

REGISTERED NUMBER: 04309441 (England and Wales)

Laing O'Rourke Infrastructure Limited
Strategic Report, Directors' Report and
Audited Financial Statements for the Year Ended 31 March 2022



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for the Year Ended 31 March 2022**

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Laing O'Rourke Infrastructure Limited

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

DIRECTORS:

R C Baker
D J McGeeney

SECRETARY:

R E Turner

REGISTERED OFFICE:

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

REGISTERED NUMBER:

04309441 (England and Wales)

INDEPENDENT AUDITORS:

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

**Strategic Report
for the Year Ended 31 March 2022**

The Directors present their Strategic Report of Laing O'Rourke Infrastructure Limited (the "Company") for the year ended 31 March 2022.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Company is a wholly owned subsidiary of Laing O'Rourke Holdings Limited and a member of the Laing O'Rourke Corporation Limited Group ("Group") that is domiciled in England and Wales. A summary of the results is shown in the Directors' Report on page 8. The Directors are satisfied with the financial result for the year. A corporate restructure of the Laing O'Rourke UK entities was substantially complete during the year which resulted in the Company disposing of its subsidiary, Laing O'Rourke Utilities Limited for its book value to another Group entity, Laing O'Rourke Plc. The Directors are considering future opportunities and will continue 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 set out 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.

SECTION 172(1) STATEMENT

From the perspective of the board, as a result of the UK Group Governance Structure (whereby the Company board has delegated authority to the European Executive Committee ("EEC")), the matters that it is responsible for considering under Section 172 (1) of the Companies Act 2006 ("s172") have been considered to an appropriate extent by the EEC in relation to both the Laing O'Rourke Plc Group (the "Plc Group") and to this Company. The board has also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the EEC has considered the matters set out in s172 (for the Plc Group and for the Company) is set out in the Plc Group's annual report, which is available from Companies House.

Corporate Governance Principles

During the year ended 31 March 2022, the UK companies within the Group have considered the Companies (Miscellaneous Reporting) Regulations 2018 and elected to apply the Wates Corporate Governance Principles for Large Companies, as published in December 2018 (the "Wates Principles"). We reported against the Wates Principles for the first time in the financial year ended 31 March 2020 and the continuance of this reporting assists with an assessment of what has been done well and where there remains opportunity for further improvement of our corporate governance framework. It is also recognised that governance requirements and needs will evolve over time. Our ambition continues to be the achievement of best-in-class corporate governance across the Group.

The Company sits within the Corporate Governance Framework of the overall Laing O'Rourke Corporation Group. Decisions that impact Laing O'Rourke Infrastructure Limited are made at both the Europe Hub Executive Committee and Group Executive Committee levels. The structure of the Laing O'Rourke Corporation Group board and its committees is outlined on pages 16 to 18 of the Laing O'Rourke Corporation Limited Annual Report. The Directors of the Company are members of the Europe Hub Committee and/or the Group Executive Committee. All references to the Board, the Company and the Group within this Corporate Governance Section relate to the Laing O'Rourke Corporation Group.

Group Corporate Governance Framework

At Laing O'Rourke, pride is taken in what has already been achieved. Our Group Governance Framework continues to be applied across our global business and was reviewed during FY22 in line with our annual review cycle.

We take the view that good corporate governance is a cornerstone of the creation of a successful business and one that generates value for wider society. In line with previous years, the Board has decided to continue to voluntarily report against the Wates Principles at a Group level in order to promote transparency and accountability.

**Strategic Report
for the Year Ended 31 March 2022**

SECTION 172(1) STATEMENT

The Board collectively - and its Directors individually - are clear that relationships with stakeholders are an essential part of the foundation of the business. Effective and meaningful engagement with stakeholders requires regular dialogue.

An understanding of stakeholder groups and their interests enables the business to take account of their needs and concerns, allowing for the creation of value for all.

