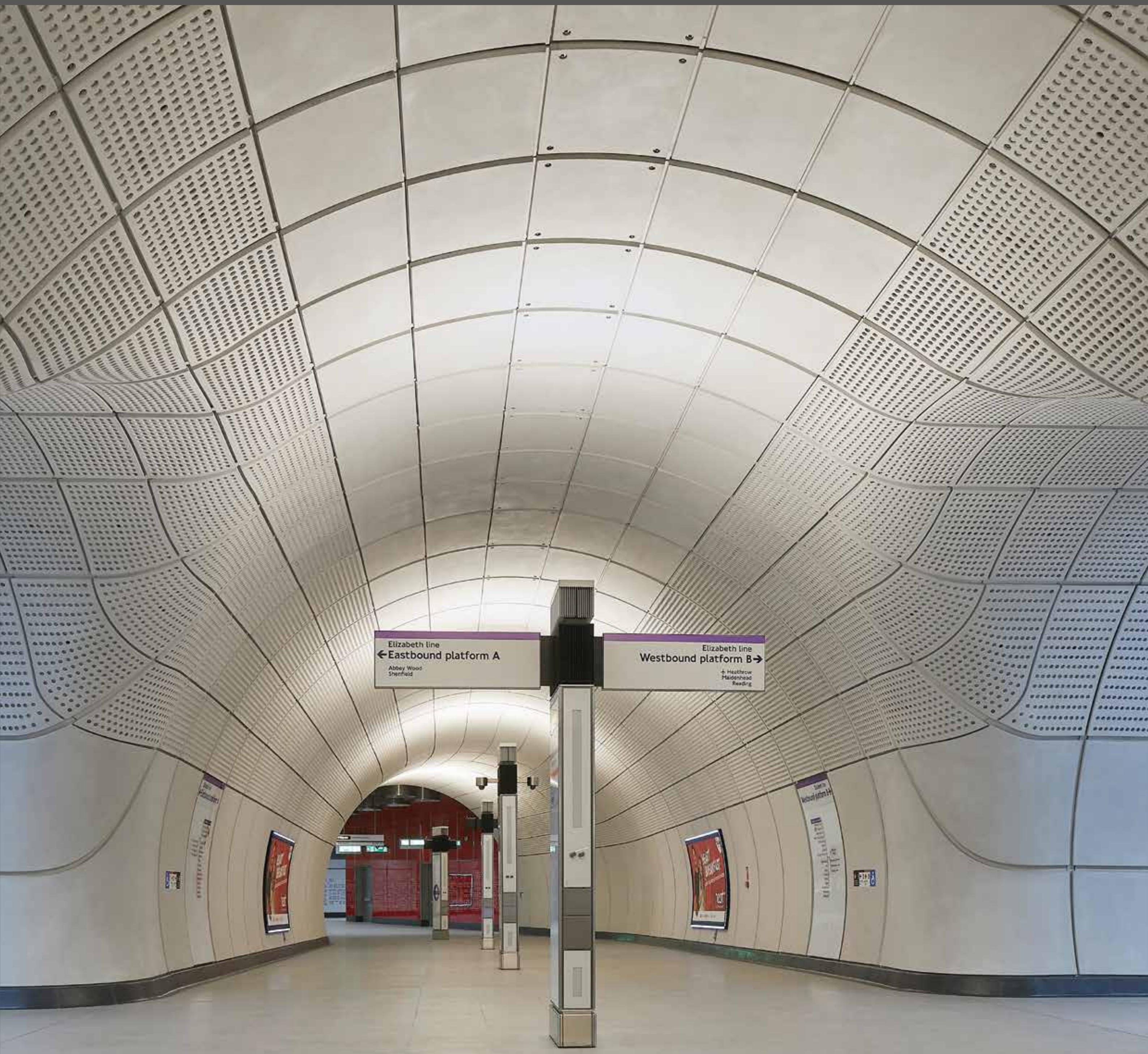
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022



Pushing the boundaries
of what's possible,
in service of humanity.

With care, integrity
and courage.

AT A GLANCE

ABOUT US

Laing O'Rourke is a design, engineering, manufacturing, and construction company. We directly employ more than 13,000 people globally whose skills and experience enable us to deliver certainty for our clients on some of the world's most complex and challenging building and infrastructure projects.

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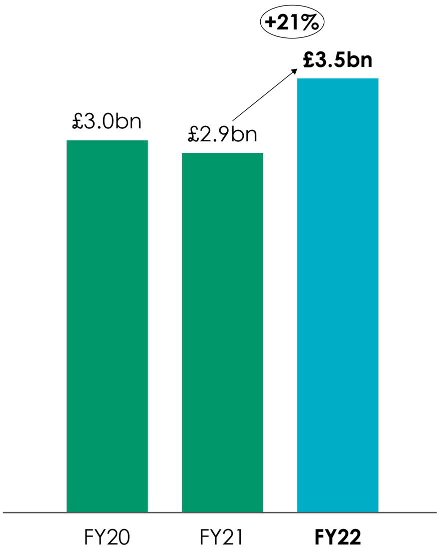
KEY PERFORMANCE INDICATORS

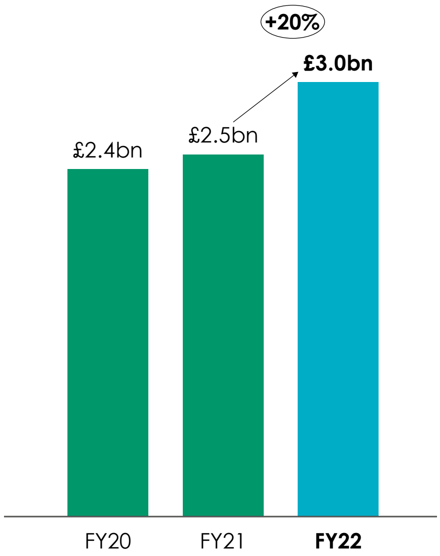
FINANCIAL PERFORMANCE

STRONG UNDERLYING TRADING PERFORMANCE AND CASH POSITION DESPITE CONTINUING CHALLENGING MARKET CONDITIONS

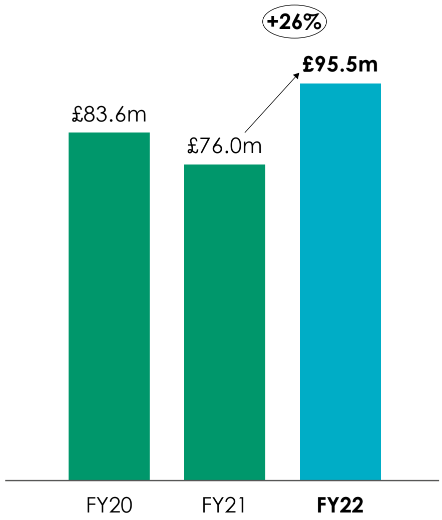
MANAGED REVENUE[1]



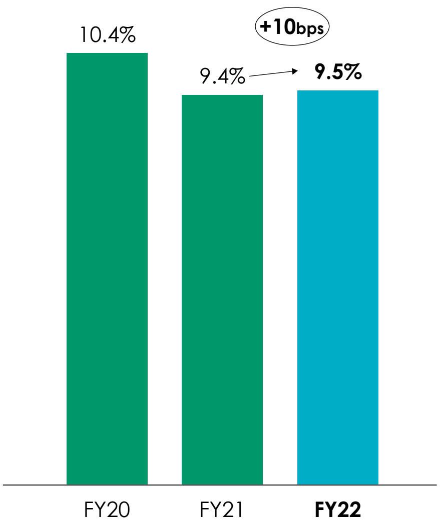
GROUP REVENUE[2]



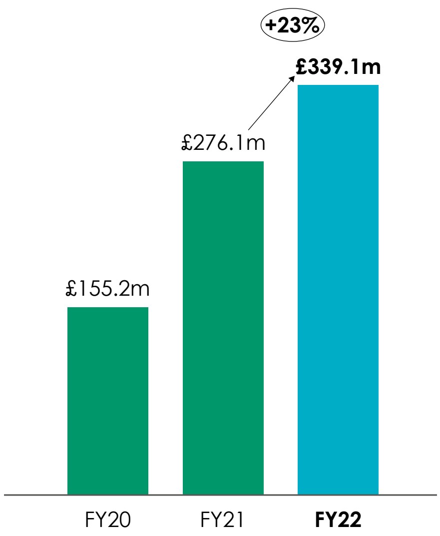
PRE-EXCEPTIONAL EARNINGS BEFORE INTEREST AND TAX[3]



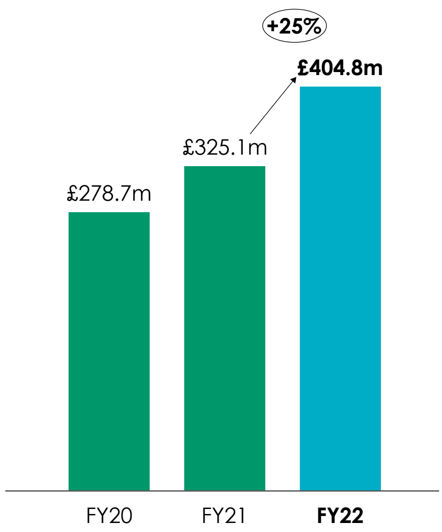
GROSS MARGIN[4] %



NET CASH[5]



NET ASSETS[6]



The FY21 results have been represented and restated, see note 2.2 of financial statement for further details.

1 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. Managed revenue is stated pre-exceptional items as disclosed in note 4.

2 Group revenue is stated pre-exceptional items as shown in the Consolidated Income Statement.

3 Pre-exceptional earnings before interest and tax is calculated by adding exceptional items as disclosed in note 4 to statutory earnings before interest and tax.

4 Gross margin percentage is calculated as gross margin pre-exceptional costs divided by Group revenue.

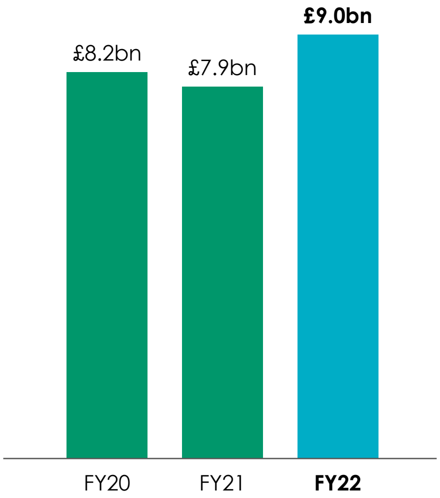
5 Net cash is calculated as cash and cash equivalents less long-term and short-term borrowings.

6 Net assets is calculated as total assets less total liabilities.

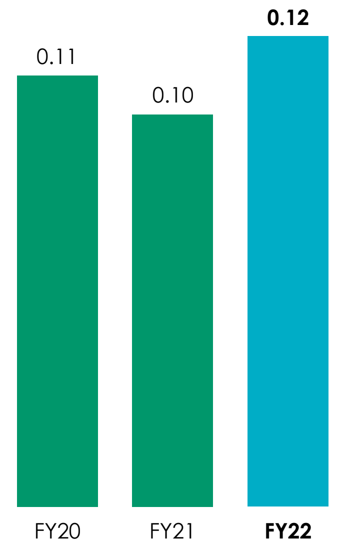
OPERATIONAL PERFORMANCE

OPERATIONAL PERFORMANCE INDICATORS EXHIBIT GROWING ORDER BOOK, CONSISTENT ACCIDENT RATE AND CUSTOMER SATISFACTION PERFORMANCE AND SIGNIFICANT REDUCTION IN GROUP CARBON EMISSIONS.

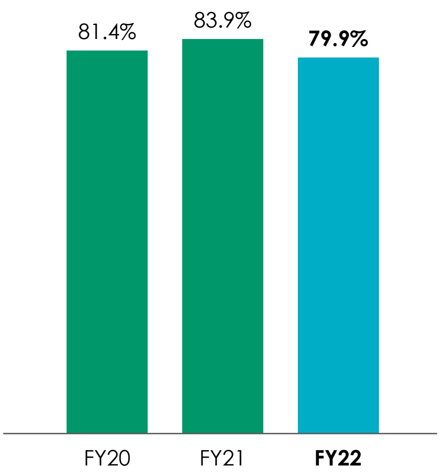
ORDER BOOK[1]



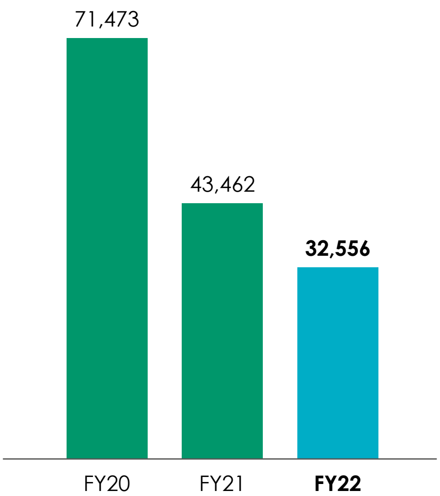
ACCIDENT FREQUENCY RATE[2]



CUSTOMER SATISFACTION[3]



GROUP CARBON EMISSIONS – SCOPE 1 & 2 (tCO_2e)[4]



1 Order book represents the value of work outstanding on secured, anticipated and preferred bidder contracts on a managed revenue basis.

2 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.

3 Customer satisfaction is measured through data collected from clients across all key projects

4 Group carbon emissions represents Scope 1 (direct emissions from the Group's owned or controlled resources) and Scope 2 (indirect emissions from purchased energy) carbon emissions.

OUR PURPOSE AND VALUES

While Laing O'Rourke has always had a strong sense of purpose, stemming from its family ownership and passion to deliver projects that improve the lives of the communities they serve, we have recently undertaken an exercise to redefine this and the core values of our company.

Based on extensive interviews with colleagues in both our operating hubs, who shared their experiences of being part of Laing O'Rourke, and feedback from our clients, we have defined our purpose as being:

To push the boundaries of what's possible, in service of humanity.

And as we do this in our work, we will think and act in line with three *values:* ***care, integrity and courage.***

The development of the purpose and values stemmed from our employees' own experience – collected through focus groups, written submissions, and real-time data. It has been important to capture and document what's good about Laing O'Rourke and has helped the business succeed. We will stay true to this as the business evolves and responds to the shifting needs of clients and other stakeholders.

We also recognise purpose is important for each of us as individuals. It's one of three innate key drivers we have in life – which are to find meaningfulness, belonging and purpose – and which help us perform at our best.

Today, a wide range of stakeholders expect companies to have a purpose beyond profit. They are expected to make a contribution to the wider world.

We have this at Laing O'Rourke – our people feel it and it is genuine and authentic. The task now is to retain and strengthen it, and we will embed the purpose and values across the business so that they guide how we make decisions, our behaviours, how we create our project teams, and how we support career development and each other.

MISSION STATEMENT AND GUIDING PRINCIPLES

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 delivering certainty through the power of our teams' experience. By selectively embracing effective industry innovations and placing them in the hands of individuals with experience of deploying them in the most impactful way, we can help deliver the certainty our clients crave and realise our 'Deliver 2025' mission to become the recognised leader for innovation and excellence in the construction industry.

Our 'Deliver 2025' mission and Guiding Principles influence everything we do and provide an ambition which inspires our employees and assures our stakeholders.

OUR 2025 MISSION

To become the recognised leader for innovation and excellence in the construction industry

OUR GUIDING PRINCIPLES

Absolute alignment

We work as one team by knowing and understanding our people and their talents to deliver for our customers

Complete thinking

We look at projects in their entirety to ensure we bring together all the parts at the right time and in the right way for the customer and the business

Sophisticated simplicity

We aim to make our complex world feel simple, useable and inspiring

GROUP CHAIR'S STATEMENT

Twelve months ago, I reflected on an extraordinary trading period, the likes of which I had not witnessed before in my career. Today, I am pleased that in the FY22 trading period we saw communities and economies in both our operating hubs return to something more normal due to the resilience of business and the success of vaccination programmes. While new challenges have emerged, primarily inflationary pressures, the severely devastating war in Ukraine, and its associated impact on energy prices, I am proud of the continued efforts of the people of Laing O'Rourke, where the underlying results show year on year increases to revenue, pre-exceptional EBIT and the order book.

Most importantly, we have achieved all this in volatile conditions, while completing our objective of fundamentally restructuring and reducing debt, to unlock even greater potential.

It is reassuring to see the business perform so well in testing circumstances, and a sign of our ongoing focus on delivering certainty for our clients, powered by resilience.

A purpose led business

Our executive team remains focused on the right priorities: the wellbeing of our people; revenue and margin growth; building the order book through the disciplined pursuit of projects in our strategic sectors, and which suit our operating model; and progressing all aspects of ESG – environmental, social and governance – to make us the sector's most responsible constructor.

There remains much more to do on this journey, but we will be guided by the new company purpose and values which are already impacting our behaviours and decision making. We defined our purpose as "pushing the boundaries of what's possible, in service of humanity" and have committed to do this through the values of care, integrity and courage.

There is ample evidence of our values in action. Between September and December 2021, the business repaid all employees the salary they had sacrificed in the first four months of the pandemic, when the business took the very difficult decision to implement temporary pay reductions for all UK salaried staff. The good grace with which our people accepted this was noted at the time and was not forgotten, and we repaid the money at the earliest opportunity once we were confident we had weathered the storm of the pandemic.

We remain focused on caring for our people. I felt proud when we introduced our equal parenthood leave policy, which enables any colleague to take six months' parental leave on full pay. In a world in which parental responsibility very rarely sits with one parent, we decided it was essential to adopt a more balanced approach that better supports a wide range of modern families. In a male dominated industry like ours, this is not without financial implications, but we are pushing the boundaries.

Environment, social and governance (ESG)

As a purpose led business must, we made good progress on ESG during the FY22 trading period, which is detailed on pages 36 to 44 of this annual review.

When we replaced our consortia refinancing arrangement, we entered a single-bank arrangement with our long-time supporter HSBC. Importantly, we agreed this new funding arrangement - a £35M revolving credit facility in the UK – would incentivise or penalise us depending on our progress against key sustainability metrics: reducing carbon intensity; diverting waste from landfill; and increasing the number of women in senior project delivery roles.

Our Technology & Innovation Group continues to work to develop new products and processes to help decarbonise projects for clients. During FY22, we developed a new carbon calculator tool which our technical leaders now apply on all our bid submissions – to date it has enabled them to quickly identify changes that are reducing the embodied carbon in original designs by up to 19%.

