



Annual Report & Accounts
Year ended 31st March 2010



People delivering expertise



People delivering expertise

our business



Lagan Construction is a leading civil engineering business undertaking infrastructure, capital and maintenance schemes for the roads, airports, water, energy, marine and rail sectors turning over £165 million per annum.

Our specialist teams work with global clients, partners and our supply chain to develop technical and innovative infrastructure solutions for projects of all sizes and complexity up to £300 million. Dedicated to providing infrastructure for tomorrow's world, we act sustainably to conserve energy, protect the environment and build communities.

Operating from head offices in Belfast and regional offices throughout the UK, Ireland and overseas, we deliver projects through a variety of procurement routes including Design & Build, as consortium members and as subcontractors.

We are a family company, proud of our values and our culture which set the standard for how we behave. At the heart of our work is the desire to make a real difference in everything we do. We use the best people and the best resources, continually exploring new market opportunities to improve and expand our business.

financial overview

At **Lagan Construction** we are pleased to report another year of significant growth for our business as our ongoing commitment to delivering added value within key sectors has produced an impressive performance.

During the financial year to 31st March 2010 the group delivered a strong set of results, with Profit Before Tax (PBT) of £4.1m (2009: £5.4m) on turnover of £165m (2009: £143m). In 2010-2011 the business is well placed to maintain this performance having secured a solid forward order book through into 2012-2013.

Our sector teams continue to make good progress in winning work in our chosen markets – particularly in the renewable energy sector – and we remain firmly committed to our strategy of building a sustainable, long term business through our investment in the development and training of our people.



People delivering expertise

LAGAN CONSTRUCTION LIMITED

CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2010

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LAGAN CONSTRUCTION LIMITED

DIRECTORS AND APPOINTMENTS

DIRECTORS

K Lagan (resigned 1st September 2010)
M Lagan
A Hanna (resigned 31st August 2010)
D Jeffs
C Loughran
S Martin
S McCann (resigned 1st September 2010)
F Patterson
A Dixon

SECRETARY

D Canavan (resigned 1st September 2010)
S Martin (appointed 1st September 2010)

PRINCIPAL BANKERS

Northern Bank Limited
Donegall Square West
Belfast
BT1 6JS

AUDITORS

T Murphy & Co Limited
Chartered Accountants
43 Lockview Road
Belfast
BT9 5FJ

REGISTERED OFFICE

Rosemount House
21-23 Sydenham Road
Belfast
BT3 9HA

REGISTERED NUMBER

NI 05233

LAGAN CONSTRUCTION LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report on the group together with the audited financial statements for the year ended 31 March 2010.

MISSION STATEMENT

"To be a highly efficient and profitable construction and civil engineering group in the UK, Ireland and internationally by serving our customers to the highest standards of professionalism and quality with employees benefiting from the stability of the group in a harmonious and safe working environment in all countries in which we operate".

PRINCIPAL ACTIVITIES

The companies within the group continue to be engaged primarily in civil engineering construction projects and related PFI investments.

BUSINESS REVIEW AND TRADING RESULTS

The financial statements and balance sheet are expressed in £ sterling. The directors are pleased to report the continuing profitability of the group during the year under review with profit before taxation of £4.1m (2009 - £5.4m) on turnover of £164.5m (2009 - £142.9m).

FUTURE DEVELOPMENTS

During 2010-11 the group is well placed to maintain its impressive performance with a strong order book.

KEY PERFORMANCE INDICATORS

The Board sets Key Performance Indicators (KPIs) at various levels throughout the company in the annual business plan. These KPIs are closely monitored each month to control the business, and include all the critical aspects of the group's performance, including health and safety, staff engagement and training delivered, as well as a comprehensive suite of financial data.

FINANCIAL RISK MANAGEMENT

The group's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The group has in place a risk management programme that seeks to limit adverse effects on the financial performance of the group. Given the size of the group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set out by the board of directors are implemented by the group's finance department.

Price risk

The group is exposed to commodity price risk as a result of its operations. However, given the size of the group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature. The group has no exposure to equity securities price risk as it holds no listed securities or other equity investments.

Foreign exchange risk

While the group's revenues and expenses are reported in sterling, the group is exposed to some foreign exchange risk in the normal course of business, principally in Euros and US Dollars. The group closely monitors its foreign currency cashflows and, where appropriate, uses forward exchange deals to mitigate exchange risk.

Credit risk

The group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is subject to a limit, which is reassessed regularly by the board.

Liquidity risk

The group actively maintains a mixture of long-term and short-term finance that is designed to ensure the group has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include loans and cash balances which earn interest at both fixed and variable rates. The group debt is primarily maintained at variable rates although it also utilises a number of fixed rate loans.