STAKEHOLDER GROUP	HOW WE ENGAGE	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD / COMMITTEE DISCUSSIONS AND DECISIONS
OUR CLIENTS	<p>We have continued the drive for early engagement with our clients prior to any firm contractual engagement in order to better understand clients' needs, challenges, expectations, and priorities. Through early engagement Laing O'Rourke is better able to showcase its experience and capability so that it can cement its position as trusted advisor. Another key component of client engagement is engaging with key client influencers such as design and cost consultants and industry bodies so that we are better able to demonstrate Laing O'Rourke's delivery model and capabilities.</p> <p>The way in which we engage with clients is strategically planned with a menu of activities deployed as appropriate to strengthen our relationships with clients and showcase our experience such as capability workshops, site tours, including of our off-site manufacturing facilities, presentations, and events. During Covid-19 restrictions, we were able to continue to undertake these activities in the virtual space with much success.</p> <p>We also undertake twice-yearly client surveys with our clients where we have an active project, using the survey to continuously improve our performance and strive for excellence. Client survey results and actions are provided to the executive each quarter and are carefully tracked to drive better performance. In addition to client surveys, we also undertake detailed review, including client feedback, on tender submissions whether won or lost to ensure that lessons learned are taken into subsequent tenders with the aim of further improving our bid success rate.</p>	<p>The Board consistently maintains a client lens to ensure that our propositions are valued by our clients and that the business is informed by client needs. An enduring fundamental is that client feedback is actively sought across all levels of our client, this is obtained from a diversity of relationships at all levels of influence in the buying decision from Director and onward. Feedback ranges from informal to formal through regular client surveys, participation in client-initiated industry engagement processes and feedback post tender. Feedback is consolidated via our relationship analytics platforms and considered by the Board when evaluating sector strategies and the fundamentals of business plans, particularly the veracity of sales and revenue forecasts.</p> <p>The Laing O'Rourke transformation agenda and value proposition was also developed, thoroughly tested with our clients, and endorsed by the board. Simultaneously our clients continue to express an urgency for sustainable outcomes. Our sustainability and environmental commitment is industry leading which coupled with our responsible decision making informs client selection and offering.</p> <p>The Group Executive Committee and board focus for the year was further embedding early engagement with our clients, embedding the updated and simplified client engagement platform, and ensuring a feedback loop through tender processes to improve tender conversion processes.</p> <p>The Board and Group Executive Committee maintain oversight of opportunity selection through sector strategy endorsement and business plan review. They also maintain oversight of the application of opportunity development through gateway decision points which form part of our overall project governance process and through regular review of key performance indicators including client feedback, application of opportunity conversion processes and return on investment metrics.</p>

**Strategic Report - continued
for the Year Ended 31 March 2022**

STAKEHOLDER GROUP	HOW WE ENGAGE	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD / COMMITTEE DISCUSSIONS AND DECISIONS
OUR CLIENTS continued	<p>Client relationships are managed using a client relation management (CRM) platform called Salesforce which underwent an upgrade during FY22. Our upgraded Salesforce platform allows us to maintain insights into sectors, our level of engagement, strength of relationship and commercial metrics.</p> <p>We also undertook an annual sector strategy review assessing the attractiveness of end markets. The analysis is comprehensive and considers sector growth, competitive dynamics, clients' approach to procurement and industry sustainability. Continued government investment in infrastructure to stimulate the economy during and post the Covid-19 pandemic has increased our emphasis on the economic infrastructure sector. The sector strategies are considered and ultimately endorsed by the Board. Focus clients are determined from fit with sector strategies, our relationships and our ability to develop a differentiated proposition. We have continued to develop our value proposition, "delivering certainty through the power of experience", through deep interaction with our clients.</p> <p>In respect of focus opportunities with our target clients, we have undertaken a detailed ranking exercise to prioritise our work winning investment on an opportunity-cost basis. This is regulated by the Executive in both hubs to ensure diversity, and hence resilience, is maintained across geography, end market, contract size and client type. The focus opportunities then form the basis of our business planning endorsed by the Board. In addition, we maintain an ancillary list of opportunities to provide resilience in the event that opportunities depart from assumptions taken into the business plan (for example, where projects are cancelled, delayed or there is a change in scale).</p> <p>Each opportunity was subject to a detailed "strategy to win" process that concludes with an executive endorsement to participate in the formal tender process. The process solidifies our differentiated proposition considering detailed analysis of the spectrum of criteria that lead to success.</p>	

