LAING O'ROURKE

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

CONTENTS

OPERATING REVIEW

OPERATING REVIEW – GROUP

Following the successful completion of the Laing O'Rourke Corporation Limited consolidated Group ('Laing O'Rourke' or the 'Group') strategic review, we have a new five-year business strategy and operating plan which was approved by the board on 28 April 2016. The new approach will see the Group consolidate its position as a leading major projects and strategic frameworks delivery partner.

Sir John Parker GBE FREng was appointed Chairman of Laing O'Rourke on 1 November 2017. Appointing Sir John as Chairman allows Ray O'Rourke to concentrate on the dual role as Group CEO and Managing Director of our Europe Hub – with Cathal O'Rourke as Managing Director of the Australia Hub – as we strive to be the recognised leader for innovation and excellence in the construction industry.

With 50 years of experience in engineering and leadership roles, Sir John combines a wealth of knowledge and a true passion for technological advancement, including as Chairman at five FTSE100 companies. Additionally, as former President of the Royal Academy of Engineering and a visiting Fellow at Oxford University, he takes a keen interest in the development of engineering technology and talent, which is aligned with Laing O'Rourke's long-term commitment to its people.

A revised organisational structure has been put in place, which streamlines our operations and processes and delivers a reduction in overheads in accordance with our focus on improving the cost efficiency of core business activities. This enables us to maximise productivity and puts us on a course to achieve industry-leading margins, while providing our clients and stakeholders with increased certainty.

Based on the depth of our capability and the quality of our order book, we have a stable platform from which to take advantage of the pipeline of new opportunities within our core markets. We already see improved results arising from the actions and discipline introduced during the year.

We continue to maintain our future pipeline, with good quality opportunities across our core markets. We are careful to maintain diversity in our portfolio, which encompasses a wide spectrum of building and infrastructure sectors.

Laing O'Rourke previously made a key investment decision to target specific, complex projects where we could provide the market with competitive edge, a decision that has seen the Group secure major projects in the infrastructure and building environment.

With a continued commitment to investing in talent, digital technology and engineering excellence, the Group has provided our people with access to world-class development programmes and learning tools and the very latest in systems and technology that support 'certainty of delivery' for our clients.

Receiving significant industry recognition for our value proposition, Laing O'Rourke received a number of prestigious awards for innovation, safety, project delivery and sustainability.

Laing O'Rourke was named winner of the 2016 NSW Safework Awards, the NGR Maintenance Centre, which was designed and constructed by Laing O'Rourke, won the 'Smart Infrastructure Project' award at Infrastructure Partnership Australia's National Infrastructure Awards. At the 2016 Sustainability in Infrastructure Awards, Laing O'Rourke's Bayswater Level Crossing Removal Project received the IS Project or Asset Achievement Award, achieving the highest overall excellence and sustainability achievement in infrastructure across Australasia.

In 2017 Laing O'Rourke subsidiary SunSHIFT was confirmed as a winner of the 2017 Fire Awards at the prestigious Bloomberg New Energy Finance (BNEF) Future of Energy Summit.

The Francis Crick Institute was awarded the Silver Jubilee Cup, for best overall project, in the Royal Town Planning Institute's Awards for Planning Excellence. Our Custom House Station took the Infrastructure Project of the Year prize at the Offsite Awards 2017.

Laing O'Rourke was named Sustainable Contractor of the year and Property Business of the year by Construction News'.

OPERATING REVIEW - EUROPE HUB

Laing O'Rourke's Europe Hub encompasses core operations in the United Kingdom, United Arab Emirates and Canada.

The trading year in Europe was characterised by an improvement in the underlying performance (underlying performance is defined as operating profit before exceptional and joint venture results; as shown on the face of the consolidated income statement on page 23) of UK contracts as the new approach to work winning yielded results. The performance was negatively impacted by continuing problems in the overseas territories with further losses in our joint venture company in Canada. The hospital project being delivered through our joint venture achieved substantial completion of Phase 1 on 31 March 2017 and the first patient was admitted as planned on 8 October 2017. Phase 2 of the project commenced on completion of the patient transfers and the joint venture has successfully concluded arrangements for an experienced local contractor to deliver contractual obligations arising from Phase 2 of the contract. Our results and liquidity suffered from delays in delivering the asset and this has been reflected in the accounts. Management has continued to engage with all business stakeholders involved in this project both in Canada and the UK to ensure that we achieve a satisfactory conclusion for all parties. With the full agreement and support of our lender group the UK business has agreed an extension of our refinancing date to 30 April 2019.

The UAE companies have performed acceptably in difficult market conditions and have won significant new projects in the 2018 financial year.

Our rescaling exercise has significantly reduced overhead expenditure and we will continue further consolidation of our regional offices into our headquarters at Dartford, Manchester and Explore Industrial Park.

The European business is also at the forefront of innovation and continues to challenge traditional approaches to key sector drivers. Our approach has produced tangible results with successful project wins across building and infrastructure during the year producing a strong order book. Hinkley Point C, the first in a new generation of nuclear power stations was secured, along with the HS2 Enabling Works (Area North) paving the way for the creation of the UK's new high speed rail line.

Our Engineering Enterprise model is centred around the establishment of long-term partnerships and early engagement. By working together from the earliest opportunity as part of integrated project delivery teams, we are better equipped to deploy the benefits of our value proposition and our internal supply chain.

The 2018 financial year end plan is predicated on the continuing sale of non core assets. After the year end the Group had the following notable disposals; on 21 July 2017 the Group disposed of its investment property in Canal Harbour Development Company for €32.5m (£27.8m). On 8 September 2017 the Group sold the trade and assets of Bison Manufacturing Limited for £20m. On 1 February 2018 the Group sold its subsidiary Explore Investments No. 3 Limited with its Canadian subsidiaries for CAD$56m (£33.6m).

OPERATING REVIEW – AUSTRALIA HUB

Laing O'Rourke's Australia Hub embarked on an unprecedented breadth of projects this year.

The Hub is playing a key role in the delivery of some of the most important infrastructure projects across the transport, defence and road sectors in almost every state and territory including the delivery of a A$250 million upgrade of the Sydney Opera House – one of the world's most iconic buildings.

With more than 25 major projects in delivery and an increasing pipeline of exciting and complex work ahead, Laing O'Rourke has maintained its focus on establishing and maintaining long-term relationships with those clients who value our ability to innovate.

Laing O'Rourke has a long and proud history of supporting Indigenous communities and in 2017 the Australia Hub released its first dedicated Indigenous Procurement Policy to create opportunities and build sustainable relationships with Indigenous businesses and communities.

The Hub result was impacted by a particularly challenging project, EPC Cryogenic Tanks. This legacy contract commenced in 2012 and was terminated during the year. A contract loss of A$70 million was recognised for the year and was attributable to progress claims for unpaid work, variations, delay and disruption claims and post termination costs that have not been taken up in value despite the Group's view with respect to entitlement. An amount of A$185 million is recognised in non-current trade and other receivables whose recovery will be subject to dispute resolution or private arbitration. The Group intends to pursue a number of substantial claims in accordance with this contract. In spite of this, our year-end cash position in Australia finished strongly in excess of A$200 million and the Hub achieved a 32 per cent increase in managed revenue to A$1.7 billion. The Australian business remains in good shape with net assets of over A$400 million.

In April 2017 Laing O'Rourke Australia PTY Limited ('LORA') commenced court proceedings against Kawasaki Heavy Industries Limited ('KHI') to restrain a call on A$49m insurance bonds issued in relation to the EPC Cryogenic Tanks contract. A court judgement was delivered on 5 May 2017 in favour of LORA which had the effect of restraining KHI from making any such call. KHI subsequently filed an application to appeal the decision and the application for leave to appeal and the appeal were heard concurrently on 21 and 22 August 2017 and judgement was reserved. On 17 November 2017, in a unanimous decision, the Court of Appeal dismissed the KHI appeal and ordered that KHI pay LORA's costs of the appeal and the precursory application for leave to appeal. KHI had a further 28 days from 17 November 2017 to secure another leave to appeal to the highest Australian court, but this has not been exercised.

OUR BUSINESS MODEL

HOW WE CREATE VALUE

LAING O'ROURKE IS COMMITTED TO CONSISTENTLY DELIVERING SUPERIOR SERVICE IN THE MOST EFFICIENT AND EFFECTIVE WAYS POSSIBLE, FOR THE SHARED BENEFIT OF OUR CUSTOMERS, SHAREHOLDERS, EMPLOYEES AND THE COMMUNITIES IN WHICH WE WORK.

Our business model is founded on our reputation for smart and certain delivery, aligned to our Group Strategic Roadmap. Taken together this sets us apart in the industry as an innovative, growth-oriented business.

WHAT WE DELIVER

OUR CLIENT PLATFORM

As a client-centric organisation, we work across a broad spectrum of project types in the building, infrastructure and natural resources sectors, offering a true end-to-end service. We design and deliver complex engineering solutions for customers who value the certainty that we can provide. This allows us to build long-term partnerships, from the very earliest engagement, with customers and strategic partners who value our approach and share our commitment to intelligent engineering, delivered smartly, ensuring our world is built better.

OUR UNIQUE APPROACH

We are trusted by clients to meet their needs through early engagement and our ability to maximise the value of our 'Design-Manufacture-Construct' approach.

Design

Early involvement ensures the most efficient and value-creating engineering solution and buildability.

Manufacture

Maximising the use of our offsite manufacturing skills and capabilities, where it is appropriate to do so, de-risks the design and delivery.

Construct

We are able to exercise unparalleled control and efficient onsite assembly through the expertise of our highly skilled, directly employed workforce and the construction resources we own.

HOW WE DELIVER

THE VALUE OF CERTAINTY

Our unique approach is underpinned by four complementary capabilities, which combine to deliver unparalleled certainty for clients and end-users. By setting higher standards for our industry, we are redefining the future of construction.

Excellence in engineering

Engineering solutions are key to our success, and our ability to deliver for our clients is reliant upon us driving excellence throughout our engineering teams. The Engineering Excellence Group sits at the heart of this objective and provides a catalyst for our innovation and gives us a competitive advantage, but they are one element of a broader expertise. We are committed to investment in research and development and education, as these are fundamental to our sustainability and addressing the step change required in the construction industry. We will work together across the business to ensure that all of our engineering abilities are lifted up to the next level and deployed as a key differentiator on our projects.

Digital engineering

We build virtually in a digital-engineering-enabled environment first. This ensures greater predictability of cost, quality, safety and sustainability for clients, through the provision of smarter engineering-led solutions – focused on whole-life value and long-term performance.

Design for Manufacture and Assembly, and offsite manufacturing

Design for Manufacture and Assembly (DfMA) provides an efficient design process which is aligned to our offsite manufacturing and onsite assembly approach. Using standard product design for bespoke solutions where appropriate and where it adds value to our clients. Manufacturing off site allows us to better control quality and assure delivery, without compromising the original architectural intent. We can be faster, cleaner, safer and more reliable and sustainable than our competition.

We can achieve higher standards in a controlled factory environment, with a highly automated approach which supports optimum performance.

Direct delivery

With our in-house supply chain, we can move faster, integrate better, develop our own products more successfully, and control the methods of production, enabling logistics and site construction. This reduces the risks associated with a traditional fragmented delivery approach and our clients consistently appreciate the certainty that this creates.

FINANCIAL REVIEW

During the year ended 31 March 2017, the Group faced continued trading and financial challenges in Canada as we completed and delivered our joint venture project however the overall performance of UK contracts improved and the Group returned to an underlying operating profit.

The key achievements can be summarised as follows:

- The Group has returned to underlying profitability (profit before exceptional and joint venture results) after the exceptional losses incurred in 2016;
- UK refinancing successfully completed in April 2016 with £61 million of new bank facilities, together with committed bonding lines, asset finance facilities and a £23.6 million subordinated long-term loan from the principal shareholders;
- With the full agreement and support of our lender group the UK business has agreed an extension of our refinancing date to 30 April 2019;
- Progress since refinancing in the European business has been positive with considerable success in work-winning;
- The Group businesses have demonstrated their ability to deliver improved cash generation performance;
- On 15 December 2016, the Group secured new bonding and bank guarantee facilities for the Australian business. These facilities, which were provided by our prevailing lender group, increases our capacity and allows improved inter-group working capital flexibility;
- The Australian business has a refinancing date (for its bank guarantees and security bonds) of 30 June 2018 and this exercise is well advanced;
- At the year-end the Group had an order book of £8.9 billion with forecast revenue for the year ending 31 March 2019 of 77 per cent secured and anticipated.

FINANCIAL SUMMARY PERFORMANCE

	2016/17 (£m)	2015/16 (£m)
Total revenue	**3,172.5**	2,513.2
Group revenue	**2,934.6**	2,353.6
Gross profit*	**208.4**	125.8
Gross profit %*	**7.1%**	5.3%
Administrative expenses %*	**6.2%**	9.0%
Underlying group operating profit/(loss)	**35.0**	(82.0)
Loss from operations	**(63.4)**	(242.7)
Taxation	**6.3**	25.7
Loss after tax	**(60.6)**	(219.9)
Net funds	**65.5**	45.4

*Pre-exceptional items

2017 UNDERLYING PERFORMANCE

The Group delivered revenue of £2.9 billion for the year (2016: £2.4 billion). The increase from the previous year was across both hubs. The UK increase has been driven by the construction businesses where stronger partnerships, client engagement and improvements in our project selection process have resulted in an increase in the strength of the UK order book.

Whilst the joint venture project in Canada was the primary cause of the loss from operations, the Group produced an operating profit, before exceptional and joint ventures results, of £35.0 million (2016: underlying operating loss of £82.0 million). The Group pre-exceptional gross margin improved from 5.3 per cent in 2016 to 7.1 per cent directly as a result of stronger margins in the UK business as the business moves forward into far fewer legacy projects.

In Australia we expect margins to remain competitive, but remain confident in our business model capability to deliver strong margins from our key target sectors. Following a turbulent time in the commodities sector, the Australian landscape continues to evolve and we are seeing significant opportunities for Laing O'Rourke to gain further market share in both urban and regional work, across building and infrastructure.

Joint venture companies loss after tax is consistent with a loss of £86.8 million in 2016 compared to a £86.2 million loss in 2017, this continuing loss was due to a £83.2 million write-down of the construction joint venture in Canada, due primarily to the additional costs of the re-programming of the substantial completion date from 6 November 2016 to 31 March 2017. In addition there was an exceptional investment property fair value decline in Ireland.

EXCEPTIONAL ITEMS

During 2016, the Group performed a strategic review across the European business to establish a more focused business, creating a simplified management structure for the contracting businesses and for the manufacturing, logistics and plant businesses. Following this review the European business has streamlined operating and aligned organisation structures to drive greater productivity and cost benefits into the operating model. The Group incurred £11.6 million (2016: £23.1 million) costs in relation to refinancing, consulting advice and redundancies.

During the year, the Directors reviewed the carrying value of the Group's investment properties in accordance with current accounting standards. As a result, the Group recognised an exceptional impairment in a joint venture company that led to an exceptional equity accounting loss of £7.2 million. Following this loss the Group reviewed the loan to this joint venture and recognised an exceptional impairment of this loan of £3.2 million.

Also during the year, the Group recognised an exceptional profit of £7.9 million on the sale of a plant and tool business stream to a joint venture company.

COST MANAGEMENT

As part of the medium-term plan, the Group continued to invest in sector expertise and staff training, alongside further longer-term expenditure in the Engineering Excellence Group and digital engineering functions.

As a direct result of market conditions in the commodities sector, the Group also exited our operations in western Canada.

The Group restructured its core UK operations in the final quarter of FY16. The UK business reduced its overhead burden and redeployed staff to support the growth in our core order book.

The Group will continue to invest in engineering and manufacturing expertise, as it believes this is a central catalyst for the successful implementation of its strategy. However, the level of investment will be tempered through continuing strong corporate governance and adherence to business and financial plans.

FUNDING

The Group's net funds position (cash less debt but excluding bank arrangement fees) improved from £45.4 million at 31 March 2016 to £65.5 million at 31 March 2017. This improvement was driven by increasing cash from operating activities.

The Group operates significant liquidity-management processes with proactive engagement of its financial stakeholders across both hubs. These efforts supported the delivery of the refinancing of the UK business on 14 April 2016, securing £61 million in new bank facilities on similar terms to the prevailing facilities. These bank facilities have a common set of covenants which are formally tested on a monthly basis. The Group also received a £23.6 million subordinated loan from its principal shareholders on 14 April 2016; interest has been accrued in the year of £2.6 million.

The Group has complied with – or secured waivers in advance of potential breaches of – its bank covenants during the year and up to the date of signing.

With the full agreement and support of our lender group the UK business has agreed an extension of our lender obligation from 31 October 2018 to 30 April 2019.

The Group has arranged a £13.7 million bank facility secured over a UK property on 23 February 2018. The facility incurs an interest charge of 3% over LIBOR and is repayable in 24 months.

The Group has also arranged a £15 million unsecured standby loan facility from its principal shareholder. Interest of 3% over LIBOR is payable on all amounts drawn and the principal will be repaid on 30 April 2019.

The Group has initiated refinancing discussions to meet its current obligations, based on current discussions the Board expect to complete the refinancing exercise by June 2018. The business plan supporting this exercise is well advanced and will form a key part of the process.

The Group has successfully continued its programme of selling non-core and underperforming assets with this being a key initiative in supporting our funding objectives.

UK CORE BORROWINGS:

	Committed facility at 15 February 2018 £m	Facility undrawn at 15 February 2018 £m
RCF	**122.4**	-
Term loan	**41.0**	-
Principal shareholders loan	**28.8**	-
	192.2	-

The Group remains committed to the highest standards of financial and liquidity management, and will continue to exercise robust controls over our cash resources – particularly during 2018, where the pressure is most acute.

Liquidity management is and will remain a key part of management focus as we continue to deliver our business plan.

This management approach is supported by regular engagement with all our business stakeholders as we continue to deliver our plans for 2018 and beyond.

Thereafter, as we build out our high-quality order book, the Group will return to generating free cash flow.

ORDER BOOK

The Group order book is £8.9 billion (2016: £9.7 billion). This is considered a strong performance given global market conditions. Whilst we maintained a cautious approach during the year to minimise lower-margin work, as part of our bid-to-win approach, as the UK market improved, we invested to secure the improved opportunities available.

We continue to target opportunities in line with our strategy of major projects and strategic framework in our core markets, which align with our operating model.

In the UAE, we continue to target opportunities in Dubai and Abu Dhabi, where we have a permanent presence and strong track record. We are starting to see an improvement in the construction market in the region and expect to develop the business further in the lead up to Expo 2020.

There has been an increase in our Australian order book, at the balance sheet date, from £1.1 billion to £1.3 billion, as the planned targeting of significant opportunities in the urban infrastructure markets is delivering results.

TAXATION

Due to the losses, particularly in the UK, the Group generated a corporation tax credit of £6.3 million in the year (2016: £25.7 million credit). This was largely due to deferred tax credit on UK losses and exceptional costs.

The Group takes its social and economic responsibilities seriously and pays the appropriate amount of tax in all countries where we operate.

PENSIONS

The Group operates a number of pension schemes with leading industry providers in Europe and Australia. These are defined contribution schemes and, as such, there are no outstanding pension liabilities.

INSURANCE

Insurance broking globally is consolidated with Marsh, given its technical expertise in underwriting engineering-based projects, combined with international market coverage.

The Group continued to experience low levels of claims during the year, although we carefully monitor the balance between insurance risk retained by the Group through its insurance captive, and that which we purchase in the external market.

Our insurance profile closely tracks and correlates with our safety performance – and our rolling Accident Frequency Rate (AFR) of 0.13 in 2016/17. We remain comfortable with the level of insurance risk we are carrying internally.

GOODWILL AND INTANGIBLE ASSETS

The Group carries £334.6 million of goodwill in the consolidated balance sheet. Goodwill is not amortised under International Financial Reporting Standards, but is tested annually for impairment. In accordance with IAS 36, the recoverable amount has been tested by reference to four-year forecasts, discounted at the Group's estimated weighted average cost of capital.

As at 31 March 2017, based on the internal value-in-use calculations, the Board concluded that the recoverable value of the cash-generating units exceeded the carrying amount. Details of this test can be found in note 13 to the financial statements.

