letter of support provided by the Group to the Company, the Company's Directors have a reasonable expectation that the Group, and therefore the Company, have adequate resources to continue in operational existence for a period of at least twelve months from the date on which the Company's financial statements have been signed. For these reasons, the Company's Directors continue to adopt the going concern basis in preparing the financial statements.

Tax and deferred tax

Tax expense represents the sum of the tax currently payable and deferred tax. The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it also excludes items that are neither taxable nor deductible. The Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting 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 considered 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.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

2. **ACCOUNTING POLICIES - continued**

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.

Construction and service contracts

The Company previously earned 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.

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.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

2. ACCOUNTING POLICIES - continued

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) Margin recognition (judgement and estimate)

The Company's margin recognition policy, which has been set out previously in the note, is central to the way the Company values the work it has carried out in each financial year and has been consistently applied.

No contracts were income generating in this or the prior year. There were 2 (FY20: 2) projects which individually had an impact of £100,000 or greater on operating loss.

The economic outcomes of construction contracts are principally determined by the contractual terms including 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 subcontractors.

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

- Identification of 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; and
 - Deductions for any damages levied by a client, 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).

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; and
- The processes in place to identify and mitigate issues promptly.

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.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

2. **ACCOUNTING POLICIES - continued**

As at 31 March 2021, Covid-19 was reasonably expected to have an impact on costs to complete across the Company'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 towards 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 and not reflected as part of the stage of completion revenue recognition methodology;
- costs associated with the delay or additional measures required, such as those due to social distancing and additional personal protective equipment, are included in the costs to complete forecast insofar as they were reasonably foreseeable at 31 March 2021; and
- revenue associated with additional Covid-19 costs has been recognised where it was considered highly probable of not reversing at the statement of financial position date in accordance with IFRS 15 and the Company's policy on revenue and margin recognition.

b) Going concern (judgement and estimate)

In preparing these financial statements using the going concern basis of accounting, management has considered the forecast future cash flows of the Group under a management case scenario and several downside scenarios (see pages 53 to 54 of the Directors' Report of the Group Annual Report and Consolidated Financial Statements). Forecast future cash flows include the following areas of judgement:

- Work winning for the Group;
- Construction activity including project margins and working capital position;
- Support of the supply chain in terms of product material, labour supply and flexibility in payment terms;
- Inflationary pressures;
- Disruption to the supply chain;
- Structural drivers for construction work; and
- Possibility of increased Covid-19 related restrictions impacting construction.

OTHER JUDGEMENTS AND ESTIMATES

a) Covid-19 and Brexit (judgement and estimate)

In light of Covid-19 and Brexit, 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.

b) Climate Change (judgement and estimate)

In preparing the financial statements management has considered the impact of climate change. Potential impacts of climate change, which include increased intensity and frequency of weather events and stricter environmental legislation, have been considered by management, together with the Group's stated target of becoming operational net zero by 2030 and developing plans to achieve net zero scope 3 emissions by 2050 to the extent these can be forecast at present. These considerations did not have a material impact on the financial reporting judgements and estimates and climate change is not expected to have a significant impact on the Group's going concern assessment to March 2023.

The Group continues to invest in new technologies and product development including a project to decarbonise manufactured concrete components used in construction. The costs of these projects are currently being expensed as incurred.

3. **EMPLOYEES AND DIRECTORS**

The Company has no employees (FY20: 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 disclose this, and are available from Companies House.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

4. **LOSS BEFORE TAX**

Loss before tax is stated after charging:

	2021 £'000	2020 £'000
Expense relating to short term leases and leases of low value assets *	<u>11</u>	<u>2</u>

The audit fee and other administrative expenses of the Company were borne by another Group company, Laing O'Rourke Services Limited.

* This is in line with the right-of-use assets accounting policy disclosed within the Group's Annual Report and Consolidated Financial Statements.

5. **TAX ON LOSS**

	2021 £'000	2020 £'000
Current tax		
UK corporation tax	-	-
Total current tax result	<u>-</u>	<u>-</u>

The tax assessed for the year is higher (FY20: higher) than the standard rate of corporation tax in the UK of 19% (FY20: 19%).

	2021 £'000	2020 £'000
Loss before tax	<u>(586)</u>	<u>(285)</u>
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (FY20: 19%)	(111)	(54)
Effects of:		
- effect of group relief	<u>111</u>	<u>54</u>
Total tax result	<u>-</u>	<u>-</u>

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

On 3 March 2021, in the Spring Budget, the UK government announced that from 1 April 2023 the corporation tax rate would rise from 19% to 25%. Given this was only substantively enacted in the Finance Act 2021 on 24 May 2021, after the Statement of Financial Position date, all UK deferred tax assets and liabilities continue to be recognised at the existing 19% rate.

In the spring budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing 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 a charge to the Income Statement.

6. **CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021 £'000	2020 £'000
Trade creditors	30	32
Amounts owed to group undertakings	7,464	7,001
Subcontractor accruals and retentions	<u>126</u>	<u>1</u>
	<u>7,620</u>	<u>7,034</u>

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of replacement and are repayable on demand.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

7. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

			2021	2020
Number:	Class:	Nominal value:	£'000	£'000
1 (FY20: 1)	Ordinary	£1	<u>0</u>	<u>0</u>

8. **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 company of Laing O'Rourke Midlands Limited was, until 25 March 2021, Suffolk Partners Corporation, a company incorporated in the British Virgin Islands. On 25 March 2021 100% of the share capital of Laing O'Rourke Corporation Limited was sold to R G O'Rourke KBE (65.2%) and H D O'Rourke (34.8%). R G O'Rourke KBE is the ultimate controlling party by virtue of his majority shareholding.

Laing O'Rourke Corporation Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2021. The Laing O'Rourke Corporation Limited Group's Annual Report and 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.

9. **RELATED PARTY DISCLOSURES**

	2021		2020	
	Expenditure	Creditor	Expenditure	Creditor
	in year	at year-end	in year	at year-end
	£'000	£'000	£'000	£'000
Explore Transport Limited (JV)	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>

Explore Transport Limited is a related party by virtue of the fact that it is a joint venture undertaking of the Laing O'Rourke Corporation Limited Group. Expenditure relates to hire of equipment and transport services.

10. **GUARANTEES AND CONTINGENT LIABILITIES**

As at 31 March 2021, the Company was a guarantor of a secured committed revolving credit facility ("RCF") and term loans of Laing O'Rourke Plc, for an amount of £108.7m (FY20: £159.0m), that were due to expire 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. On 4 October 2021 Laing O'Rourke Plc repaid the £108.7m outstanding at the financial year end and entered into an agreement for a new revolving credit facility of £35.0m that expires 3 October 2023. The Company ceased as a guarantor for the revolving credit facility on 4 October 2021.

11. **EVENTS AFTER THE REPORTING PERIOD**

On 4 October 2021, the Group refinanced its UK facilities, resulting in full repayment of its RCF, term loan and arrangement fee and the availability of a new unsecured revolving credit facility with an expiry date of 3 October 2023. A £13.7m property loan was also refinanced with an expiry date of 3 October 2023.