Strategic Report - continued
for the Year Ended 31 March 2022

STAKEHOLDER GROUP	HOW WE ENGAGE	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD / COMMITTEE DISCUSSIONS AND DECISIONS
OUR CLIENTS continued	Market dynamics, especially complexity of projects and price escalation, are such that clients have moved to collaborative forms of contract, such as alliances and incentivised target cost, with procurement via a process more heavily weighted to capability selection. Continuing Covid-19 restrictions have meant that this evaluation has taken place via virtual means, using digital platforms, mural and animations. These have been found to improve engagement with our clients.	
OUR PEOPLE	<p>This year, due to the ongoing effects of the Covid-19 pandemic, the Group continued to prioritise communication, engagement, and support for our workforce through:</p> <ul style="list-style-type: none"> – Regular communications from senior leaders; – Continuation of the use of toolkits for managers to ensure the cascade of consistent information to teams in a personalised manner; and – Further interactive Q&A sessions with our people using "LOR Live" attended by our People in person and remotely; the use of our internal social media channel on Yammer; Laing O'Rourke's intra-net; townhall sessions across the business; and project visits with leadership briefings. <p>In the last year, a new "Guns" cohort of future leaders has been selected to take part in our leadership programme alongside Young Guns which has commenced to develop talent at mid-level. We have also been working on improving the promotion and career development process with checklists and handbooks developed to provide a more transparent, consistent and clear pathway for our people to use.</p>	<p>Safety and wellbeing continued to be a top priority for the Board and our Executive committees during the year. The focus has been on ensuring high quality, clear communication with our people, with an emphasis on supporting safety and wellbeing, including mental health, in recognition of the ongoing challenges presented by the effects of the pandemic.</p> <p>We have also taken our learnings around dynamic working from the height of the pandemic and embedded this into our working model as we returned to the office after government mandated Covid-19 restrictions were lifted.</p> <p>We undertook a listening exercise to understand our people's experience of working for Laing O'Rourke to evolve our purpose and define our values.</p> <p>Once again, we conducted an Employee Engagement survey (in November 2021) to listen to our people and ensure we understand how our people feel about working at Laing O'Rourke. Whilst the overall engagement score was marginally down on the previous year, it was in line with global trends in the industry. Accordingly, we have identified two areas for improvement, where both hubs of the business have been developing action plans across all units and functions in the business: career development and reward and recognition. In addition, each unit and function are developing their own bespoke action plans to address issues identified within their areas of the business.</p>

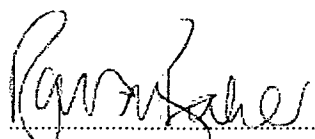
**Strategic Report - continued
for the Year Ended 31 March 2022**