We have recently completed a research project, co-funded with a grant from the UK's Industrial Energy Transformation Fund (IETF), to decarbonise manufactured concrete components used in construction.

Through our project delivery teams, we continue to create social value for communities – through learning, training and employment opportunities – and work to protect and enhance biodiversity.

I wrote last year about our work to develop governance standards that align with those required of a publicly listed company and am pleased to report we have again strengthened our financial controls, improved compliance procedures, updated our code of conduct, and instituted stronger whistleblower controls.

Outlook

In both of our operating hubs, governments remain committed to investing in infrastructure, and view it as a key element of their post covid economic recovery plans. In Australia, our focus is on opportunities in the rail, roads and defence sectors, and in the UK rail, healthcare, energy, defence and science present further opportunities. We have also begun to see an increase in privately funded projects across our Buildings Business Unit in the UK as investor confidence returns.

With net zero a public policy objective of increasing importance and urgency, we also believe we have a key role to play in delivering the new green infrastructure net zero demands, and I stand by my assessment that the sector probably has the best opportunities ahead of it, that it has had in the last 50 years.

We made key appointments to the Board that will help us accelerate our progress towards our strategic goals. I am delighted that Dr Hayaatun Sillem CBE, Chief Executive of the Royal Academy of Engineering, has joined the Board. Her knowledge and advocacy for the engineering profession, the environment, innovation and inclusion further enriches the range of skills we have at our disposal.

Another new appointee is Mark Cutifani, who joined in September 2022 as Senior Independent Director. Mark's 45 years of business experience and outstanding leadership skills will complement those of the diverse Board we have built. He will chair a new sustainability committee of the Board as we seek to accelerate progress towards the stretching goals we have set.

Cathal O'Rourke, who has held the position of Managing Director of the Australia Hub for the past eight years, also joins as Non-Executive Director in calendar year 2023. Cathal's experience in running the Australian operations, where he drove significant financial and operational performance and championed innovation, inclusion and stakeholder engagement, will complement the discussions around the Board table.

Finally, I would also like to pay tribute to our non-executive director, Greg Branch, who sadly died in August. Greg joined the Board in September 2018 and was Chair of our Audit and Risk Committee, and a member of the Finance Committee. He played an important role in the turnaround of the Group, and his wisdom and contribution will be greatly missed by the Board.

Sir John Parker GBE FREng
Group chair

GROUP CHIEF EXECUTIVE'S REVIEW

Laing O'Rourke's pre-exceptional results for FY22 reaffirm our confidence in our operating model, which is firmly understood and genuinely valued by our clients.

This model is then made a reality by exceptionally talented and engaged people across Laing O'Rourke globally. Their dedication and loyalty has been instrumental in our ability to restructure and refresh the business these past five years, and embark on exciting new growth and industry thought-leadership. We are grateful to all of them.

On an underlying basis the business continues to go from strength to strength – with a growing order book, growing revenue, and increasing net cash – acknowledging that margin growth this year has been challenged by the current global inflationary backdrop.

A purpose-led strategy

While FY22 saw us continue to deliver on our commitments to our stakeholders, there remains much for us to do to fully unleash the huge potential of our business to support economic recovery, transform productivity and create the green infrastructure that is urgently required to protect the planet.

We will act in line with our purpose and keep pushing the boundaries of what's possible, in service of humanity.

We remain focused on accelerating progress to achieve the sustainability goals we set in April 2021. Our Technology and Innovation Group is developing exciting solutions to help clients reduce the embodied and operational carbon in projects.

We have recently completed a research project at our Centre of Excellence for Modern Construction in Nottinghamshire to identify new ways to decarbonise manufactured components, co-funded by the UK Government and backed by Cambridge University and Sheffield University's Advanced Manufacturing Research Centre. We will open more doors to future collaboration like this, that will advance our sector.

Likewise, we have more work to do to make construction – which is still, to my mind, the most exciting industry in the world – an attractive and rewarding career for all. Our Trades to Technicians strategy is about using technology to unlock productivity and create new, attractive, quality future jobs in new locations.

We will optimise the work our committed and creative people do, improving their conditions and making their workloads sustainable, inviting in a broader talent pool to take part in construction; people who may previously never have considered a role in creating the very fabric of our societies, through improved cities and social infrastructure.

A clear area in which I wish I had seen more progress during my time in the industry, is in our caring for people. Rates of mental ill health among construction workers are unacceptably high. We have a moral obligation to address this by bringing about lasting change. This is why we continue to develop an industry-leading package of measures to support all our people, at every stage of their lives and careers.

Most recently we become the first construction company to introduce an equal parenthood leave policy, which enables anyone who works for us to take six months parental leave on full pay – acknowledging the impact that home life has on work life.

Our financial results

I am pleased to report that our underlying financial performance shows increased Group Revenue pre-exceptional items to £3.0bn (FY21: £2.5bn) and pre-exceptional EBIT of £95.5m (FY21: £76.0m), with a billion pound increase in the global order book to £9.0bn.

Our FY22 EBIT stood at £19.8m for the year (FY21: £69.9m), reflecting an exceptional adjustment of a contract asset in respect of an Australian contract terminated during the 2017 financial year. This adjustment has no cash impact.

On a group basis, we have maintained a stable level of gross cash over the last three trading periods but now have c.£160m less debt compared with 31 March 2020, building our resilience. This is the lowest net debt result since the business restructures of 2016.

The FY22 results also include the conversion of shareholder debt to equity, confirming the shareholders' enhanced commitment to the direction of the group.

Outlook

We have further streamlined the group globally to a clear "two Hubs, one business" structure that unleashes greater transparency, agility and certainty for clients.

These results reflect the unwavering commitment of our people and the strength of a long-standing leadership team that has directed the business with a clear demonstration of our values: care, integrity and courage.

Their dedication has been truly impressive and humbling, and the results delivered will provide a springboard for the next stage of growth in our key strategic markets, unlocking more sustainable operations, inclusion and wellbeing, and transformative innovation across the Group.

Ray O'Rourke KBE
Group chief executive

OPERATING REVIEW

OPERATING REVIEW – GROUP

After a challenging year in the face of the pandemic, Laing O'Rourke slowly began to return to a 'new normal' during FY22. This included new ways of working across the global business and improving our oversight and support for complex projects.

Laing O'Rourke's focus remained on excellence in project delivery during the year, resulting in a significantly improved FY22 compared with a strong FY21. We continued to work on and launch transformative technologies that, in the hands of highly trained and committed people, will transform construction, and deliver certainty for clients.

There were no significant closures of sites in the UK during FY22 and those in Australia had minimal impact on output and we continued to ensure our sites operated safely under current Covid guidelines. The health and safety of our people remains our priority. Australia was also affected by some severe weather events during FY22, most notably the Eastern Australia floods in February and March 2022.

In May 2022 the Group held a strategy conference for leaders across both Hubs, the first since before the pandemic. Led by our Group Chair Sir John Parker and CEO Ray O'Rourke, supported by Group Executive members and our in-house elite 'coaches', the event set out the next steps on our path to 'Deliver 2025'.

Two key focus points of the event were our purpose and values: pushing the boundaries of what's possible in service of humanity; and our commitment to sustainability. There is more information around our purpose and values on page 4 and on sustainability on pages 36 to 44.

All these aspects are fundamental to our ambition to continue to transform our business and become the recognised leader for innovation and excellence in the construction industry.

We are pleased to report an improved underlying performance for the year (compared with FY21) and continue to work from and maintain a stable pipeline of work within our core markets.

ACHIEVEMENTS AND AWARDS

Laing O'Rourke continued to be recognised for its achievements during the year and secured recognition for innovation, sustainability and best practice.

The Thames Tideway team, a Laing O'Rourke and Ferrovial Construction (FLO) joint venture was awarded the Health, Safety and Wellbeing Initiative of the Year for the 'FLO – UK first HSE exemption upheld through Covid' and Tunnelling Team of the Year for the 'self delivery SCL tunnelling – Tideway Central' in December 2021.

Further individual recognition was achieved when Dimple Parmar, Site Engineer at our Tideway Central team was named as the Degree Apprentice of the Year at the New Civil Engineer Graduate & Apprentice Awards. Currently working on the secondary lining of the shaft at Tideway's Blackfriars site, Dimple had worked on the complex secondary lining of the project's longest connection tunnel at Falconbrook for three years before that.

Laing O'Rourke's laser focus on innovation and construction excellence has been recognised in this year's South Australia Earth Awards with Flinders Link Rail Project winning Best Project over AUD$75m. Presented by the Civil Contractors Federation (CCF), the prestigious Awards have the specific aim of recognising excellence in the civil construction industry which includes roads, bridges, railways, marine structures, and utilities that link Australian communities.

Drawing from our shared expertise, the joint venture addressed challenging design complexities by developing innovative solutions such as 3D modelling of structural reinforcement elements to reduce material wastage. Another key innovation on the project was the use of Trac Rail Transposers (TRTs) to safely deliver rail scope over live roadway – the first use of TRTs in South Australia.

Crown House Technologies' project manager Bryan Wilkins was named as a 'lockdown hero' at the Security and Fire Excellence Awards held in London. Part of an information and communication technology, fire and security project team, Bryan played a crucial role in delivering ward space to The Grange University Hospital a year early.

Finally, Laing O'Rourke Joinery in the Middle East was presented with the 'Always There' award at the recent ISG Supply Chain Forum. The joinery business has successfully delivered several Expo 2020 packages for client ISG.

The Group has had another rewarding year as we continue to deliver certainty through the power of experience.

Sydney Central Station Metro upgrade, Sydney, Australia

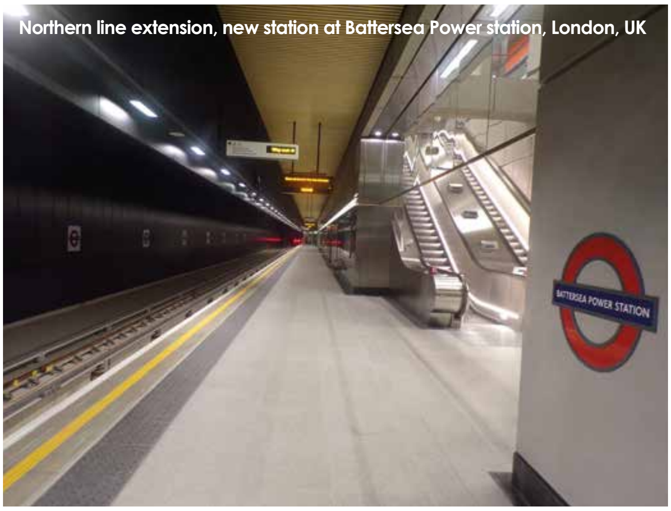
OPERATING REVIEW – EUROPE HUB

The European business continued its recovery from the pandemic during the year and Europe delivered a significant improvement in managed revenue of £2.27bn (FY21: £1.96bn), and an increased gross profit of £156.7m (FY21: £144.5m). This improved performance was, however, offset by additional operating expenses primarily reflecting additional salary costs incurred in order to repay salary reductions implemented during FY21 as part of Covid mitigation measures during the first Covid-19 lockdown. The resulting earnings before interest and tax therefore stood at £69.2m (FY21: £78.3m). The year-end net cash position of £113.7m (FY21: £118.0m) included significant repayment of borrowings in October 2021 as part of the UK refinancing and overall reduction in Group debt. The Europe Hub net cash position has remained relatively stable with increased operating cashflow serving to offset the significant debt repayments.

The impact of the escalating inflationary environment has remained under continuous review during the year, with its impact carefully managed and mitigated wherever possible. We continue to manage inflation risk from bid/tender stage throughout the contract life through our governance processes and various mitigation strategies. Availability and pricing of certain materials and labour continues to require active management through contract negotiations, supplier relationships and project price contingencies. Our integrated, self-delivery model reduces our supply chain exposure and therefore serves to ensure that any potential impact is minimised.

The impact of the Russia-Ukraine conflict is also being closely monitored by the business but had no wider impact on operations to date beyond contributing to the inflationary environment.

While the UK business has not seen a significant impact directly resulting from the UK's departure from the European Union at the end of 2020, the Board continues to monitor any further future potential impact.



Northern line extension, new station at Battersea Power station, London, UK

During the financial year, our teams focused on maintaining productivity, continuing to achieve key project milestones across some of the UK's vital infrastructure projects, including Hinkley Point C, Thames Tideway and the Northern line extension.

Key projects handed over to clients during the year include the Elizabeth line stations at Tottenham Court Road and Liverpool Street, the Northern line extension and the St James Quarter in the heart of Edinburgh.

In February 2022, HS2's pioneering move towards diesel free construction sites took a step forward with two fully electric crawler cranes arriving at HS2's Old Oak Common site. There are only five of these 100% emissions-free, giant Liebherr cranes in the world and two are being used for the first time in the UK at HS2's Old Oak Common site. They will reduce carbon, improve air quality and reduce noise, making sites cleaner and safer for site workers and local communities.

The site of the new Everton Football Stadium, saw the team clearing abandoned warehouses, searching for and removing potential unexploded ordnance, sealing the dock and subsequently infilling it with more than 450,000 cubic metres of sand from the Irish sea.

In March 2022, Hinkley Point C's first reactor building became 17 metres taller overnight, thanks to the world's biggest crane, Big Carl. A 347 tonne liner steel ring was lifted onto the Unit 1 reactor building. It follows the previously installed Liner Cup and first Liner Ring taking the height of the building to more than 32 metres tall, changing the skyline at the site. The liner ring is the third of five pieces that make up the steel containment for each reactor, including the Cup and the Dome. The lift demonstrates the remarkable momentum being made on the project, which is one of Britain's biggest projects in the fight against climate change. Its low carbon electricity will power 6m homes. This year marks a new phase for the site, with work being carried out to install pipes and electrical cables across the power station.

We continue to drive for sophisticated simplicity and during the year created a single consolidated UK trading group and significantly reduced the number of legal entities. This structure took effect from the 1 April 2022.

The UAE contracting business performed well, completing work on Expo 2020 ahead of the event being held between 1 October 2021 and 31 March 2022. Data centres continue to be a key sector, with new projects secured for Khazna Data Centres and Pure Data Centres. Our joinery business successfully worked on several impressive projects, including One Zabeel, Dubai Harbour and Hilton Garden Inn & Embassy Suites. The UAE business continues to benefit from the support of its lender Emirates NBD, with facilities of AED 562m consistently renewed on an annual basis.

During the financial year we have focused on accelerating our transformation programme and our mission of becoming the construction sector's recognised leader for innovation and excellence supported by two strategic senior level appointments: Adrian Spragg as Global Head of Digital and Mike Bufalino as Group Chief Data and Information Officer.

Our business 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, using the power of experience to deliver increased certainty for all stakeholders.

The Europe Hub included all trading in the UK, Middle East and Canada.

OPERATING REVIEW – AUSTRALIA HUB

The Australian business delivered significant continuous improvement in both managed revenue pre-exceptional items performance of AUD$2.2bn (FY21: AUD$1.8bn) and a pre-exceptional EBIT of AUD$132.3m (FY21: AUD$71.7m). Our strategy, focused on deeper collaboration with our clients, supporting our supply chain and investing in our people has been critical to our success and is aligned to our 2025 mission to be the recognised leader for innovation and excellence in our market.

Our continued disciplined focus on the priority sectors of rail, roads, defence and resources has resulted in a current order book of over A$5bn – up from A$3bn at the end of FY21. The business' results from continuing activities generated a net loss before tax of AUD$11.4m (FY21: PBT AUD$34.9m) due to a AUD$128.1m adjustment to a contract asset in respect of a contract terminated during the 2017 financial year (see note 18). The cost of this adjustment has been treated as exceptional (see note 5).

This exceptional contract balance adjustment will not impact the business' operations nor its ability to deliver projects as the business' working capital capacity does not rely on a cash receipt from this contract asset. The business is underpinned by a strong balance sheet and solid cash generation with the year-end cash position of AUD$358.8m.

This has all been achieved while maintaining a position as a partner of choice for our supply chain – ensuring accounts are paid on or ahead of time, maintaining fair and transparent business operations and where possible providing opportunities to up-skill and engage more Indigenous businesses.

Our focus has remained firmly on working with our clients and government agencies to ensure a more sustainable sector. We have continued to engage with governments around the country to advise on policy and process setting to enable a more productive and successful experience for all industry participants.

This approach is delivering results with a number of new major city-shaping project wins including the AUD$538.0m initial works and early works package for Suburban Rail Loop East – Cheltenham to Box Hill and the AUD$150.0m Bridge Inn Road Upgrade project in Melbourne. In another exciting win, the business was awarded AUD$100m Early Works Package for Melbourne Airport Rail (MAR) and our South Eastern Program Alliance was awarded a contract to complete the AUD$455m works to remove the level crossings at Union Road, Surrey Hills and Mont Albert Road, Mont Albert in Melbourne's East.

Nearing the end of the financial year, a consortium between Laing O'Rourke and Gamuda Australia was appointed by the NSW Government to deliver the AUD$2.16 billion Sydney Metro West – Western Tunnelling Package (WTP).

The business also reached practical completion successfully on a number of significant projects including the new Engineering and Technology Precinct (ETP) at the University of Sydney, the first stage of a multi-million revitalisation of the Precinct.

For an industry built on physical labour, the COVID-19 pandemic caused significant disruption across the construction sector. At Laing O'Rourke we leveraged our knowledge and experience of new technologies to source solutions for our impacted workforce due to restrictions across Australia.

One of those solutions was BuiltView, a digital productivity tool and cloud-based platform built from our innovation team. BuiltView's technology creates virtual site access through a combination of 360 video walk through and an image sharing platform, allowing non-essential site staff to receive progress updates from home.

We see this purposeful technology becoming a new way of working beyond the pandemic. Since we launched our ambitious global Sustainability strategy and targets earlier this year, we have seen an exceptional amount of activity to deliver environmental and social outcomes across the Australia Hub.

We've partnered with real-time environmental management organisation, SiteHive to support our sites to monitor and manage in real time our environmental compliance in an automated and productive way.

We are committed to shifting the dial on gender equality and have for some time sought to become the employer of choice for women in the construction industry. We have been steadily driving change in this space and have achieved some strong results this past year reaching our full year target of 34% women employed across the Australia Hub. We also hit our target of 18% of senior roles on projects to be filled by women.

The Australian business has once again been awarded the prestigious Workplace Gender Equality Agency (WGEA) Employer of Choice for Gender Equality (EOCGE) citation which is the second consecutive EOCGE award having met a rigorous set of requirements and demonstrated a visible commitment to gender equality as a strategic imperative for the business.