FINANCE AND TREASURY POLICY

The Group's centralised treasury function has prudently managed the Group's liquidity, funding and financial risks arising from movements in areas such as interest rates and foreign currency exchange rates. The Group has not entered into foreign currency hedges. The Group continues to review its credit-support requirement and broaden its base of key financial stakeholders, including key banking relationships and surety bonding providers who support our long-term strategic growth agenda.

RISK AND ACCOUNTING POLICIES

The Group's risk management framework and processes are largely unchanged from 31 March 2016. Although, following the issues identified in Autumn 2015, even greater attention is being placed upon the risk-management framework and the work of internal audit, particularly in seeking to identify issues through the work-winning phase and early in the operational phase of delivery.

The Board continuously assesses and monitors risks affecting the Group. Further details of how the Group has managed key financial and operational risks, such as credit and liquidity risks are set out on pages 8 to 13 under 'risk management'.

As an EU-domiciled company, Laing O'Rourke reports its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the Cyprus Companies Law, Cap 113. The Group's significant accounting policies and measures are explained in the Notes to the Financial Statements on pages 28 to 60.

OUTLOOK

The Group has faced up to the challenges encountered in the 2016 financial year - not only by restructuring and refinancing its UK business, but also by implementing new processes and controls on project selection, operational delivery, and risk and assurance.

The 2018 financial year end plan is predicated on the continuing sale of non core assets. After the year end the Group had the following notable disposals; on 21July 2017 the Group disposed of its investment property in Canal Harbour Development Company for €32.5m (£27.8m). On 8 September 2017 the Group sold the trade and assets of Bison Manufacturing Limited for £20m. On 1 February 2018 the Group sold its subsidiary Explore Investments (No. 3) Limited with its Canadian subsidiaries for CAD$56m (£33.6m).

The Group has initiated refinancing discussions to meets it current obligations in the UK and Australia.

Although this was another challenging year for the Group, it has continued to focus on its core engineering business, building internal capability through our engineering and specialist businesses, whilst continuing to invest in our value proposition to clients. The next year is not without challenges including the finalisation of the position with regards to the EPC Cryogenic Tanks project but the Board is confident in returning to operating and pre-tax profits and maintaining free cash-flow generation.

The quality of our UK pipeline improved during the year, and we expect the full benefits of this to be realised in 2018, and beyond. Despite the level of uncertainty arising from the 2016 UK referendum, the outlook in the UK construction market remains strong in our target markets. However, the Group will monitor any impact arising as a result of the UK's decision to exit the European Union, and seek to mitigate any consequences that are within the Group's control.

Establishing and consolidating deeper and longer-term relationships with major clients and supply-chain partners across high-value sectors and markets provides greater confidence in the validity of our strategic direction.

As a result, the Board has considered the Group's financial requirements, based on current commitments and its secured order book, as well as the latest projections of future opportunities, against its banking, surety bonding arrangements and its current refinancing plans, and has concluded that the Group is well placed to manage its business risks and meet its financial targets successfully.

It is the Group's intention in 2018 to redomicile the tax jurisdiction of Laing O'Rourke Corporation from Cyprus to Jersey.

A S MCINTYRE
GROUP FINANCE DIRECTOR

2 MARCH 2018

RISK MANAGEMENT

PROACTIVELY AND EFFECTIVELY MANAGING RISK

THE EFFECTIVE MANAGEMENT OF RISKS AND OPPORTUNITIES IS FUNDAMENTAL TO THE DELIVERY OF THE GROUP'S OBJECTIVES, ACHIEVEMENT OF SUSTAINABLE GROWTH, PROTECTION AND ENHANCEMENT OF ITS REPUTATION, AND UPHOLDING THE REQUIRED STANDARDS OF CORPORATE GOVERNANCE.

GROUP RISK MANAGEMENT

HOW LAING O'ROURKE MANAGES RISK

The Group's structured approach to risk management is based on the principle of prevention through early identification. Detailed analysis and decisive action planning are carried out to remove or mitigate the potential for and impact of key risks before they actually occur. As risks and uncertainties do materialise, this structured approach also ensures actual issues are effectively dealt with.

The Board and senior management are committed to the proactive protection and optimisation of the Group's assets, which include human, financial and strategic resources, through the consistent application of an effective risk management process, augmented where necessary by insurance. The Group is equally committed to the effective management of material operational risks, covering important non-financial and reputational risks arising in connection with health and safety, environmental impact and business conduct.

The Board and Group Executive Committee have overall responsibility for ensuring that risk is effectively managed across the Group to guarantee full compliance with the legislative and regulatory requirements in the jurisdictions where it operates. The Board delegates certain risk management activities to designated subcommittees. Risk is a regular agenda item at these senior management forums and an integral component of the Group's periodic strategy review process.

This ensures the Board has a full appreciation of the principal risks affecting business operations as well as a comprehensive oversight of how they are being managed in line with our Group risk appetite and Risk Management Policy.

The Board considers Laing O'Rourke's internal control system to be effective and appropriate.

The Audit Committee reviews the effectiveness of the Group's risk management systems and reports regularly to the Board directors on the key sources of risk, the monitoring of their status and the corresponding mitigation plans. Risk reporting at the operational business unit level is structured so that key risks can be escalated rapidly through the management team, and ultimately to the Board where necessary.

The individual businesses are able to tailor and adapt standard risk management processes to suit the specific circumstances of their respective operating environments. In doing so, they must always adhere to the underlying principles of the Group's Risk Management Policy, which is to continuously identify, analyse, plan and provide for, report and monitor the principal risks through established control procedures. Our 'risk aware' culture supports this, with staff involvement at all levels to promote an environment of learning from experience, in order to adapt and continually improve our controls and communication on risks.

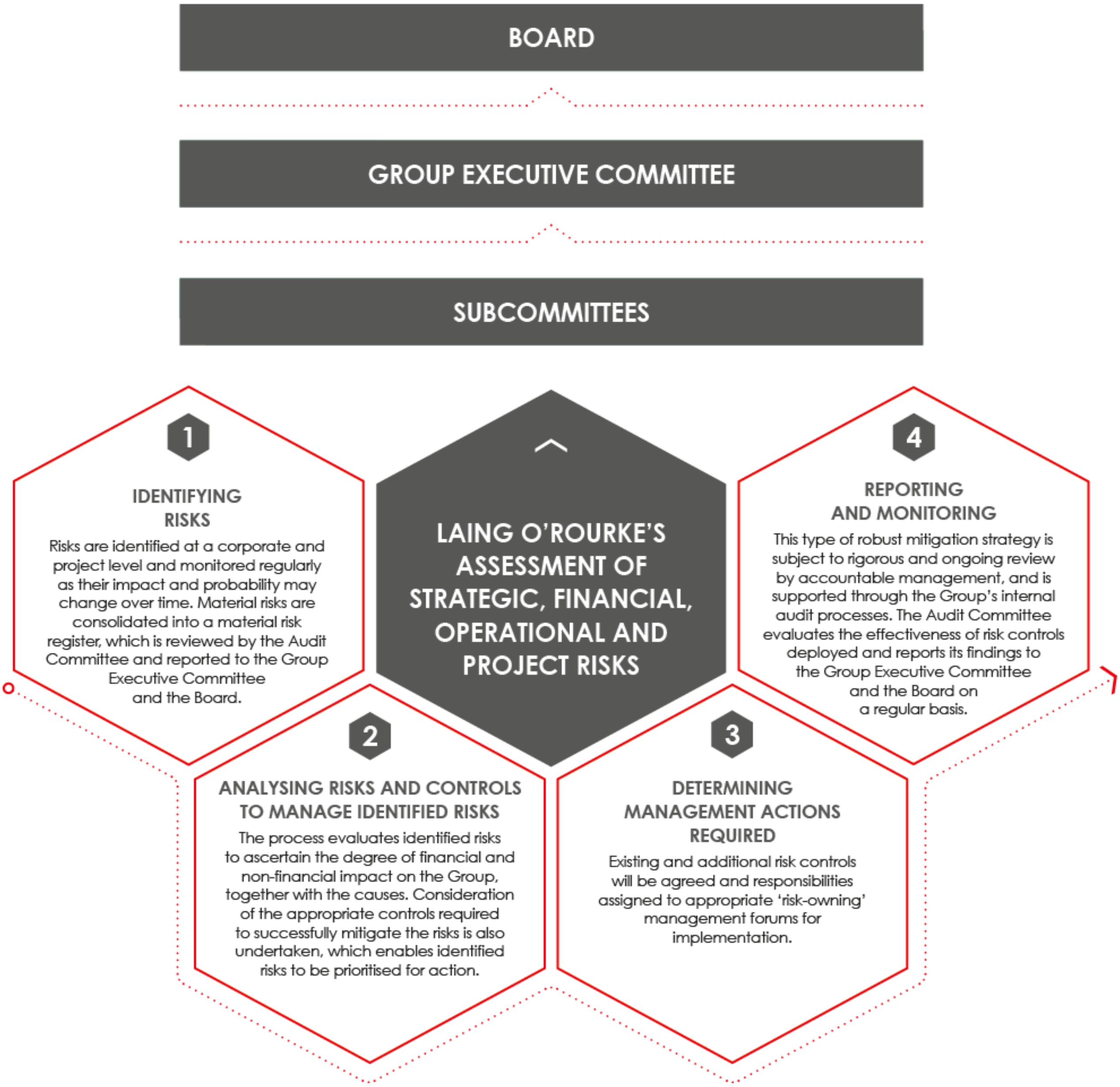
Project risks are monitored and reported by our project leadership teams, which are reviewed by business unit operational management at monthly contract reviews. This process covers the financial and schedule performance of projects and is overseen by the commercial function. The Business Plan Review process supplements the contract reviews by providing focused weekly productivity data for analysis and review at all management levels.

Reporting structures and mechanisms ensure that project risks are continually monitored and significant exposures can be escalated from project level to business unit level and ultimately to the Group Executive Committee and the Board. All project-owning business units must have assurance mechanisms to assess the likelihood and potential impact of risks and to ensure actions can be taken to mitigate and eliminate risks, while strengthening our internal controls and systems to manage the recurrence of such risks at any point in the future.

Furthermore, Laing O'Rourke is striving to assess risks and viable opportunities collectively, that will enable more efficient prioritising of time and effort throughout the business.

INTERNAL CONTROLS

This system of internal risk control is designed to manage rather than eliminate the risk of detrimental business impact to achieve business objectives, and therefore can only ever provide reasonable assurance against the possibilities of material financial loss or organisational disruption.



OPERATIONAL GOVERNANCE

GLOBAL CODE OF CONDUCT

Laing O'Rourke believes laws and regulations act as our minimum integrity standards, and we constantly seek to go beyond this level. The Global Code of Conduct articulates our approved set of ethical principles covering key business issues that we expect every employee and contracted supply chain partner to uphold in every activity, every day, wherever we operate.

By setting the expected minimum standards of business conduct in different areas of our work, the Code is integral to the way we do business at Laing O'Rourke and is underpinned by our Group vision and values. Compliance with the Code provides heightened assurance of our business affairs, which in turn supports the long-term sustainability of the Group by encouraging more ethical and effective relationships and stimulating deeper economic, social and environmental contributions where we work. The Code applies globally and its development and application are the responsibility of the Group Executive Committee.

GROUP POLICIES

Our Group policies underpin the Global Code of Conduct and are based on government laws and regulations that impact upon every Laing O'Rourke business and every employee. The policies establish and define the internal rules that everyone must comply with to conduct business effectively. We are subject to a growing number of regulations in the jurisdictions where we operate. This environment demands that every employee be aware of, knowledgeable about and committed to excellence in the application of clear, global and mandatory Laing O'Rourke policies.

PROJECT QUALITY MANAGEMENT SYSTEM

The LOR Way is a Group-wide project quality management system. It comprises the Core and Enabling Processes and functional toolkits, a set of standards and procedures that guide and direct The LOR Way for finding, winning and delivering projects. This proven quality assurance framework enables us to connect and direct all of the different decisions and activities necessary, through a series of mandated process gateways, to achieve maximum performance and control across the entire lifecycle of a project. The quality management system is subject to continuous improvement to reflect the evolving organisation and will be subject to a major update during 2017/2018.

CORE PROCESS

Core Process enables accountable business leaders to fully understand the critical sign-off procedures in bidding for and securing a project, and the formal governance approach which must be observed to secure optimum performance. It is also a vital tool for establishing accurate and reliable assessments of risk and opportunity in commercial and design activities and is aligned with our health, safety and environment systems. Core Process is mandatory across all of our projects and compliance and effectiveness is monitored by our Risk and Assurance function.

A key element of Core Process is our centrally managed and governed client relationship management system – Salesforce – which captures information in relation to the opportunities the Group is pursuing, and also acts as a repository for supporting documentation. Information captured in Salesforce is used across the business to aid collaboration and provide reporting at all governance levels. Opportunity pipeline information to this level of quality and detail helps ensure all bidding-related decisions are fact-based and fully informed, heightening the Group's chance of success in the tendering phases.

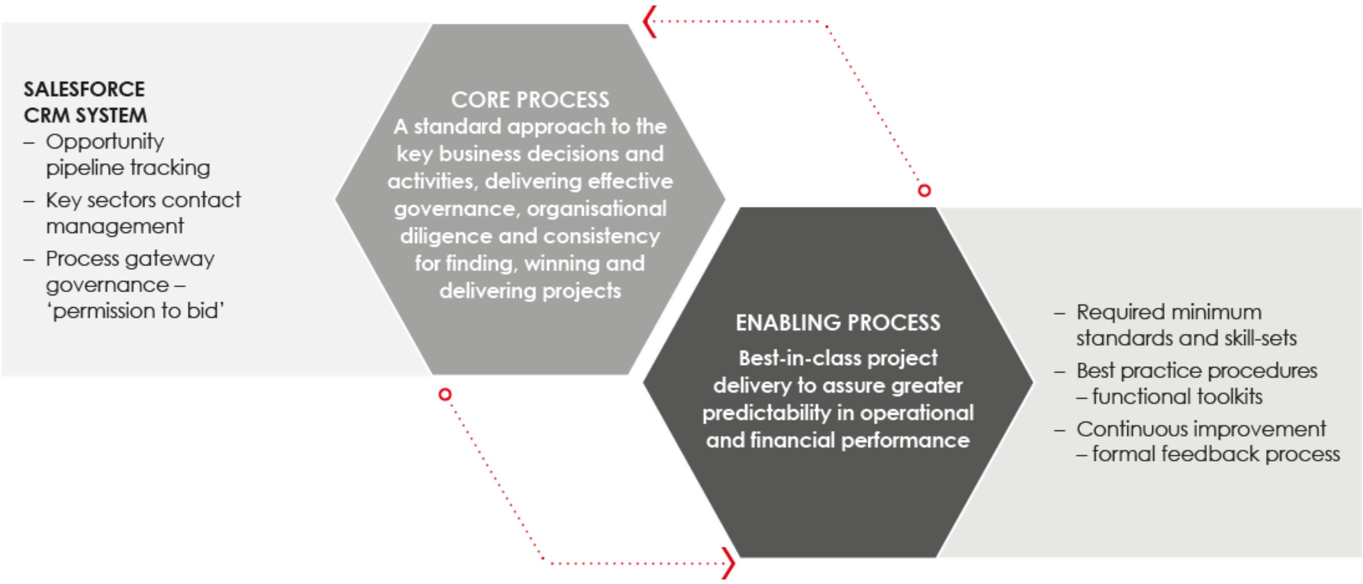
ENABLING PROCESS

Enabling Process helps accountable project leaders to fully understand the minimum requirements, in terms of operational procedures, for assuring success in project design and delivery. It also supports project leaders to ensure that their teams have the necessary skills to meet these minimum requirements, allowing them to allocate clear responsibilities to team members. Adherence to Enabling Process is also mandatory, and it is only permissible to omit elements in clearly defined circumstances, and by specific dispensation from an accountable director.

Key elements of Enabling Process are the functional toolkits, which enable accountable functional leaders and their teams to deploy current best practice consistently, executing project-specific plans in an integrated and disciplined manner. A frequent and formal feedback process is implemented to capture key information to enable us to continually assimilate the best and most current ways of working.

BUSINESS UNIT/FUNCTION GUIDELINES AND PROCEDURES

Business unit and function-specific guidelines ensure that the different operating hubs and their constituent parts can effectively adapt their business practices and processes to suit the markets and sectors in which they operate. They are designed to align with, and complement, Group policies and stem directly from The LOR Way. In addition, they remain true to both the spirit and the letter of the Global Code of Conduct, and comply with applicable laws and regulations.



SUMMARY OF PRINCIPAL RISKS

THE GROUP'S PRINCIPAL RISKS ARE IDENTIFIED BELOW, TOGETHER WITH A DESCRIPTION OF HOW WE MITIGATE THEM

This list is not intended to be exhaustive, and some risks and uncertainties have not been included on the basis that they are not considered to be material, to affect or be likely to affect businesses in general, or are not presently known by the Board and Audit Committee. However, we have established controls and systems in place to identify and manage these risks.

HEALTH, SAFETY AND SUSTAINABILITY

Risk/Impact:	Mitigation:
The nature of our activities present considerable threats that could cause significant harm to employees, suppliers, clients, members of the public or the environment, which could lead to injuries, health implications, financial loss/penalties or serious damage to the Group's reputation.	Health and safety is the key focus for Laing O'Rourke and mitigation occurs throughout every level of the Group's governance framework. Our Next Gear global safety campaign is an integrated programme designed to eradicate serious accidents from our business and minimise harm by driving continuous improvement through our culture and leadership. Every workplace is subject to regular reviews of health, safety and environmental risk with action taken to monitor those risks and identify both excellence and the opportunity for change to be implemented where necessary. Ultimate responsibility for the management of health, safety and environmental issues rests with the Board and Group Executive Committee, which routinely monitor performance. Primary authority for the day-to-day execution of related objectives is delegated to hub and business unit level management committees. Employees are empowered to act on health, safety and environmental issues but our documented Safety Management System (SMS) clearly details mandatory procedural, behavioural and training requirements, is implemented on every workplace and is continually reviewed and updated.

WORK-WINNING

Risk/Impact:	Mitigation:
Market limitations on delivery of new business could put pressure on the business to secure projects with inadequate price/risk profiles or with difficult client/contractual arrangements, which could impact the Group's future profitability and its reputation with clients, suppliers and employees resulting in lost opportunities.	The Group's approach to project selection is guided by a detailed set of protocols known as Core Process. This has defined authority levels for approving all tenders depending on the size and complexity of the project under consideration that is supported through our gateway process. Our end-to-end delivery capability and early engagement initiatives result in greater certainty of the build sequence, cost and risk profile pre-contract. Tender review meetings are held to check progress, understand the win strategy and test the contract risk profile in turn providing considerations/recommendations where necessary.

Key:

Increase in risk during 2016/17

No change in risk during 2016/17

Decrease in risk during 2016/17

PROJECT DELIVERY

Risk/Impact:	Mitigation:
The Group continues to deliver innovative, yet complex, construction and engineering projects across a range of geographies. Any inability to deliver on time, to budget and to the right quality could result in financial loss or reputational damage.	Once a project has gone through our rigorous work-winning and project selection as described above, Laing O'Rourke's approach is guided by a detailed set of protocols – Core Process – and an associated project management approach – Enabling Process. This ensures a standardised approach to tendering and delivery based on robust project controls and a continuous improvement cycle. Laing O'Rourke's early engagement initiatives, innovative DfMA methodology and our integrated end-to-end capabilities result in greater surety of delivery. Building Information Modelling (BIM) and digital engineering technologies are used to achieve time and cost certainty through a full visualisation of the build sequence.

SUPPLY CHAIN AND JOINT VENTURE PARTNERS

Risk/Impact:	Mitigation:
Non-delivery by our supply chain or joint venture partners – through poor performance, financial failure, or reduced capacity/capability – could impact the Group's ability to deliver projects on time, on budget and to the right quality, and result in financial loss or reputational damage.	Our in-house delivery capability allows the Group to actively work independently wherever possible reducing our reliance on third parties. Joint ventures are only established when the Group's interests are complementary to those of its partners. Laing O'Rourke undertakes a thorough evaluation process to determine the financial, operational and reputational integrity of potential partners before committing to any formal arrangement. Once established, implementation of robust governance procedures ensures compliance with all contractual terms and practices within the joint venture. Whenever specialist subcontractors are used to meet specific delivery needs, the risk is mitigated through a robust selection process, including reviews to assess financial and operational viability, as well as contractor capacity and capability. Our list of preferred suppliers is regularly reviewed to ensure compliance with Group standards, applicable laws and industry regulations. Furthermore, price inflation trends and supply chain feedback are used to better inform the business of the latest market movements.