DIVIDENDS

The directors recommend that no dividend is paid and that post taxation profits be transferred to reserves.

LAGAN CONSTRUCTION LIMITED

REPORT OF THE DIRECTORS (continued)

FIXED ASSETS

Details of movements in tangible fixed assets during the year under review are given at Note 6 to the financial statements.

EMPLOYMENT POLICY

The group applies the principles of fairness and equality of opportunity to both able bodied and disabled persons in its employment and recruitment policies. It is the policy of the group to encourage the employment, training and advancement of disabled persons wherever possible. In the event of an employee becoming disabled while in the employment of the group effort is made to provide a suitable alternative position.

EMPLOYEE PARTICIPATION

The employees of the group are kept informed on matters through meetings and the publication of group and company newsletters. The group maintains an internal human resources department which provides induction, ongoing training and advice in all disciplines of employment policies, procedures, legislation and staff development. It also encourages and promotes social interaction and staff team building activities.

HEALTH AND SAFETY

The group exercises a strong commitment towards the maintenance of a healthy and safe working environment and training in safety procedures for its employees both in practical terms and in the issue of safety policies, notifications and publications to raise and maintain awareness of safety matters. To this end the group has achieved OHSAS 18001:2007 certification. Employees have representation and involvement on the Health & Safety Committees of the various operating subsidiaries.

ENVIRONMENT

The group is conscious of the real and perceived effects upon the environment arising particularly from construction operations. Operational managers are required to comply with all relevant environmental legislation. In the absence of such statutory legislation they are encouraged to apply best industry environmental practice, effect continuous improvement and to foster good relationships within the communities in which we operate. The directors are committed to all relevant operating companies attaining accepted and approved environmental standards and to this end the group employs appropriately qualified staff dedicated to the establishment and maintenance of environmental management systems. Arising from this all relevant companies within the group have now been awarded ISO 14001:2004 accreditation.

QUALITY ASSURANCE

In keeping with its Mission Statement of serving its customers to the highest standards of professionalism and quality the Quality Management Systems within the group have been upgraded and all relevant companies are now registered to the ISO 9001:2000 standard. Relevant companies within the group have also committed, and already commenced, to achieve certification to various Highway Agency Sector Schemes in relation to the specific activities undertaken by them. Sector Schemes are Quality Management Schemes developed in partnership with the key organisations in the highways industry and complement ISO 9001:2000 specifying the training which operatives must receive to ensure that they work safely and to the highest standards in numerous disciplines in highway construction and maintenance.

POLITICAL DONATIONS

There were no political donations made during the year.

DIRECTORS

The directors who acted during the year under review are disclosed on page 4.

INTERESTS OF DIRECTORS

None of the directors who acted during the year ended 31 March 2010, or in office at that date, had an interest in the share capital of the company. The interests of directors in the share capital of the ultimate holding company both at the beginning and end of the year under review were:

K Lagan	44,398 ordinary shares
M Lagan	36,603 ordinary shares

LAGAN CONSTRUCTION LIMITED

REPORT OF THE DIRECTORS (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing these financial statements the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 2006. They 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 the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in Northern Ireland governing the preparation and dissemination of financial statements may differ from legislation of other jurisdictions.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In so far as each of the directors in office at the date of approval of these financial statements is aware:

- there is no relevant audit information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

T Murphy & Co Limited (Chartered Accountants) acted as auditors for the year under review and offer themselves for reappointment in accordance with Section 487(2) of the Companies Act 2006. A resolution to re-appoint T Murphy & Co Limited (Chartered Accountants) will be proposed at the Annual General Meeting.

By Order of the Board



S Martin
Secretary
29 September 2010

LAGAN CONSTRUCTION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAGAN CONSTRUCTION LIMITED

We have audited the group and parent company financial statements of Lagan Construction Limited for the year ended 31 March 2010, which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the group and company balance sheets and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities, set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the group's members as a body, for our audit work, for this report, or for the opinion we have formed.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosure in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the group's and parent company's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the year in which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Terence Murphy
(Senior Statutory Auditor)

30 September 2010

For and on behalf of:
T Murphy & Co Limited
Chartered Accountants & Statutory Auditors
43 Lockview Road, Stranmillis
Belfast, BT9 5FJ

LAGAN CONSTRUCTION LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010**

	Notes	2010 £000's	2009 £000's
TURNOVER – continuing activities	2	164,547	142,880
Cost of sales		(147,524)	(122,965)
GROSS PROFIT		17,023	19,915
Administration expenses		(12,491)	(13,215)
Other operating income		44	179
GROUP OPERATING PROFIT – continuing activities		4,576	6,879
Interest receivable and similar income		249	248
Interest payable and similar charges	4	(770)	(1,691)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,055	5,436
Tax on profit on ordinary activities	5	(1,506)	(1,805)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,549	3,631
Minority interests		-	-
RETAINED PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO SHAREHOLDERS	16	2,549	3,631
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2010			
Profit for the year attributable to shareholders		2,549	3,631
Exchange valuation difference on foreign assets		(106)	1,629
TOTAL RECOGNISED GAINS AND LOSSES ATTRIBUTABLE TO SHAREHOLDERS FOR THE YEAR	17	2,443	5,260

The notes on pages 12 to 23 form part of these financial statements.