STAKEHOLDER GROUP	HOW WE ENGAGE	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD / COMMITTEE DISCUSSIONS AND DECISIONS
OUR SUPPLIERS	<p>An important aspect of our engagement with suppliers was updating the Laing O'Rourke global Code of Conduct to enhance our governance and controls around engaging with our supply chain. Equally important has been messaging our supply chain about the Code of Conduct principles and then ensuring that our supply chain partners both read and acknowledge that they have read the terms and signed up to the Code.</p> <p>In the European Hub we had our annual suppliers conference in October 2021. Attendance was even better than prior year with almost 300 suppliers attending the conference over the two days. The two key themes of the conference were safety and sustainability. Laing O'Rourke also handed out awards at the conference to recognise excellence in sustainability, safety and innovation.</p> <p>In respect of safety, we particularly looked at engineered safety which has resulted in the production of the Laing O'Rourke Minimum Requirements, which are based on engineered safety solutions to specific issues (for example, in connection with safe lifting of materials on site).</p> <p>We first encouraged and have now mandated that our supply chain enrol in the Supply Chain Sustainability School to achieve a sustainability accreditation. This is particularly key when looking at embedded carbon in our built environment where we need our supply chain to understand and engage with us in calculating the carbon embedded into the materials we use.</p> <p>Over the course of the year, we have also investigated and implemented mitigation plans to address the major systemic issues facing the industry from the perspective of price inflation, labour shortages in certain key trades and geographical areas, and the supply of materials.</p>	<p>The Board is fully involved in engagement with our supply chain and network of preferred suppliers. The Board especially recognises our supply chain is a key component and partner in enabling Laing O'Rourke to drive our key strategic objectives, including safety and sustainability.</p> <p>Regular updates on significant activities and developments within our supply chain are provided to the Board and our Executive Committees; and are considered when setting and approving annual budgets and performance targets and making long term strategic decisions.</p> <p>Senior leaders have been very closely involved in heading up special attention reviews into mitigation measures for systemic issues confronting the industry which include the effects of the war in Ukraine on steel plate supply. Laing O'Rourke's Board and Executive have supported, and reviewed, measures instigated to protect the business from the market headwinds which emerged during the last year including hedging on energy, bulk ordering of materials and leveraging supply chain relationships to secure supply and contractual measures to manage and flow down risk.</p>

**Strategic Report - continued
for the Year Ended 31 March 2022**

STAKEHOLDER GROUP	HOW WE ENGAGE	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD / COMMITTEE DISCUSSIONS AND DECISIONS
OUR FINANCIERS	The Group operates strict controls over working capital and cash management, engaging proactively on these controls with its financiers. A regular and transparent reporting dialogue is maintained with lenders, including regular update calls and touch points, visits to our project and manufacturing sites, strategy briefings, general business updates and reporting against agreed financial performance metrics.	All our financiers have direct access if needed to the Chief Financial Officer, who is appointed to the Board and attends meetings of the Executive Committees. This ensures that the Directors and our senior leaders are kept regularly informed of developments with our financiers and that their views are taken properly into account when making relevant operational and strategic decisions.
COMMUNITY AND ENVIRONMENT	How we engage with our community and environment is set out within our Community and Sustainability report on pages 36 to 44 of the Laing O'Rourke Corporation Limited Annual Report for FY22.	Please refer to the Sustainability statement on pages 36 to 44 of the Laing O'Rourke Corporation Limited Annual Report for FY22.
GOVERNMENT AND REGULATORY BODIES	<p>We are a strategic supplier to the government and both directly and through industry trade bodies, the UK's Construction Leadership Council (CLC) and Build UK, we have regular dialogue with officials at the Department for Business, Energy and Industrial Strategy (BEIS), the Cabinet Office and beyond.</p> <p>During the financial year, this dialogue was focused on navigating the Covid-19 pandemic, ensuring construction activity continued safely and supported national economic recovery. We also maintained dialogue with central UK government departments responsible for delivery of specific infrastructure projects, including the Department of Health and Social Care (DHSC) for hospitals, the Department for Education (DfE) for schools and BEIS.</p> <p>We are committed to developing and maintaining open and effective working relationships with regulatory bodies relevant to our business. Where appropriate, these relationships are managed by senior leaders in our executive team.</p>	Our regular dialogue with government and regulatory bodies ensures that the Board and our Executive Committees are briefed on, and, where appropriate, can influence the potential impact of significant developments on government policy, procurement routes and changes to laws and regulations.

ON BEHALF OF THE BOARD:


R C Baker - Director

Date: 23rd November 2022

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

The Directors present their Directors' Report together with the Audited Financial Statements of Laing O'Rourke Infrastructure Limited for the year ended 31 March 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the year under review were those of civil and structural engineering and utilities contracting.