PEOPLE

Risk/Impact:	Mitigation:
Inability to recruit, develop and retain appropriately skilled people could impact the Group's ability to meet current commitments and deliver projects.	Human capital is a primary component of Laing O'Rourke's strategy and is overseen by the Group Executive Committee. The Group aims to be a progressive employer of choice and offers attractive reward packages, training and development, and a broad range of career opportunities. Succession planning is undertaken for all key roles. Innovative partnerships with universities also help position Laing O'Rourke in attracting leading graduates.

FINANCIAL

Risk/Impact:	Mitigation:
Inability to secure funding – in the form of refinancing facilities – could impact the Group's ability to bid work, make investments or meet its ongoing liquidity needs, which could adversely impact profitability, cash flow and future growth.	Our experienced in-house treasury management and finance teams takes a prudent approach to liquidity and constantly monitor and maintain sufficient cash reserves and available bank facilities to meet liabilities and financing needs as they fall due. Procedures are in place to monitor and forecast cash usage and other highly liquid current assets. This, together with committed credit facilities, ensures that we have adequate availability of cash when required. The Group has ensured that our lender group are fully informed of all developments in relation to liquidity management on a regular basis and has received full support from the financial stakeholders throughout the year.

POLITICAL, ECONOMIC AND REGULATORY

Risk/Impact:	Mitigation:
The Group operates in a cyclical industry and changes in the economic environment, government policy and regulatory developments can have a significant impact on the number of new projects, thus affecting the Group's profitability.	The Group seeks to maintain a diverse portfolio of projects for both private and public clients and a broad exposure to a number of resilient sectors and geographic markets. Laing O'Rourke also maintains a focus on sustainable relationships with key clients, government departments and related regulatory authorities. This includes members of the senior leadership team actively participating in a number of political, economic and regulatory forums to share knowledge and, where appropriate, support the development of policy and legislation.

BREXIT

Risk/Impact:	Mitigation:
The UK government is now negotiating all aspects of the UK exit from the European Union. There will be a resulting period of uncertainty for the UK economy with increased volatility expected in financial markets.	The Group will monitor any impact arising as a result of the UK's decision to exit the European Union and will manage any issues that are directly under its control. Currently there has been no change to the Group's work winning philosophy, or any impact on current live projects.

CONDUCT, COMPLIANCE AND REPUTATION

Risk/Impact:	Mitigation:
Damage to the Group's reputation through poor conduct or acts of fraud, bribery, corruption or anticompetitive behaviour can all adversely impact corporate reputation and result in financial loss.	The Group has very clear principles governing the way in which it conducts its business and expects all employees and partners to act in accordance with its published Global Code of Conduct and established policies. Continuous awareness programmes ensure high levels of understanding of the Group's expectations and each individual's obligations. The Group also provides a confidential independent 'whistle-blowing' service to encourage the reporting of inappropriate behaviour. We use a range of strategic advisers to protect and enhance our brand and reputation in the eyes of key business influencers and opinion formers.

DATA GOVERNANCE AND CYBER SECURITY

Risk/Impact:	Mitigation:
Due to cybercrime, a failure of security/management systems or employees not following our data security processes, company information and assets could be lost, stolen or compromised resulting in operational disruption, ransom payments, loss of confidence by our stakeholders and, potentially, fines or prosecution.	With the forthcoming GDPR regulations and the increased frequency and severity of global cyber security threats, we have invested in a global security operations centre in Dubai and the relevant systems and tools to increase our ability to identify, mitigate and react to Cyber Security events. This increased visibility to our potential threats vectors is enabling us to intervene at an earlier stage in any such event. In parallel we have established a number of educational and awareness sessions including roadshows, mandatory e-learning and regular e-mail communication to our people to assist in raising the awareness around these threats. A Cyber Plan for 2017/2018 has been implemented including intelligence sharing with the wider construction industry. In parallel we are instigating a set of activities to allow Laing O'Rourke to reach compliance with the Cyber Essentials framework.

KEY PERFORMANCE INDICATORS

MEASURING OUR PERFORMANCE

THE BOARD AND GROUP EXECUTIVE COMMITTEE USE A BALANCED RANGE OF FINANCIAL AND OPERATIONAL INDICATORS ACROSS OUR BUSINESS UNITS TO MEASURE THE GROUP'S PERFORMANCE AGAINST KEY GROUP STRATEGIC ROADMAP (GSR) TARGETS, HELPING TO GUIDE OUR THINKING AND DECISION-MAKING AT EVERY STAGE OF DEVELOPMENT.

FINANCIAL PERFORMANCE

The Group sets stretching but achievable financial performance targets as part of its annual strategic planning process to improve performance from both a cost and sales perspective to drive appropriate financial returns, with complementary capital structures. These are derived from the Group's consolidated financial statements.

MANAGED REVENUE

£3.8bn

(2016: £3.2bn)

Definition: Managed revenue represents the amount of sales generated from the provision of engineering and construction related services, including the Group's share of joint ventures, associates and inter-segment sales.

Performance: Managed revenue increased by 20 per cent to £3.8 billion (2016: £3.2 billion) during the year. This was a result of increased revenue across all hubs. The UK increase has been driven by the construction businesses where the strength of the UK order book has allowed us to create stronger partnerships and client engagement and improve our project selection process.

This also reflects an increased focus on quality of earnings over volume of sales across our work-winning activities globally.

UNDERLYING PROFIT BEFORE JOINT VENTURES & EXCEPTIONALS

Profit of £35.0m

2016: Loss of £82.0m

Definition: Profit/ (loss) on ordinary activities before joint ventures and exceptional items.

Performance: Profit before joint ventures and exceptional items increased by £117.0 million year on year despite continuing market challenges facing our industry globally. This is driven by strong performance in the European business and a reduction in overheads as we drove productivity improvements in parallel.

OPERATIONAL PERFORMANCE

THE GROUP SETS AND TRACKS OPERATIONAL PERFORMANCE TO FORM PART OF A CONTINUOUS MONITORING AND IMPROVEMENT CYCLE THAT HELPS GUIDE THE IMMEDIATE NEXT STEPS IN OUR STRATEGY.

WORK WINNING AND DELIVERY

We continuously track the marketing, adoption and application of the core elements of our value proposition across our targeted clients, sectors and markets. We also use qualitative client satisfaction survey results as key indicators of our engineering and delivery performance on projects.

ORDER BOOK

£8.9bn

(2016: £9.7bn)

Definition: Order book represents the value of work outstanding on secured, anticipated and preferred bidder contracts. It is a key measure of our success in winning new work and also provides visibility of future earnings.

Performance: The Group order book is £8.9 billion (2016: £9.7 billion); this is a fall on last year however this is considered a strong performance.

Management believes that the quality of the overall order book and underlying order book margins has increased year on year as a result of legacy jobs unwinding and an industry wide approach to selective bidding including pre construction arrangements prior to main works.

We continue to build our future workload, with a medium-term pipeline of good quality opportunities in all of our core markets. At the same time, we will remain cautious in our approach, maintaining selectivity to avoid bidding for lower-margin work at a time when price competition in the market remains a risk.

SUPPORT FUNCTIONS

We are refining our business systems and processes to optimise our assets, capabilities and risk appetite. By working according to our governance framework and complying with the high standards set out in our Global Code of Conduct, the Group will sustain long-term business success.

ACCIDENT FREQUENCY RATE

0.13

(2016: 0.13)

Definition: Our health and safety performance determines our strength as a business. It is not an isolated measure but one that defines our success in all other areas of our operations. For this reason, it is central to business improvement – a precondition of our continued growth and licence to operate. Accident Frequency Rate (AFR) is an industry standard measurement equivalent to one reportable lost-time incident resulting in more than seven working days' absence per 100,000 hours worked.

Performance: AFR remained at 0.13 (2016: 0.13). This performance validates the investment in leadership time and resources given to all aspects of safety management.

VALUE PROPOSITION

The Group's desire is to fully understand the needs of its clients and deliver on its promises throughout the life of the engineering and construction services provided. Engineering excellence is fundamental to our strategy – through extensive deployment of our unique value proposition embracing excellence in engineering, digital engineering, Design for Manufacture and Assembly (DfMA) and offsite manufacturing, and direct delivery, across all our key sectors.

CUSTOMER SATISFACTION

3.92/5

(2016: 7.33/10)

Definition: Customer satisfaction data is collected from clients across all key live projects relating to their perception of the Group's operational performance on their projects as part of the Quality Management System.

In the 2016/17 financial year, Laing O'Rourke re-launched its process of gathering and reporting client feedback at project level in light of commentary from clients and projects. The process has been brought under the leadership of the engagement team, and formally embedded into monthly reporting processes at a European and Group level. Interviews are still conducted at pre-delivery, delivery, practical-completion and post-defects stages – with quantitative feedback sought on nine key business areas: health and safety; sustainability; commercial; people; quality; delivery; design management; supply chain management and innovation. The team of interviewers delivering this process has been refined and reallocated to avoid any operational accountability and interviewees are now asked to rank our performance against each key business area on a subjective Likert scale of 1-5, to enable improved scoring consistency when compared with the previous objective 1-10 scale.

Performance: As the initiative has now been running since March 2015, and is increasingly embedded in our business delivery and reporting processes, we now have a solid bank of data to guide our continuous improvement agenda, allowing us to direct resources where they are most needed – and giving us a clear picture of individual client-engagement levels.

The average of our performance across the areas we measure over the year in which the financial year ends is 3.92 out of 5; representing a score in excess of our target average of 3.75. This also represents an increase from the previous year's average of 3.65. This 3.92 score represents consolidated feedback derived from a total of 47 interviews across 40 projects (excluding the 6 pre-delivery surveys which are not scored). These 47 break down as 13 Infrastructure; 24 Building; 3 Crown House Technologies and 7 Expanded.

In the areas of health and safety, sustainability, innovation, quality, delivery and people we have scored in excess of our target average of 3.75 out of 5, while commercial (management and value for money), supply chain management and design management remain areas requiring improvement.

Our goal remains year-on-year improvement. Since the previous reporting period we are pleased to record performance improvements in the areas of collaboration, communication, quality and sustainability and will continue to focus on the key areas of commercial, supply chain management and design management in the coming 12 months. Note: all figures relate to UK projects. For the 2017/18 reporting period, the process is to be introduced across our Australian business.

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS	Sir J Parker (Chairman) (appointed 1 November 2017) R G O'Rourke KBE (CEO) S Anastasiades (resigned 13 September 2017) C Klerides V Papadopoulos A S McIntyre (Finance Director) H D O'Rourke (appointed 13 September 2017)
COMPANY SECRETARY	CMK Management Limited 23 Kennedy Avenue Globe House, 4th Floor 1075 Nicosia Cyprus
COMPANY NUMBER	190393
REGISTERED OFFICE	23 Kennedy Avenue Globe House, 4th Floor 1075 Nicosia Cyprus
UK CONTACT ADDRESS	Laing O'Rourke plc Bridge Place Anchor Boulevard Admirals Park Crossways Dartford Kent DA2 6SN United Kingdom
INDEPENDENT AUDITORS	PricewaterhouseCoopers Limited PwC Central 43 Demostheni Severi Avenue CY-1080 Nicosia PO Box 21612 CY-1591 Nicosia Cyprus
BANKERS	Lloyds Bank Corporate Markets Bank of Scotland plc 10 Gresham Street London EC2V 7HN United Kingdom
	BNP Paribas 10 Harewood Avenue London NW1 6AA United Kingdom
	HSBC 8 Canada Square London E14 5HQ United Kingdom
	Commonwealth Bank Darling Park Tower 1 201 Sussex Street Sydney NSW 2000 Australia
INSURANCE ADVISERS	Marsh Limited Tower Place London EC3R 5BU United Kingdom
INSURERS	QBE European Operations Plantation Place 30 Fenchurch Street London EC3M 3BD United Kingdom

MANAGEMENT REPORT

The Board of Directors present their annual management report together with the audited financial statements of the Laing O'Rourke Corporation Limited consolidated group (the 'Group') for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The Group's principal activities are:

CONSTRUCTION

- Programme management
- Construction and building
- Civil engineering
- Mechanical and electrical engineering
- Core enabling and logistics management services
- Infrastructure and support services
- Construction and maintenance of utilities
- Architectural and environmental services
- Plant hire and operations
- Building products
- Design services
- Building operations management
- Manufacturing construction products

CAPITAL

- Property development
- Housebuilding

A list of principal subsidiaries, joint arrangements and associates can be found on pages 59 and 60 in note 36 to the financial statements.

A review of the Group's activities and performance for the year is presented on pages 2 to 7.

CHANGES IN GROUP STRUCTURE

During the year there were no significant changes in the Group structure. The Group does not intend to proceed with any acquisitions or disposals except as described on page 58 in note 34 to the financial statements.

GENERAL INFORMATION

The Company is a wholly owned subsidiary of Suffolk Partners Corporation, a company incorporated in the British Virgin Islands.

BRANCHES OUTSIDE CYPRUS

Laing O'Rourke Corporation Limited did not operate through any branches during the year.

REVIEW OF DEVELOPMENTS, POSITION AND PERFORMANCE

Details of future developments are presented on pages 2 to 7.

RESEARCH AND DEVELOPMENT

The Group expenditure in research and development of £32.7 million (2016: £25.7 million) supports the development of construction techniques to deliver quality, certainty and value for our customers.

RESULTS AND DIVIDENDS

The results for the year are set out in the Consolidated Income Statement on page 23 and show a loss for the year after tax of £60.6 million (2016: loss for the year after tax of £219.9 million).

The Company paid no dividends during the year (2016: £nil). The Directors do not recommend the payment of a final dividend (2016: £nil).

CHARITABLE CONTRIBUTIONS

During the year the Group contributed £0.3m (2016: £0.5m) to its nominated charities.

POST BALANCE SHEET EVENTS

The Group has provided £12.1million to High Wood Health (HoldCo) Limited and £7.5 million to Yorkshire Learning Partnership HoldCo Limited, being its share of further equity funding and subordinated debt investment.

On 21 July 2017 the Group sold its investment property in Canal Harbour Development Company for €32.5 million (£27.8 million). On 8 September 2017 the Group sold the trade and assets of Bison Manufacturing Limited for £20 million. Following this sale the Company passed a special resolution changing its name to LOR Manufacturing Limited on 23 September 2017. On 1 February 2018 the Group sold its subsidiary Explore Investments No. 3 Limited with its Canadian subsidiaries for CAD$56 million (£33.6 million).

With the full agreement and support of the lender group the UK business has agreed an extension of its repayment date to 30 April 2019. The Group has complied with – or secured waivers in advance of potential breaches of – its bank covenants during the year and up to the date of signing. As part of the ongoing negotiations with Lenders, two of the covenants were changed and the Group is currently in compliance with all financial covenants.

The Group has arranged a £13.7 million bank facility secured over a UK property on 23 February 2018. The facility incurs an interest charge of 3% over LIBOR and is repayable in 24 months.

The Group has also arranged a £15 million unsecured standby loan facility from its principal shareholder. Interest of 3% over LIBOR is payable on all amounts drawn and the principal will be repaid on 30 April 2019.

The joint venture in Canada has concluded arrangements for an experienced local contractor to deliver contractual obligations arising from Phase 2 of the contract.

Following recent developments in the UK construction sector; the Group are not involved in any joint venture with Carillion across operating regions of the UK, Australia, Canada, Hong Kong or the UAE. The Group will seek to maintain the supply of its services and products to the relevant projects and will be working with clients and other stakeholders to ensure continuity of service. The UK business has some limited exposure to Carillion contracts through plant and equipment hire and where our Crown House Technologies (CHt) business is a subcontractor and our UAE business is a supplier of manufactured products to Carillion joint ventures in the UAE. These instances are not significant and are not expected to have any material impact on the Group.

DIRECTORS AND THEIR INTERESTS

The current membership of the Board is as set out on page 17. All the Directors were members of the Board throughout the year ended 31 March 2017, except Hubert Desmond O'Rourke and Sir John Parker who were appointed as Directors on 13 September 2017 and 1 November 2017 respectively. Mr Stelios Anastasiades resigned on 13 September 2017.

R G O'Rourke KBE and H D O'Rourke are ultimate beneficiaries of the trust which owns the majority of the shareholding of the

Company. No other Directors have an interest in the shares of the Company. Details of related party transactions can be found on pages 57 and 58 in note 32 to the financial statements.

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.

EMPLOYMENT POLICY

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.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of the Group's policies and procedures for managing risk are set out on pages 8 to 13.

Key judgements and estimation uncertainty are detailed on page 33 in note 2.25 to the financial statements.

Financial risks are detailed on pages 51 to 56 in note 29 to the financial statements.

USE OF FINANCIAL INSTRUMENTS BY THE GROUP

Details of the Group's financial instruments are set out on pages 51 to 56 in note 29 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out on page 51 in note 26 to the financial statements.

GOING CONCERN

The Board has 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, financial and operational.

Principal risks of the Group for the next twelve months relate to:

- The continuing improved performance of the core construction businesses including the delivery of programmes of work and managing associated working capital, including recovery of debt in Australia and work winning assumptions.
- The performance of our Canadian activities and UAE business.
- The continuing access to finance, particularly at the expiry date of existing bank facilities.
- The Group has continued to have active engagement with its suppliers, however recent events in the UK construction sector has led to a reduction in facilities offered by the trade credit insurance market which may lead to further uncertainty in our UK contract cash outflows.

The going concern assumptions also assume that we continue to secure the support of our supply chain in terms of product, material, labour supply and flexibility in payment terms.

The core business, excluding joint ventures, performed profitably during the year ended 31 March 2017 and this improvement has continued with greater momentum into the current financial year ending 31 March 2018 with an even stronger outlook for the next financial year ending 31 March 2019.

- The UK business is now performing in line with the Board's expectation for the current financial year and is well advanced with its planning for the following financial year.
- The Australian business has not performed to plan in the year ended 31 March 2017 but this was largely down to the EPC Cryogenic Tanks contract. Recovery of the debt relating to this project is a key target for the business but the cash flow forecasts have been sensitised appropriately for this.
- The UAE business, whilst not performing in line with its plans, has won work in the current financial year which has de-risked its medium term cash flow forecast.
- The Group's order book as at 31 December 2017 is strong and the Group's performance in the current financial year is in line with the Board's expectations for full year performance.

The one significant underperformance in the year ended 31 March 2017, was in the Canadian hospital joint venture company ("Construction JV"). Subsequent to the year end this project has been substantially de-risked through firstly, the completion of the first (and major) phase of the facility which was opened to patients in October 2017 and secondly, the Group exited from its obligations for the construction of the smaller second phase, through the transfer of the Phase 2 construction contract from Construction JV to a major Canadian tier 1 contractor in December 2017. The Group's remaining obligations relate to residual Phase 1 obligations for final elements of system commissioning, defects and energy performance.

During the post balance sheet period, the Group has continued to enjoy the support of its lender groups in the UK, UAE and Australia.

European Hub:

- As part of the refinancing on 14 April 2016 a number of new banking covenants were established for UK core borrowing, including covenants related to liquidity, tangible net worth and the requirement that the estimated final loss of the Construction JV in Canada is not being above a certain amount. If certain of these covenants are breached this will constitute an event of default on the Group's borrowing facilities. The Group monitors its performance against these covenants and reports its compliance to the lender group on a monthly basis.
- The Group has arranged a £13.7 million bank facility secured over a UK property.
- The Group has arranged a £15 million unsecured standby loan facility from its principal shareholder.
- Since the year end average creditor days have increased by six days and the Group is looking to reduce this in the short term.
- The Canada related covenant was revised to allow for the revised estimated final margin (plus adequate headroom).
- In February 2018 the Group met its commitments under the 14 April 2016 re-financing and has complied with all its revised bank and covenant obligations.
- With the agreement and support of our lender group the UK business has also agreed an extension of our UK refinancing to 30 April 2019 and a variation to our minimum liquidity covenant.

- Based upon discussions with its advisers and preliminary discussions with the lender community the Directors are confident the Group will achieve its UK refinancing within the timeline.

