

**Directors' Report and
Audited Financial Statements for the Year Ended 31 March 2022
for
Laing O'Rourke Construction South Limited**

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for the Year Ended 31 March 2022**

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Laing O'Rourke Construction South Limited

**Company Information
for the Year Ended 31 March 2022**

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:

04309434 (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 2022**

The Directors present their Director's Report together with the Audited Financial Statements of Laing O'Rourke Construction South Limited (the "Company") for the year ended 31 March 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the year under review were those of building contracting.

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 Income Statement on page 8.

Revenue for the year was £nil (FY21 restated: £322,000). The loss before taxation was £4,113,000 (FY21: loss of £1,926,000) and the loss for the financial year was £4,113,000 (FY21: loss of £1,926,000). Total shareholders' deficit of the Company at 31 March 2022 were £17,407,000 (FY21: shareholders' deficit of £18,197,000). A corporate restructure of the Laing O'Rourke UK entities was substantially complete during the year. The Company benefitted from a waiver of an intercompany balance due to Laing O'Rourke Services Limited of £4,903,000. This is treated as a capital contribution in the Statement of Changes in Equity as both parties have common ownership. On 31 March 2022 its parent undertaking Laing O'Rourke Holdings Limited sold its investment in the Company to another Group entity, Laing O'Rourke Plc. Laing O'Rourke Corporation Limited remains as the ultimate parent undertaking for the Company.

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

The 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 a Strategic Report in accordance with s.414B 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 2022 (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 Consolidated Financial Statements for the year ended 31 March 2022 (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 30 September 2022, 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 2024 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 62 to 64 of the Laing O'Rourke Corporation Limited Annual Report.

**Directors' Report - continued
for the Year Ended 31 March 2022**

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

The Directors shown below have held office from 1 April 2021 to the date of this report:

R C Baker
J F Edmondson

DIVIDENDS

No dividends were declared or paid during the year (FY21: £nil). The Directors do not recommend the payment of a final dividend (FY21: £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 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 - continued
for the Year Ended 31 March 2022**

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, 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:

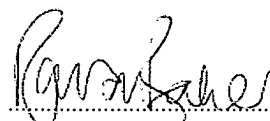
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's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

INDEPENDENT AUDITORS

The 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

20 January 2023

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2022 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 Directors' Report and Audited Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 March 2022; 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 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 2022 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; 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

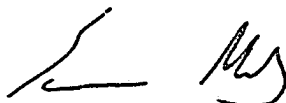
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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
20 January 2023

**Income Statement
for the Year Ended 31 March 2022**

	Note	2022 £'000	Restated 2021 £'000
REVENUE ¹	3	-	322
Cost of sales ¹		<u>(4,113)</u>	<u>(2,225)</u>
GROSS LOSS		(4,113)	(1,903)
Administrative expenses		<u>-</u>	<u>(23)</u>
OPERATING LOSS and LOSS BEFORE TAX	5	(4,113)	(1,926)
Tax on loss	6	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR		<u>(4,113)</u>	<u>(1,926)</u>

¹. The impact of complying with IAS 37 has led to a restatement of £433,000, decreasing both revenue and cost of sales from the previously reported numbers, with no impact on gross profit. See note 2 for further detail.

Statement of Comprehensive Income
for the Year Ended 31 March 2022

	2022 £'000	2021 £'000
LOSS FOR THE YEAR	(4,113)	(1,926)
OTHER COMPREHENSIVE EXPENSE		
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF INCOME TAX	-	-
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u>(4,113)</u>	<u>(1,926)</u>

The notes on pages 12 to 21 form part of these financial statements

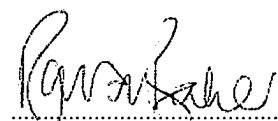
Statement of Financial Position
As at 31 March 2022

	Note	2022 £'000	Restated 2021 £'000
CURRENT ASSETS			
Trade and other receivables	7	2,105	-
CREDITORS			
Amounts falling due within one year ¹	8	<u>(1,039)</u>	<u>(4,771)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>1,066</u>	<u>(4,771)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,066	(4,771)
PROVISIONS FOR LIABILITIES ¹	9	<u>(18,473)</u>	<u>(13,426)</u>
NET LIABILITIES		<u>(17,407)</u>	<u>(18,197)</u>
CAPITAL AND RESERVES			
Called up share capital	10	-	-
Accumulated losses		<u>(17,407)</u>	<u>(18,197)</u>
TOTAL SHAREHOLDERS' DEFICIT		<u>(17,407)</u>	<u>(18,197)</u>

¹ Liabilities in relation to latent defects and onerous contracts previously recognised in contract liabilities have been restated to provisions in FY22 and for the comparative in FY21 as this is considered to reflect the presentation required under IAS 37. See note 2 for further detail.