Throughout the year, Australians faced many challenges including the pandemic as well as extreme weather and flash flooding events that devastated communities in Queensland and NSW. The business was proud to once again offer its support in the clean-up efforts and recognising the situation would be ongoing for many people, we also made a $450,000 donation to the Australian Red Cross QLD & NSW Flood Recovery Emergency Response.

We asked for the donation to be split into two distinct portions, with $250,000 to go to the general emergency response and $200,000 to go directly to the Red Cross' First Nations Initiative to ensure we are supporting Aboriginal and Torres Strait Islander people who have been impacted.

The Australia Hub has included all trading in Australia and Hong Kong.

Bayswater level crossing removal project, South Eastern Programme Alliance (SEPA), Melbourne, Australia

OUR BUSINESS MODEL

WHAT WE DELIVER

OUR CLIENT PLATFORM

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

Laing O'Rourke's 'Deliver 2025' mission is driven by constant innovation based on technical excellence in design, manufacturing and construction.

Excellence in engineering coupled with the early adoption of new technologies and a well-established people agenda that attracts and develops the very best talent to work for the Group, are central to this ambition. To drive this, our transformation journey is underpinned by five key conditions.

The Group's 'Deliver 2025' mission has been vital to continue to build momentum within the business, ensuring we pursue the right strategic opportunities and partner with our clients to deliver the certainty they seek. It will also ensure we create new and sustainable competitive advantage in the highly competitive and demanding sectors in which we operate.

OUR UNIQUE APPROACH

We are trusted by clients to meet their needs for certainty and sustainability 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. We manufacture these products at our own facilities, the Laing O'Rourke Centre of Excellence for Modern Construction (CEMC) in Nottinghamshire.

Construct

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

A 65 metre bridge to carry HS2 over the M42 is driven into place in Warwickshire, UK.

HOW WE DELIVER

DELIVERING CERTAINTY THROUGH THE POWER OF EXPERIENCE

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

1. Excellence in engineering

Engineering solutions and the experience of our teams are key to our success, and our ability to deliver for our clients is reliant upon us driving excellence throughout those engineering teams. We are committed to investment in training, research and development, as these are fundamental to our sustainability and to addressing the productivity increase required in the construction industry. We will work together across the business to ensure our engineering capabilities remain sector leading and are deployed as a key differentiator on our projects.

2. Digital engineering

We build virtually in a digital environment first. This ensures greater predictability of cost, quality, programme and safety for clients, through the provision of smarter engineering-led solutions – focused on whole-life value and long-term performance. The application of digital tools by our delivery functions ensure the full benefits of this approach are realised for our clients.

3. Design for Manufacture and Assembly, and offsite manufacturing

Design for Manufacture and Assembly (DfMA 70:60:30), where 70% of the construction is conducted off site, leading to a 60% improvement in productivity, and a 30% improvement in delivery schedule, provides an efficient and sustainable design process which is aligned to our offsite manufacturing and onsite assembly approach, and to global modern methods of construction.

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, improve health and safety 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.

4. 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 offers complete delivery solutions creating certainty which our clients consistently appreciate.

Thames Tideway Tunnel, London, UK.

Hinkley Point C, Somerset, UK

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE PRINCIPLES

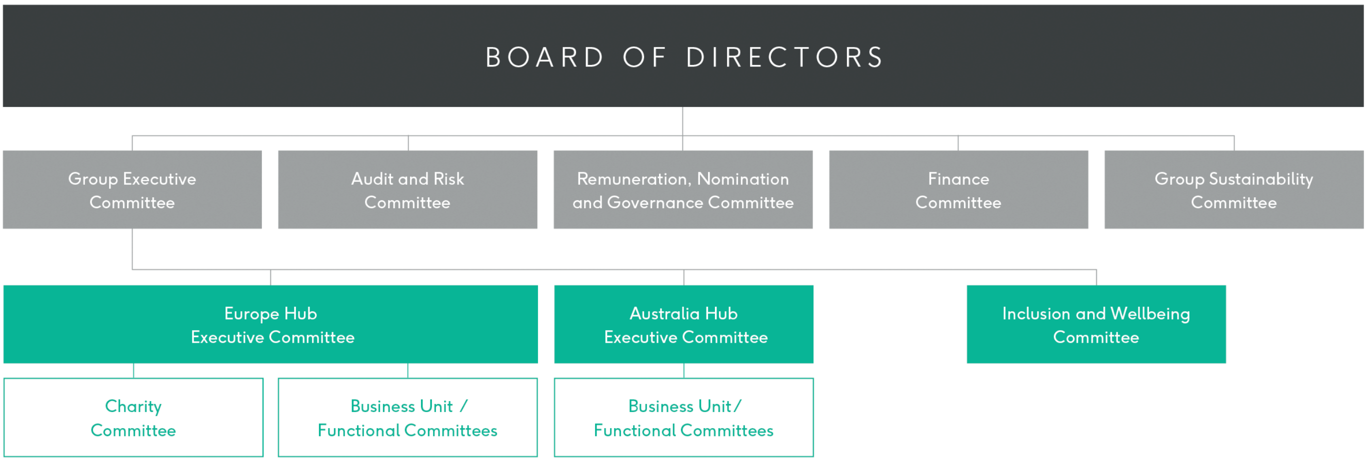
During the year ended 31 March 2022, our relevant UK companies in the Laing O'Rourke Group ('the Group') have considered the Companies (Miscellaneous Reporting) Regulations 2018 and elected to apply the Wates Corporate Governance Principles for Large Companies, as published in December 2018 (the "Wates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

GROUP CORPORATE GOVERNANCE FRAMEWORK

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

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

BOARD STRUCTURE



DIRECTORS

Sir John Parker GBE FREng – Group Chair

Sir John Parker, Group Chair at Laing O'Rourke, has built up an enviable reputation across a range of industrial sectors as a leader in the boardroom, including Chair at six FTSE100 companies. Sir John also chairs the Remuneration, Nomination and Governance Committee and the Finance Committee.

A 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, a core value of Laing O'Rourke's global business.

Ray O'Rourke KBE – Group Chief Executive Officer

Shareholder and co-founding director of the Laing O'Rourke Group, Ray chairs the Group Executive Committee and is responsible for leading the strategic direction and operational management of the Group's business activities. Ray also chairs the Australia Hub Executive Committee, Europe Hub Executive Committee, the Europe Inclusion and Wellbeing Committee and is a member of the Finance Committee and Remuneration, Nomination and Governance Committee.

Ray founded R O'Rourke & Son in 1977 and commenced trading the following year. The business acquired the construction arm of John Laing plc in 2001, and with the acquisition of Barclay Mowlem in 2006, created today's extended international engineering construction group. Ray has a passion for developing and promoting engineering and project delivery talent to meet global construction challenges and has a keen focus on safety performance.

Des O'Rourke – Group Deputy Chair

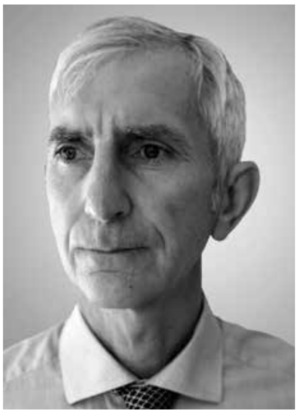
Shareholder and co-founding director of the Laing O'Rourke Group, Des provides Board level support to the Group Chair and the Chief Executive Officer in the operational management of the Group's business activities. Des is also a member of the Group Executive Committee and the Europe Hub Executive Committee.

Des has a proven track record in project delivery, mobilising large teams of people onto complex projects around the world.

Rowan Baker – Group Chief Financial Officer

Rowan joined Laing O'Rourke in September 2020 as the Group's Chief Financial Officer (CFO). Rowan is also a member of the Group Executive Committee, the Finance Committee, the Australia Hub Executive Committee and the Europe Hub Executive Committee.

An experienced finance executive, Rowan joined Laing O'Rourke from McCarthy & Stone plc, where she held the role of Chief Financial Officer and played a key role in the company's successful IPO in 2015. Prior to joining McCarthy & Stone in 2012, she worked in finance for Barclays Bank plc and professional services for PwC. Rowan has a master's degree in Law from Cambridge University and is a qualified accountant (FCA) and chartered tax adviser. Rowan is also a Non-Executive Director and Chair of the Audit Committee at Vistry Group plc.



Greg Branch – Non-Executive Director

Greg joined the Board as an independent Non-Executive Director in September 2018. Greg also chaired the Audit and Risk Committee and was a member of the Finance Committee. Greg sadly passed away in August 2022.

Previously, Greg was a Senior Partner at Deloitte LLP and built Deloitte Offshore over 27 years into a highly successful business. His key skills included succession planning, strategic planning, finance, audit and corporate governance. Greg had significant experience in working closely with Audit Committees of listed companies and large private companies.

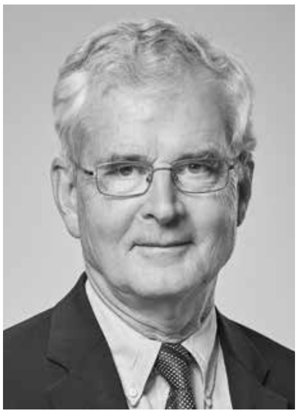
Charlotte Valeur – Non-Executive Director

Charlotte was appointed to the Board as an independent Non-Executive Director in March 2018. Charlotte has more than 30 years' experience in the financial industry and has held a range of executive and non-executive directorships in listed organisations, including Kennedy Wilson Europe Real Estate Plc, 3i Infrastructure Plc, Blackstone/GSO Loan Financing Ltd, DW Catalyst Fund Ltd, NTR Plc, Renewable Energy Generation Ltd and JPMorgan Convertibles Income Fund Ltd. In addition to her role on the Board, the Remuneration, Nomination and Governance Committee and the Finance Committee, Charlotte has also taken on temporary role of chair of the Audit and Risk Committee.

Seamus French – Europe Hub Managing Director and CEO-designate

Seamus joined the Board as an independent Non-Executive Director in May 2020 and was appointed Europe Hub Managing Director and CEO-Designate in January 2022. Seamus is also a member of the Finance Committee.

Seamus joined Anglo American in 2007, acted as CEO of Anglo American's bulk commodities business and was responsible for the Group's coal, iron ore and nickel businesses. He also sat on their Group Management Committee. Before joining Anglo American, he worked in a range of chemical and resources businesses, including as Global Vice President and a member of the Executive Committee at BHP Billiton.



Jim Edmondson – Group Company Secretary

Jim joined the Group in January 2018. Jim is a member of the Group Executive Committee. He is a solicitor of the Supreme Court of England and Wales and a former joint senior partner of a major London law firm with responsibilities for strategy, thought leadership, nurturing of client relationships and business development. Jim also specialised in advising on corporate structures, succession planning and the application of proper administration and corporate governance in the context of directorships and trusteeships.

Dr Hayaatun Sillem CBE – Non-Executive Director

Hayaatun was appointed to the board as a Non-Executive Director in March 2022.

She is CEO of the Royal Academy of Engineering and Queen Elizabeth Prize for Engineering Foundation and has been named as one of the 'Inspiring 50 Women in Tech' and one of the most influential women in engineering.

Hayaatun chairs the UK government's Business Innovation Forum and the St. Andrews Prize for the Environment, and co-chaired Sir Lewis Hamilton's Commission on Black Representation in motorsport. She was made a CBE for services to International Engineering in 2019.

Prior to her current roles, she was Deputy CEO at the Academy and served as Committee Specialist and later Specialist Adviser to the House of Commons Science & Technology Committee.

Mark Cutifani – Non-Executive Director

Mark was appointed to the board as a Non-Executive Director in September 2022. Mark is an experienced global chief executive who joined the Laing O'Rourke Board as Senior Independent Director, also chairing the Board's Sustainability Committee.

Mark stepped down in April 2022 as chief executive and an executive director of Anglo American plc after nine years leading the global mining giant.

He is credited with leading the turnaround of Anglo American after joining as chief executive in 2013. The company reported revenues of USD$41.5bn and record profitability in 2021.

GROUP EXECUTIVE COMMITTEE

Ray O'Rourke KBE,
CHIEF EXECUTIVE OFFICER

Des O'Rourke,
DEPUTY CHAIR

Cathal O'Rourke,
TAKING UP THE POSITION OF NON-EXECUTIVE DIRECTOR IN 2023 (PREVIOUSLY MANAGING DIRECTOR AUSTRALIA, RESIGNED 31 MARCH 2022)

Rowan Baker,
CHIEF FINANCIAL OFFICER

Seamus French,
EUROPE HUB MANAGING DIRECTOR AND CEO-DESIGNATE

Madeleina Loughrey-Grant,
GROUP DIRECTOR - LEGAL, GOVERNANCE AND SUSTAINABILITY

Josh Murray,
GROUP DIRECTOR – PEOPLE, CORPORATE AFFAIRS, OFFICE OF THE CEO

John O'Connor,
GROUP COMMERCIAL DIRECTOR

Rebecca Hanley,
MANAGING DIRECTOR AUSTRALIA APPOINTED 1 APRIL 2022 (PREVIOUSLY GROUP STRATEGY AND TRANSFORMATION DIRECTOR)

Andrew Wolstenholme OBE,
GROUP TECHNICAL DIRECTOR

Jim Edmondson,
GROUP COMPANY SECRETARY

Key:

- GEC Group Executive Committee (GEC)
- EEC Europe Hub Executive Committee (EEC)
- AEC Australia Hub Executive Committee (AEC)

OTHER COMMITTEE MEMBERS AND MEMBERS OF THE LEADERSHIP TEAM, EUROPE HUB

Glenn Sheedy,
DIRECTOR OF STRATEGY, CLIENTS & MARKETS (EEC MEMBER FROM MAY 2021)

Joanna Vezey,
TECHNICAL DIRECTOR

Declan McGeeney,
DIRECTOR, INFRASTRUCTURE AND SPECIALIST TRADING

Paul McNerney,
DIRECTOR, BUILDING

Rae Avatar Barnett,
HEAD OF PEOPLE FUNCTION (EEC MEMBER FROM NOVEMBER 2021)

Barry Dye,
DIRECTOR, NUCLEAR

Mike Bufalino,
GROUP CHIEF DATA & INFORMATION OFFICER (EEC MEMBER FROM JUNE 2021)

BUSINESS UNIT LEADERSHIP

Peter Lyons,
BUSINESS UNIT LEADER, EXPANDED & EXPLORE MANUFACTURING

Martin Staehr,
BUSINESS UNIT LEADER, CROWN HOUSE TECHNOLOGIES

Alex Warrington,
BUSINESS UNIT LEADER, SELECT PLANT HIRE UK

Jason Lowe,
GENERAL MANAGER, MIDDLE EAST

Julie O'Dowd,
FINANCE DIRECTOR MIDDLE EAST

OTHER COMMITTEE MEMBERS AND MEMBERS OF THE LEADERSHIP TEAM, AUSTRALIA HUB

Jim Sloman,
EXECUTIVE CHAIR
(RESIGNED APRIL 2022)

Paul Milne,
DIRECTOR, DELIVERY

Andy Hunter,
DIRECTOR, DELIVERY

Annabel Crookes,
DIRECTOR, LEGAL

Mark Dimmock,
DIRECTOR,
CLIENTS & MARKETS

Helen Fraser,
GENERAL MANAGER,
PEOPLE

Sarah Crennan,
TECHNICAL DIRECTOR

Simon Chatwin,
DIRECTOR, COMMERCIAL

(TRANSFERRED TO EUROPE HUB SEPTEMBER 2022)

Paul Teasdale,
DIRECTOR, FINANCE

Richard Coleman,
GENERAL MANAGER,
HEALTH, SAFETY AND
ENVIRONMENT

Dr Regan Crooks,
DIRECTOR, STRATEGY,
TRANSFORMATION &
INNOVATION (JOINED
MARCH 2022)

Andrew Jeffrey,
DIRECTOR, COMMERCIAL

(APPOINTED SEPTEMBER 2022)

BUSINESS UNIT LEADERSHIP

Nathan Mitschuinig,
GENERAL MANAGER,
SELECT PLANT HIRE

SPECIALIST AND TECHNICAL APPOINTMENTS

Rossella Nicolin,
EUROPE HUB HEAD OF SUSTAINABILITY (PREVIOUSLY TECHNICAL LEADER UK, STRUCTURES)

Dr Kate Goodger PhD,
GROUP HEAD OF HUMAN INNOVATION PERFORMANCE

Adrian Spragg,
GROUP HEAD OF DIGITAL

Dushyant Shrivastava,
HEAD OF DIGITAL, AUSTRALIA

Elizabeth Peters,
HEAD OF DIGITAL OPERATIONS, UK

Raj Kotecha,
TECHNICAL DIRECTOR CLIENTS & MARKETS, UK

Tiffany Grimwade,
TECHNICAL LEADER UK, CIVIL & GEOTECH

Andrew Dudley,
HEALTHCARE DELIVERY LEADER, UK

Georgina North,
OPERATIONS LEADER, AUSTRALIA

Gary Mills,
HEAD OF RISK AND INTERNAL AUDIT

KEY MATTERS CONSIDERED BY THE LAING O'ROURKE CORPORATION LIMITED BOARD DURING THE YEAR ENDED 31 MARCH 2022 INCLUDED:

TOPIC/ACTIVITY	ACTIONS	PROGRESS
STRATEGY & SUSTAINABILITY	Sustainability embedded into Group strategy with current ambition to achieve operational net zero emissions by 2030 and Group zero emissions by 2050.	Approval to appoint a Europe Hub Head of Sustainability supported by sustainability 'ambassadors' throughout the business. Development of LOR purpose and values in the year that speak to the heart of our sustainability initiative and strategies and underpins how the business goes to work. Working towards the reporting obligations for the Task Force on Climate-Related Financial Disclosures. Investment in R&D and modern methods of construction to support low carbon products. Regular reporting to the Board of progress on these initiatives and connectivity with finance function and operations. Continued careful monitoring by the Board to maintain a realistic view of progress towards environmental and diversity targets.
	Implemented the decision-making (RDM) Framework for the Group as a key enabler for our transformation strategy to deliver our 'Deliver 2025' mission.	Continued work in both Hubs to ensure that RDM is applied in all aspects of business.
	Reviewed the appropriateness of the Group's corporate structure in the context of Board and shareholders' continuing drive for simplicity.	Creation of a single consolidated UK trading group with effect from 1 April 2022 and significant reduction in the number of legal entities. New structure implemented for the Australia Hub to better reflect the geographical focus of operations and licensing requirements. Details of the KPIs which have been approved by the Board and against which progress will be measured are outlined on pages 2 to 3.
PURPOSE & VALUES	Developed the Group's purpose statement and values that will bring together the enduring essence of LOR as a business, which will guide us today and in how we evolve in the future.	Endorsement by the Board of a Statement of Purpose with associated Values following a review of the Group's Code of Conduct coupled with wide consultation within the business. The **Purpose** Statement: ***Pushing the boundaries of what's possible, in service of humanity.*** The **Values**: ***Care*** *(do the best for our people to improve their lives and the world around us)* ***Integrity*** *(do things the right way)* ***Courage*** *(willingness to confront the unknown and to challenge the status quo)*