Australian Hub:

- The Group continues to trade in Australia without borrowings; however the Group does have access to bank guarantee and surety bond facilities. Good progress is being made in renewing these facilities which expire in June 2018.

The Group continues to exercise tight control over its working capital and the base assumptions around the timely receipt of contract cash flows form the basis of all our forecasts. The going concern assumptions assume that the Group continues to deliver its plan of selling non-core assets and recycling PFI investments for the foreseeable future, with the majority of the more substantial disposals having been achieved.

Our forecasts in the business plan includes a number of other events not entirely in the control of the Directors, such as receipts from insurance claims and other final account settlement claims which represents a level of uncertainty.

Having reviewed the medium term cash flow forecasts prepared to 31 March 2019, including allowing for certain sensitivities and subject to the principal risks described above, the Directors have a reasonable expectation that the Group will have adequate resources to continue operating for the foreseeable future.

For these reasons the Directors continue to adopt the going concern basis in preparing the Group's financial statements.

VIABILITY

In assessing the Group's viability, the Board has considered the financial projections contained within its five year business plan updated in February 2018. The business plan includes income statement, statement of financial position and cash flow forecasts. The Board has particularly focused on solvency and liquidity using cash flow projections compiled from individual project data in each business unit. The financial projections assume modest revenue growth and work winning assumptions and are reviewed in conjunction with contingencies assumed in each individual contract across our project portfolio.

The Board has also reviewed the contingencies contained within our contract forecasts and have concluded that these are sufficient to meet the contractual targets and inflation risks for the duration of the key contracts.

The Board constantly monitors its cash reserves and available bank facilities to meet liabilities and financing needs as they fall due. Procedures are in place to monitor and forecast cash usage and other highly liquid current assets. This, together with committed credit facilities, ensures that we have adequate availability of cash when required.

The Board draw attention to the core assumption that there is a reasonable expectation that the Group banking facilities will be renewed at the appropriate time or, where required, the term extended on the basis that this will provide sufficient facilities for the Group to meet its funding requirements.

Consequently, the Board considers that the Group is well placed to continue to trade successfully in the longer-term.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE ANNUAL REVIEW

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable;
- State whether applicable International Financial Reporting Standards (IFRS) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group and enable them to ensure the financial statements comply with the Cyprus Companies Law, Cap. 113. The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements.

Cyprus legislation governing preparation and dissemination of financial statements may therefore differ from that in other jurisdictions. The maintenance and integrity of the Group's website at www.laingorourke.com is also part of the Directors' responsibilities.

INDEPENDENT AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

So far as each of the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and the Directors have taken all the steps that ought to have been taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The auditors, PricewaterhouseCoopers Limited, have indicated their willingness to continue in office as auditors of the Group.

APPROVAL

This report was approved by the Board on 2 March 2018 and signed on its behalf by:

C KLERIDES
DIRECTOR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAING O'ROURKE CORPORATION LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Laing O'Rourke Corporation Limited (the 'Company'), and its subsidiaries (the 'Group'), which are presented in pages 23 to 60 and comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER – CONTRACT DISPUTE

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2 and note 21 to the financial statements concerning the recoverability of £113 million (AUD$185 million) of non-current receivables recognised in relation to the EPC Cryogenic Tanks contract in Australia. The recoverability of this amount remains subject to dispute resolution and/or private arbitration, the outcome of which is uncertain.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included in the operating review, our business model, financial review, risk management, key performance indicators and management report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL REQUIREMENTS

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements in the management report.

OTHER MATTER

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

ANDROULLA S PITTAS
CERTIFIED PUBLIC ACCOUNTANT AND REGISTERED AUDITOR
FOR AND ON BEHALF OF

PRICEWATERHOUSECOOPERS LIMITED
CERTIFIED PUBLIC ACCOUNTANTS AND REGISTERED AUDITORS

NICOSIA, 2 MARCH 2018

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2017

	Note	Pre-exceptional items 2017 £m	Exceptional items (note 4) 2017 £m	Total 2017 £m	Pre-exceptional items 2016 £m	Exceptional items (note 4) 2016 £m	Total 2016 £m
Continuing operations							
Total revenue		**3,172.5**	**–**	**3,172.5**	2,513.2	–	2,513.2
Less: share of joint ventures' and associates' revenue		**(237.9)**	**–**	**(237.9)**	(159.6)	–	(159.6)
Revenue	3	**2,934.6**	**–**	**2,934.6**	2,353.6	–	2,353.6
Cost of sales		**(2,726.2)**	**(0.7)**	**(2,726.9)**	(2,227.8)	(45.7)	(2,273.5)
Gross profit		**208.4**	**(0.7)**	**207.7**	125.8	(45.7)	80.1
Administrative expenses		**(181.8)**	**(11.6)**	**(193.4)**	(211.8)	(28.2)	(240.0)
Other operating income	7	**8.4**	**–**	**8.4**	4.0	–	4.0
Profit/(loss) from operations before joint ventures		**35.0**	**(12.3)**	**22.7**	(82.0)	(73.9)	(155.9)
Profit on disposal of joint ventures	14	**0.1**	**–**	**0.1**	–	–	–
Share of post-tax profit/ (losses) of joint ventures and associates	15	**(79.0)**	**(7.2)**	**(86.2)**	(86.8)	–	(86.8)
Loss from operations	5	**(43.9)**	**(19.5)**	**(63.4)**	(168.8)	(73.9)	(242.7)
Net non-operating profit/(expense)	8	**6.3**	**4.7**	**11.0**	(0.3)	–	(0.3)
Finance income	9	**4.3**	**–**	**4.3**	4.4	–	4.4
Finance expense	10	**(18.8)**	**–**	**(18.8)**	(7.0)	–	(7.0)
Net financing expense		**(14.5)**	**–**	**(14.5)**	(2.6)	–	(2.6)
Loss before tax		**(52.1)**	**(14.8)**	**(66.9)**	(171.7)	(73.9)	(245.6)
Taxation	11	**5.0**	**1.3**	**6.3**	11.2	14.5	25.7
Loss for the year		**(47.1)**	**(13.5)**	**(60.6)**	(160.5)	(59.4)	(219.9)
Attributable to:							
Owners of the Parent		**(48.0)**	**(13.5)**	**(61.5)**	(160.4)	(59.4)	(219.8)
Non-controlling interests		**0.9**	**–**	**0.9**	(0.1)	–	(0.1)
		(47.1)	**(13.5)**	**(60.6)**	(160.5)	(59.4)	(219.9)

The notes on pages 28 to 60 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

as at 31 March 2017

	Note	**Pre-exceptional items 2017 £m**	**Exceptional items (note 4) 2017 £m**	**Total 2017 £m**	Pre-exceptional items 2016 £m	Exceptional items (note 4) 2016 £m	Total 2016 £m
Loss for the year		**(47.1)**	**(13.5)**	**(60.6)**	(160.5)	(59.4)	(219.9)
Other comprehensive income/ (expense):							
Items that may be subsequently reclassified to profit or loss							
Exchange differences on translating foreign operations		**40.0**	**–**	**40.0**	9.1	–	9.1
Available-for-sale financial assets		**–**	**–**	**–**	0.1	–	0.1
Cash flow hedges		**(2.6)**	**–**	**(2.6)**	–	–	–
Share of other comprehensive income of investments accounted for using the equity method	15	**(16.0)**	**(0.2)**	**(16.2)**	(5.3)	–	(5.3)
Other comprehensive income for the year, net of tax	11	**21.4**	**(0.2)**	**21.2**	3.9	–	3.9
Total comprehensive income for the year		**(25.7)**	**(13.7)**	**(39.4)**	(156.6)	(59.4)	(216.0)
Attributable to:							
Owners of the Parent	27	**(26.3)**	**(13.7)**	**(40.0)**	(156.5)	(59.4)	(215.9)
Non-controlling interests	27	**0.6**	**–**	**0.6**	(0.1)	–	(0.1)
		(25.7)	**(13.7)**	**(39.4)**	(156.6)	(59.4)	(216.0)

Items disclosed in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 11.

The notes on pages 28 to 60 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2017

	Note	2017 £m	2016 £m
Assets			
Non-current assets			
Intangible assets	13	**344.5**	335.8
Investments in joint ventures and associate	15	**19.3**	21.1
Loans to joint ventures	15	**60.6**	42.4
Property, plant and equipment	16	**214.9**	261.1
Investment property	17	**5.7**	21.4
Deferred tax assets	25	**69.4**	68.1
Trade and other receivables	21	**144.4**	46.7
Total non-current assets		**858.8**	796.6
Current assets			
Inventories	20	**27.9**	70.3
Trade and other receivables	21	**521.7**	480.6
Available-for-sale financial assets	18	**–**	–
Derivative financial instruments	19	**–**	0.3
Current tax assets		**15.6**	8.9
Cash and cash equivalents		**324.0**	271.0
Total current assets		**889.2**	831.1
Total assets		**1,748.0**	1,627.7
Liabilities			
Current liabilities			
Borrowings	22	**(42.5)**	(164.5)
Trade and other payables	23	**(1,008.5)**	(832.5)
Provisions for other liabilities and charges	24	**(72.4)**	(113.5)
Current tax liabilities		**(3.8)**	(3.2)
Total current liabilities		**(1,127.2)**	(1,113.7)
Non-current liabilities			
Borrowings	22	**(224.2)**	(61.1)
Trade and other payables	23	**(34.2)**	(36.1)
Provisions for other liabilities and charges	24	**(43.2)**	(49.6)
Deferred tax liabilities	25	**(5.6)**	(11.0)
Total non-current liabilities		**(307.2)**	(157.8)
Total liabilities		**(1,434.4)**	(1,271.5)
Net assets		**313.6**	356.2
Equity			
Share capital	26	**–**	–
Share premium	26	**286.4**	286.4
Fair value reserve	27	**–**	–
Hedging reserve	27	**(2.6)**	–
Foreign currency translation reserve	27	**22.4**	(1.7)
Retained earnings	27	**9.1**	70.6
Total equity attributable to owners of the Parent		**315.3**	355.3
Non-controlling interests	27	**(1.7)**	0.9
Total equity		**313.6**	356.2

The financial statements were approved and authorised for issue by the Board of Directors on 2 March 2018 and were signed on its behalf by:

A S McIntyre Director

C Klerides Director

The notes on pages 28 to 60 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2017

	Note	2017 £m	2016 £m
Cash flows from operating activities			
Loss before tax		**(66.9)**	(245.6)
Adjustments for:			
Non-cash exceptional items	4	**1.0**	2.4
Depreciation and amortisation	5	**42.6**	50.4
Profit on disposal of property, plant and equipment	5	**(15.1)**	(2.6)
Profit on disposal of joint ventures	14	**(0.1)**	–
Profit on disposal of investment properties	5	**(3.8)**	–
Net financing costs		**14.5**	2.6
Share of post tax loss of joint ventures and associates	15	**86.2**	86.8
Increase in trade and other receivables		**(95.5)**	(19.8)
Decrease in inventories		**47.4**	5.1
Increase/(decrease) in trade and other payables and provisions		**115.9**	(171.3)
Other		**(2.6)**	(2.8)
Cash generated from/(used in) operations		**123.6**	(294.8)
Interest paid		**(7.7)**	(6.6)
Tax paid		**(0.1)**	(15.8)
Net cash generated from/(used in) operating activities		**115.8**	(317.2)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(7.8)**	(24.8)
Purchase of intangible assets	13	**(4.1)**	(2.5)
Capital injections in equity investments	15	**(143.7)**	(0.8)
Proceeds from disposal of available-for-sale financial assets		**–**	0.5
Proceeds from sale of property, plant and equipment		**50.2**	18.3
Proceeds from sale of investment property		**18.9**	9.6
Proceeds from disposal of joint ventures and associates	14	**12.6**	–
Loans to joint ventures and associates	15	**(25.8)**	(1.7)
Interest received		**4.3**	4.1
Distributions received from joint ventures and associates	15	**1.0**	0.9
Net cash (used in)/generated from investing activities		**(94.4)**	3.6
Cash flows from financing activities			
Proceeds from new bank loans		**71.8**	75.0
Repayments of bank loans		**(10.3)**	(5.3)
Finance lease principal repayments		**(46.8)**	(46.8)
Dividends paid to non-controlling interests	27	**(3.2)**	(0.7)
Net cash generated from financing activities		**11.5**	22.2
Net increase/(decrease) in cash and cash equivalents		**32.9**	(291.4)
Cash and cash equivalents at beginning of year		**271.0**	555.9
Effect of exchange rate fluctuations on cash held		**20.1**	6.5
Cash and cash equivalents at end of year		**324.0**	271.0
Non-cash transactions principally relate to new hire purchase and finance lease agreements taken out during the year amounting to £11.8m (2016: £16.9m).			
Cash and cash equivalents comprise:			
Cash at bank and on hand		**290.9**	248.5
Short-term bank deposits	30	**12.5**	14.5
Restricted cash deposits[1]		**20.6**	8.0
		324.0	271.0

1 Restricted cash deposits includes £10.9m relating to the project bank accounts where amounts due to subcontractors are ringfenced. Payments to subcontractors were made after the year end. There was also £9.7m of collaterised cash which is not immediately accessible.

The notes on pages 28 to 60 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 March 2017

	Note	Share capital and share premium £m	Other reserves £m	Retained earnings £m	**Total share-holders' equity £m**	Non-controlling interests £m	**Total equity £m**
At 1 April 2015		286.4	(5.6)	290.4	571.2	1.7	572.9
Loss for the year		–	–	(219.8)	(219.8)	(0.1)	(219.9)
Other comprehensive income after tax		–	3.9	–	3.9	–	3.9
Total comprehensive expense for the year		–	3.9	(219.8)	(215.9)	(0.1)	(216.0)
Dividends paid	12	–	–	–	–	(0.7)	(0.7)
At 31 March 2016		**286.4**	**(1.7)**	**70.6**	**355.3**	**0.9**	**356.2**
(Loss)/profit for the year		**–**	**–**	**(61.5)**	**(61.5)**	**0.9**	**(60.6)**
Other comprehensive income after tax		**–**	**21.5**	**–**	**21.5**	**(0.3)**	**21.2**
Total comprehensive income for the year		**–**	**21.5**	**(61.5)**	**(40.0)**	**0.6**	**(39.4)**
Dividends paid	12	**–**	**–**	**–**	**–**	**(3.2)**	**(3.2)**
At 31 March 2017		**286.4**	**19.8**	**9.1**	**315.3**	**(1.7)**	**313.6**

Additional disclosure and details are provided in note 27.

The notes on pages 28 to 60 form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Laing O'Rourke Corporation Limited (the 'Company') is a company incorporated and domiciled in Cyprus. The Company prepares parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the Cyprus Companies Law, Cap. 113. The address of the registered office is given on page 17. The nature of the Group's operations and its principal activities are set out in note 36 and in the Group Financial Review on pages 5 to 7. The consolidated financial statements of the Company for the year ended 31 March 2017 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in joint arrangements and associates. The entity's financial statements are filed separately.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

The Group consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union (Adopted IFRS and IFRS Interpretations Committee (IFRIC) interpretations) and the Cyprus Companies Law, Cap. 113.

2.2 BASIS OF PREPARATION

The Group consolidated financial statements are presented in pounds sterling, rounded to the nearest hundred thousand and include the results of the holding company, its subsidiary undertakings and the Group's interest in joint arrangements and associates for the year ended 31 March 2017. The consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of land and buildings (prior to the adoption of IFRS), available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The principal accounting policies which have been consistently applied for all consolidated entities including subsidiaries, joint arrangements and associates are set out below.

Going concern

The Board has 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 continue as a going concern. These factors are set out on pages 19 and 20 of the Management Report. For these reasons, the directors continue to adopt the going concern basis in preparing the Group's financial statements.

The following standards, amendments and interpretations became effective in the year ended 31 March 2017 and have been adopted:

a) Amendments to IAS 27: Equity Method in Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2016)

b) Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (effective for accounting periods beginning on or after 1 January 2016)

c) Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (effective for accounting periods beginning on or after 1 January 2016)

d) Amendments to IAS 1: Disclosure Initiative (effective for accounting periods beginning on or after 1 January 2016)

e) Amendments to IFRS 10 and IAS 28: Investment Entities: Applying the Consolidation Exception (effective for accounting periods beginning on or after 1 January 2016)

f) Annual improvements 2014. These amendments include changes from the 2012-2014 cycle of the annual improvements (effective for accounting periods on or after 1 January 2016)

Each standard has been reviewed and the effect on the Group financial statements of adopting these new standards, amendments and interpretations has been determined to be minimal.

The Directors have considered recently published IFRSs, new interpretations and amendments to existing standards that are mandatory to the Group's accounting periods commencing on or after 1 April 2017.

Standards that are not yet effective and have not been early-adopted by the Group:

a) IFRS 15, Revenue from Contracts with Customers, (effective for accounting periods beginning on or after 1 January 2018)

b) IFRS 9, Financial Instruments, (effective for accounting periods beginning on or after 1 January 2018)

c) IFRS 16, Leases (effective for accounting periods beginning on or after 1 January 2019)

d) Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective for accounting periods beginning on or after 1 January 2017)

e) Amendments to IFRS10 and IAS 28: Addressing an inconsistency between the requirements in dealing with the sale or contribution of assets between an investor and its associate or joint venture (effective date not determined)

f) Amendments to IAS 7, Statement of cash flows on disclosure initiative (effective for accounting periods beginning on or after 1 January 2017)

g) Amendments to IAS 40: Transfers of investment property (effective for accounting periods beginning on or after 1 January 2018)

The effect on the Group financial statements of adopting these new standards, amendments and interpretations has been determined to be minimal with the exception of those detailed below:

IFRS 15 will replace the two main revenue recognition standards, IAS 18 Revenue and IAS 11 Construction Contracts. The standard establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The mandatory effective date for IFRS 15 is 1 January 2018, and it will therefore be applied for the first time to the Group accounts for the year ending 31 March 2019. The Group has not yet completed a full systematic review of all existing major contracts however it is expected that IFRS 15 will not have a material impact on profit or cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 BASIS OF PREPARATION

IFRS 9 is expected to replace IAS 39 Financial Instruments: Recognition and Measurement from 2018, subject to EU adoption. The standard covers the classification, measurement and derecognition of financial assets and financial liabilities together with a new hedge accounting model. The IASB intends to expand IFRS 9 to add new requirements for impairment. The mandatory effective date for IFRS 9 is 1 January 2018 and it will therefore be applied for the first time to the Group accounts for the year ending 31 March 2019. The Group is evaluating the potential impact arising from this new standard.

IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related interpretation. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 is effective from 1 January 2019 and a company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 Revenue from Contracts with Customers. The Group is evaluating the potential impact arising from the new standard.

2.3 BASIS OF CONSOLIDATION

a) The Group financial statements include the financial statements of the Company and subsidiaries controlled by the Company. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are deconsolidated from the date control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group falling within the scope of IFRS 3, 'Business Combinations'. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

b) Associates are operations over which the Group has the power to exercise significant influence but not control, generally accompanied by a share of between 20 per cent and 50 per cent of the voting rights. Associates are accounted for using the equity method and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in the statement of other comprehensive income. If the Group's share of losses in an associate equals its investment, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate, in which case a provision is recognised.

c) Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of each joint arrangement and has determined some to be joint operations and some to be joint ventures, as detailed in Note 36.

   i) The Group accounts for its share of the assets, liabilities, revenue and expenses in a joint operation, under each relevant heading in the income statement and the statement of financial position.

   ii) Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

d) Intra-Group balances and transactions together with any unrealised gains arising from intra-Group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with jointly controlled entities and jointly controlled operations are eliminated to the extent of the Group's interest in the entity. The Group's share of unrealised gains arising from transactions with associates is eliminated against the investment in the associate. The Group's share of unrealised losses is eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.4 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in pounds sterling, which is the functional and presentation currency of Laing O'Rourke Corporation Limited and the currency of the primary economic environment in which the Group operates.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 FOREIGN CURRENCY TRANSLATION CONTINUED

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at 'fair value through profit or loss' are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

Group companies

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

ii) income and expenses for each income statement are translated at average exchange rates; and

iii) all resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings designed as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of, or sold, exchange differences that were recorded in other comprehensive income are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are reported at historical cost less accumulated depreciation and any recognised impairment loss. Land is not depreciated. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items. Cost comprises purchase price and directly attributable costs. Depreciation is calculated on the straight-line method to write down the cost to their residual values over their estimated useful lives as follows:

Group owner occupied property	2%
Other buildings	2%
Plant, equipment and vehicles	6% - 50%

Certain land and buildings were revalued under previous accounting standards. In the prior year, on transition to IFRS, the Group elected to use the revalued amount as deemed cost.

