

**LAING O'ROURKE MIDLANDS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2023**

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## LAING O'ROURKE MIDLANDS LIMITED

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### COMPANY INFORMATION

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<b>Directors</b>	R C Baker J F Edmondson
<b>Company secretary</b>	R E Turner
<b>Registered number</b>	04309378
<b>Registered office</b>	Bridge Place Anchor Boulevard Admirals Park, Crossways Dartford Kent DA2 6SN
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

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**LAING O'ROURKE MIDLANDS LIMITED**

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## LAING O'ROURKE MIDLANDS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023

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The Directors present their Directors' Report together with the financial statements of Laing O'Rourke Midlands Limited (the 'Company') for the year ended 31 March 2023.

#### BUSINESS REVIEW

The Company is a wholly owned subsidiary of Laing O'Rourke Plc 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 Statement of Comprehensive Income on page 8.

Revenue for the year was £nil (FY22: £nil). The loss before tax was £55,000 (FY22: £1,299,000) and the loss for the financial year was £55,000 (FY22: £1,299,000). Total shareholders' deficit of the Company at 31 March 2023 was £1,159,000 (FY22: deficit of £1,104,000).

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 legacy 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 Accounts (which are available publicly at [www.laingorourke.com](http://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 Accounts which are available publicly; however these do not form part of this report.

The Company has taken exemption from preparing a Strategic Report in accordance with s.414B of the Companies Act 2006.

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## **LAING O'ROURKE MIDLANDS LIMITED**

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### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023**

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#### **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 2023 (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 - both financial and operational. The Group's Annual Report and Accounts for the year ended 31 March 2023 (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 31 October 2023, 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 2025 and there were no material uncertainties identified that may cast significant doubt on the Group's going concern status. The Group has sufficient financial resources, committed banking facilities, secured revenue and a strong order book. 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 70 to 72 of the Laing O'Rourke Corporation Limited Group Annual Report and Accounts.

Having made the appropriate enquiries, including with the directors of the Group, and considering a letter of support provided 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 12 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.

#### **DIRECTORS**

The Directors shown below have held office from 1 April 2022 to the date of this report:

R C Baker  
J F Edmondson

#### **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.

#### **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.

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## LAING O'ROURKE MIDLANDS LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

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#### DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and 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.

#### DIRECTORS' CONFIRMATIONS

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

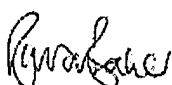
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's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

#### INDEPENDENT AUDITORS

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution for 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.

This report was approved by the Board on 19 December 2023 and signed on its behalf by:



R C Baker  
Director

# 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 2023 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, including 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 March 2023; 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 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 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 2023 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, environmental legislation, anti-bribery and corruption 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 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate journal entries and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with management, 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;
- Challenging assumptions and judgements made by management in its accounting estimates or judgements; and
- Substantive testing of journal entries which met a defined risk criteria, focusing on where and how fraud could arise.

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](http://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.

A handwritten signature in black ink, reading 'Soon Bee Ong'. The signature is written in a cursive, flowing style.

Soon Bee Ong (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
19 December 2023

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**LAING O'ROURKE MIDLANDS LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2023**

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	Note	2023 £000	2022 £000
Revenue		-	-
Cost of sales		(55)	(1,299)
<b>Gross loss, operating loss and loss before tax</b>	4	(55)	(1,299)
Tax on loss	5	-	-
<b>Loss for the financial year</b>		(55)	(1,299)
<b>Other comprehensive expense:</b>			
<b>Items that may not be reclassified to profit or loss:</b>			
Other comprehensive expense for the year, net of income tax		-	-
<b>Total comprehensive expense for the year</b>		(55)	(1,299)

The notes on pages 11 to 20 form an integral part of these financial statements.

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**LAING O'ROURKE MIDLANDS LIMITED**  
**REGISTERED NUMBER: 04309378**

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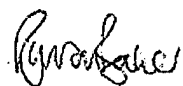
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2023**

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	Note	2023 £000	2022 £000
<b>Creditors</b>			
Amounts falling due within one year	6	(175)	(104)
Provisions for liabilities	7	(984)	(1,000)
<b>Net liabilities</b>		<u>(1,159)</u>	<u>(1,104)</u>
<b>Capital and reserves</b>			
Called up share capital	8	-	-
Accumulated losses		(1,159)	(1,104)
<b>Total shareholders' deficit</b>		<u>(1,159)</u>	<u>(1,104)</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 20 were authorised for issue by the Board of Directors on 19 December 2023 and were signed on its behalf by:



R C Baker  
Director

The notes on pages 11 to 20 form an integral part of these financial statements.