LAGAN CONSTRUCTION LIMITED

**CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2010**

	Notes	2010 £000's	2009 £000's
FIXED ASSETS			
Tangible assets	6	8,676	12,610
Investments	7	2,121	2,121
		10,797	14,731
CURRENT ASSETS			
Stock	8	20,039	25,260
Debtors	9	42,166	35,903
Cash at bank		2,119	12,470
		64,324	73,633
CREDITORS: amounts falling due within one year	10	(37,873)	(50,202)
NET CURRENT ASSETS		26,451	23,431
TOTAL ASSETS LESS CURRENT LIABILITIES		37,248	38,162
CREDITORS: amounts falling due after more than one year	11	(3,485)	(6,728)
PROVISION FOR LIABILITIES AND CHARGES	14	(974)	(1,088)
NET ASSETS BEFORE MINORITY INTERESTS		32,789	30,346
Equity minority interests		(428)	(428)
NET ASSETS		32,361	29,918
CAPITAL AND RESERVES			
Called up share capital	15	81	81
Profit and loss account	16	32,280	29,837
SHAREHOLDER'S FUNDS	17	32,361	29,918

The financial statements were approved and authorised by the Board of Directors on 29 September 2010 and were signed on its behalf by:-



C. Loughran
Director




S. Martin
Director

The notes on pages 12 to 23 form part of these financial statements.

LAGAN CONSTRUCTION LIMITED**COMPANY BALANCE SHEET
AS AT 31 MARCH 2010**

	Notes	2010 £000's	2009 £000's
FIXED ASSETS			
Tangible assets	6	8,379	12,231
Investments	7	3,011	3,000
		<u>11,390</u>	<u>15,231</u>
CURRENT ASSETS			
Stocks	8	7,681	10,222
Debtors	9	43,748	46,568
Cash at bank		13,829	3,754
		<u>65,258</u>	<u>60,544</u>
CREDITORS: amounts falling due within one year	10	<u>(37,175)</u>	<u>(37,267)</u>
NET CURRENT ASSETS		<u>28,083</u>	<u>23,277</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		39,473	38,508
CREDITORS: amounts falling due after more than one year	11	<u>(8,664)</u>	<u>(11,820)</u>
PROVISION FOR LIABILITIES AND CHARGES	14	<u>(974)</u>	<u>(1,088)</u>
NET ASSETS		<u>29,835</u>	<u>25,600</u>
CAPITAL AND RESERVES			
Called up share capital	15	81	81
Profit and loss account	16	29,754	25,519
SHAREHOLDER'S FUNDS		<u>29,835</u>	<u>25,600</u>

The financial statements were approved and authorised by the Board of Directors on 29 September 2010 and were signed on its behalf by:-



C. Loughran
Director



S. Martin
Director

The notes on pages 12 to 23 form part of these financial statements.

LAGAN CONSTRUCTION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group financial statements.

BASIS OF PREPARATION

The financial statements are prepared in accordance with accounting standards generally accepted in the UK and Northern Irish statute comprising the Companies Act 2006. Accounting standards generally accepted in the UK in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

BASIS OF CONSOLIDATION

The group financial statements consolidate the financial statements of the company and all of its subsidiary undertakings made up to 31 March 2010 except as indicated below.

If the financial year of a subsidiary undertaking ends at a date more than three months before that of the parent company, the group financial statements consolidate interim financial statements prepared by the subsidiary at the end of the parent's financial year. If a subsidiary's year ends no more than three months before that of the parent, the group financial statements are made up from the subsidiary's financial statements for the year last ending before that of the parent.

Joint ventures and associates are accounted for using the gross equity method and equity method respectively. The group's share of the profits less losses of joint ventures and associates are included in the consolidated profit and loss account.

As a consolidated profit and loss account is published, a separate profit and loss account for the company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

CASH FLOW STATEMENT

At the balance sheet date the company was a wholly owned subsidiary of Lagan Holdings Limited (its ultimate parent undertaking) and the company is included in the consolidated financial statements of Lagan Holdings Limited. Consequently the company has taken advantage of the exemption from preparing a cash flow statement as contained in FRS1 'Cash flow statement'.