Assets held under finance leases are depreciated over the term of the lease or the estimated useful life of the asset as appropriate.

Gains and losses on disposal are recognised within cost of sales, administrative expenses or non-operating income/expense in the income statement as appropriate.

2.6 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions prior to 1 April 2006 (the date of transition to IFRS) is carried at its book value (original cost less cumulative amortisation) on that date, less any subsequent impairment. This is in accordance with the transitional provisions of IFRS 1. Goodwill arising before 1 January 1998 was eliminated against reserves and has not been reinstated in accordance with the transitional provisions of IFRS 3, 'Business Combinations'. Goodwill arising on the Group's investments in associates and joint ventures since that date is included within the carrying value of these investments. Negative goodwill arising on or after 1 April 2006 is recognised immediately within profit from operations in the income statement. Separately recognised goodwill is tested annually for impairment and carried at cost less impairment losses. Goodwill is included when determining the profit or loss on subsequent disposal of the business to which it relates. Goodwill is allocated to cash generating units for the purpose of impairment testing.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is based on the useful lives of the assets concerned, and recognised on a straight-line basis over the following periods:

Brands	10% -13%
Computer software and licences	20% - 50%
Development costs	25%

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually. Assets that are subject to amortisation or depreciation are reviewed for impairment or reversal of prior impairments when circumstances or events indicate there may be a change in the carrying value. For impairment testing, goodwill is allocated to cash-generating units by geographical reporting unit and business segment. Assets are grouped at the lowest level for which there are separately identifiable cash flows.

2.7 INVESTMENT PROPERTY

Investment properties are held for long-term rental yields and are not occupied by the Group. Acquired investment properties are initially measured at cost, being the fair value of consideration given to acquire the property. The cost of self-constructed investment properties includes all directly attributable costs. Completed investment properties are stated at fair value, which is supported by market evidence, as assessed annually by the chief surveyor or by qualified external valuers at three year intervals. Depreciation is not provided on investment properties. Changes in fair values are recorded in the income statement as part of non-operating income/expense.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 FINANCIAL INVESTMENTS

The Group has classified its financial investments as available-for-sale financial assets which are recognised at fair value. Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets, at their fair values less transaction costs. The fair values of listed financial investments are determined using bid market prices. Changes in the fair value of financial investments classified as available-for-sale are recorded in the fair value reserve within equity. When these are sold, the fair value adjustments recognised in equity are included in the income statement.

Under the terms of a PFI or similar project, where the risks and rewards of ownership remain largely with the purchaser of the associated services, the Group's interest in the asset is classified as a financial asset and included at its amortised cost within investment in joint ventures.

2.9 DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into forward contracts or borrows/deposits funds in foreign currencies in order to hedge against transactional foreign currency exposures. Fair value derivatives are initially recognised at fair value on the date of the contract and are subsequently remeasured at their fair value. Movements in fair value are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred, together with any related deferred taxation.

2.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks, project bank accounts controlled by the Group, and other short-term highly liquid investments with less than 90 days maturity from the date of acquisition. For the purpose of the cash flow statement, cash and cash equivalents also include bank overdrafts, which are included in borrowings in the statement of financial position.

2.11 TRADE AND OTHER RECEIVABLES

Trade receivables are initially recorded at fair value and subsequently measured at amortised cost as reduced by 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.

2.12 TRADE AND OTHER PAYABLES

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 PROVISIONS

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

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

2.14 REVENUE RECOGNITION

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. It includes the Group's share of revenue from work carried out under jointly controlled operations. Revenue from services and construction contracts is recognised by reference to the stage of completion of the contract, as set out in the accounting policy for construction and service contracts. Revenue from the sale of goods is recognised when the Group has transferred significant risks and rewards of ownership of the goods to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group.

Rental income is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total rental income.

Revenue on sale of private housing and commercial property is recognised on legal completion of the sale.

2.15 CONSTRUCTION AND SERVICE CONTRACTS

When the outcome of a construction contract can be estimated reliably, 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 estimated total cost of the contract.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately.

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is recognised as due from customers on construction contracts within trade and other receivables. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is recognised as advance payments on construction contracts within trade and other payables.

Private Finance Initiative (PFI)/Public Private Partnership (PPP) bid costs are expensed as incurred until the Group is appointed preferred bidder. Provided the contract is expected to generate sufficient net cash inflows to enable recovery and the award of the contract is virtually certain, PFI/PPP bid costs incurred after the appointment as preferred bidder are included within receivables. The PFI/PPP bid costs are expensed on reimbursement at financial close. Any surplus on reimbursement of costs compared with those recorded in receivables is recognised in the income statement.

2.16 INVENTORIES

Inventories, including land and related development activity thereon, are stated at the lower of cost and estimated net realisable value. Cost comprises direct materials, direct and subcontract labour, specific borrowing costs and those overheads that have been incurred in bringing inventories to their present location and condition. Net realisable value represents the estimated income less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 LEASES AND HIRE PURCHASE COMMITMENTS

Assets obtained under hire purchase contracts and leases, where a significant portion of the risks and rewards of ownership is transferred to the Group, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the liability and finance charge to produce a constant rate of interest on the finance lease balance outstanding. Assets held for use in such leases are included in 'Property, plant and equipment' (note 16) and are depreciated to their residual values over the estimated useful lives or the lease term as appropriate and are adjusted for impairment losses. Obligations under such agreements are included in 'Borrowings' (note 22).

Leases other than finance leases are classified as operating leases. Payments made under operating leases are recognised as an expense in the income statement on a straight-line basis over the lease term. Any incentives to enter into operating leases are recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.18 PENSION COSTS

The Group operates defined contribution pension schemes for staff and Directors. The contributions paid by the Group and the employees are invested in the pension fund within 30 days following deduction. Once the contributions have been paid, the Group, as employer, has no further payment obligations. The Group's contributions are charged to the income statement in the year to which they relate.

2.19 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 Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantially enacted by the reporting date.

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

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

2.20 BORROWINGS AND BORROWING COSTS

Interest bearing bank loans and overdrafts are recognised initially at fair value net of transaction costs incurred. All borrowings are subsequently stated at amortised cost with the difference between initial net proceeds and redemption value recognised in the income statement over the period to redemption.

Borrowing costs are capitalised where the Group borrows funds specifically for the purpose of acquiring, constructing or producing a qualifying asset, in accordance with IAS 23, 'Borrowing Costs'. All other finance costs of debt, including premiums payable on settlement and direct issue costs, are charged to the income statement on an accruals basis over the term of the instrument, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.21 SHARE CAPITAL

Ordinary shares are classified as equity. Preference shares are classified as liabilities.

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.

2.22 EXCEPTIONAL ITEMS

Exceptional items are defined as items of income or expenditure which, in the opinion of the Directors, are material and unusual in nature or of such significance that they require separate disclosure on the face of the consolidated income statement in accordance with IAS 1, 'Presentation of Financial Statements'.

2.23 TRADING ANALYSIS

Trading analysis information is based on the Group's internal reporting structure of two operational hubs and corporate management centre. Further information on the business trading activities is set out in the operating overview on page 2. Trading analysis results represent the contribution directly attributable for the different hubs to the results of the Group. Transactions between hubs are conducted on an arm's length basis.

2.24 INTEREST INCOME

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 KEY JUDGEMENTS AND ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements under IFRS requires management to make estimates and assumptions that affect amounts recognised for assets and liabilities at the balance sheet date and the amounts of revenue and the expenses incurred during the reported period. Actual outcomes may therefore differ from these estimates and assumptions. The estimates and assumptions that have the most significant impact on the carrying value of assets and liabilities of the Group within the next financial year are detailed below. All the below are both judgements and estimates made by the Group apart from the presentation of exceptional items which is an item that requires judgement only.

a) Revenue and margin recognition

The Group's revenue recognition and margin recognition policies, which are set out in notes 2.14 and 2.15, are central to the way the Group values the work it has carried out in each financial year and have been consistently applied, with the exception of the Australia hub where there has been a change in accounting estimate. This has led to an increase in revenue in the current year of £6 million. The customer base and contracting risk profile in this hub has changed and circumstances have led management to believe that this new estimation method is more accurate and appropriate. These policies require forecasts to be made of the outcomes of long-term construction and service contracts, which require assessments and judgments to be made on changes in work scopes, raw material and labour pricing, contract programmes and maintenance liabilities.

Across the Group there are several long-term complex projects where the Group have made their best estimate on significant judgements. The range of potential outcomes could result in a material change to the Group's profitability and cash flows.

b) Disputes

Management's best judgement has been taken into account in reporting disputed amounts, legal cases and claims but the actual future outcome may be different from this judgement.

c) Exceptional items presentation

Judgement has been used to determine the presentation of exceptional items which relate to matters arising which are unusual and not expected to reoccur; the key judgements were:

i) Costs related to inefficiencies arising on the first generation of the Design for Manufacture and Assembly ("DfMA") contracts were treated as exceptional in the prior year, as losses have been taken from these contracts and similar issues are not reoccurring on the second generation of DfMA contracts.

ii) The cost of a major restructuring and refinancing exercise as it is a major one-off programme.

iii) The impairment of the Group's residential and mixed-use development assets in accordance with current accounting standards were treated as exceptional in the prior year.

iv) Settlement of compensation claims under The Construction Workers Compensation Scheme were also treated as exceptional in the prior year as this was a major one-off cost to the Group.

v) A write down in a loan to a joint venture company following an exceptional fair value reduction in this entity.

vi) An exceptional profit on sale of a business stream.

d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which the goodwill has been allocated. The value in use calculation requires an estimation to be made of the timing and amount of future cash flows expected to arise from the cash generating unit, and a suitable discount rate in order to calculate the present value. The discount rate used, carrying value of goodwill and further details of the impairment loss calculation are included in note 13.

e) Taxation

The Group is subject to tax in a number of jurisdictions and judgement is required in determining the worldwide provision for income. The Group provides for future liabilities in respect of uncertain tax positions where 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 reasonably certain additional tax will become payable in future periods and when the asset can be utilised.

f) Development land and work in progress

Determining whether land developments are impaired requires an estimation of the fair values of expected selling prices and costs to complete.

g) Investment property

Determining the fair value of investment properties requires an estimation of future rental yields compared to current market evidence. In certain cases comparable market price information is limited due to the current economic conditions and management have exercised their best judgements in determining the fair value of investment properties.

h) Captive insurance company

The Group operates a captive insurance company which provides reinsurance exclusively to the Group. Provision is made on actuarial assessment of the reserve for future claims, which necessarily includes estimates of the likely trend of future claims costs and the emergence of further claims subsequent to the year-end. An actuarial review of claims is performed annually. To the extent that actual claims differ from those projected, the provisions could vary significantly.

i) Financial risk management

In the course of its business, the Group is exposed to foreign currency risk, liquidity risk, interest rate risk and credit risk. The overall aim of the Group's financial risk management policies, processes and controls is to use judgement to minimise potential adverse effects on financial performance and net assets. Further details are provided in note 29 to these financial statements.

j) Contract Termination and Ongoing Litigation

The Australian business terminated a contract with EPC Cryogenic Tanks in the year. An amount of £113m (A$185m) is recognised in non-current trade and other receivables whose recovery will be subject to dispute resolution or private arbitration. The Group intends to pursue a number of substantial claims in accordance with this contract.

3 TRADING ANALYSIS

	Europe Hub 2017 £m	Australia Hub 2017 £m	Corporate Management & Treasury 2017 £m	Total Group 2017 £m
Performance by geography:				
Managed revenue	**2,845.3**	**985.3**	**14.1**	**3,844.7**
Less: Inter-segment revenue	**(598.1)**	**(63.3)**	**(10.8)**	**(672.2)**
Total revenue	**2,247.2**	**922.0**	**3.3**	**3,172.5**
Less: Share of joint ventures' and associates revenue	**(215.8)**	**(22.1)**	**–**	**(237.9)**
Revenue	**2,031.4**	**899.9**	**3.3**	**2,934.6**
(Loss)/profit from operations post-exceptional items	**(60.9)**	**14.7**	**(17.2)**	**(63.4)**
(Loss)/profit before tax post-exceptional items	**(68.4)**	**20.2**	**(18.7)**	**(66.9)**
EBIT post-exceptional items	**(53.5)**	**20.6**	**(21.0)**	**(53.9)**
EBITDA post-exceptional items	**(24.2)**	**33.6**	**(20.7)**	**(11.3)**
(Loss)/profit from operations pre-exceptional items	**(53.0)**	**14.7**	**(5.6)**	**(43.9)**
(Loss)/profit) before tax and exceptional items	**(65.3)**	**20.2**	**(7.0)**	**(52.1)**
EBIT pre-exceptional items	**(50.3)**	**20.6**	**(9.4)**	**(39.1)**
EBITDA pre-exceptional items	**(21.0)**	**33.6**	**(9.1)**	**3.5**

	Europe Hub 2016 £m	Australia Hub 2016 £m	Corporate Management & Treasury 2016 £m	Total Group 2016 £m
Managed revenue	2,452.5	746.5	13.3	3,212.3
Less: Inter-segment revenue	(636.8)	(49.7)	(12.6)	(699.1)
Total revenue	1,815.7	696.8	0.7	2,513.2
Less: Share of joint ventures' and associates revenue	(156.5)	(3.1)	–	(159.6)
Revenue	1,659.2	693.7	0.7	2,353.6
(Loss)/profit from operations post-exceptional items	(238.5)	22.0	(26.2)	(242.7)
(Loss)/profit before tax post-exceptional items	(241.4)	20.1	(24.3)	(245.6)
EBIT post-exceptional items	(240.6)	21.6	(26.2)	(245.2)
EBITDA post-exceptional items	(205.7)	35.8	(24.9)	(194.8)
(Loss)/profit from operations pre-exceptional items	(182.2)	22.0	(8.6)	(168.8)
(Loss)/profit before tax and exceptional items	(185.1)	20.1	(6.7)	(171.7)
EBIT pre-exceptional items	(184.3)	21.6	(8.6)	(171.3)
EBITDA pre-exceptional items	(149.4)	35.8	(7.3)	(120.9)

3 TRADING ANALYSIS (CONTINUED)

EBIT and EBITDA:	Note	Pre-exceptional items 2017 £m	Exceptional items (note 4) 2017 £m	Total 2017 £m	Pre-exceptional items 2016 £m	Exceptional items (note 4) 2016 £m	Total 2016 £m
Loss from operations		**(43.9)**	**(19.5)**	**(63.4)**	(168.8)	(73.9)	(242.7)
Adjusted for:							
Net non-operating expense	8	**6.3**	**4.7**	**11.0**	(0.3)	–	(0.3)
JV net finance income	15	**(2.4)**	**–**	**(2.4)**	(2.0)	–	(2.0)
JV tax income/(expense)	15	**0.9**	**–**	**0.9**	(0.2)	–	(0.2)
EBIT		**(39.1)**	**(14.8)**	**(53.9)**	(171.3)	(73.9)	(245.2)
Depreciation	5	**40.0**	**–**	**40.0**	47.9	–	47.9
Amortisation	5	**2.6**	**–**	**2.6**	2.5	–	2.5
EBITDA		**3.5**	**(14.8)**	**(11.3)**	(120.9)	(73.9)	(194.8)

There is no material difference between revenue by origin and revenue by destination. Revenue includes £2,519.5m on construction contracts (2016: £1,957.4m) calculated on the definition included in IAS 11, Construction Contracts. Revenue arising from the sale of goods amounted to £62.2m (2016: £72.3m) and from the sale of services amounted to £370.6m (2016: £329.0m).

Contracts in progress at the balance sheet date comprise contract costs incurred plus recognised profits less losses of £4,759.7m (2016: £3,013.6m).

4 EXCEPTIONAL ITEMS

	2017 £m	2016 £m
Impairment of inventory	**-**	2.4
Contract losses	**-**	43.3
Restructuring costs	**11.6**	23.1
Equity accounting loss – Canal Harbour	**7.2**	-
Gain on sale of business - Select	**(7.9)**	-
Impairment of loans to joint ventures – Canal Harbour	**3.2**	-
Fair value loss on investment property – Sandyford	**0.7**	-
Other	**-**	5.1
Exceptional costs before tax	**14.8**	73.9
Income tax credit on exceptional items	**(1.3)**	(14.5)
Exceptional costs after tax	**13.5**	59.4

IMPAIRMENT OF INVENTORY

During the year, the Directors reviewed the carrying value of the Group's residential and mixed-use development assets in accordance with current accounting standards. As a result of the review, the Group recognised exceptional impairments of £nil (2016: £2.4m).

CONTRACT LOSSES

Exceptional costs of £nil (2016: £43.3m) were recognised in the year, which relate to three first generation Design for Manufacture and Assembly (DfMA) construction contracts in the UK. These contracts were substantially redesigned in order to demonstrate the benefits of DfMA. Significant lessons have been learned from these projects, all of which were won in 2013; a particularly aggressive price-driven market. As issues were encountered using new construction methods and lessons have been learned these unusual circumstances are unlikely to recur on new contracts.

RESTRUCTURING COSTS

During the prior year, the Group's management performed a strategic review across the European business to establish a more focussed business structure increasing the focus on creating a simple management team for the contracting business and one for the manufacturing, logistics and plant business. Following this review, the European business streamlined operations and aligned organisation structures to drive greater productivity and cost benefits into the operating model. In 2017 the Group incurred £11.6m (2016: £23.1m) of further related exceptional costs in relation to refinancing, consulting advice and redundancies.

EQUITY ACCOUNTING LOSS – CANAL HARBOUR

During the year the Directors reviewed the carrying value of the Group's investment properties in accordance with current accounting standards. As a result of the review, the Group recognised an exceptional impairment in Canal Harbour, a joint venture company that led to an exceptional equity accounting loss of £7.2m (2016: £nil).

4 EXCEPTIONAL ITEMS (CONTINUED)

GAIN ON SALE OF BUSINESS - SELECT

During the year the Group recognised a profit of £7.9m on the sale of its plant and tool business stream.

IMPAIRMENT OF LOANS TO JOINT VENTURE - CANAL HARBOUR

Following the exceptional equity accounting loss in Canal Harbour, a joint venture company, the Group reviewed the loan to this joint venture and recognised an exceptional impairment of this loan of £3.2m (2016: £nil).

FAIR VALUE LOSS ON INVESTMENT PROPERTY - SANDYFORD

During the year the Directors reviewed the carrying value of the Group's investment properties in accordance with current accounting standards. As a result of the review, the Group recognised an exceptional impairment of £0.7m (2016: £nil).

OTHER

The Group recognised costs of £nil (2016: £5.1m) in relation to the settlement of compensation claims under The Construction Workers Compensation Scheme.

5 LOSS FROM OPERATIONS

Loss from operations is stated after charging/(crediting):	Note	**2017 £m**	2016 £m
Staff costs	6	**854.6**	764.5
Depreciation of property, plant and equipment:	16		
Owned assets		**23.6**	24.0
Under finance leases		**16.4**	23.9
Operating lease rentals and short term hires:			
Property, plant and equipment		**69.1**	65.0
Amortisation of other intangible assets	13	**2.6**	2.5
Profit on disposal of plant and equipment		**(11.2)**	(2.6)
Profit on disposal of land and buildings		**(3.9)**	–
Fair value gain on disposal of investment properties		**(3.8)**	(0.2)
Research and development expenditure		**32.7**	25.7
Foreign exchange gains		**(3.2)**	(0.1)
Investment property income	17	**(0.7)**	(1.4)
Cost of inventories recognised as an expense:			
Amount of inventories recognised as an expense		**55.9**	46.4
Amount of inventories written off as an expense		**1.8**	2.4
Auditors' remuneration (see below)		**5.9**	3.0

Auditors' remuneration	Note	**2017 £m**	2016 £m
Fees payable to the Company's auditor for the audit of:			
The Company's annual financial statements and consolidated financial statements		**0.6**	0.3
The Company's subsidiaries pursuant to legislation		**3.0**	1.0
Total audit fees		**3.6**	1.3
Fees payable to the Company's auditor and its associates for other services:			
Services relating to taxation		**0.9**	0.7
All other services		**1.4**	1.0
Total non-audit fees		**2.3**	1.7
Total fees		**5.9**	3.0

The fees stated above include £nil (2016: £nil) for other non-assurance services and £0.1m (2016: £0.1m) for audit fees charged by the Company's statutory audit firm PricewaterhouseCoopers Limited Cyprus.