TOPIC/ACTIVITY	ACTIONS	PROGRESS
FINANCIAL PERFORMANCE	Evaluated the Group's performance against budget and forecast.	Detailed reports to each Board meeting from Group Chief Financial Officer and Group Commercial Director.
	Refinance of the UK core debt facilities.	Significant step forward with completion of refinance UK core debt facilities on 'business as usual' unsecured terms with a single bank lender. Australia subordinated debt facility was fully repaid in the year.
	Approved the Company's annual report and accounts and financial results.	Annual report and accounts and financial results approved by LOR Corporation Board.
	Continued response to the challenges presented by the impact of Covid in both Hubs.	Programme of frequent Board meetings.
LEADERSHIP & PEOPLE	Continued review of Board composition and merits of gender and ethnic diversity.	Approved appointment to the Board as non-executive director of Dr Hayaatun Sillem, CEO of the Royal Academy of Engineering.
	Considered succession planning for senior roles.	Succession planning continuing to evolve under the stewardship of Group Chair Sir John Parker.
	Considered "Purpose" from an individual leadership perspective.	Executive initiatives around defining what 'purposeful leadership' is alongside the initiative designed to identify overall 'purpose' and 'values' for the business.
	Considered need to establish additional Group roles in key areas supporting the Group's 'Deliver 2025' mission.	Appointments of Group Chief Data & Information Officer, Group Head of Digital and Group Head of Risk and Internal Audit approved.
	Reviewed Executive Development Programme, a two year initiative involving some 30 executives. The purpose is to enable each executive to review personal progress aside from every-day tasks, and to enable the business to arrive at an objective analysis of bench strength in order to inform succession planning.	Excellent executive engagement assisted by professional coaching in core areas of purposeful leadership and high performance.
RISK MANAGEMENT & INTERNAL CONTROLS	Established special attention forums responsible for tracking and reporting identification and management of risks arising directly from the Covid-19 pandemic and Brexit.	Regular reporting to the Board by legal and commercial functions. Approval of the appointment of a new Head of Risk and Internal Audit, reporting directly to the Non-Executive chair of the Audit and Risk Committee.
	Continuing development of 'Project Certainty', a new approach to Safety through the application of Engineered Safety (engineering out the risk), Modern Methods of Construction (digital technology and off-site manufacture) and Human Performance (leadership, personal capacity and well-being).	Implementation of Project Certainty as the operating model for all new projects in the UK, ensuring a personal connection between project and business leadership teams.
INCLUSION AND WELLBEING	Renewed emphasis on safety of people, both physical and psychological, as the highest value in order to embed the appropriate culture, owned by all concerned.	'Engineered Safety' is central to the way in which the Group goes to work. This is underpinned by our values placing Care at the heart of the business. Emphasis upon the 'pillars' of Engineered Safety, Delivery Excellence and Human Performance, maximizing the impact of digital technology in the workplace and supporting our 'Trades to Technicians' plan.

CORPORATE GOVERNANCE STATEMENT

The structure of the Corporate Governance Statement follows that of the Wates Principles. Each of the Wates Principles has been considered individually and in the context of Laing O'Rourke's operations.

PRINCIPLE ONE
PURPOSE AND LEADERSHIP

As an engineering and construction organisation, Laing O'Rourke is committed to playing a vital role in building stronger and more sustainable communities and contributing to economic growth. The Group is committed to the development of a workforce culture based on what is described as 'Excellence Plus' performance.

At the heart of the business is the ambition to become the recognised leader for innovation and excellence in the construction industry – achieved by means of a strategy based on the values of the founding shareholders, who remain the two shareholders of the Group today and continue to inform its direction. These aims are clear, powerful, and relevant to the business challenges of today and tomorrow and form a compelling guide to the goals of the Group and how they will be achieved.

The Group's strategy is implemented through our 'Deliver 2025' mission to become the recognised leader for innovation and excellence in the construction industry. Further details of the Group's strategy are set out on page 5 and 6.

The Board has approved the articulation of the Group's ***Purpose*** and ***Values*** which have been informed by the Group's Code of Conduct and by listening to a broad span of the people in the business. Further details are set out on page 4.

The process of consulting on Purpose and Values emphasised the importance of engagement and dialogue with employees and wider stakeholders when communicating the Group's strategy, governance and culture. Details of how and why we engage are set out on pages 32 to 35 in our reporting against Principle Six (Stakeholder Relationships and Engagement) of the Wates Principles.

CONDUCT AND ETHICS

The Board sets and leads behaviours and culture to support the delivery of the strategy. There is a formal process for the Board to manage and approve conflicts of interest within the director group and directors are required to inform the Board of any actual or potential conflicts of interest which may arise with their other professional or personal interests.

The Board has approved the Group's Code of Conduct, which sets out behaviours acceptable to Laing O'Rourke. The Code of Conduct defines Laing O'Rourke's commitment to operating globally in accordance with ethical standards and the behaviours that are expected of employees, supply chain partners and other stakeholders. The aim is to go beyond minimal compliance. The Code of Conduct – 'Doing the Right Thing' – is publicly available on the Group's website.

We made further enhancements during the period to our Group ethics and compliance programme, with a focus on training our people, raising awareness of expected behaviours and supplementing our existing suite of compliance policies and controls following bi-annual control reviews and risk assessment. Our Directors and senior Executive team are closely aligned with the continued evolution of our ethics and compliance programme by undertaking training, ensuring ethics and compliance is a standing agenda item in our Executive governance forums and increasing their accountability for managing gifts, hospitality and conflicts of interest. In September 2021 the Group CEO led the launch of a global Compliance Campaign to further reinforce the ethical behaviours we expect of our people.

HIGHLIGHTS:

- Group risk assessment and bi-annual control reviews completed and reported to the Board, Audit & Risk Committee and Hub Executive Committees;
- Global Code of Conduct training and Pledge certification by all employees;
- Modern Slavery training to UK site managers, UAE employees and Australia HSE managers;
- Modern Slavery eLearning module to support Australia Hub Modern Slavery statement and legislative requirements;
- Europe Hub Executive training on ethics and compliance;
- Group Compliance Campaign launched;
- Group Gifts & Hospitality Policy published;
- Group Modern Slavery Policy published and Modern Slavery policy statements updated relevant to each operating country;
- UK supply chain due diligence controls further enhanced; and
- Implemented employment onboarding checks for UAE employees.

LAING O'ROURKE

Pushing the boundaries of what's possible, in service of humanity.

With care, integrity and courage.

OUR PURPOSE & VALUES – CASE STUDY

Over the course of the year LOR undertook a lot of work in developing a purpose statement and underpinning values that bring together the **enduring** essence of LOR as a business across its 40+ year history, which still guides us today, and continues to push us to **evolve** in our future.

The elements that endure are our purpose (why we exist), our values (how we guide our actions and decisions) and our value proposition (how we meet our clients' needs). The elements that evolve are our mission (how we fulfil our purpose) and our strategy (how we will achieve this).

We conducted a thematic analysis of our people and our clients' stories and experiences relating to purpose, meaning and values. We looked at all levels of the staff and workforce in both the Europe and Australia hubs, analysed people data and our Code of Conduct, and undertook 20 in depth PhD-led research interviews. We also reviewed our Clients & Markets perception study and the work we had already undertaken in developing our value proposition.

The LOR Board members and Executives conducted a series of workshops where emergent statements were discussed, and the following statement of purpose agreed:

Pushing the boundaries of what's possible, in service of humanity

In the discussion, we broke the purpose statement down into sections:

- *"Pushing the boundaries" is representative of LOR's reputation for* innovation, ambition, and being an agency for positive change in the industry. It is what we are known for across our people, partners and clients;
- *"What's possible"* represents an innate feature of our culture as problem-solvers and our continuous push for excellence. Clients remark that both the ingenuity and innovation of our people is what separates us from our competitors. This also reflects the strong sense of team which exists across the business – our people are proud to pull together in times of adversity and do the seemingly impossible such as the clean up project in NSW Australia following the devastating bushfires of 2019/2020;
- *"In service"* resonates with the strong values which run throughout the business. Our people believe they are doing work that fundamentally impacts and improves the lives of others; and
- *"Humanity"* reflects a perspective where our people and clients felt that our work impacts all levels and parts of community and society irrespective of location, background or social status. We do work that leaves a legacy and many of our people talk about the pride they feel in showing their families the projects they have played a part in delivering.

The workshops and our preparatory reviews and interviews also highlighted three common values that emerged again and again. Accordingly, we concluded that these three values reflect LOR and underpin our Purpose Statement. They are:

LAING O'ROURKE

Care

We do what's best for our people, to improve their lives and the world around us.

LAING O'ROURKE

Integrity

We do things the right way.

LAING O'ROURKE

Courage

We are willing to confront the unknown and challenge the status quo.

People also commented on the order with care being the first value.

This reflected our strong commitment to each other, to improving opportunities for all and also the importance of our sustainability agenda.

Integrity reflects a strong conviction of people to ensure corners were not cut or compromises made. They feel very proud of working for an organisation that is clear on what it will and will not stand for in terms of how we go to work.

Courage is seen as underpinning both the past in terms of pushing the boundaries of what is possible but also in facing into our future and the continued desire to push further.

Behind our purpose and values

Our Purpose Statement and underpinning values are what make us unique in who we are and drive the impact we want to have as a business in the world. At our core is the ambition to be a force of positive change in our industry and to push the boundaries of possibility.

As a business we must continue to evolve, innovate and adapt. Our purpose and values will guide us to evolve quicker, and in a way that fulfils our responsibilities and duties to our people, our clients, the communities in which we work and the planet.

NOW WHAT?

Whilst our purpose and values were developed, we recognised the challenge of ensuring we are serious about our purpose and values and the need to show how they work and come alive through all aspects of our business from Board decision-making out to our people and all our stakeholders. We therefore have been mindful of how we bring the meaning to life for our people and then embed it into our systems and processes.

Consequently, the Board has agreed a plan for a series of actions in two phases starting in FY22 and going through into next year.

As part of the "meaning making" for our people (phase 1), our Board, Group and Hub Executives have signed up to the purpose and values pledge followed by leaders throughout the business championing our purpose through a series of roadshows, "meaning-making" sessions across the workforce, project staff and functions and story-telling invitational events.

Phase 2 is the embedment of our purpose and values into our systems and processes which will include our recruitment and on-boarding processes; integration into our learning and development programmes and career conversations and our project governance and Responsible Decision Making (RDM) framework.

In addition, we recognise the need to consider the balance between commercial impact and value and social impact and value to become a business that has at its core profit with purpose. This means further work is planned for FY23 on the organising principles of how we orientate ourselves around profit with purpose and how we develop accountability against a set of metrics.

PRINCIPLE TWO BOARD COMPOSITION

The Board members who served during the year are profiled on pages 17 and 18, led by Sir John Parker, an Independent Non-Executive director, as Group Chair of the Group. The Board includes a further three Independent Non-Executive directors who bring experience and challenge from outside the construction sector.

The size and composition of the Board is kept under review by the Chair as the business continues to grow and the Executive leadership evolves. In the course of the year, the Board approved the appointment of Seamus French as Managing Director, Europe and CEO Designate to take the reins as Ray O'Rourke retires from his executive role and the appointment of Rebecca Hanley as Managing Director Australia as Cathal O'Rourke steps down. The appointment of Dr Hayaatun Sillem as a further Independent Non-Executive director reflects steady progress in developing the gender and ethnic diversity around the Board table. Ray O'Rourke continues as a director. Mark Cutifani was appointed as a further Non-Executive director in September 2022.

Greg Branch, who was an independent Non-Executive Director and chaired the Audit and Risk Committee sadly passed away in August 2022.

The Board delegates the day-to-day operation of the Group through a structure of executive committees (see page 16), which regularly report into the Board and provide guidance on the Group's business needs. The Group's shareholders are Board members, enabling a full understanding of shareholder interests.

GROUP EXECUTIVE COMMITTEE

The Group Executive Committee is chaired by the Chief Executive Officer. The role of the committee is to recommend the Group Strategy to the Board, allocate capital and monitor execution to maximise stakeholder returns.

HUB EXECUTIVE COMMITTEE

The Europe and Australia Executive Committees are chaired by the Chief Executive Officer. The role of the committee is to execute the strategy and maximise free cashflows from operations.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is chaired by a Non-Executive director with appropriate expertise. The role of the Committee is to monitor the integrity of the Group's financial statements, to oversee the relationship with the external auditor including a review of independence and fees and to work with the new independent Risk & Internal Audit function established in May 2021. For the purposes of the FY22 audit, the Committee met four times in order to review draft financial statements, the information supplied by management on significant accounting judgments and confirmation of going concern in addition to reports from the Risk & Internal Audit function and from the Compliance Committee.

THE INCLUSION AND WELLBEING COMMITTEE

This Committee is charged by the Board with oversight of the safety and wellbeing of all our people, including the commitment to diversity and inclusion referred to below. With implementation of Project Certainty, the Group has developed a new approach which identifies the safety of our people as the highest value of the business, achieved through inclusion and wellbeing, the application of Engineered Safety to 'engineer out' risk, modern methods of construction involving digital technology and offsite manufacture and an emphasis on human performance through leadership and capacity.

REMUNERATION, NOMINATION AND GOVERNANCE COMMITTEE

The Remuneration, Nomination and Governance Committee, chaired by an independent Non-Executive Director has clearly defined terms of reference. Its main function is to make recommendations to the Board for the Group's remuneration structure and align remuneration to the long-term sustainable success of the Group.

GROUP SUSTAINABILITY COMMITTEE

This Committee has recently been set up by our Group Chair Sir John Parker, to be chaired by our newly appointed, Independent Non-Executive director Mark Cutifani, and is charged by the Board with overseeing the environmental impact and sustainability of operations and monitoring progress and performance against targets.

FINANCE COMMITTEE

This Committee, also chaired by an Independent Non-Executive director, is charged by the Board with overseeing and approving borrowings and banking arrangements with meetings as required to oversee and approve any significant new banking arrangements.

The Board Chair and the committee chairs promote open debate and facilitate constructive discussions. The Chair, via the Group Company Secretary, is responsible for ensuring that directors receive the appropriate level of information in board papers sufficiently in advance of meetings to facilitate such discussions.

Board members have equal voting rights when making decisions. The specific modus operandi of the Board is set out in the company's articles of association, a copy of which can be requested from the Group Company Secretary. All directors have equal access to the Group Company Secretary and may take professional advice if desired at the Group's expense.

The Group is confident that the Board has the right skills and experience to discharge its duties effectively. The directors are clear on the amount of time required for their role and are careful to balance this with the requirements of other roles (see biographies on pages 17 and 18).

The Board aims to schedule regular visits to major projects and directors are free to request such information as they may wish on any aspect of the Group's operations. The Group provides formal training for directors and has a clear commitment to professional development. The Chair undertakes a programme of discussion and evaluation with each member of the Board outside the forum of formal meetings.

This evaluation includes a focus upon succession, which is under regular review both at Board and operational level and is of particular relevance to the drive for transformation over the course of the Group's business plan to 2025. The Group has implemented an executive development programme across both the Europe and Australia Hubs, with specialist coaching supported by the team at Global Futures designed to identify and address development goals.

Laing O'Rourke continues in its aspiration to increase diversity across the business. Our commitment to continue to drive Diversity is set out on page 38.

PRINCIPLE THREE DIRECTOR RESPONSIBILITIES

The Board has approved a Group Governance Framework which provides a clear understanding of directors' roles and responsibilities, linking to policies and procedures and delegations of authority, supporting effective decision-making and independent challenge. This, in turn, delivers long-term value to the Group and to stakeholders. Governance processes are reviewed on a regular basis as part of the Group's commitment to corporate governance.

The Board delegates day-to-day management of the Group to the Group Executive Committee, and the Executive Committees in each of its Hubs report directly into the Group Executive Committee. The Board further delegates detailed and specific matters to the other committees mentioned whose role it is to consider specific issues of relevance to Group governance and to recommend a course of action to the Board. The Board retains ultimate responsibility for any final decisions.

The Non-Executive Directors are wholly independent and have no material business or other relationships with the Group which might influence their independence, judgment, or decisions. The Board believes that the relationship between the company and its shareholders works well and that the Non-Executive Directors can fulfil their roles in an independent and constructive manner. Non-Executive Directors act as chairs of the Board and key committees.

Directors are aware of their statutory and ethical duties in relation to potential conflicts of interest which may compromise objective decision-making. If an actual or potential conflict of interest arises, the Board (or one of its Executive Committees) will manage the matter as appropriate. Depending on the circumstances, any conflicted director may be asked to abstain from contributing to the discussion or voting.

At a subsidiary level, appointments to the boards of operating subsidiary companies are reviewed and aligned with membership of the Group Executive and Hub Committees and the business unit and functional leadership structure. Business Unit Leaders are at the heart of operations, enabling direct engagement with the relevant business unit employees and other stakeholders such as clients.

All directors and Business Unit Leaders receive meeting papers and information through a secure digital portal managed by the company secretariat. Board and committee papers and supporting information are expected to be timely, accurate, clear, comprehensive and up to date, with a clear indication of what is requested of each recipient.

PRINCIPLE FOUR OPPORTUNITY AND RISK

The Board oversees a continuous assessment of risks affecting the Group and has in place the necessary oversight procedures for the identification and effective mitigation of risk. Set out below are some of the key controls and procedures that form part of the framework for management of the Group's principal risks identified on pages 51 to 58 under 'Risk Management'.

Following review of the Group's risk and compliance programme, regular reporting to the Board across a range of compliance requirements and risk appetites has been formalised through the Group and Hub Compliance Committee structure to continue to strengthen the dialogue between the Board and the Group's executive teams responsible for management of risk. We will continue to focus on improvements to our corporate risk management framework over the next reporting period, to ensure that it is fully 'risk enabled' to best support the Group in achieving its strategic objectives.

RISK AND INTERNAL AUDIT

The Audit and Risk Committee provides oversight and monitoring of the integrity of the Group's financial governance, risk management, internal audit, and relationship with external auditors.