TURNOVER

Turnover represents the invoice value (excluding value added tax and inter-group dealings) of external sales and work done falling within the group's ordinary activities.

TANGIBLE ASSETS AND DEPRECIATION

Tangible assets are shown at cost or valuation, which may include finance costs and other directly attributable costs accruing during the period from initial expenditure to completion of material capital projects.

Depreciation is calculated to write off tangible assets over their useful lives. Items which are not in use are not depreciated. The various companies within the group use varying rates and methods of depreciation which are appropriate to their particular business. The main methods adopted and rates used are:

Land and buildings	1 to 10%	straight line
Plant and vehicles	5 to 33%	straight line
Office equipment	20 to 33%	straight line

The carrying values of tangible fixed assets are reviewed annually for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

INVESTMENTS

Investments are usually stated at cost but are written down to realisable value if there has been a permanent diminution in value. Income from investments, together with any related tax credit, is recognised in the profit and loss account in the year in which it is receivable.

GOVERNMENT GRANTS

Grants are credited to deferred income. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets, by equal annual instalments. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

LAGAN CONSTRUCTION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

1. PRINCIPAL ACCOUNTING POLICIES (continued)

STOCK AND WORK IN PROGRESS

Stocks and short term work in progress are stated at the lower of cost and net realisable value. In the case of finished goods and work in progress, cost is defined as the aggregate cost of raw material, direct labour and the attributable proportion of the direct production overheads based on a normal level of activity. Net realisable value is based on normal selling price, less further costs expected to be incurred to completion and disposal.

LONG TERM CONTRACTS

Long term contracting work in progress is stated at net cost, less foreseeable losses and payments on account. Profits are not taken into account until such times as the outcome of a particular contract can be reasonably assessed.

DIVIDENDS

Dividends to the group's shareholders are recognised as a liability of the company when approved by the group's shareholders.

TAXATION

Current tax represents the amount expected to be paid or recovered in respect of taxable profit for the year and is calculated using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax, the estimated future tax consequences of transactions and events recognised in the financial statements of the current and previous years, is provided on all material timing differences which are expected to reverse in the foreseeable future using current tax rates. Deferred tax liabilities are not discounted.

ASSET FINANCE OBLIGATIONS

Assets held under finance leases and hire purchase contracts have been capitalised in the balance sheet under tangible assets with the future obligations under these contracts included in creditors in the balance sheet. The interest element of the rental obligations is charged to the profit and loss account over the period of the contract.

FOREIGN EXCHANGE

Where the accounts of subsidiaries are prepared in currencies other than sterling, their balance sheets have been converted at the exchange rate at the year end. Their profit and loss accounts have been converted at the average exchange rate prevailing throughout the period. Exchange differences resulting from the retranslation of the opening net assets of non-sterling subsidiary undertakings, joint-ventures and associates at closing rates, together with the differences on the translation of the profit and loss accounts, are dealt with through reserves and reflected in the statement of total recognised gains and losses.

PENSION

The group operates defined contribution schemes. Pension contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets are held separately from those of the group and in independently administered funds. Differences between the amounts charged in the profit and loss account and payments made to pension funds are treated as assets or liabilities.

DEBTORS

Debtors are stated after all known bad debts have been written off and specific provisions have been made against all considered doubtful for collection.

2. SEGMENT AND MARKET INFORMATION

Segment and market information has been omitted as the directors believe that to disclose such information would be seriously prejudicial to the interests of the group.

LAGAN CONSTRUCTION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2010	2009		
	£000's	£000's		
Group profit on ordinary activities before taxation is arrived at after charging:				
Depreciation	3,547	3,357		
Directors' emoluments	1,024	1,066		
Auditor's remuneration for audit services	44	89		
Auditor's remuneration for non-audit services	83	60		
Interest payable – on bank and other borrowings	770	1,691		
	<u> </u>	<u> </u>		
and after crediting:				
Profit on sale of fixed assets	587	378		
Interest received	150	248		
	<u> </u>	<u> </u>		
4. INTEREST PAYABLE AND SIMILAR CHARGES	2010	2009		
	£000's	£000's		
Bank loans and overdrafts	364	1,401		
Interest on overdue taxation	65	38		
Interest payable on asset finance obligations	341	252		
	<u> </u>	<u> </u>		
	<u>770</u>	<u>1,691</u>		
	<u> </u>	<u> </u>		
5. TAX ON PROFIT ON ORDINARY ACTIVITIES	2010	2009		
	£000's	£000's	£000's	£000's
a) Analysis of charge in period				
Current tax				
UK Corporation Tax on profits of the period—				
Group companies	1,516		1,467	
Adjustments in respect of previous periods	(102)		444	
	<u> </u>	1,414	<u> </u>	1,911
Foreign Tax		206		203
		<u> </u>		<u> </u>
Total current tax (note 5(b))		1,620		2,114
Deferred tax				
Origination and reversal of timing differences		(114)		(309)
		<u> </u>		<u> </u>
Tax on profit on ordinary activities		<u>1,506</u>		<u>1,805</u>
		<u> </u>		<u> </u>