These financial statements are rounded to the nearest £1,000. Share capital of the Company in both years was £1.

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**LAING O'ROURKE MIDLANDS LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2023**

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	Called up share capital £000	Accumulated losses £000	Total shareholders' deficit £000
<b>At 1 April 2021</b>	-	(7,620)	(7,620)
Loss for the financial year and total comprehensive expense	-	(1,299)	(1,299)
Capital contribution (note 9)	-	7,815	7,815
<b>At 31 March 2022</b>	-	(1,104)	(1,104)
Loss for the financial year and total comprehensive expense	-	(55)	(55)
<b>At 31 March 2023</b>	-	(1,159)	(1,159)

The notes on pages 11 to 20 form an integral part of these financial statements.

These financial statements are rounded to the nearest £1,000. Share capital of the Company in both years was £1.

In the prior year a corporate restructure of the Laing O'Rourke UK entities was substantially completed. The Company benefited from a waiver of £7,815,000 from Laing O'Rourke Services Limited. As both entities concerned are under common control the waiver is treated as a capital contribution.

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## LAING O'ROURKE MIDLANDS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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#### 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.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

##### **Financial Reporting Standard 101 - reduced disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- 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 requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 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 paragraph 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, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

##### **Consolidation**

This information is included in the consolidated financial statements of Laing O'Rourke Corporation Limited as at 31 March 2023 and these financial statements may be obtained from [www.laingorourke.com](http://www.laingorourke.com).

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## LAING O'ROURKE MIDLANDS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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#### 2. ACCOUNTING POLICIES (continued)

##### 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.

##### 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 2023 (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 - both financial and operational. The Group's Annual Report and Accounts for the year ended 31 March 2023 (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 31 October 2023, 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 2025 and there were no material uncertainties identified that may cast significant doubt on the Group's going concern status. The Group has sufficient financial resources, committed banking facilities, secured revenue and a strong order book. 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 70 to 72 of the Laing O'Rourke Corporation Limited Group's Annual Report and Accounts.

Having made the appropriate enquiries, including with the Directors of the Group, and considering a letter of support provided 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 12 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/credit 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 statement of comprehensive income because it excludes items of income or expense that are taxable or

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023

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2. ACCOUNTING POLICIES (continued)

**Tax and deferred tax (continued)**

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 provided on temporary differences arising from investments in subsidiaries, associates, and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred taxes are not provided in respect of temporary differences arising from the initial recognition of goodwill, or from goodwill for which amortisation is not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit or loss at the time of the transaction. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is calculated at the tax rates based on those enacted or substantively enacted at the balance sheet date and are expected to apply when the related asset is realised or liability settled. Deferred tax is charged or credited in the statement of comprehensive income except when it relates to items charged or credited directly to equity, in which case the deferred tax is also included in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**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 by reference to the stage of completion of each contract, as measured by the proportion of total costs incurred as at the balance sheet date compared to the estimated total cost of the contract. Contract costs are expensed as incurred. Where multiple contracts are signed to deliver a single commercial objective, as agreed at the outset, such as initial works and main works contracts, are treated as separate contracts, but are viewed as representing a single performance obligation. Accordingly, revenues and costs from these contracts are accounted for using the cumulative catch-up method, with revenue recognised based on costs incurred as a proportion of total expected costs across the contracts on an aggregated basis. Management has made this judgement on the basis that work performed under such separate legal contracts constitutes a single performance obligation, as it does not consider that distinct goods or services are provided as a result of work performed under each contract from which the customer can derive an identifiable



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## LAING O'ROURKE MIDLANDS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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#### 2. ACCOUNTING POLICIES (*continued*)

benefit i.e. the customer only benefits from the output of the contracts on a combined basis. This judgement is separately evaluated for every contract to ensure that the facts and circumstances unique to each contract are considered and revenue is accounted for appropriately.

Provision is made for all known or expected losses on individual contracts once such losses are foreseen. Incremental costs required to satisfy contract obligations are considered in this assessment. Amendments to IAS 37, which were applicable for the Company as of 1 April 2022, require an assessment of other costs directly relating to fulfilling contracts to be included in the provision for all known or expected losses as well as when assessing whether a contract is loss making.