An independent Risk and Internal Audit Function, reporting directly to the Audit and Risk Committee, has been established since our 2021 Annual Report. The Group Head of Risk and Internal Audit has established a new team in the European Hub to help enhance the risk management strategy and to deliver an internal audit plan based on the principal risks. The Australia Hub Risk and Assurance function continues to build on the already established risk management strategy and will focus on also delivering an internal audit plan to maintain alignment across the Group.

The review of the enterprise risk strategy and supporting process includes an assessment of the potential for implementing a new risk management digital platform to enhance the Group's ability to gain further insight into collated risk data and hence the management of the Group's strategic objectives and operational performance.

PROJECT DELEGATION OF AUTHORITY

Strong project governance is fundamental to our resilience and certainty – two of the five conditions of our 'Deliver 2025' Mission outlined on page 5 that supports the Group's strategy. The Project Delegation of Authority is approved by EEC in the Europe Hub and details the cascade of authorisations required for key project related decisions, including all project gateways, project related contracts and key supply chain approvals via a risk-based approach for decision-making. A digital 'risk calculator' tool helps staff identify and assess risks and select the right delegation of authority for the decision. The aim is to maintain absolute alignment, while reserving authority at the level of the Board, Group Executive Committee and Hub Executive Committees to consider the highest risk decisions.

The Australia Hub will look to implement the risk-based Project Delegation of Authority over the current financial year. The Australia Hub continues to use a value and time-based delegation of authority until it is determined how a similar approach will be adopted.

PROJECT GATEWAYS

Laing O'Rourke relies on a governance framework to manage opportunities and risk, provide control and maintain an enduring sustainable enterprise. Formal governance gateways, coupled with the Project Delegation of Authority, are in place to provide core controls. There are 10 project gateways, spanning from opportunity identification, bid stage, delivery and through to final handover. All gateways must be authorised in accordance with the Project Delegation of Authority.

Our Governance Committees at Group and Hub levels continue to regularly review and work on improvements to the gateways, ensuring that they are streamlined, standardised and integrated in day-to-day activities so that governance becomes an integral part of how each person goes to work.

Recent enhancements have focused on the mobilisation phase of a project with a digitised system implemented to manage the critical items requiring action and ensure compliance to Gateways and therefore governance framework.

BID SETTLEMENT MEETINGS

Bid settlement meetings make sure that the right people are together at the right time to discuss and reach alignment on all bids, ensuring that the offers made to clients are risk balanced and robust. Where appropriate, members of the Board and/or its Executive Committees attend bid settlement meetings.

IGMS

Our iGMS (integrated Group Management System) contains Laing O'Rourke's enterprise-wide management system, knowledge and information. This is the repository for all processes, procedures, technical information, general information, guidance, templates, checklists and learning, which enables people to be organised for success and provides guidance on how they should go to work. Key policies and procedures are approved or endorsed by the Board and/or its relevant committees prior to publication in iGMS.

Part of the Group's long-term strategy is to have simple and seamless structures, processes, systems and tools to enable smarter working. Through our Transformation agenda the Group continues to focus on resilience and certainty to deliver against promises encompassing quality, cost and time. To achieve this, it is necessary to embed a behaviour of delivering what has been promised and complying with core business processes.

During the financial year we continued a targeted review of our project gateways. This included:

- further simplification of the offer process to reduce the reporting burden, make bid settlements more streamlined, and support making risk-based decisions with absolute alignment. This supports the successful establishment of each project in a structured and consistent manner;
- improved completion and closeout process to ensure we successfully action all critical activities during these final stages of our projects so that we ultimately provide assurance and support to eliminate the risk of defects;
- greater clarity and visibility around our change management process to ensure all project changes go through an appropriate level of due diligence and consideration based on the level of risk of change;
- mandatory iGMS Corporate Induction and eLearning module for all new employees to ensure our people are aware of the governance framework and standard process, guidance and templates that support the way we go to work; and
- annual change window has been established to enable ongoing review of the procedures, guidance and templates in both Hubs that support our project gateways and to ensure that all content within the iGMS is up to date and accurate.

DIGITAL

Our digital strategy is focused on reinvention of our engineering and construction projects, using digital technologies and ways of working, to drive operational improvement and positive outcomes for our clients and people.

We have now defined a clear vision for end-to-end digital delivery for the Group, called 'Project of the Future'. By institutionalising consistency in how we go to work, using integrated and collaborative ways of working and technology-enabled efficiencies, Project of the Future will deliver a new level of operational transparency, control and certainty in our projects and create a closed loop of data-driven decision making and continuous improvement. This mirrors how more digitally advanced engineering and manufacturing enterprises operate.

During the financial year we have focused on accelerating our transformation programme and our mission of becoming the construction sector's recognised leader for innovation and excellence through three strategic senior level appointments: Adrian Spragg as Global Head of Digital, Mike Bufalino as Group Chief Data and Information Officer and Dushyant Shrivastava as Head of Digital in the Australia Hub. These appointments bring insights from different industries and ensure we have strong digital and data leadership capabilities.

Our clients are acknowledging and appreciating the differentiation and our drive to certainty that we can bring through digital. During the financial year the deployment and uptake of digital technologies and ways of working has continued to strengthen across all our projects, with strong buy-in from our clients and supply chain partners. As a result, we have been able to realise tangible outcomes for our clients, people and partners, which include:

- Greater efficiencies for our people on the ground through digitisation of core processes such as design reviews;
- Mitigation of construction risks and cost impacts through digital design for constructability;
- Greater transparency for our clients through real-time operational insights and data-enabled cost management; and
- Improvement in the digital maturity and efficiencies of our supply chain partners through coaching, digital integration, and ways of working.

A key focus area for our Technical function is using digital technologies to deliver the right information, at the right time and to the right people. This is being delivered through our Design Partner Framework (DPF) which was developed in 2020 and embedded in 2021.

The DPF enables our internal and external design teams to provide an integrated digital design exchange format to ensure that engineering design is complete and conflict free and that we align with the requirements of modern methods of construction (MMC). In that respect, digital is enabling us to deliver the targets that underpin our 70:60:30 MMC operating model of manufacturing 70% of a project offsite, and so improving productivity by 60% and achieving a 30% reduction in programme. It also underpins our drive to develop an engineered safety approach with the aim of zero safety incidents on site; to ensure high quality outcomes with zero defects; and to underpin our sustainability target of achieving operational net zero carbon by 2030 and net zero by 2050.

In addition, we have also introduced innovation into how we engage with our design partners by standardising our terms of engagement, introducing incentivisation into design performance and measuring success across a number of parameters including key quality metrics such as completeness of design.

Moving into FY23, we will continue to develop a strategic roadmap for, and to mobilise the digital vision, specifically the Project of the Future. In addition to this, we will deliver a digital program of work across the Group aimed at establishing a consistent digital blueprint for our projects as well as accelerating set up, digital acceleration in target Projects and best practice.

PRINCIPLE FIVE REMUNERATION

The Remuneration, Nomination and Governance Committee, chaired by the Chief Executive Officer has clearly defined terms of reference. Its main function is to make recommendations to the Board for the Group's remuneration structure and to align remuneration to the long-term sustainable success of the Group. Total Directors' remuneration is disclosed in note 7 to the financial statements.

SUBSIDIARY COMPANIES

Remuneration of directors of our subsidiary companies is based on their particular management role and responsibilities, rather than their appointment as a director of a specific legal entity. Accordingly, remuneration of these directors is reviewed and set by the Group Chief Executive Officer or Hub Managing Director on behalf of their employing subsidiary, considering any relevant input from the Remuneration, Nomination and Governance Committee.

GENDER PAY GAP REPORTING

Decisions around pay, promotion and reward are a critical pillar to ensuring we attract and retain high performing females.

The Group has reported on its gender pay annually since 2017 and our latest gender pay report can be obtained from our website. We know that our Gender Pay Gap is largely driven by under-representation of women in senior management positions although Laing O'Rourke was able to report significant improvement in that respect with the appointment of two female Board members so that we now have women across many leadership roles including our CFO, Group Legal & Tax Director, Australian Managing Director, and heads of our Technical and People functions in both Hubs. There was also significant improvement in our early talent recruitment which, through concerted efforts to attract and recruit more female candidates for our 2021 intake saw a graduate intake of 56% male and 44% female; summer and industrial placements that were 50:50 male and female; a professional apprenticeship intake of 45% female and an overall 9% increase in female new hires across the business in the year.

We are confident that our recruitment schemes, pay governance and salary review processes ensure equal pay for the same role. We are continuing to work hard to increase the number of women in senior leadership roles as well as the number of women entering the industry at the start of their careers. For example, Laing O'Rourke has joined forces with Women into Construction and will adopt attraction and recruitment methods piloted on its Tideway project to inspire women to join its Trade and Technical Apprenticeship programme. We are also working hard to ensure we support women's career development through our talent programmes so that women move up from entry into the industry to senior management.

A significant opportunity to enable more women to reach senior levels in our business has been through embracing flexible and dynamic working models. Our commitment to sustainable high performance provides a framework for both men and women to increase their energy and capacity through working and living in a more sustainable way. This has led to many changes in how people on projects work, thereby making the construction industry a more attractive prospect to women. This focus and our continued focus on MMC leads the Group to have confidence in the ability to bring more women into senior roles in the coming years.

PRINCIPLE SIX
STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

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

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

STAKEHOLDER GROUP	HOW WE ENGAGE	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD / COMMITTEE DISCUSSIONS AND DECISIONS
OUR CLIENTS	We have continued the drive for early engagement with our clients prior to any firm contractual engagement in order to better understand clients' needs, challenges, expectations, and priorities. Through early engagement Laing O'Rourke is better able to showcase its experience and capability so that it can cement its position as trusted advisor. Another key component of client engagement is engaging with key client influencers such as design and cost consultants and industry bodies so that we are better able to demonstrate Laing O'Rourke's delivery model and capabilities. The way in which we engage with clients is strategically planned with a menu of activities deployed as appropriate to strengthen our relationships with clients and showcase our experience such as capability workshops, site tours, including our off-site manufacturing facilities, presentations, and events. During further Covid restrictions, particularly in our Australia Hub, we were able to continue to undertake these activities in the virtual space with much success. We also undertake twice-yearly client surveys with our clients where we have an active project, using the survey to improve our performance and strive for excellence. Client survey results and actions are provided to the executive each quarter and are carefully tracked to drive better performance. In addition to client surveys, we also undertake detailed review, including client feedback, on tender submissions whether won or lost to ensure that lessons learned are taken into subsequent tenders with the aim of further improving our bid success rate. Client relationships are managed using a client relation management (CRM) platform called Salesforce which underwent an upgrade during FY22. Our upgraded Salesforce platform allows us to maintain insights into sectors, our level of engagement, strength of relationship and commercial metrics. During the year the Australian Hub engaged with a focus group of clients to discuss their perspective on innovation and test the focus of our technology and innovation team to understand how we can align our focus to client needs.	The Board consistently maintains a client lens to ensure that our propositions are valued by our clients and that the business is informed by client needs. An enduring fundamental is that client feedback is actively sought across all levels of our client, this is obtained from a diversity of relationships at all levels of influence in the buying decision from director and onward. Feedback ranges from informal to formal through regular client surveys, participation in client-initiated industry engagement processes and feedback post tender. Feedback is consolidated via our relationship analytics platforms and considered by the Board when evaluating sector strategies and the fundamentals of business plans, particularly the veracity of sales and revenue forecasts. The Laing O'Rourke transformation agenda and value proposition was also developed, thoroughly tested with our clients, and endorsed by the board. Simultaneously our clients continue to express an urgency for sustainable outcomes. Our sustainability and environmental commitment is industry leading which coupled with our responsible decision making informs client selection and offering. The Group Executive Committee and board focus for the year was in further embedding early engagement with our clients, embedding the updated and simplified client engagement platform, and ensuring a feedback loop through tender processes to improve tender conversion processes. The Board and Group Executive Committee maintain oversight of opportunity selection through sector strategy endorsement and business plan review. They also maintain oversight of the application of opportunity development through gateway decision points which form part of our overall project governance process and through regular review of key performance indicators including client feedback, application of opportunity conversion processes and return on investment metrics.

STAKEHOLDER GROUP	HOW WE ENGAGE	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD / COMMITTEE DISCUSSIONS AND DECISIONS
OUR CLIENTS continued	We also undertook an annual sector strategy review assessing the attractiveness of end markets. The analysis is comprehensive and considers sector growth, competitive dynamics, clients' approach to procurement and industry sustainability. Continued government investment in infrastructure to stimulate the economy during and post the Covid 19 pandemic has increased our emphasis on the economic infrastructure sector. The sector strategies are considered and ultimately endorsed by the Board. Focus clients are determined from "fit with sector" strategies, our relationships and ability to develop a differentiated proposition. We have continued to develop our value proposition, "delivering certainty through the power of experience", by deep interaction with our clients. In respect of focus opportunities with our target clients, we have undertaken a detailed ranking exercise to prioritise our work winning investment on an opportunity-cost basis. This is regulated by the Executive in both Hubs to ensure diversity and hence resilience, is maintained across geography, end market, contract size and client type. The focus opportunities then form the basis of our business planning endorsed by the Board. In addition, we maintain an ancillary list of opportunities to provide resilience in the event that opportunities depart from assumptions taken into the business plan (for example, where projects are cancelled, delayed or there is a change in scale). Each opportunity was subject to a detailed "strategy to win" process that concludes with an executive endorsement to participate in the formal tender process. The process solidifies our differentiated proposition considering detailed analysis of the spectrum of criteria that lead to success. Market dynamics, especially complexity of projects and price escalation, are such that in the Australian market in particular clients have moved to collaborative forms of contract, such as alliances and incentivised target cost, with procurement via a process more heavily weighted to capability selection. Continuing Covid restrictions have meant that this evaluation has taken place via virtual means, using digital platforms, murals and animations. These have been found to improve engagement with our clients.	

STAKEHOLDER GROUP	HOW WE ENGAGE	HOW THIS STAKEHOLDER GROUP INFLUENCED BOARD / COMMITTEE DISCUSSIONS AND DECISIONS
OUR PEOPLE	This year, due to the ongoing effects of the Covid-19 pandemic, the Group continued to prioritise communication, engagement, and support for our workforce through: – Regular communications from senior leaders; – Continuation of the use of toolkits for managers to ensure the cascade of consistent information to teams in a personalised manner; and – Further interactive, Q&A sessions with our people using "LOR Live" attended by our People in person and remotely; the use of internal social media channel on Yammer; Laing O'Rourke's intranet; townhall sessions across the business; and project visits with leadership briefings. In the Australia Hub there has been a considerable emphasis on recruitment off the back of several big project wins – most notably in Melbourne and Perth. This has also fuelled support for nurturing internal talent both to improve retention of our people and to provide career progression opportunities. In the last year, a new "Guns" cohort of future leaders has been selected to take part in our leadership programme alongside Young Guns which has commenced in the Australian business to develop talent at mid-level. We have also been working on improving the promotion and career development process with checklists and handbooks to provide a more transparent, consistent and clear pathway for our people to use.	Safety and wellbeing continued to be a top priority for the Board and our Executive committees during the year. The focus has been on ensuring high quality, clear communication with our people, with an emphasis on supporting safety and wellbeing, including mental health, in recognition of the ongoing challenges presented by the effects of the pandemic. We have also taken our learnings around dynamic working from the height of the pandemic and embedded this into our working model as we returned to the office after government mandated Covid restrictions were lifted. We undertook a listening exercise to understand our people's experience of working for Laing O'Rourke to evolve our purpose and define our values. Once again, we conducted an Employee Engagement survey in November 2021 to listen to our people and ensure we understand how our people feel about working at Laing O'Rourke. Whilst the overall engagement score was marginally down on the previous year, it was in line with global trends in the industry. Accordingly, we have identified two areas for improvement where both Hubs of the business have been developing action plans across all units and functions in the business: career development and reward and recognition. In addition, each unit and function are developing their own bespoke action plans to address issues identified within their areas of the business. The outcomes of these plans are reported to the Executive teams in both Hubs and up to the Board.
OUR SUPPLIERS	An important aspect of our engagement with suppliers was updating the Laing O'Rourke global Code of Conduct to enhance our governance and controls around engaging with our supply chain. Equally important has been messaging our supply chain about the Code of Conduct principles and then ensuring that our supply chain partners both read and acknowledge they have read the terms and signed up to the Code. In the European Hub we had our annual suppliers conference in October 2021. Attendance was even better than the prior year with almost 300 suppliers attending the conference over two days. The two key themes of the conference were safety and sustainability. Laing O'Rourke also handed out awards at the conference to recognise excellence in sustainability, safety and innovation. In respect of safety, we particularly looked at engineered safety which has resulted in the production of the Laing O'Rourke Minimum Requirements. These are based on engineered safety solutions to specific issues, for example, in connection with safe lifting of materials on site. We first encouraged and have now mandated that our supply chain enrol in the Supply Chain Sustainability School to achieve a sustainability accreditation. This is particularly key when looking at embedded carbon in our built environment where we need our supply chain to understand and engage with us in calculating the carbon embedded into the materials we use.	The Board is fully involved in engagement with our supply chain and network of preferred suppliers. The Board especially recognises our supply chain is a key component and partner in enabling Laing O'Rourke to drive our key strategic objectives, including safety and sustainability. Regular updates on significant activities and developments within our supply chain are provided to the Board and our Executive Committees; and are considered when setting and approving annual budgets and performance targets and making long term strategic decisions. Senior leaders have been very closely involved in heading up special attention reviews into mitigation measures for systemic issues confronting the industry which include the effects of the war in Ukraine on steel plate supply. Laing O'Rourke's Board and Executive have supported and reviewed measures instigated to protect the business from the market headwinds which emerged during the last year including hedging on energy, bulk ordering of materials and leveraging supply chain relationships to secure supply, alongside adoption of contractual measures to manage and flow down risk.

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

SUSTAINABILITY STATEMENT

SUSTAINABILITY

Sustainability remains at the heart of what we do at Laing O'Rourke and influences all our decision making. At the start of the FY22 trading period (April 2021) we announced an ambitious new strategy with three headline targets.

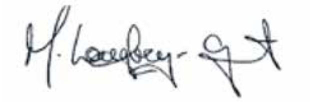
I am proud to say we have made strong progress during the period, detailed in the following pages. We also remain very aware that there is much more to do. But the progress we have made is testament to the ingenuity and perseverance of many people across the business and we thank them for their efforts.

At our leadership conference in Dublin in May 2022, we announced two key appointments as we seek to strengthen our sustainability governance and in-house expertise and delivery capability.