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 21 were authorised for issue by the Board of Directors on 20 January 2023 and were signed on its behalf by:



R C Baker - Director

**Statement of Changes in Equity
for the Year Ended 31 March 2022**

	Called up share capital £'000	Accumulated losses £'000	Total shareholders' deficit £'000
Balance at 1 April 2020	-	(16,271)	(16,271)
Changes in equity			
Loss for the financial year and total comprehensive expense	-	(1,926)	(1,926)
Balance at 31 March 2021	-	(18,197)	(18,197)
Changes in equity			
Loss for the financial year and total comprehensive expense	-	(4,113)	(4,113)
Capital contribution ¹	-	4,903	4,903
Balance at 31 March 2022	-	(17,407)	(17,407)

¹: During the year, the Company received a capital contribution of £4,903,000 in the form of waivers of amounts due to Laing O'Rourke Services Limited.

Notes to the Financial Statements
for the Year Ended 31 March 2022

1. **STATUTORY INFORMATION**

Laing O'Rourke Construction South 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 Construction South 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. On 31 December 2020, EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. In preparing these financial statements in accordance with FRS 101, the Company Financial Statements transitioned to UK-adopted international accounting standards (as described above) on 1 April 2021. There is no impact on recognition, measurement or disclosure in the period reported as a result of this change.

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 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 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.

Restatement of prior year comparatives

The following have been restated in FY21:

- The impact of complying with IAS 37 has led to a restatement of both revenue and cost of sales; and
- Latent defects provisions previously classified as contract liabilities have been restated to provisions (notes 8 and 9).

The impact of complying with IAS 37 has led to a restatement of £433,000, decreasing both revenue and cost of sales from the previously reported numbers, with no impact on gross profit.

£13,426,000 of contract liabilities due within one year have been restated to current provisions in FY21 and £nil of contract liabilities previously presented as part of contract liabilities due after more than one year have been restated to non-current provisions in FY21. This restatement is necessary to reflect the presentation required under IAS 37.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

2. **ACCOUNTING POLICIES - continued**

Restatement of prior year comparatives (continued)

If the above-mentioned restatement was applied at 1 April 2020, being the opening day of the comparative period, £13,859,000 of contract liabilities due within one year would be reclassified to current provisions and £nil of contract liabilities due after more than one year would be reclassified to non-current provisions.

Consolidation

The results of the Company were 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.

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 2022 (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 Consolidated Financial Statements for the year ended 31 March 2022 (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 30 September 2022, 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 2024 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 62 to 64 of the Laing O'Rourke Corporation Limited Annual Report.

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.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

2. **ACCOUNTING POLICIES - continued**

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.

Revenue recognition

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

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

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

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

Revenue from construction and certain service activities is recognised over time and the Company uses the input method to measure progress of delivery.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

2. **ACCOUNTING POLICIES - continued**

Construction and service contracts

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

When the outcome of individual contracts can be estimated reliably, contract revenue is recognised by reference to the stage of completion of each contract, as measured by the proportion of total costs at the balance sheet date 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, these 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 benefit (i.e. the customer only benefits from the output of the contracts on a combined basis). This judgement is 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.

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.

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.

Trade and other receivables

Trade receivables are initially recorded at fair value and subsequently measured at amortised costs as reduced by an allowance for expected credit losses and appropriate allowances for estimated recoverable amounts. Subsequent recoveries of amounts previously written off are credited to the income statement line in which the provision was originally recognised.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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.

Provisions

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. Provisions are measured at the best estimate of the present value of the expenditures expected to be required to settle the obligation.

Share capital

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

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

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 the expenses incurred during the reported 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) Revenue and margin recognition (judgement and estimate)

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

No contracts (FY21: 3) were income generating in the year. 6 contracts (FY21: 2) 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;
 - 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 costs 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 process 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 forecasts 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 cost.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

2. ACCOUNTING POLICIES - continued

Key judgements and estimation uncertainty (continued)

b) 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 Group 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.

c) Accrued costs in respect of rectification of defects (estimate)

There is estimation uncertainty in assessing accrued costs in respect of the rectification of defects, which are based on management's best estimate of the cost to be incurred as at the reporting date either to rectify the defects or settle claims received.

In the year ended 31 March 2022, costs in respect of the rectification of defects of £5.6m (FY21: £nil) were incurred. As disclosed in note 9, as at 31 March 2022, the Company held liabilities, included in provisions, of £18.5m, (FY21: £13.4m) 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 income statement of £1.9m (FY21: £1.3m), although actual movements may be greater and the final outcome materially different to the amounts provided.

d) 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 62 to 64 of the Directors' Report of the Laing O'Rourke Corporation 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;
- Timing and quantum of outcomes of claims;
- Structural drivers for construction work; and
- Possibility of increased Covid-19 related restrictions impacting construction.

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 it 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.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

2. ACCOUNTING POLICIES - continued

Other judgements and estimation uncertainty

a) Tax (judgement)

The Company is subject to tax in a number of jurisdictions 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) 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 material change.

c) Climate Change (judgement and estimate)

In preparing the consolidated 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 2024.