Information in respect of the Business Review as well as future developments are not discussed in the Directors' Report because they are presented on page 2 within the Strategic Report in accordance with s.414C(11) of the Companies Act 2006. 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.

REVIEW OF BUSINESS

The results for the year are set out in the Income Statement on page 14.

Revenue for the year was £3.7m (FY21 restated: £5.3m). The profit before tax was £0.3m (FY21: loss of £0.5m), and the profit for the financial year was £0.1m (FY21: loss of £0.3m). Total shareholders' funds of the Company at 31 March 2022 were £45.1m (FY21: £45.0m). A corporate restructure of the Laing O'Rourke UK entities was substantially complete during the year which resulted in the Company disposing of its subsidiary, Laing O'Rourke Utilities Limited for its book value to another Group entity, Laing O'Rourke Plc.

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

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' Report
for the Year Ended 31 March 2022**

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 following Directors have held office from 1 April 2021 to the date of this report:

R C Baker
D J McGeeney

DIRECTORS' INDEMNITIES

As permitted by the Articles of Association, the director has 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.

RESEARCH AND DEVELOPMENT

The Company expenditure in research and development supports the development of construction techniques to deliver quality, certainty and value for our customers.

STREAMLINED ENERGY AND CARBON REPORTING

The Company recognises the impact climate change has on the environment and society. The Company is committed to measuring and managing the carbon emissions associated with the business operations. Streamlined Energy and Carbon Reporting ("SECR") is discussed in the Laing O'Rourke Plc financial statements, which are available publicly but do not form part of this report.

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

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the 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

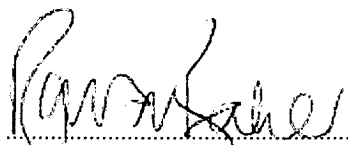
In the case of each Director in office at the date the Directors' Report is approved:

- 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 steps that ought to have been 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.

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.

ON BEHALF OF THE BOARD:



R C Baker - Director

Date: 23rd November 2022

Report on the audit of the financial statements

Opinion

In our opinion, Laing O'Rourke Infrastructure 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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, 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 Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

**Independent Auditors' Report to the Members of
Laing O'Rourke Infrastructure Limited (Registered number: 04309441)**

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.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and 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 Strategic report and 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' Responsibility 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 breaches of environmental legislation, health and safety legislation, data protection legislation, anti-bribery and corruption legislation, employment laws 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 posting inappropriate journal entries and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussion with management, Internal Audit and the Group's internal legal counsel, including consideration of potential instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported through the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Substantive testing of journal entries which met a defined risk criteria, focusing on where and how fraud could arise; and
- Challenging assumptions and judgements made by management in its accounting estimates or judgements, in particular in relation to contract accounting.

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.

**Independent Auditors' Report to the Members of
Laing O'Rourke Infrastructure Limited (Registered number: 04309441)**

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.

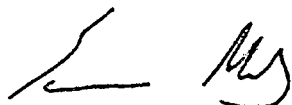
Other required reporting

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.



Simon Morley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: 23 November 2022

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

	Notes	2022 £'000	Restated 2021 £'000
REVENUE ¹	3	3,656	5,302
Cost of sales ¹		<u>(1,613)</u>	<u>(3,739)</u>
GROSS PROFIT		2,043	1,563
Administrative expenses		<u>(1,902)</u>	<u>(2,170)</u>
		141	(607)
Other operating income	4	<u>128</u>	<u>99</u>
OPERATING PROFIT/(LOSS)		269	(508)
Finance Income	6	<u>-</u>	<u>2</u>
PROFIT/(LOSS) BEFORE TAXATION	7	269	(506)
Tax on profit/(loss)	8	<u>(184)</u>	<u>244</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>85</u>	<u>(262)</u>

¹. The impact of complying with IAS 37 has led to a restatement of £23,000, increasing 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**

	Notes	2022 £'000	2021 £'000
PROFIT/(LOSS) FOR THE YEAR		85	(262)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>85</u>	<u>(262)</u>