LAGAN CONSTRUCTION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

5. TAX ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

b) Factors affecting tax charge for the period

The tax assessed for the period is different from the standard rate of corporation tax in the UK of 28% (2009 - 28%). The differences are explained below:

	2010 £000's	2009 £000's
Profit on ordinary activities before tax	4,055	5,436
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	1,136	1,522
Effects of:-		
Expenses not deductible for tax purposes	159	135
Depreciation for the period in excess of capital allowances	283	105
Higher rates on non-trading income	-	16
Lower tax rates on foreign earnings	(101)	(71)
Adjustments to tax charge in respect of previous periods	(102)	444
Overseas income taxed / (not taxed)	226	(127)
Trading losses carried forward	-	108
Group relief	19	58
Other	-	(76)
Current tax charge for period (note 5 (a))	1,620	2,114

c) Factors that may affect future tax charges

The group's foreign tax rates are lower than those in the UK primarily because the profits earned in the Republic of Ireland are taxed below the UK standard rate of 28% (2009 - 28%).

LAGAN CONSTRUCTION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

6. TANGIBLE ASSETS

GROUP	Land & buildings freehold £000's	Land & buildings leasehold £000's	Equipment, plant & vehicles £000's	Total £000's
COST OR VALUATION				
At 1 April 2009	1,438	–	19,567	21,005
Additions	–	–	1,052	1,052
Currency movement	–	–	(27)	(27)
Disposals	–	–	(5,177)	(5,177)
Reclassification	(328)	881	(553)	–
At 31 March 2010	1,110	881	14,862	16,853
DEPRECIATION				
At 1 April 2009	20	–	8,375	8,395
Charge for the year	60	108	3,379	3,547
Currency movement	–	–	(14)	(14)
Eliminated on disposal	–	–	(3,751)	(3,751)
Reclassification	–	326	(326)	–
At 31 March 2010	80	434	7,663	8,177
NET BOOK VALUE				
At 31 March 2010	1,030	447	7,199	8,676
At 31 March 2009	1,418	–	11,192	12,610

Included in the above are assets (other than Land and Buildings) held under finance leases or hire purchase contracts with a total net book value of £5,547k (2009 – £8,415k) and total depreciation charge of £1,988k (2009 – £1,901k).

COMPANY	Land & buildings freehold £000's	Land & buildings leasehold £000's	Equipment, plant & vehicles £000's	Total £000's
COST OR VALUATION				
At 1 April 2009	1,438	–	18,798	20,236
Additions	–	–	913	913
Disposals	–	–	(5,146)	(5,146)
Reclassification	(328)	881	(553)	–
At 31 March 2010	1,110	881	14,012	16,003
DEPRECIATION				
At 1 April 2009	20	–	7,985	8,005
Charge for the year	60	108	3,178	3,346
Eliminated on disposal	–	–	(3,727)	(3,727)
Reclassification	–	326	(326)	–
At 31 March 2010	80	434	7,110	7,624
NET BOOK VALUE				
At 31 March 2010	1,030	447	6,902	8,379
At 31 March 2009	1,418	–	10,813	12,231

Included in the above are assets (other than Land and Buildings) held under finance leases or hire purchase contracts with a total net book value of £5,396k (2009 – £8,349k) and total depreciation charge of £1,851k (2009 – £1,747k).

LAGAN CONSTRUCTION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

7. INVESTMENTS

	Group		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Shares in unquoted companies	83	56	-	-
Shares in group undertakings	-	-	2,752	2,741
Loans to group undertakings	-	-	259	259
Loans to related companies	2,038	2,065	-	-
	<u>2,121</u>	<u>2,121</u>	<u>3,011</u>	<u>3,000</u>

Details of the investments in which the group and the company holds 20% or more of the share capital are listed in Note 25 to the Financial Statements.

