

Registered Number 4309378 England

Laing O'Rourke Midlands Limited
(previously Laing Construction Midlands Limited)

Annual Report
for the year ended 31 March 2003



Laing O'Rourke Midlands Limited
(previously Laing Construction Midlands Limited)

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for the year ended 31 March 2003

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Laing O'Rourke Midlands Limited
(previously Laing Construction Midlands Limited)

Directors , Officers and Advisors

Directors	R G O'Rourke B G Cheshire A D Court A Hall D A Johnson FCCA D J Shakeshaft	
Secretary	C W McKenzie LLB, Solicitor	
Company Number	4309378	
Registered Office and Business Address	Bridge Place Anchor Boulevard Admirals Park Crossways Dartford Kent DA2 6SN	
Auditors	RSM Robson Rhodes LLP 186 City Road London EC1V 2NU	
Bankers	Bank of Scotland New Uberior House 11 Earl Grey Street Edinburgh EH3 9BN	Clydesdale Bank Plc 82 English Street Carlisle CA3 8HP
Solicitors	Nabarro Nathanson Lacon House Theobalds Road London WC1X 8RW	Nicholson Graham & Jones 110 Cannon Street London EC4N 6AR
Insurance Consultants	Kerry London Limited Clare House Worton Road, Isleworth Middlesex TW7 6ER	

Laing O'Rourke Midlands Limited
(previously Laing Construction Midlands Limited)

Directors' Report
for the year ended 31 March 2003

The directors present their annual report together with the audited financial statements of Laing O'Rourke Midlands Limited for the year ended 31 March 2003.

Principal Activity

The principal activity of the company is building contracting.

Review of the Business

The company was incorporated on the 23 October 2001 as Laing Construction Midlands Limited, and changed its name on the 30 December 2002 to Laing O'Rourke Midlands Limited. It is a wholly owned subsidiary of Laing O'Rourke Holdings Limited.

Results and dividends

Turnover for the period was £25,735,621 (2002 : £ 262,873). The profit before taxation for the period was £578,576 (2002: £9,000) , and the profit attributable to shareholders after taxation was £503,576 (2002 : £9,000). Total capital and reserves of the company at 31 March 2003 were £512,577 (2002 : £9,001).

The directors do not propose the payment of a dividend for the period (2002 : Nil).

Health, Safety and Welfare

The company 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 company's employees when at work.

Employment Policy

The company continues to provide employees with relevant information and to seek their views on matters of common concern through their representatives and through line managers. Priority is given to ensuring that employees are aware of significant matters affecting the company's trading position and of any significant organisational changes. The company 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.

Payment of Creditors

While the company does not follow a formal code of practice, its policy for the period to 31 March 2004 for all suppliers is to fix terms of payment when agreeing the terms of each business transaction, to ensure that the supplier is aware of those terms, and to abide by the agreed terms of payment. The number of days billings from suppliers outstanding to the company as at 31 March 2003 was 29 days (2002 : 44 days).

Laing O'Rourke Midlands Limited
(previously Laing Construction Midlands Limited)

Directors' Report (continued)
for the year ended 31 March 2003

Directors and their Interests

The current membership of the board is as set out on the directors, officers and advisors page. None of the directors has an interest in the shares of the company. The interests of the directors in the shares of O'Rourke Investments Plc are shown in the accounts of that company.

Statement of Directors' Responsibilities for the Annual Report

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

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

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are responsible for ensuring that the directors' reports and other information included in the annual report are prepared in accordance with company law in the United Kingdom.

Auditors

On 3 May 2003, RSM Robson Rhodes, the company's auditors, transferred their business to RSM Robson Rhodes LLP. The directors have consented to treating the appointment of RSM Robson Rhodes as extending to RSM Robson Rhodes LLP and a resolution to reappoint RSM Robson Rhodes LLP as auditors to the company will be proposed at the forthcoming Annual General Meeting.

Approval

This report was approved by the Board on 31 July 2003 and signed on its behalf by :



D A Johnson

Director

Laing O'Rourke Midlands Limited
(previously Laing Construction Midlands Limited)

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

We have audited the financial statements on pages 5 to 12.

This report is made solely to the company's shareholders, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

Basis of Audit Opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP

RSM Robson Rhodes LLP

Chartered Accountants and Registered Auditors

London, England

12 August 2003

Laing O'Rourke Midlands Limited
(previously Laing Construction Midlands Limited)

Profit & Loss Account
for the year ended 31 March 2003

	Notes	Year ended 31 March 2003 £	Period from incorporation to 31 March 2002 £
Turnover	1	25,735,621	262,873
Cost of sales		(24,445,621)	(253,873)
Gross profit		1,290,000	9,000
Administrative expenses		(740,424)	-
Operating profit	2	549,576	9,000
Interest receivable	4	29,000	-
Profit on ordinary activities before taxation		578,576	9,000
Taxation	5	(75,000)	-
Retained profit for the period		503,576	9,000

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

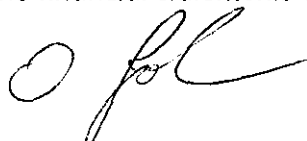
All gains and losses are recognised in the profit and loss account.