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is recognised as a contract asset. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is recognised as a contract liability. Contract assets include retentions and are classified as a current asset unless recovery is due in more than one year.

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 are adjusted where appropriate. However, the nature of the risks on projects is 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.

Revenue in respect of variations to contracts and incentive payments is recognised when there is an enforceable right to payment and it is highly probable it will be agreed by the customer. Variable consideration is assessed on an individual contract basis according to their circumstances and terms of each project and only recognised to the extent that it is highly probable not to significantly reverse in the future.

#### **Creditors**

Creditors are not interest bearing and are stated at cost.

#### **Provisions for liabilities**

Provisions for legal claims, defects, and onerous contract costs, dilapidation provisions, and other onerous contract costs are recognised at the best estimate of the present value of the expenditures expected to be required to settle the liability.

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, where it is probable that an outflow will be required to settle the obligation and the amount of the obligation can be estimated reliably.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023**

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**2. ACCOUNTING POLICIES (continued)**

**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.

**Key judgements and estimating 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 the expenses incurred during the reporting period. Actual outcomes may therefore differ from these estimates and assumptions. The 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 follows:

**a) Disputes and claims (judgement and estimate)**

Management's best judgement has been reflected in the accounting and reporting of disputed amounts, legal cases, and claims but the actual future outcome may be different from this judgement. From time to time, the Company receives claims from subcontractors that it must evaluate in estimating the costs to complete on contracts and resolve as part of determining its final contract positions. Management bases its estimates of costs associated with such claims on its assessment of the expected outcome of each matter using the latest available information. There is inherent uncertainty associated with the estimates made by management and any differences between these estimates and the eventual amounts settled may be material. However, given the extent of subcontractor claims at any given point in time, as is common within the sector, and as the quantum of amounts being claimed is not always known, it is not possible to provide any meaningful sensitivities of the estimates that have been made.

**b) Accrued costs in respect of rectification of defects (estimate)**

In the year ended 31 March 2023, costs in respect of the rectification of defects of £16,000 (FY22: £nil) were incurred. As disclosed in note 7, as at 31 March 2023, the Company held liabilities, included in provisions, of £1.0m (FY22: £1.0m) in respect of such defect rectification. Defect liabilities can arise on projects where the construction work finished a number of years ago and where the Company may not have access to the site to fully assess the costs of rectification or where the likely settlement amount for defects when a claim has been received may be hard to determine. Therefore, it is difficult to provide meaningful sensitivity disclosures of the range of estimation uncertainty. However, as an indication of the estimation uncertainty, a 10% movement in the balance would have an impact on the statement of comprehensive income of £0.1m (FY22: £0.1m), although actual movements may be greater and the final outcome materially different to the amounts provided.

**c) 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 70 to 72 of the Directors' Report of the Laing O'Rourke Corporation Limited Group's Annual Report and Accounts). Forecast future cash flows include the following areas of judgement:

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023

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**2. ACCOUNTING POLICIES (continued)**

- 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;
- Timing and quantum of outcomes of claims; and
- Structural drivers for construction work.

In order to form a conclusion on going concern and in determining that there is no material uncertainty that may cast significant doubt on the Group's going concern status, management has exercised judgement by analysing the past performance of the business, its existing portfolio of projects and order book, and its expectation of work winning. In addition, management has drawn on its knowledge and expertise of key drivers of cash flow performance in the construction sector in the markets in which it operates to assess the forecast liquidity and covenant headroom under its committed financing facilities based on its severe but plausible downside scenario.

**Other judgements and estimation uncertainty**

**a) Tax (judgement and estimate)**

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 it is probable that 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 probable that additional tax will become payable in future periods and when the asset can be utilised.

**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 2025.

Specific areas considered by management included:

- Long-term contract accounting assumptions, such as the forecast costs of a project and as these progress, the estimated costs to complete and the allowance for rectification works (note 7);

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.

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**LAING O'ROURKE MIDLANDS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023**

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**3. EMPLOYEES AND DIRECTORS**

The Company has no employees (FY22: 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.

**4. GROSS LOSS, OPERATING LOSS AND LOSS BEFORE TAX**

The gross loss, operating loss and loss before tax is stated after charging:

	2023 £000	2022 £000
Expense relating to short term leases and leases of low value assets *	1	16
	<u>          </u>	<u>          </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 Accounts.