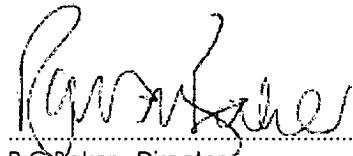
The notes on pages 18 to 29 form part of these financial statements

Statement of Financial Position
31 March 2022

	Notes	2022 £'000	Restated 2021 £'000
FIXED ASSETS			
Investments	9	-	654
CURRENT ASSETS			
Trade and other receivables	10	45,132	46,115
Cash in hand		<u>1,849</u>	<u>3,141</u>
		46,981	49,256
CREDITORS			
Amounts falling due within one year	11	<u>(1,897)</u>	<u>(4,911)</u>
NET CURRENT ASSETS		<u>45,084</u>	<u>44,345</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		45,084	44,999
PROVISION ¹	12	<u>(23)</u>	<u>(23)</u>
NET ASSETS		<u>45,061</u>	<u>44,976</u>
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Retained earnings		<u>45,061</u>	<u>44,976</u>
SHAREHOLDERS' FUNDS		<u>45,061</u>	<u>44,976</u>

¹. Liabilities in relation to 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 on pages 14 to 29 were authorised for issue by the Board of Directors and authorised for issue on 23rd November 2022 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	Retained earnings £'000	Total equity £'000
Balance at 1 April 2020	-	45,238	45,238
Changes in equity			
Total comprehensive loss	-	(262)	(262)
Balance at 31 March 2021	-	44,976	44,976
Changes in equity			
Total comprehensive income	-	85	85
Balance at 31 March 2022	-	45,061	45,061

The notes on pages 18 to 29 form part of these financial statements

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

1. STATUTORY INFORMATION

Laing O'Rourke Infrastructure 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 Infrastructure 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.

Significant accounting policies

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

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

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

2. **ACCOUNTING POLICIES - continued**

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
- Onerous contract liabilities previously classified as contract liabilities have now been restated to provisions.

The impact of complying with IAS 37 has led to a restatement of £23,000 increasing both revenue and cost of sales from the previously reported numbers with no impact on gross profit.

£23,000 of contract liabilities due within one year have been restated to current provisions in FY21 and £nil of contract liabilities previously represented 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.

If the above-mentioned restatement was applied at 1 April 2020, being the opening day of the comparative period, £nil 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.

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 civil and structural engineering and utilities contracting 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.

Fulfilment cost

Pre-contract costs are expensed as incurred until it is virtually certain the contract will be obtained and there is contractual entitlement to revenue that will more than cover future pre-construction costs and further bid costs pertaining to the project in question. From the point that costs are considered to generate or enhance the resources of the entity, further pre-contract costs are recognised as an asset and charged as an expense over the period of the contract.

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

2. **ACCOUNTING POLICIES - continued**

Research and development

Expenditure on research and development is charged to the Income Statement in the year in which it is incurred. Research and development expenditure credits relate to amounts recoverable from HMRC on previously incurred expenditure.

Interest income/(expense)

Finance income/(expense) is recognised using the effective interest method. In calculating interest income/(expense), the effective interest rate is applied to the gross carrying amount of the asset, when the asset is not impaired, or to the amortised cost of the liability for interest expense. For financial assets that have been impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer impaired the interest income calculation reverts to the gross carrying amount.

Joint arrangements

The Company accounts for its share of the assets, liabilities, cash flows and results of joint arrangements that are not entities, measured according to the terms of the arrangements pro-rata to its respective interests.

Investments

Investments are stated at cost less provision for a permanent diminution in value. Income from investments is included in the income statement when the right to receive payment is established.

Trade and other receivables

Trade receivables are initially recorded at fair value and subsequently measured at amortised cost as reduced by allowance for expected credit losses and appropriate allowances for estimated irrecoverable amounts. Subsequent recoveries of amounts previously written off are credited to the income statement line in which the provision was originally recognised. Trade receivables include retentions within contract assets and are classified as a current asset unless recovery is due in more than one year.