I am delighted that Mark Cutifani, former CEO of Anglo American, has joined our Board as a Senior Independent Director and will chair our new Sustainability Board Committee. Mark's knowledge and experience will help accelerate our progress towards our goals.

And in the Europe Hub, we appointed Rossella Nicolin as Head of Sustainability. She has a strong technical background, having previously been our Structures Technical Director, to bring to the role and is recruiting an expanded sustainability team to support the delivery of our plan and the ambitions of our clients.

Finally, as our work to drive down emissions continues, I welcome our commitment to reporting in line with TCFD – the Taskforce on Climate Related Financial Disclosures. As well as providing additional information for our stakeholders, it will challenge us to keep doing more.



Madeleina Loughrey-Grant
Group Director, Legal, Governance and Sustainability

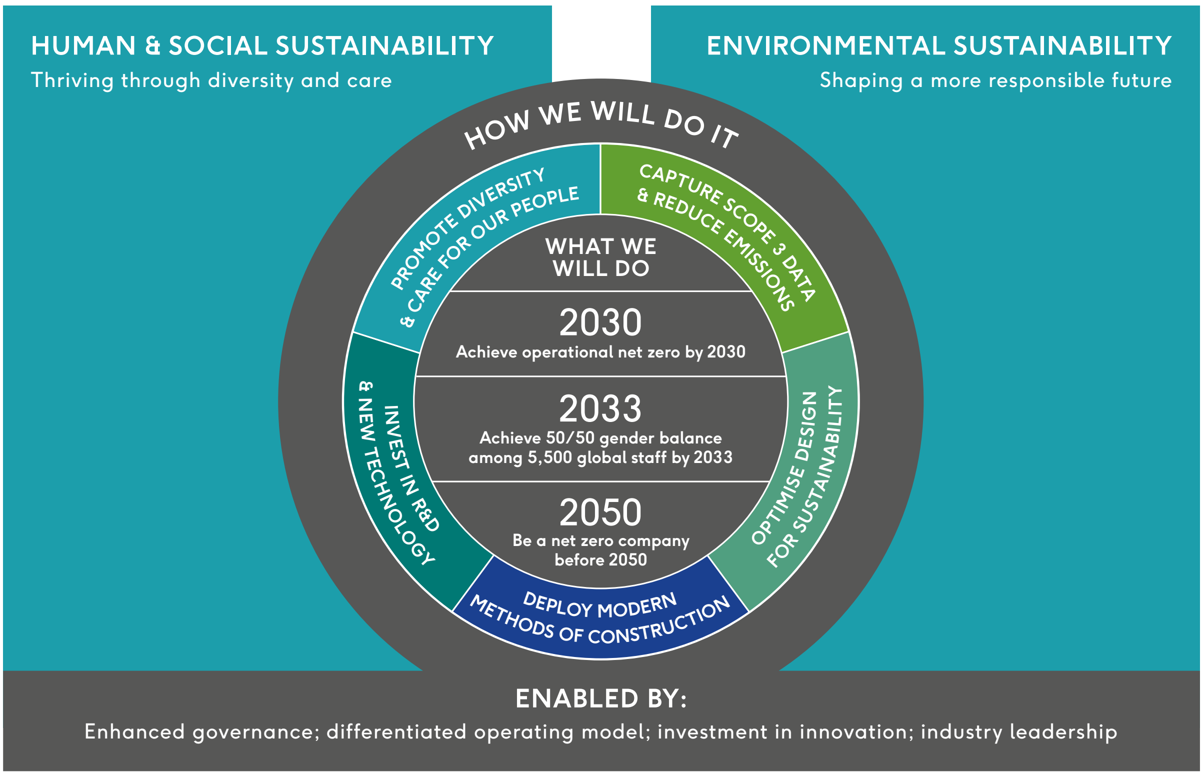
30 September 2022

OUR APPROACH

In April 2021, we announced new far-reaching global sustainability targets, including a commitment to decarbonise our own operations by 2030, be a net zero company before 2050 and achieve equal numbers of men and women among our global staff.

The decarbonisation target, which will also see us develop and implement a plan to tackle Scope 3 emissions before 2050, is aligned with the latest climate science and the most aspirational goal of The Paris Agreement – to limit global warming to 1.5 degrees.

OUR NEW SUSTAINABILITY TARGETS



NET ZERO

In FY22, we began to enact some of the 14 abatement projects we had identified in the prior year. Specifically, we:

- transitioned all our offices and facilities to renewable energy tariffs;
- replaced diesel with hydrotreated vegetable oil on our UK project sites, and in Australia began a transition to the use of B5 biodiesel in most regions;
- phased out diesel and petrol cars from our company car fleet;
- continued to invest in new electric plant equipment, through our specialist plant business Select;
- in Australia we introduced sub-metering on all our sites. This gives us a better understanding of exactly where energy is being used on site and is helping our project teams identify maximum energy saving opportunities; and
- on our MRPV Princess Highway East-Kilmany project, we have installed a 100% renewable energy system, which means the project is powered off-grid. It is our first net zero project site office, and a blueprint for other projects (see case study below).

Together, the abatement actions listed above have reduced our operational carbon emissions across the Group by 58,000t CO_2e since 2019.

Select took delivery of the UK's first battery powered, zero emissions crawler crane, a Liebherr LR1250.1

CASE STUDY – VICTORIA, AUSTRALIA: FIRST NET-ZERO SITE FACILITY AT PRINCES HIGHWAY EAST

Laing O'Rourke and Select Plant Australia have delivered an Australian first for the construction sector – an off-grid construction site compound powered by solar energy. Located in the Kilmany section of the Princes Highway East Duplication project in regional Victoria, this innovative power solution was made possible through a collaborative contracting model between the client, Major Road Projects Victoria (MRPV) and Laing O'Rourke.

Select Plant Australia partnered with a local electrical contractor to design, manufacture and install a modular energy product to suit the short-term nature of the construction market. The renewable power site solution is designed for plug-and-play installation and is scalable to meet the energy consumption of most site compounds. The solar panels can double as a sheltered space for workers and is readily transportable to be used again.

The total solar power generation is 85kW with 203kWh of battery energy storage capacity. It's expected to save more than 45,000L of diesel that would have been used in generators per year for the construction phase of the project, the equivalent of saving approximately 135 tonnes of CO_2 annually.

We also advanced our plan to address the most difficult part of the net zero challenge – Scope 3 emissions (in the products and materials we purchase). We completed a comprehensive Scope 3 data gathering exercise and worked closely with supply chain partners to collect and analyse the data to ensure its accuracy. With this baseline in place, we are now developing a strategy, with defined actions to halve our emissions by 2030 and achieve net zero status before 2050.

GENDER DIVERSITY

Our target of achieving 50/50 gender balance among our 5,500 global staff by 2033 is another challenging one, especially as the sector in both of our operating hubs continues to be impacted by a skills shortage. Despite this, during FY22 the proportion of our global staff who are female increased by 1.6% to 26.6%, and for the first time ever our early talent intake was a 50/50 gender split. The number of women we employ in senior project roles also increased, to 18.5% in Australia and 8.0% in the UK.

SUSTAINABILITY LINKED LOAN

As part of the FY22 refinancing of the business, we agreed a new £35m revolving credit facility with HSBC. It is one of the construction industry's first linked to sustainability targets, and means we now have in place financial incentives to accelerate our work on carbon reduction, diverting waste from landfill and employing more women in senior project delivery roles.

WIDER ACTION

Beyond the three headline targets, we have three pillars of activity which encompass many initiatives across both our operating hubs, and which are closely linked to our purpose of pushing the boundaries of what's possible in service of humanity. They also support our company values of care, integrity and courage. They are:

1. Environmental sustainability – shaping a more responsible future
2. Human and social sustainability – thriving through diversity and care
3. Enhanced governance – leading the sector

ENVIRONMENTAL SUSTAINABILITY

Partly due to the abatement projects listed above, we have continued to reduce our carbon emissions from the baseline we first set for our UK business in 2008/9. We have eliminated 78% of those emissions, and we have also continued to cut emissions in Australia. In FY23 we will, for the first time, report our emissions for our Group business, having aligned carbon reporting periods for the two hubs. In the three-year period from FY20-FY22 we eliminated 39k t/CO2e, which represents a 54% reduction (from 71k t/CO2e in FY20 to 32k t/CO2e in FY22) in our Scope 1 (direct emissions from the Group's owned or controlled resources) and Scope 2 (indirect emissions from purchased energy) carbon emissions, these figures currently exclude the Middle East region. We are currently developing our roadmap to deliver our net zero targets across all three emission scopes and will publish this once it has been approved by the Group Executive Committee.

INNOVATION AND COLLABORATION

Through FY22, we continued to invest in technologies to help delivery of our decarbonisation targets. Our technical teams in both hubs collaborated to develop a new, industry leading carbon calculator, which can quickly analyse the level of embodied carbon in a project's sub and super structure using a digital model. The tool is already helping our technical teams to reduce the carbon content of projects.

The digital tool, which was developed in line with latest industry guidance, focuses on the embodied carbon content of the sub- and super-structure elements, which can account for more than half of the upfront embodied carbon in a typical building project.

From May 2021 to March 2022, our in-house technical leaders have used the new calculator on 23 bid submissions, quickly identifying changes that reduced the embodied carbon in the original designs by up to 38%, and by 11% on average.

We are also close to completing research projects to quantify the carbon benefits of project delivery using modern methods of construction, using components manufactured off-site.

At our Centre of Excellence for Modern Construction in Nottinghamshire, we have recently completed a research project that has been co-funded with a grant from Innovate UK and conducted with academic partners from Cambridge University and the University of Sheffield's Advanced Manufacturing Research Centre, and which has identified ways to reduce the embodied carbon in finished products and in the facility's processes and operations.

We have also commissioned a study to evidence the carbon saving of our patented modular bridge solution, which has already been used on our HS2 and East West Rail projects. As well as delivering significant programme savings versus a traditional in-situ bridge build, we believe this work will demonstrate a carbon saving of up to 20%.

BIODIVERSITY

Wherever possible on our projects, we work to protect nature and biodiversity. In Australia, on our Woolgoolga to Ballina Pacific Highway project we deployed more than 350 connectivity corridors and created 5kms of fauna furniture to protect 15 threatened species, including koalas and coastal emus, inhabiting 10 protected conservation areas along the route of the new road. We also planted 180 hectares of feed trees to improve habitat for the at-risk koala population of Ballina.

In the UK, we have implemented what's recognised as an industry leading approach to delivering biodiversity net gain (BNG). On major infrastructure projects like East West Rail and HS2, we have implemented plans to deliver biodiversity net gain targets. We have learned from these schemes and will apply the learnings on future projects.

Our East West Rail (EWR) Alliance team has taken a strategic, holistic approach to ecological management, considering permanent and temporary works requirements, licensing, mitigation and BNG. Working with Natural England, the project has tested multiple iterations of the Biodiversity Metric and been a Beta tester for the new Environmental Benefits from Nature tool, which was developed by Natural England and the University of Oxford in partnership with DEFRA.

In addition, the team is creating Ecological Compensation Sites at 20 locations along the new railway's route as part of the project's protected species mitigation plan. The locations were established, in some cases up to two years prior to the start of construction works, to provide high quality habitat for a wide variety of fauna and flora. These sites, which total 100 hectares in size include 45 ponds, 12 artificial badger setts, and a bat house and 70 bat boxes. Within them 150,000 plants and trees have been planted.

And our team at The Centre of Excellence for Modern Construction have installed 10 beehives at the site, recognising the important role bees play in the ecosystem as pollinators. The raw honey produced by the bees is sold to employees on site and the money raised is donated to a local charity.

New wildlife habitat on the East West Rail project, Buckinghamshire, UK.

HUMAN AND SOCIAL SUSTAINABILITY

As a family owned business, we have always sought to care for our people and support the communities our projects serve, and we continued to focus on this through FY22.

Our projects provide skills, education and employment opportunities for local people, including apprenticeships, and we seek to find supply chain partners in the local community.

Our new Everton stadium project is a good example. Our team there have partnered with leading training providers The Learning Foundry and The Skills Centre to launch exciting opportunities for local people to work on the 52,000-capacity stadium and begin a career in construction. The programme is available to people living across the Liverpool City Region.

During the pre-employment part of the training programme, participants will be taught basic formwork carpentry or steel fixer skills, plus health and safety requirements of the industry, and gain their Construction Skills Certification Scheme (CSCS) card, which will grant them access to work on any construction site in the UK.

On completion of the pre-employment part of the course the participants will be assessed and if successful will be become a formwork carpenter or steel fixer apprentice for Laing O'Rourke. They will then join the new Everton stadium project team and work alongside some of the most experienced tradespeople and technicians in the industry.

In FY23, we will implement a new social value strategy in the Europe Hub to ensure more consistent action across all our projects and to ensure people and communities are at the heart of what we do. Our goal is simple: to maximise the socio-economic benefits of our projects and so help people thrive.

We will focus on five areas closely aligned to the government's Social Value Model (see figure below), and which we believe will help us deliver several of our sustainability goals. We will measure and report on progress annually.

LOR EUROPE HUB SOCIAL VALUE STRATEGY

THEMES	Inclusive employment	Thriving local economies	Healthy communities	Inspiring future generations	Environmental net gain
PRIORITY OUTCOMES	Offer equal opportunities	Maximise local supply chain spend	Improve wellbeing of our people	Inspire and attract future talent	Achieve net zero carbon by 2050
	Upskill a diverse construction workforce	Develop diverse and resilient supply chains	Contribute to thriving local communities	Embed STEM within the national curriculum	Enhance community green spaces
2030 TARGETS	Enrich the lives of 2 million people				
	Create £2bn of social impact				

DIVERSITY AND INCLUSION

At Laing O Rourke we are committed to ensuring everyone has access to the same opportunities and to treating everyone equally. Our Diversity statement outlines our commitment and belief that when we go to work, we should feel we are going to a place where we are accepted, understood and valued and that we should make others we work with feel this way too.

In FY22 we put in place governance systems to support our people and operationalise D&I.

A group D&I Council has been established to help inform, shape and deliver our D&I strategy. The D&I council acts as a decision-making body and reports to the Sustainability Steering Committee. The council is chaired by Europe Hub Managing Director, Seamus French, and includes senior leaders from across the business who act as D&I champions.

We have a number of colleague-led diversity sub committees. These sub committees provide more specialist support and representation for different people in the business. The subcommittees are:

- LGBTQ+
- Gender
- Disability
- Religion, Ethnicity And Cultural Heritage (REACH)
- Working parents
- Single parents
- Carers
- Families who live abroad
- Part time workers
- Menopause

These sub committees play a vital role in creating an inclusive culture and environment; our established network groups give our people a voice to make change, as well as creating a community of like-minded individuals and allies to champion a different perspective.

EMPLOYEE WELLBEING

We remain very focused on the wellbeing of our people. This starts by paying them competitively and providing an industry leading benefits package, which includes access to services to support all aspects of wellbeing – via the Life @ LOR wellbeing hub. Most recently, we became the first constructor in the UK and Australia – and, we believe, the first company operating in the wider built environment sector - to implement an equal parenthood policy, enabling any employee to take six months paternity leave on full pay. In a male dominated sector like construction, this represents a significant investment in our people, but it is further evidence of our determination to push the boundaries of what is possible in service of humanity.

RETHINKING SAFETY THROUGH INCLUSION AND WELLBEING

In FY22, we developed a new, business-wide strategy to completely reset how everyone in the business thinks about wellbeing – our own and that of colleagues.

Called 'Rethinking Safety Through Inclusion and Wellbeing' the new strategy ensures our approach to wellbeing considers both the physical and psychological, and the unique risk factors in construction. It promotes a culture where everyone is included no matter what role they play. Everyone has a voice, at every stage of our projects, and in planning how we will go to work for each activity. The aim is for everyone to feel empowered to speak up.

The programme is setting a new standard for safety and leadership through three core areas of focus:

ENGINEERED SAFETY

Through a preconstruction focus, we will work with designers, clients, and suppliers to 'engineer out risk' and 'engineer in health' at every stage of a project's lifecycle.

DELIVERY EXCELLENCE

During delivery, we will ensure that there is strong safety leadership through clear lines of operational accountability and competence, beginning with the project leader and his/her direct reports. Through clear leadership we will better understand risks, verify controls, embed learning, and share successes.

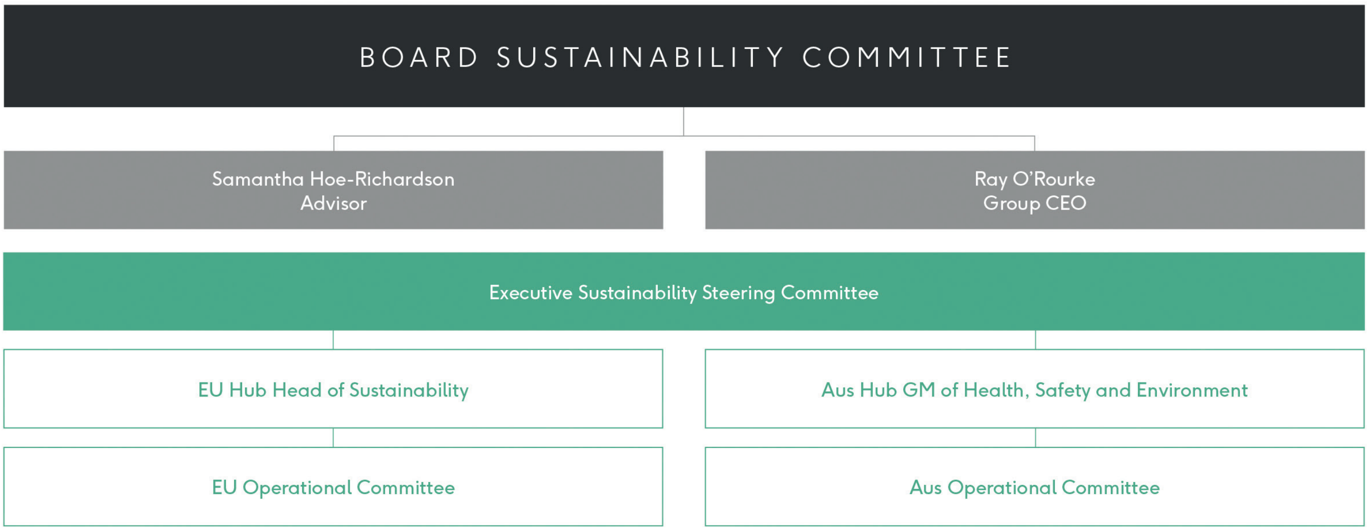
HUMAN PERFORMANCE

We will invest in advanced concepts around holistic wellbeing and our people's need to recover to thrive. In so doing, we will provide a supportive and psychologically enriching work environment that allows our people to perform consistently at their best.