Laing O'Rourke Midlands Limited
(previously Laing Construction Midlands Limited)

Balance Sheet
as at 31 March 2003

		2003		2002	
		£	£	£	£
	Note				
Current Assets					
Debtors:	6				
Amounts falling due					
within one year		2,721,765		270,653	
after more than one year		796,500		32,200	
		<u>3,518,265</u>		<u>302,853</u>	
Cash at bank and in hand		5,000,000		-	
		<u>8,518,265</u>		<u>302,853</u>	
Creditors:					
Amounts falling due					
within one year	7	(7,594,161)		(293,852)	
Net Current Assets			924,104		9,001
Creditors:					
Amounts falling due					
after more than one year	7		(411,527)		-
Net Assets			<u>512,577</u>		<u>9,001</u>
Capital and Reserves					
Called up share capital	8		1		1
Profit and loss account	9		512,576		9,000
Equity Shareholders' Funds	9		<u>512,577</u>		<u>9,001</u>

The financial statements were approved by the Board on 31 July 2003 and signed on its behalf by



D A Johnson FCCA
Group Finance Director

Laing O'Rourke Midlands Limited
(previously Laing Construction Midlands Limited)

Notes to Financial Statements
for the year ended 31 March 2003

1 ACCOUNTING POLICIES

1.1 Basis of preparation of accounts

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

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

1.2 Turnover

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

1.3 Profit recognition

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

1.4 Long-term contracts

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

1.5 Pension costs

The Group operates a defined contribution pension scheme for staff and directors. The pensions costs for these schemes represent contributions payable by the Group for the period.

Laing O'Rourke Midlands Limited
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Notes to Financial Statements
for the year ended 31 March 2003

1 ACCOUNTING POLICIES (Cont'd.)

1.6 Deferred taxation

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

In accordance with FRS19 deferred tax is not provided for :

- revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date;
- gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over;
- extra tax payable if the overseas retained profits of subsidiaries and associates are remitted in future;
- fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made.

1.7 Foreign currencies

Translations into sterling are made at the average of rates ruling throughout the year for profit and loss items and at the rates ruling at 31 March 2003 for assets and liabilities.

Exchange differences arising in the ordinary course of trading are reflected in the profit and loss account.

2 Operating profit

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

3 Employees and Directors

The company has no employees. All of the directors and staff working on the company's contracts are employed by fellow subsidiary undertakings, Laing O'Rourke Services Limited and Laing Construction Services Limited. Costs for staff and directors are recharged 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.

Laing O'Rourke Midlands Limited
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Notes to Financial Statements
for the year ended 31 March 2003

4 Interest receivable

	Year ended 31 March 2003 £	Period from incorporation to 31 March 2002 £
Bank interest	29,000	-
	<u>29,000</u>	<u>-</u>

5 Taxation

	Year ended 31 March 2003 £	Period from incorporation to 31 March 2002 £
United Kingdom corporation tax		
Current tax on income for the period	<u>75,000</u>	<u>-</u>
Current tax reconciliation		
Profit on ordinary activities before tax	<u>578,576</u>	<u>9,000</u>
Theoretical tax at UK corporation tax rate of 30% (2002: 30%)	173,573	2,700
Effects of :		
- group losses utilised for no payment	(98,873)	-
- other adjustments	300	-
Actual current taxation charge	<u>75,000</u>	<u>2,700</u>

Laing O'Rourke Midlands Limited
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Notes to Financial Statements
for the year ended 31 March 2003

6 Debtors

	2003 £	2002 £
Amounts falling due within one year		
Trade debtors	85,000	268,429
Amounts recoverable on long-term contracts	1,229,506	2,223
Amounts due from other group undertakings	1,258,513	1
Other debtors	148,746	-
	<u>2,721,765</u>	<u>270,653</u>
 Amounts falling due after more than one year		
Amounts recoverable on long-term contracts	796,500	32,200
	<u>796,500</u>	<u>32,200</u>

7 Creditors : amounts falling due within one year

	2003 £	2002 £
Payments on account	72,340	-
Trade creditors and subcontractors' accruals	1,903,758	60,170
Subcontractors' accruals and retentions	5,485,277	127,000
Amounts owed to other group undertakings	50,039	98,610
Corporation tax	75,000	8,072
Other taxes	7,747	-
	<u>7,594,161</u>	<u>293,852</u>
 Amounts falling due after more than one year		
Due between one and two years		
Subcontractors' retentions	411,527	-
	<u>411,527</u>	<u>-</u>

Laing O'Rourke Midlands Limited
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Notes to Financial Statements
for the year ended 31 March 2003

8 Share capital

	2003 £	2002 £
Authorised equity		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid equity		
1 ordinary share of £1	<u>1</u>	<u>1</u>

9 Reconciliation of movements in equity shareholders' funds

	Share capital £	Profit and loss account £	Total 2003 £	Total 2002 £
Opening shareholders' funds	1	9,000	9,001	1
Profit for the year	-	503,576	503,576	9,000
Closing shareholders' funds	<u>1</u>	<u>512,576</u>	<u>512,577</u>	<u>9,001</u>

10 Financial commitments

As at 31 March 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2003 £	2002 £
Expiry date:		
Within one year	<u>51,870</u>	<u>-</u>

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

Laing O'Rourke Midlands Limited
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Notes to Financial Statements
for the year ended 31 March 2003

11 Contingent liabilities

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

12 Related party transactions

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

13 Ultimate parent undertaking

The company's ultimate parent is O'Rourke Investments Plc, a company registered in England and Wales. Copies of consolidated parent company accounts are available from the Registrar of Companies on payment of the appropriate fee. O'Rourke Investments Plc is the largest group of undertakings for which group accounts are prepared. The company's ultimate controlling party is R G O'Rourke, the majority shareholder of the ultimate parent undertaking.