6 STAFF COSTS AND EMPLOYEE NUMBERS

Number of employees	**2017 Number**	2016 Number
The average monthly number of employees (including Directors) during the period was:		
Europe Hub	**12,011**	12,086
Australia Hub	**3,262**	3,148
Total number of employees	**15,273**	15,234

Aggregate remuneration and related costs, including Directors	**2017 £m**	2016 £m
Salaries	**385.9**	346.4
Wages	**392.1**	347.3
Social security costs	**43.5**	42.4
Other pension costs	**33.1**	28.4
	854.6	764.5

At 31 March 2017 £1.8m (2016: £1.8m) was payable in respect of defined contribution schemes and included in other payables (note 23).

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Group's key management personnel during the year include the five Directors and twelve other members (2016: five Directors and twelve other members) who served on the Group Executive Committee during the year, and no other individuals (2016: no other individuals) considered key management personnel during the year.

The compensation of key management personnel is as follows:

	2017 £m	2016 £m
Salaries and other short-term employee benefits	**10.8**	13.0

DIRECTORS' REMUNERATION

The total remuneration of the Directors (included in key management personnel compensation above) was as follows:

	2017 £m	2016 £m
Salaries and other short-term benefits	**1.6**	8.2

None of the directors are accruing benefits under a defined contribution scheme (2016: none). No post-retirement benefits were paid on behalf of Directors (2016: £nil).

7 OTHER OPERATING INCOME

	2017 £m	2016 £m
Fair value gain on investment properties	**3.7**	0.3
Rents received	**1.2**	0.9
Research and development expenditure credit	**2.6**	2.4
Other operating income	**0.9**	0.4
	8.4	4.0

8 NET NON-OPERATING EXPENSE

	2017 £m	2016 £m
Profit on sale of property	**3.9**	–
Profit on sale of plant and tools business	**7.9**	–
Profit on sale of investments	**0.8**	–
Impairment of investments	**(1.6)**	(0.3)
	11.0	(0.3)

9 FINANCE INCOME

	2017 £m	2016 £m
Bank interest	**2.0**	1.9
Other interest and similar income	**2.3**	2.5
	4.3	4.4

10 FINANCE EXPENSE

	2017 £m	2016 £m
Interest payable on bank loans and overdrafts	**15.7**	3.0
Finance lease charges	**3.1**	3.8
Other interest payable and similar charges	**–**	0.2
	18.8	7.0

11 INCOME TAX

	2017 £m	2016 £
Cyprus corporation tax		
Current tax on profit/(loss) for the year	**(0.6)**	0.1
Foreign tax		
Current tax on profit/(loss) for the year	**6.9**	(3.4)
Adjustment in respect of prior years	**(8.5)**	(0.9)
Total current tax	**(2.2)**	(4.2)
Net origination of temporary differences - current year	**(4.6)**	(19.8)
Net origination of temporary differences - prior years	**(0.4)**	(4.5)
Impact of change in tax rate	**0.9**	2.8
Total deferred taxation	**(4.1)**	(21.5)
Tax credit	**(6.3)**	(25.7)

The overall credit for the year of £6.3m is explained relative to the UK statutory rate of 20 per cent below:

	2017 £m	2016 £m
Total tax reconciliation		
Loss before tax	**(66.9)**	(245.6)
Tax at the UK corporation tax rate of 20% (2016: UK 20%)	**(13.4)**	(49.1)
Effects of		
– lower overseas tax rates	**(8.1)**	(6.8)
– non-deductible expenditure	**0.7**	3.4
– adjustments in respect of prior years	**(8.9)**	(5.4)
– unrecognised losses of the period	**–**	0.6
– utilisation of previously unrecognised losses	**(0.1)**	(2.6)
– tax effect of joint ventures	**2.4**	(1.1)
– impact of change in UK tax rate	**1.0**	2.9
– non-recognised deferred tax asset	**21.5**	29.9
– other items	**(1.4)**	2.5
Total tax credit	**(6.3)**	(25.7)

A total Group tax credit of £6.3m (2016: credit of £25.7m) arises for the year on the total Group loss of £66.9m (2016: total Group loss of £245.6m), giving an effective tax rate of 9.4%. The total tax credit for the year includes an exceptional tax credit of £1.3m (2016: credit of £14.5m) in relation to tax allowable exceptional expenditure for UK contract losses and impairments of land and developments (see note 4).

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from April 2020. The changes in future corporation tax rates have resulted in a reduction in the Group's deferred tax asset, and that is reflected in the tax charged to the income statement.

TAX EFFECTS RELATING TO EACH COMPONENT OF COMPREHENSIVE INCOME

	2017			2016		
	Before-tax amount £m	**Tax expense £m**	**Net-of-tax amount £m**	Before-tax amount £m	Tax expense £m	Net-of-tax amount £m
Exchange differences on translating foreign operations	**40.0**	**–**	**40.0**	9.1	–	9.1
Available-for-sale financial assets	**–**	**–**	**–**	0.1	–	0.1
Cash flow hedges	**(2.6)**	**–**	**(2.6)**	–	–	–
Share of other comprehensive income of joint ventures and associates	**(16.2)**	**–**	**(16.2)**	(5.3)	–	(5.3)
	21.2	**–**	**21.2**	3.9	–	3.9

12 DIVIDENDS

	2017 £m	2016 £m
No interim dividends were paid during the year (2016: £nil)	**–**	–

The Directors do not recommend the payment of a final dividend (2016: £nil).

13 INTANGIBLE ASSETS

	Goodwill £m	Brands £m	Computer software and licences £m	Development costs £m	Total £m
Cost					
At 1 April 2016	**328.5**	**–**	**26.0**	**3.4**	**357.9**
Additions	**–**	**–**	**4.1**	**–**	**4.1**
Disposals	**–**	**–**	**(0.3)**	**–**	**(0.3)**
Exchange differences	**7.2**	**–**	**1.1**	**–**	**8.3**
At 31 March 2017	**335.7**	**–**	**30.9**	**3.4**	**370.0**
Accumulated amortisation and impairment					
At 1 April 2016	**1.0**	**–**	**21.1**	**–**	**22.1**
Amortisation for the year	**–**	**–**	**1.8**	**0.8**	**2.6**
Impairment	**–**	**–**	**0.1**	**–**	**0.1**
Disposals	**–**	**–**	**(0.3)**	**–**	**(0.3)**
Exchange differences	**0.1**	**–**	**0.9**	**–**	**1.0**
At 31 March 2017	**1.1**	**–**	**23.6**	**0.8**	**25.5**
Net book value at 31 March 2017	**334.6**	**–**	**7.3**	**2.6**	**344.5**
Cost					
At 1 April 2015	327.2	2.1	24.8	3.4	357.5
Acquisitions	–	–	2.5	–	2.5
Additions	–	(2.0)	(1.4)	–	(3.4)
Disposals	–	–	–	–	–
Exchange differences	1.3	(0.1)	0.1	–	1.3
At 31 March 2016	328.5	–	26.0	3.4	357.9
Accumulated amortisation and impairment					
At 1 April 2015	0.9	2.1	19.9	–	22.9
Amortisation for the year	–	–	2.5	–	2.5
Disposals	–	(2.0)	(1.4)	–	(3.4)
Exchange differences	0.1	(0.1)	0.1	–	0.1
At 31 March 2016	1.0	–	21.1	–	22.1
Net book value at 31 March 2016	327.5	–	4.9	3.4	335.8
Net book value at 31 March 2015	326.3	–	4.9	3.4	334.6

13 INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

The following units have significant amounts of goodwill

	2017 £m	2016 £m
Australia	**53.4**	46.3
United Kingdom	**281.2**	281.2
	334.6	327.5

The recoverable amount of goodwill attached to each cash generating unit (CGU) is based on value in use calculations in accordance with IAS 36, Impairment of Assets. Each calculation uses cash flow projections based on four-year financial budgets approved by management and a perpetual growth rate of 3 per cent (2016: 3 per cent), discounted at the Group's estimated pre-tax weighted average cost of capital of 10 per cent (2016: 10 per cent). Budgeted gross margins are based on past performance and management's market expectations. The estimated perpetual growth rate of 3 per cent (2016: 3 per cent) is in line with the long-term average growth rate for the business in which the cash-generating unit operates and is consistent with industry forecast reports. The weighted average cost of capital is an estimate from listed industry competitors, adjusted for changes in capital structures.

As at 31 March 2017, based on the internal value in use calculations, management concluded that the recoverable value of the cash generating units exceeded their carrying amount and there is no reasonable possible change in a key assumption that would result in an impairment change.

Sensitivity analysis has been performed on the goodwill in relation to each CGU by changing the key assumptions applicable to each CGU. Sensitivity analysis with regards to the discount rate would need to increase from 10.1% to 37.6% before any impairment would be triggered. Whilst revenue is considered a key assumption, if the business performance was below expectations, management would take actions in order to seek to control the net cash flow impact. Total forecast cash flow would need to reduce by 80.0% before any impairment would be triggered. The value of goodwill in use for the Group exceeds its carrying value by £155.3 million (190.2%).

Amortisation charge

The amortisation charge in respect of computer software and licences is recognised in the following line item in the income statement:

	2017 £m	2016 £m
Administrative expenses	**1.8**	2.5

14 ACQUISITIONS AND DISPOSALS

DISPOSALS

North East Business Park Pty Limited

On 7 March 2017 Laing O'Rourke Australia PTY Limited, a subsidiary of the Group, sold its shares in its associate, North East Business Park PTY Limited for £12.6 million. This consideration is included in the cash flow statement within proceeds from disposal of joint ventures and associates.

Private Finance Initiatives

During 2015 Laing O'Rourke Plc, a subsidiary of the Group, disposed of equity interests in four Private Finance Initiatives (PFIs). At the time the cost of this disposal included accrued costs. The remaining unutilised accrual of £0.1 million has been released during the current year generating a profit which has been included within profit on disposal of joint ventures.

15 INVESTMENTS IN JOINT VENTURES AND ASSOCIATE

	Joint ventures equity investments £m	Associate equity investment £m	Loans to joint ventures £m	Total £m
Cost				
At 1 April 2016	**1.6**	**13.3**	**66.9**	**81.8**
Equity investment purchases	**143.7**	**–**	**–**	**143.7**
Equity investment disposals	**–**	**–**	**–**	**–**
Loans advanced	**–**	**–**	**25.8**	**25.8**
Loans repaid	**–**	**–**	**–**	**–**
Impairment	**–**	**–**	**(3.2)**	**(3.2)**
Disposals	**–**	**(13.3)**	**–**	**(13.3)**
Exchange differences	**–**	**–**	**5.1**	**5.1**
At 31 March 2017	**145.3**	**–**	**94.6**	**239.9**
Share of post-acquisition results				
At 1 April 2016	**(121.7)**	**(2.3)**	**–**	**(124.0)**
Share of results for the year after tax	**(86.2)**	**–**	**–**	**(86.2)**
Distributions received	**(1.0)**	**–**	**–**	**(1.0)**
Disposals	**–**	**0.6**	**–**	**0.6**
Exchange differences	**(17.9)**	**1.7**	**–**	**(16.2)**
At 31 March 2017	**(226.8)**	**–**	**–**	**(226.8)**
Net book value at 31 March 2017	**(81.5)**	**–**	**94.6**	**13.1**
Net book value at 31 March 2016	**(120.1)**	**11.0**	**66.9**	**(42.2)**
Cost				
At 1 April 2015	0.8	13.3	60.8	74.9
Equity investment purchases	0.8	–	–	0.8
Loans advances	–	–	1.7	1.7
Exchange differences	–	–	4.4	4.4
At 31 March 2016	1.6	13.3	66.9	81.8
Share of post-acquisition results				
At 1 April 2015	(28.4)	(2.6)	–	(31.0)
Share of results for the year after tax	(86.8)	–	–	(86.8)
Distributions received	(0.9)	–	–	(0.9)
Exchange differences	(5.6)	0.3	–	(5.3)
At 31 March 2016	(121.7)	(2.3)	–	(124.0)
Net book value at 31 March 2016	(120.1)	11.0	66.9	(42.2)
Net book value at 31 March 2015	(27.6)	10.7	60.8	43.9

The Group's share of joint venture and associate equity investments and loans to joint ventures are presented above. IFRS 11, Joint Arrangements, and IAS 28, Investments in Associates, require the following presentation adjustments:

- where the Group has already accounted for an obligation to fund net liabilities of a joint venture or associate this is deducted from loans made to the joint venture or associate; and
- where the Group's obligation to fund net liabilities of a joint venture or associate exceeds the amount loaned, a provision is recorded (see note 24).

The Group's investments in joint ventures and associate are presented in the statement of financial position as:

	2017 £m	2016 £m
Investments in joint ventures and associate	**19.3**	21.1
Loans to joint ventures	**60.6**	42.4
Provisions	**(66.8)**	(105.7)
	13.1	(42.2)

No impairment losses to equity investments were brought forward at 31 March 2017 or charged in the year (2016: £nil).

15 INVESTMENTS IN JOINT VENTURES AND ASSOCIATE (CONTINUED)

The principal joint ventures and associate are shown in note 36. Each joint venture and associate has share capital consisting solely of ordinary shares, which is held directly by the Group. Each joint venture is a private company and there is no quoted market price available for its shares.

Set out below is the summarised financial information for the joint ventures and associates which are material to the group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and associates and not Laing O'Rourke Corporation's share of these amounts. They have been amended to reflect adjustments made by the entity when using the equity method including fair value adjustments and modifications for differences in accounting policies.

	Emirates Precast Construction LLC 2017 £m	Canal Harbour Development Company Limited 2017 £m	*Health Montreal Collective CJV Limited Partnership 2017 £m	Private Finance Initiatives (PFIs) 2017 £m	Other joint ventures 2017 £m	North East Business Park PTY Limited – Associate 2017 £m	Total 2017 £m
Revenue	**19.5**	**0.1**	**121.5**	**244.0**	**47.1**	**–**	**432.2**
Depreciation and amortisation	**(0.3)**	**–**	**–**	**–**	**(1.9)**	**–**	**(2.2)**
Other expenses/(income)	**(17.1)**	**(14.5)**	**(287.9)**	**(242.6)**	**(42.2)**	**–**	**(604.3)**
Operating profit/(loss)	**2.1**	**(14.4)**	**(166.4)**	**1.4**	**3.0**	**–**	**(174.3)**
Net finance income/(costs)	**–**	**–**	**0.1**	**8.5**	**(0.3)**	**–**	**8.3**
Profit/(loss) before tax	**2.1**	**(14.4)**	**(166.3)**	**9.9**	**2.7**	**–**	**(166.0)**
Tax credit/(expense)	**–**	**–**	**–**	**(2.0)**	**(0.7)**	**–**	**(2.7)**
Profit/(loss) after tax	**2.1**	**(14.4)**	**(166.3)**	**7.9**	**2.0**	**–**	**(168.7)**
Other comprehensive income/(expense)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income/(expense)	**2.1**	**(14.4)**	**(166.3)**	**7.9**	**2.0**	**–**	**(168.7)**
Dividends received from joint ventures	**1.0**	**–**	**–**	**–**	**–**	**–**	**1.0**
Non-current assets							
Goodwill	**–**	**–**	**–**	**–**	**(6.2)**	**–**	**(6.2)**
Property, plant and equipment	**0.9**	**–**	**–**	**–**	**38.1**	**–**	**39.0**
Other non-current assets**	**0.9**	**8.3**	**–**	**1,321.7**	**0.1**	**–**	**1,331.0**
Current assets							
Cash and cash equivalents	**5.8**	**0.1**	**11.5**	**158.5**	**0.4**	**–**	**176.3**
Other current assets	**15.2**	**–**	**45.7**	**1.6**	**13.6**	**–**	**76.1**
Total assets	**22.8**	**8.4**	**57.2**	**1,481.8**	**46.0**	**–**	**1,616.2**
Current liabilities							
Borrowings	**–**	**–**	**–**	**–**	**(2.7)**	**–**	**(2.7)**
Other current liabilities	**(5.7)**	**(0.3)**	**(190.8)**	**(45.8)**	**(4.7)**	**–**	**(247.3)**
Non-current liabilities							
Borrowings	**–**	**–**	**–**	**(1,408.8)**	**(30.7)**	**–**	**(1,439.5)**
Other non-current liabilities	**(1.7)**	**(76.2)**	**–**	**–**	**–**	**–**	**(77.9)**
Total liabilities	**(7.4)**	**(76.5)**	**(190.8)**	**(1,454.6)**	**(38.1)**	**–**	**(1,767.4)**
Net assets/(liabilities)	**15.4**	**(68.1)**	**(133.6)**	**27.2**	**7.9**	**–**	**(151.2)**
Financial commitments	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Capital commitments	**–**	**–**	**–**	**–**	**–**	**–**	**–**

* During the year, the Health Montreal Collective CJV project, a hospital PFI construction joint venture made significant losses as a result of a major delay in the programme. See page 5 for details.

** Other non-current assets relates primarily to investments in joint ventures and other finance assets.

15 INVESTMENTS IN JOINT VENTURES AND ASSOCIATE (CONTINUED)

	Emirates Precast Construction LLC 2016 £m	Canal Harbour Development Company Limited 2016 £m	Health Montreal Collective CJV Limited Partnership 2016 £m	Private Finance Initiatives (PFIs) 2016 £m	Other joint ventures 2016 £m	North East Business Park PTY Limited – Associate 2016 £m	Total 2016 £m
Revenue	14.4	–	100.9	285.4	57.8	12.4	470.9
Depreciation and amortisation	(0.3)	–	–	–	–	–	(0.3)
Other (expenses)/income	(12.1)	–	(287.2)	(285.4)	(37.3)	(12.4)	(634.4)
Operating (loss)/profit	2.0	–	(186.3)	–	20.5	–	(163.8)
Net finance income/(costs)	–	–	–	7.4	(0.3)	–	7.1
Profit/(loss) before tax	2.0	–	(186.3)	7.4	20.2	–	(156.7)
Tax (credit)/expense	–	–	–	1.2	(0.2)	–	1.0
Profit/(loss) after tax	2.0	–	(186.3)	8.6	20.0	–	(155.7)
Other comprehensive income/(expense)	0.3	(3.6)	(7.8)	0.2	–	1.1	(9.8)
Total comprehensive income/(expense)	2.3	(3.6)	(194.1)	8.8	20.0	1.1	(165.5)
Dividends received from joint ventures	0.8	–	–	–	0.1	–	0.9

Non-current assets							
Goodwill	–	–	–	–	–	16.3	16.3
Property, plant and equipment	1.0	–	–	–	1.8	0.1	2.9
Other non-current assets	0.8	21.2	–	932.4	–	0.1	954.5
Current assets							
Cash and cash equivalents	4.0	0.1	11.5	62.3	5.3	0.1	83.3
Other current assets	14.0	–	57.3	9.7	0.6	37.0	118.6
Total assets	19.8	21.3	68.8	1,004.4	7.7	53.6	1,175.6
Current liabilities							
Borrowings	–	–	–	–	(1.5)	–	(1.5)
Other current liabilities	(4.8)	(0.2)	(280.2)	(30.5)	(3.4)	(2.5)	(321.6)
Non-current liabilities							
Borrowings	–	–	–	(958.4)	(1.6)	(7.3)	(967.3)
Other non-current liabilities	(1.3)	(70.2)	–	–	–	–	(71.5)
Total liabilities	(6.1)	(70.4)	(280.2)	(988.9)	(6.5)	(9.8)	(1,361.9)
Net assets/(liabilities)	13.7	(49.1)	(211.4)	15.5	1.2	43.8	(186.3)

Financial commitments	–	–	–	–	–	–	–
Capital commitments	–	–	–	–	–	–	–

16 PROPERTY, PLANT AND EQUIPMENT

	Group owner occupied property £m	Other land and buildings £m	Plant, equipment and vehicles £m	Total £m
Cost				
At 1 April 2016	**36.1**	**27.1**	**495.7**	**558.9**
Additions	**–**	**–**	**19.5**	**19.5**
Disposals	**(4.2)**	**–**	**(96.2)**	**(100.4)**
Exchange differences	**0.6**	**2.2**	**23.3**	**26.1**
At 31 March 2017	**32.5**	**29.3**	**442.3**	**504.1**
Accumulated depreciation				
At 1 April 2016	**2.4**	**18.4**	**277.0**	**297.8**
Depreciation charge for the year	**0.4**	**1.7**	**37.9**	**40.0**
Impairment	**–**	**0.1**	**-**	**0.1**
Disposals	**(0.2)**	**–**	**(65.0)**	**(65.2)**
Exchange differences	**0.1**	**1.5**	**14.9**	**16.5**
At 31 March 2017	**2.7**	**21.7**	**264.8**	**289.2**
Net book value at 31 March 2017	**29.8**	**7.6**	**177.5**	**214.9**
Cost				
At 1 April 2015	35.9	25.7	513.0	574.6
Additions	0.1	1.0	40.6	41.7
Disposals	–	–	(61.1)	(61.1)
Exchange differences	0.1	0.4	3.2	3.7
At 31 March 2016	36.1	27.1	495.7	558.9
Accumulated depreciation				
At 1 April 2015	2.2	16.0	274.2	292.4
Depreciation charge for the year	0.3	2.0	45.6	47.9
Impairment	–	–	0.1	0.1
Disposals	–	–	(45.4)	(45.4)
Exchange differences	(0.1)	0.4	2.5	2.8
At 31 March 2016	2.4	18.4	277.0	297.8
Net book value at 31 March 2016	33.7	8.7	218.7	261.1
Net book value at 31 March 2015	33.7	9.7	238.8	282.2

Finance leases: Included in 'plant, equipment and vehicles' are assets held under finance leases at the following amounts:

	2017 £m	2016 £m
Cost at 1 April	**217.6**	235.1
Accumulated depreciation at 1 April	**(81.5)**	(72.8)
Net book value at 1 April	**136.1**	162.3
Additions/acquisitions	**11.8**	16.9
Cost of disposals/transfers out	**(53.7)**	(35.8)
Depreciation on disposals/transfers out	**24.2**	21.5
Depreciation charge for the year	**(16.4)**	(23.9)
Other	**1.3**	(5.4)
Exchange differences	**5.3**	0.5
Net book value at 31 March	**108.6**	136.1

Finance lease terms are between one and five years, see note 22 for ageing of finance lease obligations.