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.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks, project bank account controlled by the Company, and other short-term highly liquid investments with less than 90 days maturity from the date of acquisition. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

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 construction 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. These estimates and assumptions that have the most significant impact on the carrying value of assets and liabilities of the Company within the next financial year are detailed as 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.

1 contract (FY21: 1) was income generating in the year. 1 contract (FY21: 1) individually had an impact of £100,000 or greater on operating profit.

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

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

- Identification of performance obligations;
- Ensuring revenue recognised is highly probable, specific attention being paid to the estimates of:
 - Recoverability of claims and variations from clients for changes in condition/scope;
 - Revenue receivable in relation to achievement of gain-share (or pain-share), milestones and other incentive arrangements; and
 - Deductions for any damages levied by a client, e.g. for late handover;
- Percentage of completion of the project versus the planned cost programme;
- Achievability of the planned build programme;
- Forecast cost to complete (including contingencies); and
- Allowances for post-practical completion works (including rectification of defects).

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

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

- The processes in place regarding the selection of projects during the bid/work-winning phase;
- The level of experience of management and the Board in delivering projects and accounting for the various types of projects; and
- The 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**

The Company's revenue for the year was £3,656,000 (FY21 restated: £5,302,000) with an associated margin of 55.9% (FY21 restated: 29.5%). Should margins reduce by 1% the impact for such a change across our projects in delivery at year end would be an impact on gross profit of £36,000 (FY21 restated: £52,000). Should revenues reduce by 1%, and the associated costs reduce by 1%, the impact on gross profit would be £20,000 (FY21: £16,000).

b) Going concern (judgement and estimate)

In preparing these financial statements using the going concern basis of accounting, management has considered the forecast future cash flows of the Group under a management case scenario and several downside scenarios (see pages 62 to 64 of the Directors' Report of the Group Annual Report and Consolidated Financial Statements). Forecast future cash flows include the following areas of judgement:

- Work winning for the Group;
- Construction activity including project margins and working capital position;
- Support of the supply chain in terms of product material, labour supply and flexibility in payment terms;
- Inflationary pressures;
- Disruption to the supply chain;
- 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, 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)

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.

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

In light of Covid-19 and the impact of Brexit, management has considered other areas of judgement and estimation, including expected credit loss provisioning. Management has concluded that any updates to the estimates associated with these areas of the financial statements are not expected to result in a material change.

b) Climate Change (judgement and estimate)

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

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

2. **ACCOUNTING POLICIES - continued**

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**

All revenue is generated in the United Kingdom from civil and structural engineering and utilities contracting.

Assets and liabilities related 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 assets	
At 1 April 2020	689
Transfers from contract assets recognised at the beginning of the year to receivables	(689)
At 31 March 2021 and 31 March 2022	-
Contract liabilities	
At 1 April 2020	(4,504)
Revenue recognised against contract liabilities at the beginning of the year	4,504
Increase due to cash received	(1,695)
Onerous costs transferred to provisions	23
At 31 March 2021	(1,672)
Revenue recognised against contract liabilities at the beginning of the year	1,558
Increase due to cash received	(1,172)
At 31 March 2022	(1,286)

	2022 £'000	Restated 2021 £'000
Contract assets	-	-
Less than one year	(1,286)	(1,672)
Contract liabilities	(1,286)	(1,672)
Net	(1,286)	(1,672)

4. **OTHER OPERATING INCOME**

	2022 £'000	2021 £'000
Research and development expenditure credit	128	99

The research and development expenditure credit of £128,000 is based on an assessment of recoverability from HMRC. The amount for FY21 includes additional claims for prior year expenditure.

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

5. 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.