Specific areas considered by management included:

- Long-term contract accounting assumptions, such as the forecast costs of a project, the estimated costs to complete and the allowance for rectification works (note 9).

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. REVENUE

Assets and liabilities relating to contracts with customers

Contract assets are made up of a portfolio of contracts and represent unbilled amounts and include amounts arising from changes to scope of works that have been recognised as revenue but not yet billed. Contract liabilities result when cumulative cash received exceeds cumulative revenue on any particular contract.

	Restated £'000	
Contract liabilities		
At 1 April 2020		(14,413)
Utilisation of liabilities due to rectification works relating to legacy projects		755
Defects costs transferred to provisions		13,426
At 31 March 2021		(232)
Increase due to cash received, excluding amounts recognised as revenue during the year		98
At 31 March 2022		(134)
	2022 £'000	2021 £'000
Less than one year	(134)	(232)
Current liabilities	(134)	(232)

See note 2 for further details of the restatement.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

4. EMPLOYEES AND DIRECTORS

The Company has no employees (FY21: 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.

5. LOSS BEFORE TAX

Loss before tax is stated after charging:

	2022 £'000	2021 £'000
Expense relating to short term leases and leases of low value assets *	<u>57</u>	<u>26</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.

6. TAX ON LOSS

	2022 £'000	2021 £'000
Current tax		
UK corporation tax	<u>-</u>	<u>-</u>
Total tax result on loss	<u>-</u>	<u>-</u>

The tax credit assessed for the year is lower (FY21: lower) than the standard rate of corporation tax in the UK of 19% (FY21: 19%). The differences are explained below:

	2022 £'000	2021 £'000
Loss before tax	<u>(4,113)</u>	<u>(1,926)</u>
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (FY21: 19%)	(781)	(366)
Effects of:		
- effect of group relief	<u>781</u>	<u>366</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%. This new law was substantively enacted on 24 May 2021 and therefore UK deferred tax assets and liabilities that are expected to reverse after 1 April 2023 have been recalculated at 25% as at 31 March 2022, resulting in neither a credit or a charge in FY22.

During 2021, the OECD published a framework for the introduction of a global minimum effective tax rate of 15%, applicable to large multinational groups. On 20 July 2022, HM Treasury released draft legislation to implement these 'Pillar 2' rules which will first apply to the Group's accounting period beginning 1 April 2024. The Group is reviewing these draft rules to understand any potential impacts.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

7. **TRADE AND OTHER RECEIVABLES**

	2022	2021
	£'000	£'000
Amounts owed by group undertakings	5	-
Other receivables	<u>2,100</u>	<u>-</u>
	<u>2,105</u>	<u>-</u>

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

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

	2022	Restated 2021
	£'000	£'000
Trade creditors	332	19
Amounts owed to joint ventures	1	1
Contract liabilities ¹	134	232
Amounts owed to Group undertakings	3	3,299
Subcontractor accruals and retentions	468	485
Other accruals	<u>101</u>	<u>735</u>
	<u>1,039</u>	<u>4,771</u>

¹. See note 2 for further details of the restatement.

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

9. **PROVISIONS FOR LIABILITIES**

Contract provisions	2022	Restated 2021
	£'000	£'000
At 1 April	13,426	13,859
Provisions created	5,643	-
Provisions utilised	<u>(596)</u>	<u>(433)</u>
At 31 March	<u>18,473</u>	<u>13,426</u>

See note 2 for further details of the restatement.

At 31 March 2022, provisions for liabilities includes liabilities across a number of legacy projects related to rectification works of £18.5m (FY21 restated: £13.4m), of which £nil (FY21: £nil) are due after more than one year.

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 Statement of Financial Position date, these liabilities are shown as current.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

10. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2022	2021
			£	£
1 (FY21:1)	Ordinary	£1	<u>1</u>	<u>1</u>

11. **ULTIMATE PARENT COMPANY**

The immediate parent undertaking of Laing O'Rourke Construction South Limited is Laing O'Rourke Plc, a company registered in England and Wales. Until 31 March 2022 this was Laing O'Rourke Holdings Limited.

The ultimate parent company of Laing O'Rourke Construction South 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 2022. 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.

12. **RELATED PARTY DISCLOSURES**

	2022		2021	
	Expenditure in year	Creditor at year-end	Expenditure in year	Creditor at year-end
	£'000	£'000	£'000	£'000
Explore Transport Limited JV	<u>9</u>	<u>1</u>	<u>8</u>	<u>1</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.

13. **EVENTS AFTER THE REPORTING PERIOD**

On 5 August 2022, subsequent to the year end, the Laing O'Rourke Corporation Group secured a six month extension of the £35.0m revolving credit facility which extends the expiry date to 3 April 2024. A £13.0m property loan was also extended to 3 April 2024 for Sycamore Properties Limited.