GOVERNANCE AND REPORTING

With the changes we have made during FY22 and since the close of the trading period, our strengthened governance structure is in place and, crucially, connects to our operational teams.

SUSTAINABILITY GOVERNANCE STRUCTURE



REPORTING

Laing O'Rourke has been disclosing data in response to the annual CDP (previously "Carbon Disclosure Project") questionnaire since 2016. We are committed to remaining transparent in this way to provide insight into what we do and how we are addressing key climate-related challenges.

In 2021, our overall CDP score was B- and our supplier engagement rating was A-.

We are fully supportive of the TCFD and will report against it, as explained by Madeleina Loughrey-Grant, Group Director, Legal, Governance and Sustainability, above.

Climate change impacts both Laing O'Rourke and the wider construction sector directly. The urgent need to adapt to changing environmental conditions and stresses on natural resources carry additional financial stress for the company and its clients.

Laing O'Rourke has a wide and complex supply chain which also has exposure to the impacts and complexities of climate change. It is, therefore, incumbent on us that we recognise and work with all our stakeholders to drive down emissions not just within our own organisation but also up and down our value chain.

By incorporating the climate-related risks and opportunities into our risk management and strategic planning processes, we will build climate resilience into our overall group strategy, to the benefit of Laing O'Rourke, our clients and other stakeholders.

TCFD is organized around the four core pillars: governance, strategy, risk management, and metrics and targets and are described in a little more detail in the following sections below.

At Laing O'Rourke our goal is to become net zero in our operational emissions (Scope 1 & 2) by 2030 and achieve net zero across all scopes before 2050. We have been reporting our corporate GHG emissions within the Carbon Reduce programme since we established our carbon baseline in 2008/09. We have achieved a 78% reduction in emissions since establishing that baseline and recently achieved platinum status with the Carbon Reduce programme. However, we recognise a need to re-baseline as our business has changed significantly since then. Re-baselining our business will give us the opportunity to include our wider Group emissions, which include our Australian hub.

Laing O'Rourke is fully supportive of the TCFD and will continue to report against the four themes in our annual reports.

Rowan Baker
Chief Financial Officer

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

We are fully supportive of the TCFD and are pleased to be reporting against some of the TCFD recommendations for the first time in our first non-mandatory disclosure covering FY22. We are committed to developing future disclosures, with the ambition to make a full non-mandatory disclosure for FY23 in advance of our first mandatory disclosure for UK companies in FY24.

The table below provides a high-level summary of our disclosure. For further detail, we have sign-posted the relevant sections of our disclosure to the relevant sections of this annual report.

GOVERNANCE	
Board Oversight	Laing O'Rourke's Group climate-related risk is overseen from the Board level down to the operational level. This starts from the Group Chair, CEO and Executive Committees and finds its roots all the way down to the Group Sustainability Steering Committee and Hub-level Sustainability Operational Committees Our Group Sustainability Steering Committee conducts climate-related risk and opportunity assessments for the business; identifies and advises on appropriate management of climate-related risks; and is responsible for reporting against climate-related frameworks including, but not limited to, the CDP (formerly Carbon Disclosure Project) and the Task Force on Climate-Related Financial Disclosures.
Role of Management	Our EU and AUS Heads of Sustainability, who report to the Group Director of Sustainability and in-turn the CEO and Group Chair are responsible for the implementation of the sustainability strategy and the delivery of the targets within this strategy across both operating hubs – Europe and Australia. The Corporation Board has the authority to approve the sustainability strategy and climate-related policies as recommended and overseen by the Group Executive Committee. Further information on our Group Governance approach can be found on pages 16 to 35 of this Annual Report
STRATEGY	
	To meet the Group net zero ambitions, mitigate risks and address business opportunities, carbon abatement projects have been developed and implemented across our UK and Australian hubs. We have also engrained ISO 50001 Energy Management across our projects and manufacturing sites in the UK to reduce energy in our operations. We have committed to conduct full Climate Scenario Analysis during the current year and will use these results to direct business strategy to minimise our business impact on the climate and strengthen our resilience to the effects of Climate Change in the future. We are also actively exploring new market opportunities to increase our shares in the green infrastructure space.
RISK MANAGEMENT	
	At Laing O'Rourke we have been developing a cross function globally consistent process for identifying, assessing, managing, and monitoring climate-related risks and opportunities over the past 12 months. Continuing to better align our risk procedures in line with the requirements of TCFD climate risk assessment guidelines will be our focus in this next FY23. This will include conducting group level context reviews including climate scenarios. For full details on our Risk Management approach can be found on page 51 to 58 of this Annual Report.
METRICS AND TARGETS	
	Laing O'Rourke has set ambitious carbon reduction targets which include headline ambitions to achieve net zero in Scope 1&2 emissions by 2030 and net zero across all Scopes before 2050. We are currently re-baselining our emissions year to include our Australian hub and have recently conducted a group wide Scope 3 analysis of our full value chain.

FINANCIAL REVIEW

I am pleased to present the financial review for Laing O'Rourke for the year ended 31 March 2022. The result for the year showed continued growth in both revenue and underlying profit with the Group delivering a pre-exceptional EBIT of £95.5m (FY21: £76.0m), despite ongoing inflationary headwinds.

GROUP FINANCIAL SUMMARY FY19 – FY22

	FY22 (£m)	FY21* (£m)	FY20 (£m)	FY19 (£m)
Group revenue**	**2,965.5**	2,510.7	2,448.5	2,753.4
Pre-exceptional EBIT***	**95.5**	76.0	83.6	46.6
EBIT	**19.8**	69.9	72.9	47.2
Profit before tax	**2.7**	41.4	45.5	32.8
Net cash (note 36)	**339.1**	276.1	155.2	132.9
Net assets	**404.8**	325.1	278.7	259.6

* FY21 results have been represented and restated, see note 2.2 for details.

** Revenue is stated before deducting total exceptional items of £69.6m.

***Pre-exceptional EBIT is calculated by adding back total exceptional items of £75.7m (FY21: £6.1m) to the EBIT

The key achievements can be summarised as follows:

– The Group has delivered a solid underlying performance during a challenging year, resulting in a pre-exceptional EBIT of £95.5m (FY21: £76m). The EBIT of £19.8m (FY21: £69.9m) and profit before tax of £2.7m (FY21: £41.4m) reflects the impact of an exceptional adjustment to an Australian contract of £69.6m to a contract asset in respect of a contract terminated during the 2017 financial year;

– The Group generated another significant net cash improvement of £63.0m and finished the year with net cash of £339.1m. This improvement was primarily due to £58.3m conversion of debt to equity, with the settlement of bank arrangement fees of £30.8m funded by an increase in underlying cash of £35.5m;

– Group revenue pre-exceptional items has increased by 20% year on year, to £3.0bn reflecting a 13.2% increase in the Europe Hub revenue and a 27.0% increase in the Australia Hub revenue;

– The UK core bank debt was repaid and refinanced during the year, on 4 October 2021 and a new unsecured Revolving Credit Facility for £35.0m put in place, with an expiry date of 3 October 2023. Subsequent to the year end, this has been extended to 3 April 2024;

– All bank debt was repaid in our Australia Hub during the year;

– The gross margin percentage pre any exceptional items has remained stable at 9.5% (FY21: 9.4%) for the year ended 31 March 2022 despite the escalating inflationary environment. The impact of inflation has remained under continuous review during the year, and has been carefully managed and mitigated wherever possible;

– Net assets have increased year on year to £404.8m reflecting the continued profitability of the Group together with the conversion of the entire £58.3m shareholder loan to equity; and

– At the year end the Group had an order book of £9.0bn (FY21: £7.9bn) which represents approximately three year's revenue (order book is defined as the value of work outstanding on secured, anticipated and preferred bidder contracts). Our key focus has been on converting our pipeline to secured work, which stood at £6.5bn (72.0% of total order book) at the year end (FY21: £5.8bn and 73.6% of total order book). This will remain a priority for the remainder of FY23.

GROUP SUMMARY INCOME STATEMENT

	FY22 (£m)	FY21* (£m)
Revenue**	**2,965.5**	2,510.7
Gross profit**	**282.3**	236.5
Gross profit %**	**9.5%**	9.4%
Pre-exceptional EBIT***	**95.5**	76.0
EBIT	**19.8**	69.9
Profit before tax	**2.7**	41.4
Profit after tax	**11.5**	28.4
Net cash (note 36)	**339.1**	276.1

* FY21 results have been represented and restated, see note 2.2 for details.

**Revenue, Gross profit and Gross Profit % are stated before exceptional items of £69.6m (FY21: £Nil)

***Pre-exceptional EBIT is calculated by adding back total exceptional items of £75.7m (FY21: £6.1m) to the EBIT

The Group's pre-exceptional EBIT improved by £19.5m to £95.5m from £76.0m in FY21.

The Group's pre-exceptional EBIT is before incurring exceptional items of £75.7m (FY21: £6.1m); exceptional items are summarised in note 5 of the financial statements.

Within the Group numbers are corporate costs relating to central services, oversight and compliance to the rest of the Group.

EUROPE HUB FINANCIAL SUMMARY PERFORMANCE

	FY22 (£m)	FY21* (£m)
Revenue	**1,835.1**	1,620.4
Gross profit	**156.7**	144.5
Gross profit %	**8.5%**	8.9%
Pre-exceptional EBIT	**69.2**	78.3
EBIT	**69.2**	78.3
Profit before tax	**56.3**	58.4
Net cash	**113.7**	118.0

*FY21 results have been represented and restated, see note 2.2 for details.

The Europe Hub gross profit has increased by 8.4% to £156.7m with a slightly decreased margin % year on year, reflecting the inflationary pressures encountered during FY22.

The Group's share of cumulative losses in Canada increased marginally by £5.3m to £219.3m.

The hospital in Canada has been operational since October 2017 and the Group's only role in the project now consists of responding to any residual obligations on Phase 1 and monitoring its interface obligations in respect of Phase 2 which achieved substantial completion on 16 April 2021 (delivered by a local contractor).

The Europe Hub pre-exceptional EBIT decreased to £69.2m (FY21: £78.3m) despite the increase in gross profit which is a result of the Group returning to normality after the pandemic including increased bid activity, travel and training as well as the repayment of voluntary salary reductions during the year.

AUSTRALIA HUB FINANCIAL SUMMARY PERFORMANCE

	FY22 (£m)	FY21 (£m)
Revenue**	**1,130.4**	890.3
Gross profit**	**122.3**	96.3
Gross profit %**	**10.8%**	10.8%
Pre-exceptional EBIT*	**71.8**	38.8
EBIT	**(2.5)**	32.7
(Loss before tax) / Profit before tax	**(6.2)**	27.3
Net cash	**207.3**	189.1

*Pre-exceptional EBIT is calculated by adding back total Hub exceptional items to the EBIT, see note 4 for details.

**Revenue, Gross profit and Gross Profit% are stated before total Hub exceptional items, see note 4 for details.

The Australia Hub pre-exceptional EBIT has increased by £33m year on year. The underlying result for the Australia Hub's significantly improved performance in FY22 is as a result of the continued focus on collaborative pricing structures that have resulted in increased volumes and generated more stable profits, reflected by the consistent year on year gross margin percentage.

EXCEPTIONAL ITEMS

The Group's pre-exceptional EBIT is before incurring certain exceptional items of £75.7m (FY21: £6.1m). These included an adjustment of £69.6m relating to a contract asset in respect of a contract terminated during the 2017 financial year plus legal costs of £6.1m (FY21: £3.8m).

There were no restructuring costs incurred in Australia Hub during the year (FY21: £2.3m).

FUNDING

The Group's net cash position (cash less debt but excluding bank arrangement fees and the impact of adopting IFRS 16) improved from £276.1m at 31 March 2021 to £339.1m at 31 March 2022. This improvement was primarily due to £58.3m conversion of debt to equity, with the settlement of bank arrangement fees of £30.8m funded by an increase in underlying cash of £35.5m.

The Group operates extensive controls over working capital and cash management with proactive engagement of its financial stakeholders.

The Group has complied with all banking covenants during the year and has not required any waivers or relaxation of its covenants throughout the impact of Covid-19 to the date of signing of these accounts. The covenants related to credit facility are detailed in note 29.3

The Group financed the balance sheets of its three main operating territories (UK, Australia and the UAE) independently of each other.

The contracting model and financing environment faced by the Group in each of these territories is distinct and thus the mixture of arrangements differs between territories.

As well as debt instruments, such as bank loans and overdrafts, the Group sometimes uses project related bonding and guarantees to support its activities. They are largely issued by insurance companies but also by other financial institutions. These bonds are issued on behalf of contractors to their clients and provide compensation in certain circumstances, such as defined aspects of contractor under performance. They can also be used to underwrite client advances and relaxation of client retentions.

These instruments convey significant rights to the issuers similar to those conveyed to other financial institutions, e.g. fees, covenants, reporting requirements and ranking in the event of financial distress.

Over the last six years the Group has sought to reduce its use of these instruments predominantly in the UK, however it is still common practice in Australia and UAE to provide such instruments, which have only increased by £4m in total in FY22.

GROUP BONDS AND GUARANTEES

	FY22 (£m)	FY21 (£m)	FY20 (£m)	FY19 (£m)
Surety Exposure	**267**	222	197	203
Bank Exposure	**100**	141	159	189

UK funding

UK CORE DEBT:

	FY22 (£m)	FY21 (£m)	Term
RCF/Term Debt	**–**	108.7	2.5 years
Property loan	**13.0**	13.7	2.5 years
Other loans	**80.0**	42.2	up to 5 years

Since 2016, the Group has been targeting a reduction in its gross bank debt, supported by improved trading results and careful cash management. At the end of July 2021, the entire total bank debt of AUD$37.5m (£20.7m) in the Australia Hub had been repaid and the UK business repaid £108.7m of RCF/Term debt during FY22 and the entire shareholder loan (including accrued interest) of £58.3m was converted to equity. On the same day, the Group signed an agreement for a new unsecured Revolving Credit Facility with HSBC for £35.0m. The new loan had an initial expiry date of 3 October 2023, which has been extended to 3 April 2024 since the year end. This new facility incentivises or penalises Laing O'Rourke depending on its progress against key sustainability metrics: reducing carbon intensity, diverting waste from landfill, and growing the number of women in project delivery.

In addition to core borrowing arrangements, the UK business utilises hire purchase and finance lease funding facilities to support the acquisition of plant and equipment.

In the UK, bonding and similar instruments have continued to reduce by £34m to £58m at 31 March 2022. The UK business has reduced its exposure by 62% since FY18 and 86% since FY16.

UK BONDS AND GUARANTEES

	FY22 (£m)	FY21 (£m)	FY20 (£m)	FY19 (£m)
Surety Exposure	**58**	52	55	84
Bank Exposure	**-**	40	40	44

Australia funding

The Australian business was financed by an AUD$37.5m subordinated debt facility which was repaid in full in May 2021 (AUD$12.5m) and June 2021 (AUD$25.0m).

AUD$39.3m of the bank guarantees facility was drawn at 31 March 2022 (FY21: AUD$60.7m). There are also surety bonding facilities, from which AUD$327.9m was drawn at 31 March 2022.

The Australian business utilises lease funding facilities to support the acquisition of plant and equipment and is subject to the requirements of the security of payment legislation which ensures prompt payment of supply chain.

United Arab Emirates funding

The UAE business unit activity is supported through access to bonding lines provided by a major local bank.

At 31 March 2022, the business had AED nil drawn on its overdraft and utilised AED333.2m of bonding (FY21: AED293.0m).

The overdraft facility is annually renewable (in line with business practice in the territory).

In the UAE, the business seeks to conform with industry norms regarding payment of supply chain.

ASSET ACQUISITIONS AND DISPOSALS

On 15 November 2021 Laing O'Rourke Middle East Holdings (a 100% owned subsidiary) disposed of its joint venture in Crown House Facilities Management UAE (L.L.C) and Crown House Security UAE (L.L.C) upon liquidation. This resulted in a profit on disposal of £0.4m, £nil at Group level. On 25 August 2021, the non-controlling interest held by Garnham Services in Canal Harbour Development Company was acquired by the Group for €1. On 29 March 2022, LOR Court Investments Pty Limited (Group's 100% owned subsidiary) disposed of its joint venture in Juris Partnership for £9.4m (A$16.5m). This resulted in a profit on disposal of £5.7m (A$10.5m) at Group level.

In the prior year, the Group disposed of its interest in its joint venture Yorkshire Learning Partnership PSP Limited for £9.8m, achieving a profit on disposal of £2.5m. The £9.8m consideration included repayment of subordinated debt investment (£7.3m) and equity (£2.5m).

In the prior year, the Group transferred its 100% equity holding in PFP Robotics Pty Limited to Presien Holdings Pty Limited in exchange for 2,750,000 shares in Presien Holdings Pty Limited at AUD$2.00 per share. Laing O'Rourke Australia Pty Limited's share of Presien Holdings Pty Limited is 26.2%. The equity interest in Presien Holdings Pty Limited was £1.8m (AUD$3.3m) with a gain on disposal of the subsidiary of £1.2m (AUD$2.2m).

The Group substantially completed a corporate restructure of the UK entities during the year. The restructure did not result in any disposals, acquisitions or discontinuing of operations outside of the Group.

In the prior year, the Group concluded a corporate restructure of the Australia Hub. The restructure included establishing a new holding entity, Laing O'Rourke Australia Group Pty Limited. The restructure also included the incorporation of additional entities as subsidiaries to Laing O'Rourke Australia Pty Limited. The restructure did not result in any disposals, acquisitions or discontinuing of operations.

ORDER BOOK

The Group order book stood at £9.0bn (FY21: £7.9bn) on 31 March 2022. While overall this is considered a strong performance, despite the ongoing market uncertainties, the Group needs to continue to convert its pipeline to achieve its business plan and this will remain a key focus throughout FY23.

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

The European order book has remained relatively stable at 31 March 2022 at £6.1bn compared with £6.2bn in FY21. This is partly driven by continuing to work closely with the UK Government as a strategic supplier to deliver much needed hospitals, schools and infrastructure in support of their investment agenda.

In the UAE, we continue to target opportunities in Dubai and Abu Dhabi, where we have a permanent presence and a strong track record.

The Australian order book has improved at 31 March 2022 to £2.9bn compared with £1.6bn in FY21. This increase in the order book has been driven by successful bids for new projects and scope increases in existing projects as well the Australian Government's 10-year infrastructure investment programme (announced towards the end of 2020).