8. STOCKS

	Group		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Work in progress	19,640	25,260	7,282	10,222
Other	399	-	399	-
	<u>20,039</u>	<u>25,260</u>	<u>7,681</u>	<u>10,222</u>

9. DEBTORS

	Group		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Trade debtors	9,911	13,174	9,028	9,600
Due from group and related undertakings	31,214	22,076	34,097	36,339
Other debtors	731	581	490	558
Prepayments and accrued income	310	72	133	71
	<u>42,166</u>	<u>35,903</u>	<u>43,748</u>	<u>46,568</u>

10. CREDITORS: amounts falling due within one year

	Group		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Bank loans and overdrafts	3,066	15,236	1,733	4,258
Trade creditors	5,814	5,964	5,428	4,574
Due to group and related undertakings	14,652	12,732	16,440	14,727
Other creditors	2,027	3,177	1,909	3,005
Taxation and social security	2,357	2,180	2,390	1,863
Accruals and deferred income	9,957	10,933	9,275	8,840
	<u>37,873</u>	<u>50,202</u>	<u>37,175</u>	<u>37,267</u>

LAGAN CONSTRUCTION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

11. CREDITORS: amounts falling due after more than one year

	Group		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Bank loans	959	2,218	959	2,218
Due to group and related undertakings	-	-	5,184	5,184
Other creditors	2,526	4,510	2,521	4,418
	<u>3,485</u>	<u>6,728</u>	<u>8,664</u>	<u>11,820</u>

12. ASSET FINANCE OBLIGATIONS

The future minimum asset finance payments to which the group is committed at 31 March 2010 are as follows:

	Group		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Within one year	2,028	3,169	1,909	3,005
Between one and two years	1,684	3,007	1,681	2,945
Between two and five years	842	1,503	840	1,473
	<u>4,554</u>	<u>7,679</u>	<u>4,430</u>	<u>7,423</u>

Asset finance obligations are secured by fixed and floating charges over the undertakings and assets of certain companies within the group.

13. BANK BORROWINGS

	Group		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Repayments fall due as follows:-				
Within one year	3,066	15,236	1,733	4,258
Between one and two years	664	1,360	664	1,360
Between two and five years	257	858	257	858
After more than five years	38	-	38	-
	<u>4,025</u>	<u>17,454</u>	<u>2,692</u>	<u>6,476</u>

Northern Bank hold a debenture containing fixed and floating charges over the assets of the company. Bank of Ireland hold a charge over the company's freehold property situated at The Mill House, Thorpy Mill Road, West Drayton, England. Certain finance facilities within the group are secured by means of unlimited inter-company cross guarantees.

LAGAN CONSTRUCTION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

14. PROVISION FOR LIABILITIES AND CHARGES – DEFERRED TAX

	Provision Made / Full Liability			
	Group		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Capital allowances in advance of depreciation	(13)	101	(13)	101
Other timing differences	987	987	987	987
	<u>974</u>	<u>1,088</u>	<u>974</u>	<u>1,088</u>

15. CALLED UP SHARE CAPITAL

	Group		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Allotted and fully paid up 81,001 Ordinary Shares of £1 each	<u>81</u>	<u>81</u>	<u>81</u>	<u>81</u>
Authorised 100,000 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

16. PROFIT AND LOSS ACCOUNT

	Group		Company	
	2010 £000's	2009 £000's	2010 £000's	2009 £000's
Opening balance	29,837	24,577	25,519	19,687
Profit for the year attributable to shareholders	2,549	3,631	4,603	4,516
Exchange valuation difference on foreign assets	(106)	1,629	(366)	1,316
Closing balance	<u>32,280</u>	<u>29,837</u>	<u>29,754</u>	<u>25,519</u>

LAGAN CONSTRUCTION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group	
	2010	2009
	£000's	£000's
Opening balance	29,918	24,658
Recognised gains and losses for the year	2,443	5,260
Closing balance	<u>32,361</u>	<u>29,918</u>

18. DIRECTORS AND EMPLOYEES

	2010	2009
	£000's	£000's
(a) Directors		
The remuneration paid to directors of the company was:		
Fees	<u>1,105</u>	<u>1,066</u>
Directors' remuneration was as follows:		
Highest paid director	<u>249</u>	<u>240</u>

	2010	2009
(b) Employees		
The average weekly number of persons, including directors employed by the group during the year was:		
Administration	144	124
Supervision, operational and distribution	382	557
	<u>526</u>	<u>681</u>

	2010	2009
	£000's	£000's
Their total remuneration was:		
Salaries and wages	20,114	20,240
Social security costs	1,682	2,191
Other pension costs	666	460
	<u>22,462</u>	<u>22,891</u>

19. PENSIONS

Under the defined contribution schemes in operation amounts totalling £666k (2009 - £460k) were paid.

LAGAN CONSTRUCTION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

20. CASHFLOW STATEMENT AND RELATED PARTY DISCLOSURES

The company is a wholly owned subsidiary of Lagan Holdings Limited, a company incorporated in Northern Ireland, and is included in the consolidated financial statements of Lagan Holdings Limited which are publicly available for inspection. Consequently, the company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard 1 (revised). The company is also exempt under the terms of Financial Reporting Standard 8 (revised) from disclosing related party transactions with entities that are wholly owned subsidiaries of the Lagan Holdings Limited group.