**5. TAX ON LOSS**

	2023 £000	2022 £000
<b>Corporation tax</b>		
UK corporation tax	-	-
	<u>          </u>	<u>          </u>
<b>Total current tax result on loss</b>	<u>          </u>	<u>          </u>

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**LAING O'ROURKE MIDLANDS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023**

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**5. TAX ON LOSS (continued)**

**Factors affecting tax charge for the year**

The tax credit assessed for the year is different than the standard rate of corporation tax in the UK of 19 per cent (FY22: 19 per cent) for both years. The differences are explained below:

	2023 £000	2022 £000
Loss before tax	(55)	(1,299)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19 per cent (FY22: 19 per cent)	(10)	(247)
<b>Effects of:</b>		
Group relief	10	247
<b>Total tax result</b>	-	-

**Factors that may affect future tax charges**

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

On 20 June 2023, Finance (No.2) Act 2023 was substantially enacted in the UK, introducing a global minimum effective tax rate of 15 per cent. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group does not account for deferred tax on top-up taxes and, therefore, if these rules had been substantively enacted on the balance sheet date, there would have been no impact.

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

	2023 £000	2022 £000
Trade payables	7	53
Amounts owed to Group undertakings	168	2
Subcontractor accruals and retentions	-	49
	175	104

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

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LAING O'ROURKE MIDLANDS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023

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7. PROVISIONS FOR LIABILITIES

At 31 March 2023, provisions for liabilities includes liabilities across a number of legacy projects related to rectification works of £1.0m (FY22: £1.0m), of which £nil (FY22: £nil) are due after more than one year. During the year, £16,000 (FY22: £nil) of the liability as at 1 April 2022 was utilised for rectification works performed on legacy projects. Of these current liabilities of £1.0m (FY22: £1.0m) the Company does not in all cases have access to the site to fully assess the costs of rectification and, therefore, there is no certainty as to the level of costs that will ultimately be incurred to settle them. As described in note 2 key judgements and estimation uncertainty, these liabilities are therefore considered a major source of estimation uncertainty. Unless the timing of rectification works is known and will occur more than 12 months after the balance sheet date, these liabilities are shown as current.

	Contract provisions £000
At 01 April 2022	1,000
Provisions created	-
Provisions utilised	(16)
At 31 March 2023	<u>984</u>
Expected to fall due within:	
Amounts falling due within one year	984
Amounts falling due after one year	-
At 01 April 2021	-
Provisions created	1,000
Provisions utilised	-
At 31 March 2022	<u>1,000</u>
Expected to fall due within:	
Amounts falling due within one year	1,000
Amounts falling due after one year	-

8. CALLED UP SHARE CAPITAL

	2023 £	2022 £
<b>Allotted, called up and fully paid</b>		
1 (FY22: 1) Ordinary share of £1	<u>1</u>	<u>1</u>

9. RESERVES

In the prior year, the Company received a £7,815,000 capital contribution in the form of a waiver of amounts due to Laing O'Rourke Services Limited.

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## LAING O'ROURKE MIDLANDS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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#### 10. ULTIMATE PARENT COMPANY

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

The ultimate parent company of Laing O'Rourke Midlands Limited is Laing O'Rourke Corporation Limited, a company incorporated in Jersey. 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 2023. The Laing O'Rourke Corporation Limited Group's Annual Report and Accounts are available for viewing at [www.laingorourke.com](http://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.

#### 11. RELATED PARTY DISCLOSURES

	2023		2022	
	Cost in the year £000	Creditor at year-end £000	Cost in the year £000	Creditor at year-end £000
Explore Transport Limited (JV) hire of equipment	-	-	1	-

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.

#### 12. POST BALANCE SHEET EVENTS

The Laing O'Rourke Plc Group has in place an unsecured revolving credit facility with HSBC for £35.0m. The loan had an initial expiry date of 3 October 2023, which was extended to 3 April 2024 during FY23 and further to 3 April 2026 since year end. As part of the extension, covenants related to interest cover and net debt to EBITDA were replaced by an adjusted EBITDA covenant, and the minimum liquidity covenant was amended to include three forecast month-end periods. The facility has been maintained at £35.0m through to 31 March 2025, at which point quarterly £2.5m reductions commence, reducing the facility to £25.0m by 31 December 2025.