17 INVESTMENT PROPERTY

	Freehold 2017 £m	Freehold 2016 £m
Net book value at 1 April	**21.4**	30.4
Transfers in	**0.2**	–
Disposals	**(15.1)**	(9.3)
Fair value decrease	**(1.0)**	–
Exchange differences	**0.2**	0.3
Net book value at 31 March	**5.7**	21.4

Investment property income earned by the Group, all of which was received under operating leases, amounted to £0.7m (2016: £1.4m) and is shown as revenue in the income statement. Direct operating expenses arising on investment properties generating rental income in the year amounted to £0.3m (2016: £0.5m).

The Group's investment properties are let under non-cancellable operating lease agreements. The leases have varying terms, escalating clauses and renewal rights. The Group's future operating lease income commitments comprise:

	2017 £m	2016 £m
Expiry date:		
Due within one year	**0.2**	0.9
Due between one and five years	**–**	2.8
Due after more than five years	**–**	12.8
	0.2	16.5

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 £m	2016 £m
At 1 April	**–**	0.5
Disposals	**–**	(0.5)
Net gains transferred to equity	**–**	–
At 31 March	**–**	–
Available-for-sale financial assets include the following:		
Unlisted securities	**–**	–

19 DERIVATIVE FINANCIAL INSTRUMENTS

	2017		2016	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Current portion:				
Forward foreign exchange contracts	**–**	**–**	0.3	–

FORWARD EXCHANGE CONTRACTS

The Group enters into forward contracts to hedge its foreign currency exposure arising on a number of construction contracts where construction costs have been agreed to be paid in foreign currencies. The highly probable forecast transactions denominated in foreign currencies are expected to occur at various dates during the next 12 months.

20 INVENTORIES

	2017 £m	2016 £m
Development land and work in progress	**19.5**	62.0
Raw materials and consumables	**6.4**	5.6
Finished goods and goods for resale	**2.0**	2.7
	27.9	70.3

Development land and work in progress at 31 March 2017 includes assets to a value of £15.4m (2016: £20.6m) expected to be consumed after more than one year.

Capitalised specific borrowing costs attributable to qualifying assets and included in development land and work in progress of £1.6m did not materially change from last year (2016: £1.8m).

Inventories carried at net realisable value at 31 March 2017 had a carrying value of £17.3m (2016: £19.5m).

21 TRADE AND OTHER RECEIVABLES

Amounts expected to be recovered within one year:	2017 £m	2016 £m
Gross amounts due from customers on construction contracts	**357.3**	278.8
Trade receivables	**84.2**	101.1
Prepayments and accrued income	**30.2**	28.7
Other receivables	**50.0**	72.0
	521.7	480.6
Amounts expected to be recovered after more than one year:		
Gross amounts due from customers on construction contracts	**143.6**	44.6
Trade receivables	**0.8**	1.3
Other receivables	**–**	0.8
	144.4	46.7
Total trade and other receivables	**666.1**	527.3

At 31 March 2017, trade and other receivables include retentions of £102.5m (2016: £85.6m) relating to construction contracts of which £72m (2016: £37.0m) are non-current assets.

For construction contracts in progress at 31 March 2017, £161.6m (2016: £165.8m) was received as an advance and is included within advance payments on construction contracts in trade and other payables (see note 23).

At 31 March 2017 the bad debt provision for trade receivables amounted to £1.6m (2016: £8.2m). The net losses recognised via write off or impairment of trade and other receivables in the year to 31 March 2017 amounted to £2.7m (2016: £1.4m) which has been recognised in administrative expenses. £0.2m of debts provided for have now been fully written off (2016: £1.7m).

Included in non-current trade and other receivables is an amount of £113m (2016: £nil) in respect of the EPC Cryogenic Tanks contract terminated during the reporting period. The contract to date loss amounts to £37m and represents costs incurred in respect of delays and other matters which will be claimed in addition to other substantial claims, but have not been recognised in contract revenue at 31 March 2017. The Group's total claims are expected to exceed total contract costs incurred. In addition to claims for unpaid work performed (including variations), the amount to be claimed by the Group will include delay and disruption claims, post termination costs, legal costs and interest. The contract contains dispute resolution provisions. If not resolved beforehand, the Group expects the matter will be referred for resolution through private arbitration. As the relevant contract does not specify a time limit within which the dispute resolution process must be determined, there can be no certainty as to when the matter will be finalised.

Please refer to note 29 for a credit risk profile of trade receivables.

22 BORROWINGS

	2017 £m	2016 £m
Amounts expected to be settled within one year:		
Bank loans	**17.6**	128.3
Finance lease obligations	**24.9**	36.2
	42.5	164.5
Amounts expected to be settled after more than one year:		
Bank loans	**164.5**	7.1
Other loans	**26.2**	–
Finance lease obligations	**33.5**	54.0
	224.2	61.1
Total borrowings	**266.7**	225.6

Bank loans amounting to £0.9m (2016: £11.2m) are secured on the assets to which they relate.

With the full agreement and support of our lender group the UK business has agreed an extension of our refinancing date to the 30 April 2019. The Group has initiated refinancing discussions to meeting its current obligations and based on current discussions the Board expect to complete the refinancing exercise by June 2018.

Finance lease obligations

Finance lease obligations are payable as follows:

	Interest 2017 £m	Principal 2017 £m	Minimum lease payments 2017 £m	Interest 2016 £m	Principal 2016 £m	Minimum lease payments 2016 £m
Less than one year	**1.1**	**24.9**	**26.0**	2.5	36.2	38.7
Between one and five years	**0.6**	**33.2**	**33.8**	2.2	54.0	56.2
More than five years	**–**	**0.3**	**0.3**	–	–	–
	1.7	**58.4**	**60.1**	4.7	90.2	94.9

Obligations under finance leases are secured by legal charges on certain non-current assets of the Group with an original cost of £186.0m (2016: £217.6m) and total net book value of £108.6m (2016: £136.1m).

23 TRADE AND OTHER PAYABLES

	2017 £m	2016 £m
Amounts expected to be settled within one year:		
Advance payments on construction contracts	**175.1**	176.5
Trade payables	**254.9**	203.7
Other tax and social security	**26.5**	24.3
Other payables	**39.8**	46.0
Accruals and deferred income	**512.2**	382.0
	1,008.5	832.5
Amounts expected to be settled after more than one year:		
Trade payables	**14.1**	23.8
Other payables	**6.8**	0.7
Accruals and deferred income	**13.3**	11.6
	34.2	36.1
Total trade and other payables	**1,042.7**	868.6

At 31 March 2017, trade and other payables include retentions of £57.4m (2016: £54.5m) relating to construction contracts of which £12.1m (2016: £22.3m) are non-current liabilities.

24 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Insurance technical provisions £m	Employee provisions £m	Joint venture provisions £m	Total provisions £m
At 1 April 2016	**52.6**	**4.8**	**105.7**	**163.1**
Provisions created	**–**	**2.7**	**100.2**	**102.9**
Provisions utilised	**(11.3)**	**–**	**(139.1)**	**(150.4)**
At 31 March 2017	**41.3**	**7.5**	**66.8**	**115.6**
Disclosed within:				
Current liabilities	**2.0**	**3.6**	**66.8**	**72.4**
Non-current liabilities	**39.3**	**3.9**	**–**	**43.2**
	41.3	**7.5**	**66.8**	**115.6**
At 1 April 2015	36.0	5.2	7.6	48.8
Provisions created	16.6	0.1	101.0	117.7
Provisions utilised	–	(0.5)	(2.9)	(3.4)
At 31 March 2016	52.6	4.8	105.7	163.1
Disclosed within:				
Current liabilities	5.5	2.3	105.7	113.5
Non-current liabilities	47.1	2.5	–	49.6
	52.6	4.8	105.7	163.1

Insurance provisions relate to provisions held by the Group's captive insurer Laing O'Rourke Insurance Limited. Such provisions are held until utilised or such times as further claims are considered unlikely under the respective insurance policies.

The employee provision relates to the accrual of long service leave for employees in Australia and New Zealand.

The Group provides in full for obligations to remedy net liabilities of jointly controlled entities in excess of amounts already loaned. At 31 March 2017 these provisions amounted to £27.3m (2016: £105.7m) which were measured in accordance with the Group's accounting policies. Amounts provided are assessed based on judgements of contract costs, contract programmes and maintenance liabilities and are expected to be paid within one year.

25 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following;

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

	Assets 2017 £m	Assets 2016 £m	Liabilities 2017 £m	Liabilities 2016 £m	Net 2017 £m	Net 2016 £m
Property, plant and equipment	**9.0**	0.7	**(2.2)**	(2.6)	**6.8**	(1.9)
Other temporary differences	**27.1**	24.5	**(3.4)**	(8.4)	**23.7**	16.1
Tax losses carried forward	**33.3**	42.9	**–**	–	**33.3**	42.9
Deferred tax assets/(liabilities)	**69.4**	68.1	**(5.6)**	(11.0)	**63.8**	57.1
The ageing of deferred tax assets/(liabilities) at the year-end was:						
Less than one year	**21.1**	16.1	**–**	–	**21.1**	16.1
More than one year	**48.3**	52.0	**(5.6)**	(11.0)	**42.7**	41.0
	69.4	68.1	**(5.6)**	(11.0)	**63.8**	57.1

25 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

MOVEMENTS IN DEFERRED TAX ASSETS AND LIABILITIES DURING THE YEAR

	At 1 April 2016 £m	Exchange and other movements £m	Recognised in income £m	Recognised in equity £m	**As at 31 March 2017 £m**
Property, plant and equipment	(1.9)	–	8.7	–	**6.8**
Other temporary differences	16.1	2.6	5.0	–	**23.7**
Tax losses carried forward	42.9	–	(9.6)	–	**33.3**
	57.1	2.6	4.1	–	**63.8**

	At 1 April 2015 £m	Exchange and other movements £m	Recognised in income £m	Recognised in equity £m	As at 31 March 2016 £m
Property, plant and equipment	(8.5)	–	6.6	–	(1.9)
Other temporary differences	29.6	(0.2)	(13.3)	–	16.1
Tax losses carried forward	14.7	–	28.2	–	42.9
	35.8	(0.2)	21.5	–	57.1

Other temporary differences relate mainly to assets in Laing O'Rourke Australia Pty Limited, where employee benefits, project accruals and cost provisions are debited in one period but deducted against tax in another, and LOR Canada Limited where advance project payments are taxed when received but spread across several periods under accounting standards.

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets have not been recognised in respect of the following items:	**2017 £m**	2016 £m
Tax losses	**32.2**	9.4

The Group has unrecognised deferred tax assets of £32.2m (2016: £9.4m) relating to unused tax losses. The tax losses have arisen in the Group and can be carried forward to future periods for use against part of future profits. No deferred tax asset has been recognised in respect of these amounts due to the unpredictability of future taxable profits and the constraints in using the losses.

26 SHARE CAPITAL AND PREMIUM

	Number of €1 shares issued	Share premium £m
At 1 April 2016 and at 31 March 2017	**9,000**	286.4

The authorised share capital of Laing O'Rourke Corporation Limited at 31 March 2017 was 18,000 ordinary shares of €1 each (2016: 18,000 shares).

27 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

	Called-up share capital	Share premium	Fair value reserve	Hedging reserve	Foreign currency translation reserve £m	Retained earnings £m	**Total shareholders' equity £m**	Non-controlling interests £m	**Total equity £m**
At 1 April 2015	–	286.4	(0.1)	–	(5.5)	290.4	**571.2**	1.7	**572.9**
Loss for the year	–	–	–	–	–	(219.8)	**(219.8)**	(0.1)	**(219.9)**
Other comprehensive expense after tax	–	–	0.1	–	3.8	–	**3.9**	–	**3.9**
Total comprehensive expense for the year	–	–	0.1	–	3.8	(219.8)	**(215.9)**	(0.1)	**(216.0)**
Dividends paid	–	–	–	–	–	–	**–**	(0.7)	**(0.7)**
At 31 March 2016	**–**	**286.4**	**–**	**–**	**(1.7)**	**70.6**	**355.3**	**0.9**	**356.2**
(Loss)/profit for the year	–	–	–	–	–	(61.5)	**(61.5)**	0.9	**(60.6)**
Other comprehensive income after tax	–	–	–	(2.6)	24.1	**–**	**21.5**	(0.3)	**21.2**
Total comprehensive income for the year	–	–	–	(2.6)	24.1	(61.5)	**(40.0)**	0.6	**(39.4)**
Dividends paid	–	–	–	–	–	**–**	**–**	(3.2)	**(3.2)**
At 31 March 2017	**–**	**286.4**	**–**	**(2.6)**	**22.4**	**9.1**	**315.3**	**(1.7)**	**313.6**

FAIR VALUE RESERVE

The fair value reserve includes the cumulative net change in the fair value of available-for-sale financial assets until the investment is de-recognised, together with any related deferred tax.

HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred, together with any related deferred tax.

FOREIGN CURRENCY TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities and the cumulative net change in the fair value of instruments that hedge the Group's net investment in foreign operations. The translation reserve also includes any related current tax.

RETAINED EARNINGS

Retained earnings relate to the proportion of net income retained by the Group less distributions.

28 GUARANTEES AND CONTINGENT LIABILITIES

The Group and certain subsidiaries have, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts. The Group has given guarantees in respect of its share of certain contractual obligations of joint ventures and associates.

At 31 March 2017, Group companies are parties to disputes from which legal actions have arisen or may arise in the ordinary course of business. While the outcome of these disputes is uncertain, the Directors believe that, except where provided in these financial statements, no material loss to the Group will occur (2016: £nil). In forming their opinion the Directors have taken relevant legal advice. Undertakings have been given by certain Group companies that they will not seek repayment of amounts due by other Group companies, except to the extent of their ability to pay.

29 FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT

Financial risk management is an integral part of the way the Group is managed. In the course of its business, the Group is exposed primarily to foreign currency risk, interest rate risk, liquidity risk and credit risk. The overall aim of the Group's financial risk management policies is to minimise potential adverse effects on financial performance and net assets.

The Group's treasury department manages the principal financial risks within policies and operating parameters approved by the Board of Directors and purchases derivative financial instruments where appropriate. Treasury is not a profit centre and does not enter into speculative transactions.

29 FINANCIAL INSTRUMENTS (CONTINUED)

29.1 FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the value of financial instruments will fluctuate as a result of changes in foreign exchange rates. The pound sterling equivalents of the currency of the Group's financial assets and liabilities, were as follows:

	Pound sterling value of equivalent currency (m)								
	2017 GBP	**2017 EUR**	**2017 AUD**	**2017 AED**	**2017 SAR**	**2017 CAD**	**2017 HKD**	**2017 Other**	**2017 Total £m**
Loans to joint ventures	7.2	61.6	–	–	–	25.8	–	–	**94.6**
Trade and other receivables	291.6	0.2	214.6	115.3	3.0	1.2	10.2	1.4	**637.5**
Cash and cash equivalents	183.3	10.2	84.9	(3.8)	0.1	2.1	45.3	1.9	**324.0**
Total financial assets	482.1	72.0	299.5	111.5	3.1	29.1	55.5	3.3	**1,056.1**
Borrowings	(244.5)	–	(22.2)	–	–	–	–	–	**(266.7)**
Trade and other payables	(660.8)	(4.8)	(197.4)	(121.3)	(3.4)	(0.7)	(26.9)	(1.5)	**(1,016.8)**
Net financial (liabilities)/assets	(423.2)	67.2	79.9	(9.8)	(0.3)	28.4	28.6	1.8	**(227.4)**

Other cash and cash equivalents primarily include £1.4m (2016: £1.4m) held in NZD and £0.2m (2016: £0.3m) held in USD.

	Pound sterling value of equivalent currency (m) (restated)								
	2016 GBP	2016 EUR	2016 AUD	2016 AED	2016 SAR	2016 CAD	2016 HKD	2016 Other	2016 Total £m
Loans to joint ventures	7.2	59.7	–	–	–	–	–	–	66.9
Trade and other receivables	277.1	0.4	85.8	99.8	7.2	0.9	27.0	1.4	499.6
Derivative financial instruments	–	–	0.3	–	–	–	–	–	0.3
Cash and cash equivalents	124.1	7.4	88.4	10.6	0.5	2.5	35.5	2.0	271.0
Total financial assets	408.4	67.5	174.5	110.4	7.7	3.4	62.5	3.4	837.8
Borrowings	(198.6)	–	(27.0)	–	–	–	–	–	(225.6)
Trade and other payables	(519.8)	(12.6)	(129.6)	(121.5)	(0.6)	(11.4)	(47.0)	(2.1)	(844.6)
Net financial (liabilities)/assets	(310.0)	54.9	17.9	(11.1)	7.1	(8.0)	15.5	1.3	(232.4)

Of the total foreign currency borrowings of £22.2m (2016: £27.0m), the amount of borrowings used to finance overseas operations amounts to £22.2m (2016: 27.0m).

It is Group policy that forward exchange contracts are taken out for all material foreign currency receivables and payables where they differ from the functional currency of the Company or subsidiary.

If the foreign exchange rates that the Group is exposed to had changed adversely by 10 per cent at the balance sheet date, the results for the year and equity would have decreased by £0.6m (2016: £6.7m). This sensitivity analysis takes into account the tax impact and the forward exchange contracts in place.

29 FINANCIAL INSTRUMENTS (CONTINUED)

29.2 INTEREST RATE RISK

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk in relation to some of its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The contractual repricing or maturity dates, whichever dates are earlier, and effective interest rates of borrowings are as follows:

		Repricing/maturity date			
	Total £m	Within one year £m	Between one and two years £m	After two years £m	Effective interest rate £m
At 31 March 2017					
Bank loans	**182.1**	**17.6**	**156.2**	**8.3**	**3.82%**
Finance lease obligations	**58.4**	**24.9**	**18.7**	**14.8**	**4.39%**
	240.5	**42.5**	**174.9**	**23.1**	**3.96%**
At 31 March 2016					
Bank loans	135.4	128.3	0.5	6.6	3.42%
Finance lease obligations	90.2	36.2	33.3	20.7	3.55%
	225.6	164.5	33.8	27.3	3.47%

If interest rates had been 1 per cent higher during the year, the results and equity would have reduced by £2.4m (2016: £1.4m). This sensitivity analysis takes into account the tax impact.