The following entities are regarded as related parties as defined by Financial Reporting Standard 8 due to their being:

- 1) entities with common control to the Lagan Holdings group and;
- 2) joint ventures and arrangements in which member companies and related groups (under common control) of the Lagan Holdings Limited group participate.

	2010 £000's	2009 £000's
Investments and loans by the group (joint ventures and arrangements - included in Note 7)		
Direct Route Fermoy Holdings Limited	1,812	1,363
Coastal Industrial Limited	-	250
Coastal Clear Water (Holdings) Limited	226	452
Amounts owed to the group (under common control - included in Note 9)		
Lagan Homes Limited	247	245
Amounts owed to the group (joint ventures and arrangements - included in Note 9)		
Island Paving Limited	427	427
Direct Route (Limerick) Construction Limited	5,331	3,201
Direct Route (Fermoy) Construction Limited	53	-
Lagan Keltbray	24	116
Lagan Holleran	-	44
Lagan Denys	-	85
Murphy Lagan	-	475
Amey Lagan Roads Holdings Limited	43	207
Lagan Ferrovia	4,096	-
Sisk Lagan	2,305	1,477
Lagan Clare	5	1,429
Lagan Habib Technical Associates	1,221	-
Coastal Clear Water Limited	77	-
Amounts owed by the group (common control - included in Note 10)		
J&T Plant Limited	2	119
Lagan Cement Group Limited	200	200
Lagan Developments Limited	6	-
Amounts owed by the group (joint ventures and arrangements - included in Note 10)		
Coastal Industrial Limited	-	238
Coastal Clear Water (Holdings) Limited	-	1
Lagan Ferrovia	-	2,147
Direct Route (Fermoy) Construction Limited	-	14
Lagan Husnain	-	996
Murphy Lagan	11	-
Lagan Holleran	543	-

The above balances comprise trade, recharges and nominal balances due to / by the group.

At the balance sheet date three of the directors – K Lagan, M Lagan and S McCann – were directors of the immediate and ultimate parent undertaking, Lagan Holdings Limited (see also Note 26). Two of these directors had interest free loans with the company during the year (Note 21).

Buildings owned by a pension scheme operated for the benefit of certain directors were occupied by group companies during the year. Rent is payable on a commercial basis to the pension scheme.

LAGAN CONSTRUCTION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

21. TRANSACTIONS WITH DIRECTORS

The following directors had interest free loans during the year. These amounts are included in debtors (Note 9). The movements on these loans are as follows:

	Amount owing		Maximum in year £000's
	2010 £000's	2009 £000's	
K Lagan	-	140	140
M Lagan	48	191	191
	<u> </u>	<u> </u>	<u> </u>

22. CAPITAL COMMITMENTS

No material capital expenditure was authorised and contracted for but not provided in the accounts at 31 March 2010 (2009 - nil).

23. CONTINGENT LIABILITIES

Litigation has been instigated against the group in relation to the supply of allegedly defective stone in the Republic of Ireland. The group are vigorously defending the litigation and do not accept that they have any liability. The information normally required by FRS 12 is not disclosed, due to the fact that the directors believe that to do so would seriously prejudice the outcome of the litigation.

The company has guaranteed that it will provide sufficient financial support to two subsidiaries and a related company to enable them to meet their liabilities as they fall due. This undertaking is for twelve months from the date of approval of these financial statements. The aggregated total of the net liabilities of these companies at the balance sheet date was £5,738k.

24. COMPARATIVE FIGURES

Certain figures relating to the previous year have been reclassified for comparative and presentational purposes only. These amendments have had no other impact on the financial statements.

LAGAN CONSTRUCTION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued

25. INVESTMENTS DETAILS

At the balance sheet date the company held directly or indirectly more than 20% of the share capital in the following companies:

(I) SUBSIDIARY UNDERTAKINGS

Principal Name	Activities	Country of Incorporation or Registration	Country of Principal Activities	%
Lagan 106 Ltd.	Quarrying	Northern Ireland	Northern Ireland	100†
Lagan 107 Ltd.	Building	Northern Ireland	Northern Ireland	100†
Lagan 104 Ltd.	Quarrying	Northern Ireland	Northern Ireland	100†
Lagan 105 Ltd.	Civil engineering	Northern Ireland	Northern Ireland	100†
W'mountain Civils (Ireland) Ltd. *	Civil engineering	Republic of Ireland	Republic of Ireland	100†
Whitemountain Investments Ltd.	Holding company	Northern Ireland	Northern Ireland	100
Lagan Projects Ltd. *	Project development	Northern Ireland	Northern Ireland	100
Lagan Projects Ltd. *	Project development	Republic of Ireland	Republic of Ireland	100
Coastal Industrial Ltd. *	Water treatment	Northern Ireland	Northern Ireland	50
Coastal Clearwater Holdings Ltd.*	Holding company	Northern Ireland	Northern Ireland	50
Coastal Clearwater Ltd. *	P F I concession company	Northern Ireland	Northern Ireland	50
Directroute Limited *	Project development	Republic of Ireland	Republic of Ireland	50†
Lagan Bitumen Ltd.	Bitumen manufacturers	England	Northern Ireland	100†
Lagan Services Ltd.	Service company	Northern Ireland	Northern Ireland	100†
Armagh Asphalt Ltd.	Bitmac & asphalt manufacturers	Northern Ireland	Northern Ireland	100†
Charles Brand Group Ltd.	Holding company	Northern Ireland	Northern Ireland	100†
Charles Brand Ltd. *	Building & civil engineering	Northern Ireland	Northern Ireland	100†
Lagan Construction (IoM) Ltd. *	Civil engineering	Isle of Man	Isle of Man	100
Eldufgar Construction Ltd. *	Civil engineering	Northern Ireland	Northern Ireland	100†
H Jensen Asphalt A/S.	Surfacing contractors	Denmark	Denmark	100
Lagan International Holdings Ltd.	Overseas contracting	Northern Ireland	Northern Ireland	80
Lagan International Ltd. *	Overseas contracting	Northern Ireland	Northern Ireland	100
Lagan Caribbean Ltd. *	Overseas contracting	Cayman Islands	Caribbean region	100
Lagan Asia Ltd. *	Overseas contracting	Hong Kong	Asia	100
Lagan Maldives Private Ltd. *	Overseas contracting	Maldives	Maldives	100
Lagan Hong Kong Ltd. *	Overseas contracting	Hong Kong	Hong Kong	100
Lagan Puerto Rico LLC. *	Overseas contracting	Puerto Rico	Puerto Rico	100
Lagan Polska	Overseas contracting	Poland	Poland	100
Lagan 101 Ltd.	Surfacing contractors	England	England	100†
Lagan 102 Ltd.	Surfacing contractors	England	England	100†
PJ Lagan Contracts Ltd.	Quarrying	Northern Ireland	Northern Ireland	100†
Lagan US Inc. *	Overseas contracting	United States	United States	100
Lagan Florida LLC *	Overseas contracting	United States	United States	100
Lagan Virginia LLC *	Overseas contracting	United States	United States	100

(II) JOINT VENTURES, JOINT VENTURE ARRANGEMENTS AND ASSOCIATES

Amev Lagan Roads Holdings Ltd *	Civil engineering	Northern Ireland	Northern Ireland	50
LSM JV Limited *	Surfacing contractors	Jamaica	Jamaica	48
Lagan RBR LLC. *	Overseas contracting	Puerto Rico	Puerto Rico	40
Island Paving/Lagan J V Ltd. *	Surfacing contractors	Cayman Islands	Cayman Islands	48
Lagan Holleran	Construction	n/a	Northern Ireland	n/a
Sisk Lagan	Construction	n/a	Republic of Ireland	n/a
Lagan Ferroviai	Construction	n/a	Northern Ireland	n/a
Lagan Habib Technical Associates	Overseas contracting	n/a	Pakistan	n/a
Lagan Clare	Construction	n/a	Republic of Ireland	n/a

*Held by subsidiary undertaking.

†Dormant in activity as at 31 March 2010.

26. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTIES

At the balance sheet date the company's immediate and ultimate parent company was Lagan Holdings Limited, a company incorporated in Northern Ireland. At the balance sheet date the ultimate controlling parties were the shareholders of Lagan Holdings Limited. Copies of the group financial statements of Lagan Holdings Limited are available from Companies House.

On 1st September 2010 Lagan Construction Limited was acquired by Lagan Construction Group Limited, a company incorporated in Northern Ireland. Lagan Construction Group Limited is controlled by M Lagan.



People delivering expertise

A sustainable business



At Lagan Construction we believe that contributing to the economic, environmental and social well-being of the communities where we live and work is not only our responsibility but our duty. Acting safely, responsibly and transparently is the very cornerstone of our culture and is embedded in the behaviour of our people.

As a responsible business we aim to continuously improve our environmental performance and work together with our people, customers, partners, other stakeholders and the public to create a better environment for all. Increasingly we employ green manufacturing and construction methods by reducing, recycling and re-using waste to optimise resources and minimise disruption.

We are committed to providing a safe place of work for everyone. Our proactive approach to safety ensures all our employees and partners understand their role in maintaining high safety standards as we continually look for ways to improve.

Our Sustainability Strategy commits us to working with schools, charities and neighbourhood groups to provide support and funding through a range of activities which enable our employees as well as our company to 'give something back' to communities.



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