6. FINANCE INCOME

	2022	2021
	£'000	£'000
Bank account interest	<u>-</u>	<u>2</u>

7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before tax is stated after charging:

	2022	2021
	£'000	£'000
Expense relating to short term leases or leases of low value assets*	<u>1</u>	<u>329</u>

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

8. TAXATION

	2022	2021
	£'000	£'000
Current tax		
UK corporation tax	31	-
Adjustments in respect of prior years	<u>153</u>	<u>(244)</u>
Total tax charge/(credit) on profit/(loss)	<u>184</u>	<u>(244)</u>

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

	2022	2021
	£'000	£'000
Profit/(loss) before tax	<u>269</u>	<u>(506)</u>
Profit/(loss) before tax is multiplied by standard rate of corporation tax in the UK of 19% (FY21: 19%)	51	(96)
Effects of:		
- expenditure not tax deductible/(income not subject to tax)	66	(10)
- adjustments in respect of prior years	153	(244)
- effect of group relief	<u>(86)</u>	<u>106</u>
Tax charge/(credit)	<u>184</u>	<u>(244)</u>

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

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 neither a credit or charge to the income statement during 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 Company's accounting period beginning 1 April 2024. The Company is reviewing these draft rules to understand any potential impacts.

9. INVESTMENTS

	Subsidiary undertakings shares £'000
Cost	
At 1 April 2021	773
Disposal	(773)
At 31 March 2022	-
Impairment	
At 1 April 2021	119
Reversal of impairment on disposal	(119)
At 31 March 2022	-
Net Book Value	
At 31 March 2022	-
At 31 March 2021	654

The Company's investment in Laing O'Rourke Utilities Limited was disposed of for its book value to another Group entity, Laing O'Rourke Plc, on 31 March 2022.

Joint arrangements

The Company has an interest in the following unincorporated joint arrangements whose principal place of business is in the United Kingdom.

Joint arrangement	Principal activity	Ownership interest
M-Pact Manchester	Civil engineering	60%
Laing O'Rourke Dredging International	Civil engineering	50%

10. TRADE AND OTHER RECEIVABLES

	2022 £'000	2021 £'000
Amounts owed by group undertakings	44,954	46,115
Other receivables	9	-
Corporation tax	148	-
VAT	21	-
	<u>45,132</u>	<u>46,115</u>

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

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

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	Restated 2021
	£'000	£'000
Trade payables	140	35
Amounts owed to group undertakings	77	776
Corporation tax	-	160
Contract liabilities ¹	1,286	1,672
VAT	-	952
Other payables	23	8
Accruals	47	15
Subcontractor accruals and retentions	324	1,293
	<u>1,897</u>	<u>4,911</u>

1. See note 2 for further details of restatements.

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

12. PROVISION FOR LIABILITIES

Contract provisions

	2022	Restated 2021
	£'000	£'000
At 1 April	23	-
Provisions created ¹	-	23
At 31 March	23	23
Falling due within: 12 months	<u>23</u>	<u>23</u>
	<u>23</u>	<u>23</u>

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

At 31 March 2022, onerous costs included in contract provisions included liabilities over a number of projects of £23,000 (FY21: £23,000), of which £nil (FY21: £nil) are expected to be settled after more than one year.

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2022	2021
Number:	Class:		£	£
2	Ordinary	£1	<u>2</u>	<u>2</u>

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

14. ULTIMATE PARENT COMPANY

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

The ultimate parent company of Laing O'Rourke Infrastructure 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.

The consolidated financial statements of Laing O'Rourke Plc are the smallest available 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.

15. EVENTS AFTER THE REPORTING PERIOD

On 5 August 2022, subsequent to the year end, the 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.

16. GUARANTEES AND CONTINGENT LIABILITIES

As at 31 March 2022, the Company was a guarantor of unsecured committed revolving credit facility of Laing O'Rourke Plc of £nil (FY21: £108.7m) payable. In October 2021 Laing O'Rourke Plc repaid the £108.7m and had entered into an agreement for a new revolving credit facility of £35.0m that expires 4 April 2024. This was undrawn at 31 March 2022. The Company is also a guarantor in respect of Surety Bonds and Bank Guarantees issued on behalf of Laing O'Rourke Plc and its subsidiaries. No material losses are anticipated in respect of these contingent liabilities.