29.3 LIQUIDITY RISK

Prudent liquidity risk management involves maintaining sufficient cash and available funding to meet liabilities as they fall due. The Group has procedures in place to minimise liquidity risk such as maintaining sufficient cash and other highly liquid current assets and by having an adequate amount of committed credit facilities.

Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's non-current liabilities including interest is as follows:

	Trade and other payables £m	Other loan £m	Bank loans £m	Finance leases £m	Total £m
At 31 March 2017					
Between one and less than two years	**21.0**	**–**	**161.1**	**19.1**	**201.2**
Between two and less than five years	**4.1**	**26.2**	**8.3**	**14.7**	**53.3**
Five or more years	**9.1**	**–**	**–**	**0.3**	**9.4**
	34.2	**26.2**	**169.4**	**34.1**	**263.9**
At 31 March 2016					
Between one and less than two years	27.5	–	0.7	34.7	62.9
Between two and less than five years	1.9	–	7.0	21.5	30.4
Five or more years	6.7	–	–	–	6.7
	36.1	–	7.7	56.2	100.0

29 FINANCIAL INSTRUMENTS (CONTINUED)

29.3 LIQUIDITY RISK (CONTINUED)

Borrowing facilities

The Group has the following undrawn committed borrowing facilities at the year-end in respect of which all conditions precedent had been met:

	2017 £m	2016 £m
Expiring within one year	**91.1**	51.7
Expiring between one and two years	**–**	–
Expiring in more than two years	**–**	10.0
	91.1	61.7

29.4 CREDIT RISK

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Group's credit risk is primarily attributable to its loan assets, trade and other receivables.

The ageing of trade receivables at the year-end was:

	Gross receivables 2017 £m	Impairment 2017 £m	Gross receivables 2016 £m	Impairment 2016 £m
Not past due	**69.0**	**–**	87.1	–
Past due 0-30 days	**12.0**	**–**	12.3	–
Past due 31-120 days	**2.8**	**–**	1.9	–
Past due 121-365 days	**2.3**	**(1.1)**	1.5	(0.4)
More than one year	**0.5**	**(0.5)**	0.6	(0.6)
	86.6	**(1.6)**	103.4	(1.0)

Based on prior experience and an assessment of the current economic environment, management believes there is no further credit risk provision required in excess of the normal provision for impairment of its loan assets, trade and other receivables. The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history and monitors on a continuing basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions.

29 FINANCIAL INSTRUMENTS (CONTINUED)

29.5 FAIR VALUES

Financial instruments carried at fair value in the statement of financial position are other investments, available-for-sale financial assets and derivative financial instruments. The following hierarchy classifies each class of financial instrument depending on the valuation technique applied in determining its fair value.

Level 1: The fair value is calculated based on quoted prices traded in active markets for identical assets or liabilities. The Group holds available-for-sale investments which are traded in active markets and valued based on the closing per unit market price at 31 March 2017.

Level 2: The fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of derivative financial instruments is estimated to be the difference between the fixed forward price of the instrument, and the current forward price for the residual maturity of the instrument at the balance sheet date.

Level 3: The fair value is based on unobservable inputs. The fair value of other investments is calculated by discounting expected future cash flows using asset specific discount rates.

There have been no transfers between these categories in the current or preceding year.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2017.

	Fair value measurement 2017				Fair value measurement 2016			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial instruments	**–**	**–**	**–**	**–**	–	0.3	–	0.3
Available-for-sale financial assets	**–**	**–**	**–**	**–**	–	–	–	–
	–	**–**	**–**	**–**	–	0.3	–	0.3

The fair value movements on other investments and certain derivative financial instruments are recognised in the consolidated income statement. The fair value movements on available-for-sale financial assets and cash flow hedges are recognised in the statement of comprehensive income.

The carrying and fair values of the Group's financial instruments at 31 March 2017 and 31 March 2016 are as follows:

	Fair value 2017 £m	**Carrying amount 2017 £m**	Fair value 2016 £m	Carrying amount 2016 £m
Derivative financial instruments	**–**	**–**	0.3	0.3
Available-for-sale financial assets	**–**	**–**	–	–
Loans and receivables	**732.1**	**732.1**	573.7	573.7
Financial liabilities measured at amortised cost	**(1,283.5)**	**(1,283.5)**	(1,048.9)	(1,048.9)

The carrying and fair values of the Group's financial instruments were not materially different at 31 March 2017.

Loans, receivables and financial liabilities are valued at their amortised cost which is deemed to reflect fair value due to their short-term nature.

The fair values of investment properties are based on an annual assessment of future rental yields compared to current market evidence. Further details are found in note 2.25 (g). The fair values are within level 3 of the hierarchy above.

29 FINANCIAL INSTRUMENTS (CONTINUED)

29.6 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to comply with the insurance capital required by the regulator, The Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group regularly forecasts its cash position to management on both a short-term and a long-term basis. Performance against forecasts is also reviewed and analysed to ensure the Group efficiently manages its net funds/debt position.

Net funds is calculated as cash and cash equivalents less total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position).

At 31 March 2017 the Group had net funds of £65.5m (2016: £45.4m); see note 35.

The Group is required to hold regulatory capital for its captive insurance company in compliance with the rules issued by the Guernsey Financial Services Commission. The Company must hold assets in excess of the higher of two amounts. The first is based on a fixed percentage of premium income. The second is based on a fixed percentage of claims outstanding (including claims incurred but not reported). In addition the Company must complete an own risk solvency assessment which is reviewed by the Guernsey Financial Services Commission. The Group's capital is sufficient to meet all regulatory requirements.

30 ASSETS CHARGED AS SECURITY FOR LIABILITIES AND COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

Financial assets pledged as short-term collateral and included within cash equivalents were £12.5m (2016: £14.5m).

As part of the Group's management of its insurable risks a proportion of this risk is managed through self insurance programmes operated by its captive insurance subsidiary company, Laing O'Rourke Insurance Limited. This Company is a wholly owned subsidiary of the Group and premiums paid are held to meet future claims. The cash balances held by the Company are reported within cash and cash equivalents. As is usual practice for captive insurance companies some of the cash is used as collateral against contingent liabilities, standby letters of credit to the value of £12.5m (2016: £14.5m) have been provided to certain external insurance companies. The standby letters of credit have been issued via banking facilities that Laing O'Rourke Insurance Limited has in place.

No financial assets have been provided to the Group as collateral (2016: £nil).

31 FINANCIAL AND CAPITAL COMMITMENTS

Capital expenditure for property, plant and equipment, authorised and contracted for which has not been provided for in the financial statements amounted to £5.4m (2016: £8.1m) in the Group.

The Group leases land and buildings, equipment and other various assets under non-cancellable operating lease agreements. The leases have varying terms, escalating clauses and renewal rights. The lease expenditure charge to the income statement is disclosed in note 5. The Group's future aggregate minimum lease payments comprise:

	Land and buildings 2017 £m	**Other 2017 £m**	Land and buildings 2016 £m	Other 2016 £m
Future operating lease expenditure commitments:				
Due within one year	**12.9**	**7.3**	10.8	7.0
Due between one and five years	**30.0**	**11.8**	24.2	17.1
Due after more than five years	**30.5**	**–**	30.9	–
	73.4	**19.1**	65.9	24.1

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

The Group has committed to provide its share of further equity funding and subordinated debt investments in PPP (public-private partnerships) special purpose entities amounting to £19.6m (2016: £42.6m), please refer to note 34 Post Balance Sheet Review for further details.

32 RELATED PARTY TRANSACTIONS AND BALANCES

IDENTITY OF RELATED PARTIES

The Group has a related party relationship with its major shareholder, subsidiaries, joint arrangements, associates and key management personnel.

GROUP

The Group received income and incurred expenses with related parties from transactions made in the normal course of business.

SALE OF GOODS AND SERVICES PROVIDED TO RELATED PARTIES

	2017		2016	
	Income earned in year £m	**Receivable at year-end £m**	Income earned in year £m	Receivable at year-end £m
Joint ventures	**225.7**	**52.6**	164.1	21.3

PURCHASE OF GOODS AND SERVICES PROVIDED BY RELATED PARTIES

	2017		2016	
	Expenses paid in year £m	**Payable at year-end £m**	Expenses paid in year £m	Payables at year-end £m
Joint ventures	**–**	**–**	–	–

The related parties' receivables are not secured and no guarantees were received in respect thereof. The receivables will be settled in accordance with normal credit terms.

SALE OF PLANT AND TOOL BUSINESS STREAM TO RELATED PARTY

In the year Select Plant Hire Company Limited sold its plant and tool business stream to Explore Transport Limited (a 50% joint venture company) for £20m resulting in an exceptional profit on disposal of £7.9m. In addition, a five year exclusivity agreement was signed between the Group and Explore Transport Limited.

PROPERTY LEASES

During the year the Group incurred expenditure of £2.1m (2016: £2.1m) with Mark Holding and Finance Limited and £7.1m (2016: £7.3m) with Steetley Investments Limited in respect of amounts due under lease agreements for premises occupied by the Group. During the year the interests in Mark Holding and Finance Limited and Steetley Investments Limited were held in trust, the beneficiaries of which are R G O'Rourke KBE and H D O'Rourke, who are also the beneficiaries of the trusts which ultimately own Suffolk Partners Corporation. At the year-end the balance outstanding to Mark Holding and Finance Limited was £nil (2016: £nil) and to Steetley Investments Limited was £nil (2016: £nil). No amounts were written off in the period by either party in respect of amounts payable under the agreements entered into.

CONSTRUCTION CONTRACT

During the year ended 31 March 2015 the Group entered into a construction contract with R G O'Rourke KBE, who is a beneficiary of one of the trusts which ultimately own Laing O'Rourke Corporation Limited. At the year end, the contract was in progress and the fair value of work performed during the year was £64.5k (2016: £3.8m). No amounts were outstanding at the year end (2016: £nil) and no amounts were written off in the year (2016: £nil) by either party in respect of amounts payable under the agreement entered into. The contract is based on normal commercial terms.

During the prior year the Group completed a construction contract with H.E. Sultan Saeed Mohammed Naser Al Mansoori, a beneficial owner of a minority stake in six UAE entities of the Group. At the year ended 31 March 2017 the balance outstanding on this contract amounted to £0.9m (2016: £0.8m). No amounts were written off during the year by either party in respect of the amount payable under the agreement entered into. The contract was based on normal commercial terms.

LOANS

The Group has a loan outstanding from its ultimate parent company, Suffolk Partners Corporation, although did not advance any loan amounts in the year (2016: £nil). The loan is subject to interest at commercial rates. The balance outstanding at the year end was £17.9m (2016: £17.2m).

The Group has a 50 per cent share of a super senior debt facility, a minority share of a syndicated senior debt facility and provides an enabling debt facility which are jointly repayable from Southside & City Developments Limited and KDC Properties Limited. The Group's interest in the super senior and senior debt facilities rank pari-passu with other lenders, who are financial institutions. During the year the Group loaned £1.15m (2016: £0.6m) to Southside & City Developments Limited. The loans entered into are based on normal commercial terms. C Klerides and V Papadopoulos are Directors of Laing O'Rourke Corporation Limited and Southside & City Developments Limited. At the year-end the fair value of the amounts outstanding was £8.7m (2016: £10.9m). No amounts were written off in the period by either party in respect of amounts payable under the agreements entered into.

During the year, the Group loaned a further £nil (2016: £0.3m) to Augur Investments Limited. Suffolk Partners Corporation is the ultimate parent company of Laing O'Rourke Corporation Limited and a 50 per cent shareholder of Augur Investments Limited. The loan is subject to interest at commercial rates. At the year-end the balance outstanding was £2.3m (2016: £3.7m).

32 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

In the opinion of the Directors the agreements entered into are based on normal commercial terms.

SUBORDINATED LOAN

The Group has a £23.6m subordinated long-term loan from its principal shareholders. During the year interest of £2.6m was accrued on this loan balance.

LOANS TO AND FROM JOINT VENTURES AND ASSOCIATES

At 31 March 2017 loans to joint ventures amounted to £97.8m (2016: £66.9m) and loans from joint ventures amounted to £3.8m (2016: £13.3m). During the normal course of business the Group provided services to, and received management fees from certain joint ventures and associates amounting to £3.2m (2016: £0.6m). Amounts due to and from joint ventures and associates at 31 March 2017 are disclosed within investments in joint ventures and associates, trade and other receivables and trade and other payables in notes 15, 21 and 23 respectively.

SALE OF ASSETS

On 2 June 2016 the Group sold an aircraft to Oisin Aviation (IOM) LP for £1.4m and then paid leasing costs of £0.1m to Oisin Aviation (IOM) LP for rental and £0.1m for the operational services of the aircraft to Oisin Aviation (Jersey) LP. During the year the limited partners of Oisin Aviation (IOM) LP and Oisin Aviation (Jersey) LP were R O'Rourke KBE and H D O'Rourke, who are also beneficiaries of the trust which ultimately owns Suffolk Partners Corporation, the ultimate parent company of Laing O'Rourke Corporation Limited.

DIRECTORS' REMUNERATION

During the year the total remuneration of the Directors was £1.6 million (2016: £8.2m) of which pension costs amounted to £nil (2016: £0.2m), see note 6.

33 ULTIMATE PARENT COMPANY

The immediate and ultimate parent company of Laing O'Rourke Corporation Limited is Suffolk Partners Corporation, a company incorporated in the British Virgin Islands.

The interests in the share capital of Suffolk Partners Corporation are held in trusts, the beneficiaries of which include R G O'Rourke KBE and H D O'Rourke.

34 POST BALANCE SHEET REVIEW

EQUITY FUNDING

The Group has provided £12.1m to High Wood Health (Hold Co) Limited and £7.5m to Yorkshire Learning Partnership HoldCo Limited, being its share of further equity funding and subordinated debt investment.

DISPOSAL OF NON CORE ASSETS

On 21 July 2017 the Group disposed of its investment property in Canal Harbour Development Company Limited for €32.5m (£27.8m) with no gain or loss impact on the income statement. On 8 September 2017 the Group sold the trade and assets of Bison Manufacturing Limited for £20m achieving a profit on disposal of £9.7m. Following this sale the Group passed a special resolution changing its name to LOR Manufacturing Limited on 23 September 2017. On 1 February 2018 the Group sold its subsidiary Explore Investments No. 3 Limited with its Canadian subsidiaries for CAD$56m (£33.6m) achieving a profit on disposal of £6.3m.

LOAN FACILITY CHANGES

With the full agreement and support of our lender group the UK business has agreed an extension of our refinancing date to 30 April 2019. The Group has arranged a £13.7m bank facility secured over a UK property on 23 February 2018. The Group has also arranged a £15m unsecured standby loan facility from its principal shareholder on 22 February 2018.

JOINT VENTURE CONTRACT IN CANADA

The joint venture has concluded arrangements for an experienced local contractor to deliver contractual obligations arising from Phase 2 of the contract.

35 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2017 £m	2016 £m
Increase/(decrease) in cash and cash equivalents for the year	**32.9**	(291.4)
Cash inflow from debt and lease financing	**(14.7)**	(22.9)
Change in net funds resulting from cash flows	**18.2**	(314.3)
New finance leases	**(11.8)**	(16.9)
Other non-cash items	**(2.8)**	(0.3)
Foreign exchange translation differences	**16.5**	6.5
Movement in net funds in the year	**20.1**	(325.0)
Net funds at 1 April	**45.4**	370.4
Net funds at 31 March	**65.5**	45.4

36 PRINCIPAL SUBSIDIARIES AND JOINT ARRANGEMENTS

Principal subsidiaries	Principal activity	Group interest in ordinary voting shares	Principal place of business
Austrak Pty Limited	Manufacture of construction products	100%	Australia
Crown House Technologies Limited	Mechanical and electrical contracting	100%	United Kingdom
Expanded Limited	Civil and structural engineering, piling and demolition	100%	United Kingdom
Explore Capital Limited	Holding company	100%	United Kingdom
Explore Investments Australia Pty Limited	Property development	100%	Australia
Explore Investments Limited	Commercial property development	100%	United Kingdom
Explore Living Limited	Residential development	100%	United Kingdom
Explore Manufacturing Limited	Manufacture of construction products	100%	United Kingdom
John Laing International Limited	Overseas contracting	100%	Hong Kong
Laing O'Rourke Court Investments Pty Limited	Holding company	100%	Australia
Laing O'Rourke Australia Construction Pty Limited	Building contracting, civil engineering, infrastructure and plant hire	100%	Australia
Laing O'Rourke Australia Holdings Limited	Holding company	100%	Cyprus
Laing O'Rourke Australia Pty Limited	Holding company	100%	Australia
Laing O'Rourke Canada Limited	Building contracting	100%	Canada
Laing O'Rourke Construction Limited	Building contracting, civil engineering and infrastructure	100%	United Kingdom
Laing O'Rourke Construction Hong Kong Limited	Building contracting, civil engineering and infrastructure	100%	Hong Kong
Laing O'Rourke India Holdings Limited	Holding company	100%	Cyprus
Laing O'Rourke Infrastructure Limited	Civil engineering and infrastructure	100%	United Kingdom
Laing O'Rourke Ireland Holdings Limited	Holding company	100%	Cyprus
Laing O'Rourke Ireland Limited	Building contracting	100%	Ireland
Laing O'Rourke Middle East Holdings Limited	Building contracting and civil engineering	100%	Cyprus
Laing O'Rourke Manufacturing Limited	Manufacture of precast concrete	100%	United Kingdom
Laing O'Rourke plc	Holding company	100%	United Kingdom
Laing O'Rourke Services Limited	Service company	100%	United Kingdom
Laing O'Rourke Treasury Limited	Treasury company	100%	Cyprus
O'Rourke Investments Holdings (UK) Limited	Holding company	100%	United Kingdom
Select Plant Hire Company Limited	Plant hire and operations	100%	United Kingdom
Suffolk Partners Three Limited	Treasury company	100%	British Virgin Islands
Vetter UK Limited	Finished stone products	100%	United Kingdom

36 PRINCIPAL SUBSIDIARIES AND JOINT ARRANGEMENTS (CONTINUED)

Joint ventures	Principal activity	Group ownership interest	Principal place of business
Alder Hey (Special Purpose Vehicle) Limited	PFI accommodation operator hospital	40%	United Kingdom
Emirates Precast Construction LLC	Manufacture of precast concrete	40%	United Arab Emirates
Explore Transport Limited	Freight transport by road	50%	United Kingdom
Health Montreal Collective CJV Limited Partnership	Building and civil engineering	50%	Canada
Health Montreal Collective Limited Partnership	PFI hospital operator	25%	Canada
High Wood Health (Hold Co) Limited	Holding company	50%	United Kingdom
High Wood Health (Finance Co) plc	Raising of finance through loan note issue	50%	United Kingdom
High Wood Health (Project Co) Limited	Design, build, finance and maintenance of district hospital	50%	United Kingdom

Emirates Precast Construction LLC has a year-end of 31 March. Alder Hey SPV Limited, CLM Delivery Partner Limited and Health Montreal Collective Limited Partnership have a 31 December year-end and Health Montreal Collective CJV Limited Partnership has a 30 April year-end.

Joint operations			
Bayswater JV	Civil engineering	50%	Australia
BYLOR	Civil engineering	50%	United Kingdom
COLOR Bond Street	Civil engineering	50%	United Kingdom
FLO JV	Civil engineering	50%	United Kingdom
Staffordshire Alliance	Civil engineering	33%	United Kingdom
Laing O'Rourke - Bachy Soletanche JV	Infrastructure and building construction	50%	Hong Kong
Laing O'Rourke - Hsin Chong Paul Y JV	Infrastructure and building construction	55%	Hong Kong
Laing O'Rourke - Kier Kaden JV	Infrastructure and building construction	42.5%	Hong Kong
Laing O'Rourke - Hsin Chong Paul Y (WKCD) JV	Infrastructure and building construction	55%	Hong Kong
M-Pact Manchester	Civil engineering	60%	United Kingdom
Pacific Complete JV	Civil engineering	60%	Australia