TAX

The Group takes its social and economic responsibilities seriously and pays the appropriate amount of tax in all countries where it operates. The Group recorded a corporation tax credit of £8.8m in the year (FY21: tax charge of £13.0m) and current tax payable at 31 March 2022 was £3m (FY21: £3.7m).

The Group has open tax issues with a number of revenue authorities. Management makes a judgement of whether there is sufficient information to be able to make a reliable estimate of the outcome of the dispute. If insufficient information is available, no provision is made. These estimates take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as each dispute progresses. At 31 March 2022, the Group had recognised provisions of £1.0m in respect of uncertain tax positions (FY21: £6.3m).

Factors affecting the tax charge in future years are set out in Note 12, 'Income Tax'. On 3 March 2021, in the spring budget, the UK government announced that from 1 April 2023 the corporation tax rate would rise from 19% to 25%. This new law was substantively enacted on 24 May 2021 and therefore UK deferred tax assets and liabilities that are expected to reverse after 1 April 2023 have been recalculated at 25%[1] as at 31 March 2022, resulting in a £6.4m credit during FY22. These deferred tax assets and liabilities were previously recognised at 19%.

PENSIONS

The Group operates several pension schemes with leading industry providers in Europe and Australia. These are defined contribution schemes and, as such, aside from regular monthly contributions, there are no outstanding pension liabilities.

INSURANCE

Insurance broking globally is consolidated with Marsh, given its technical expertise in arranging insurance for engineering and construction-based projects, combined with international market coverage.

The Group carefully monitors the balance between insurance risk retained by the Group through its insurance captive, and that which we purchase in the external market.

Our liability insurance profile tracks and correlates with our safety performance – the number of High Potential (PC1) events reduced marginally in FY22, against the numbers reported in FY21. The Group remains comfortable with the level of insurance risk it is carrying internally.

GOODWILL AND INTANGIBLE ASSETS

The Group carries £324.8m (FY21: £323.4m) of goodwill in the consolidated statement of financial position. The movement year-on-year is due to foreign exchange fluctuations. 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 2022, 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 treasury function has continued to prudently manage 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 prioritise the management of key financial stakeholders, including key banking relationships and surety bonding providers who support our long-term strategic agenda.

UK CONSTRUCTION WORKING CAPITAL AND SUPPLY CHAIN PAYMENTS

The UK business continues to target improvements in its supplier payments and is fully engaged with current discussions regarding payment practices.

Since the end of the last recession, access to traditional bank funding by tier one and sub-contractors alike has reduced due to a loss of appetite for the sector by UK banks. Reliance on off-balance sheet support has also become tighter due to a reduction in the attractiveness and the availability of bonding and guarantee facilities.

Tier one cash flow is particularly sensitive to the length of time taken to agree and settle changes and variations, the quantum of and duration over which cash retention is held by clients and the reluctance of clients to pay for the significant cost and risk of mobilising a major project and the offsite manufacture of components.

All parties involved in the sector must collaborate to provide a more modern approach to payments and providing adequate working capital to avoid the current 'hand to mouth' trickle down of liquidity.

In terms of payment data, the UK businesses reported their latest set of payments practice data, for the six months to 31 March 2022.

Since April 2022 the Group's performance has remained relatively stable. There is still progress to be made by the Group in achieving payment to all suppliers within terms, particularly against the backdrop of increased inflationary pressure across the supply chain. During the period October-21 to March-22, invoice payment timing has predominantly been impacted by the wider inflationary environment, including rapidly escalating prices of certain commodities leading to advance payments being made ahead of terms in order to fix pricing. The business has also been operating with a lower level of debt in line with its strategy to reduce debt risk.

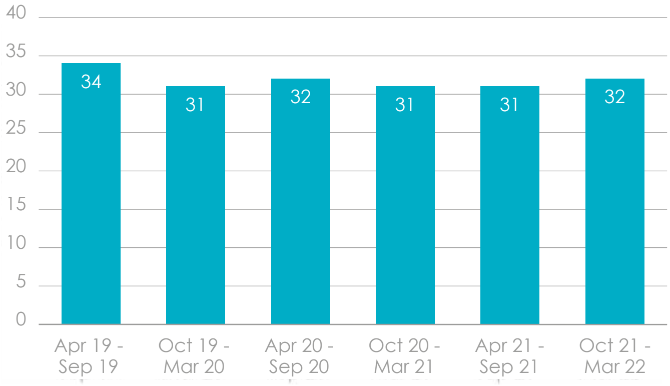
Laing O'Rourke became a signatory of the UK's Prompt Payment Code in 2013 and remains committed to improving its payments' performance.

1 On 23 September 2022, the Government announced that the corporation tax rate would be held at 19%. See note 12 of the financial statements for details.

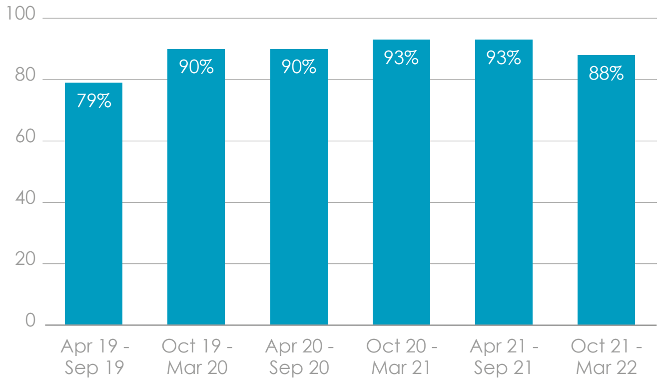
The graphs below show Laing O'Rourke Delivery Limited's (formerly Laing O'Rourke Construction Limited) payment performance for the three years to 31 March 2022. Laing O'Rourke Delivery Limited is the main trading entity in the UK, a wholly owned subsidiary of Laing O'Rourke plc, and is the main entity subject to the PPC.

Whilst Laing O'Rourke remained focused on measures which ensure continued improvement in its payment performance, it operates in a sector where supply chains and contractual terms are complex, and prompt payment is often materially impacted by resolution of disputes and alignment to agreed contractual processes.

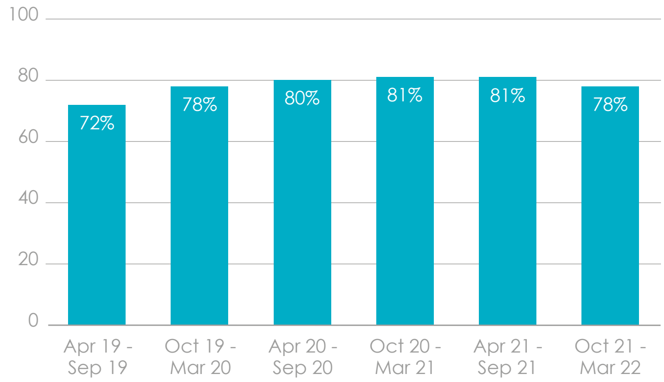
GRAPH ONE: AVERAGE DAYS



GRAPH TWO: ALL SUPPLIERS AND SUBCONTRACTORS, % INVOICES PAID UNDER 60 DAYS



GRAPH THREE: ALL SUPPLIERS AND SUBCONTRACTORS, % INVOICES PAID TO TERMS



RISK AND ACCOUNTING POLICIES

The Group has been focussed on improving its risk management framework and processes during FY22. FY22 saw the appointment of a new Head of Risk and Internal Audit, an independent Risk and Internal Audit function established as well as designing an Enterprise Risk Management framework in the Europe Hub and an Internal Audit Plan developed for the years ending 31 March 2022 and 31 March 2023.

There is continued focus on improving the framework and processes during FY23 which included aligning the internal audit processes across both Hubs and monitoring progress against the approved internal audit plan.

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 51 to 58 under 'risk management and audit'.

Laing O'Rourke reports its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and Companies (Jersey) Law 1991. The Group's significant accounting policies and measures are explained in the note 2 of the financial statements.

IMPACT OF BREXIT AND THE RUSSIA/UKRAINE CRISIS

Whilst we have still not seen a material negative impact of Brexit, other global events including the Covid-19 pandemic and more recently the Russia/Ukraine crisis, have together contributed to significant input price inflation and shortages of certain materials and commodities. We continue to manage inflation risk from bid/tender stage throughout the contract life through our governance processes and various mitigation strategies. The impact of the inflationary environment has remained under continuous review with its impact carefully managed and mitigated wherever possible.

Continued challenges with staff recruitment and attrition and unexpected challenges in areas such as deliveries to site are largely mitigated through our direct delivery integrated model and direct employment. The Board will continue to monitor the potential impact of Brexit, the Russia/Ukraine conflict and inflation on the UK business environment and remains vigilant regarding the need to respond to changes in market conditions such as freedom of movement, right to work, finance and tariff implications, disruption to supply of plant and equipment and key construction components, exchange rates and primary commodity prices.

OUTLOOK

The Group has recovered well from the impacts of the Covid-19 pandemic during FY22, resulting in improved performance across both Hubs.

Management remains focused on strengthening the foundation of the business through continuing to embed new processes and controls on project selection, operational delivery, and risk and assurance.

Our FY23 forecast and the longer-term delivery of our 'Deliver 2025' mission is predicated on continuing to win sufficient opportunities within our pipeline, the continued implementation of our successful business model and strategic workstreams and the ability to contain the impact of any further delays or disruption to supply chain within existing project contingencies.

The Board remain confident that the strategic plan can be delivered but will need to continue to monitor any further impacts of inflation and supply chain issues caused by a combination of Brexit and the Russia/Ukraine crisis closely together with any contingent liabilities. This has been explained in our going concern note on pages 62 to 64 and the impact of climate change on our forecasts and future performance has been explained in note 2.27 (d) on page 81.

The shutdowns in the Australia Hub caused by the Covid-19 pandemic during the first half of FY22 remained relatively short and the disruption was therefore minimal. The roll out of the Covid-19 vaccine, although later than in other parts of world, has now resulted in the Australia Hub mostly returning to normality in FY22.

The Board remains confident in the resilience of the business and its leadership due to its proven track record against a challenging market backdrop including the impacts of the pandemic and inflation.

The UK Government set out the UK National Infrastructure Strategy in September 2022, confirming a significant level of investment over the next 10 years. Adoption of modern methods of construction is central to this investment which the Europe Hub is well placed to respond to, given the pioneering investment and development of our own advanced manufacturing facilities backed by new digital platforms.

The Australia Hub continues to be well positioned to respond to the Australian Government's 10-year infrastructure investment programme (announced towards the end of 2020) and their intention to level up the country has strengthened the outlook for the construction sector over the next decade. During the year, the Australia Hub have been awarded a number of Government supported infrastructure projects including the Early Works Package for Suburban Rail Loop, the Bridge Inn Road additional defence works.

The Group continues to invest in developing a sector leading capability in modern methods of construction. Our integrated delivery model, strong client engagement and robust internal control environment ensure that we are well positioned to continue to win work. The Group also continues to work closely with the UK Government as a strategic supplier in order to deliver much needed hospitals, schools and infrastructure in support of their investment agenda. The Group has continued to convert its strong pipeline and this remains one of the Board's main priorities for the remainder of the current financial year.

The Group now has 93% of its expected FY23 revenue either secured or anticipated and 82% of its expected FY24 revenue is at the secured, anticipated or preferred bidder stage and the Group Order Book currently stands at £9.7bn as at 31 August 2022.

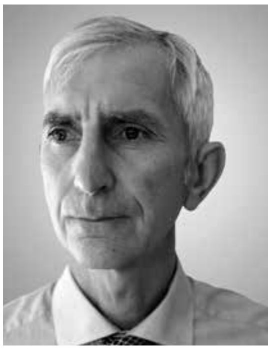
The refinancing of UK core debt that was due to expire on 31 December 2021 was completed on 4 October 2021 and was extended by a further 6 months in August 2022. The expiry date is now 3 April 2024.

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

R C Baker
Chief financial officer

30 September 2022

RISK MANAGEMENT AND AUDIT



GREG BRANCH,
Non-Executive Director (deceased)
CHAIR OF THE AUDIT AND RISK COMMITTEE

CHARLOTTE VALEUR,
Non-Executive Director
INTERIM CHAIR OF THE AUDIT AND RISK COMMITTEE

MEMBERSHIP

- Greg Branch (member and chair until August 2022)
- Charlotte Valeur: Non-Executive Director.

The Board notes the service of Greg Branch, who joined as a Non Executive Director in 2018 until his passing in August 2022. Charlotte Valeur has temporarily taken on the role of Audit Committee Chair until Greg's successor is appointed.

ROLES AND RESPONSIBILITIES OF THE COMMITTEE

- Increase the confidence of recipients of the Company's published financial reports by ensuring the integrity of such reports.
- Assist the Board and shareholders of the Company in ensuring the effectiveness of the operating and financial controls of the Company.
- Monitor the effectiveness of risk management processes within the Group.
- Review the performance of the Group's internal and external auditing functions.
- Monitor the effectiveness of the procedures in place to identify breaches of the Code of Conduct and related Group policies and consider any such breaches that come to its attention.

KEY ACTIONS FROM FY22

- Appointment of a Head of Risk and Internal Audit, reporting directly to chair of the Audit and Risk Committee.
- Establishment of an independent Risk & Internal Audit function in the Europe Hub.
- Gap assessment in relation to the existing risk management and internal control environment.
- Establishment of Risk & Internal Audit objectives including design of an Enterprise risk management framework in the Europe Hub and Internal Audit plan for period to 31 March 2022 and 2023.

PRIORITIES FOR FY23

- Ensuring alignment of risk and internal audit processes across both hubs.
- Seeing an improvement in the risk maturity of the business.
- Monitoring the progress made against the approved FY23 Internal Audit Plan.
- Seeing a steady improvement in the internal control environment across the business.
- Introduction of an assessment of internal and external audit performance in 2023.

REPORT OF THE AUDIT AND RISK COMMITTEE

The purpose of the Audit and Risk Committee is to ensure the oversight and monitoring of the integrity of the Group's financial governance, financial reporting, internal controls, risk management, internal audit, and relationship with external auditors.

The Committee held five meetings during the year. Aside from Committee members, meetings were regularly attended by the Board Chair, Chief Executive Officer, Company Secretary, Chief Financial Officer, the Head of Risk and Internal Audit, Finance Director - Corporate, Group Financial Controller and external auditor PwC representatives. All meetings were held in accordance with relevant Covid-19 pandemic government guidance.

During FY22, the Committee focused on a phased approach for establishing an independent Risk and Internal Audit function similar to that of a listed organisation. The Europe Hub Risk and Internal Audit function, overseen by the Head of Risk and Internal Audit, comprises a Risk Manager to facilitate progress towards an enhanced Risk Management framework, a Commercial Internal Audit Manager focused specifically on project delivery to ensure the internal control environment on our projects allows management to gain assurance with respect to the reporting and management of each contract, and an Internal Audit Manager to focus on the Hub's processes and central functions in line with the Internal Audit Plan.

Work has commenced on developing our Enterprise risk strategy which will enhance our existing risk management framework and methods to leverage systems and utilise data analytics to support risk analysis, management, and oversight and enhance our risk maturity.

Execution of the Audit Plan has now commenced focusing on the Principal risks faced by the Group. Further details of Risk Management are contained in the following section.

We have made good progress to date, however, work continues to finalise our strategy, develop a consistent approach within both Hubs and fully embed developed processes in a consistent way.

Charlotte Valeur
Interim Chair of the Audit and Risk Committee

RISK MANAGEMENT

Risk management is no different than any other Laing O' Rourke team, continuously striving to operate in line with the Group's purpose, values and guiding principles of absolute alignment, complete thinking, and sophisticated simplicity.

CULTURE

Are values, beliefs, and attitudes toward risk management equal across the Group?

PROCESS

What are the tools to support embedding risk management and the value it brings to decision making?

APPLICATION

How will risk management be embedded in the Group and practiced well?

EXPERIENCE

Are the people responsible for capturing risks suitably equipped with appropriate knowledge and expertise?

Risk Competencies: uniform development to increase risk maturity

OUR APPROACH

Our strategic approach to risk management, as defined in the Group's Risk Management Policy, aims to provide a sustainable and value adding service to help to protect and optimise the Group's objectives.

The overall effectiveness of the risk management framework requires consistent and coherent application. The establishment of the Risk and Internal Audit function within the Europe Hub, together with the risk and assurance work regularly undertaken within the Australia Hub is allowing the Group to focus on:

- Assurance by enhancing risk visibility; ensuring ownership is at the right level with the appropriate commitment;
- Providing alignment to strategic and project objectives, clearly defining the context of raised risks, with flexibility to remain relevant to current operating environments;
- Alignment and integration of top down and bottom-up risks: threats and opportunities are addressed within operational processes and the Group's management structure; and
- Continued promotion of an environment of learning from experience and knowledge sharing.

This is underpinned by the risk competencies as shown above.

Risks are identified top down from the Group's strategy and bottom up from the projects, specialist business lines and operational teams.

Risks are measured and managed at the relevant level, with periodic review sessions held with owners to provide updates on the risk status and review response plan progress and effectiveness.

Risks that require additional support are escalated to the next management level, up to executive level where appropriate.

Course of action response recommendations are delegated back to owners for timely implementation.

As with any framework, risk management is only as effective as the information communicated from operational areas. The Group therefore continues to work to ensure all areas are contributing to the process to allow for informed decision making.

OVERSIGHT

The Board has overall responsibility for ensuring that risks, threats and opportunities are effectively managed across the Group.

The Board and Executive committees review and develop the effectiveness of Group and Hub level risk management systems including the key sources of risk, the monitoring of their status and the corresponding response plans.

INTERNAL CONTROL

The system of internal control is documented and embedded through policies issued by the Board, the governance framework, the delegation of authority, gateway authorisations and through the project lifecycle controls in the form of policies and procedures that are located within our iGMS management system (integrated Group Management System). This ensures that our structured approach to risk and compliance with internal controls is fully accessible to all people across our businesses

SUMMARY OF PRINCIPAL RISKS

Principal risks are risks that could materially affect (negatively or positively) the Group's business model, current or future operations, prospects, reputation or performance.

The Group and Hub level Executive Committees regularly carry out an assessment of the principal and emerging risks and uncertainties facing the Group or Hub, including those that would threaten our reputation, business model, achievement of strategic objectives, solvency or liquidity.

The Group's principal risks and uncertainties are identified below, together with a description of how we manage the risks. 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 have a material or potentially material effect on the business or are not presently known by the Board and Audit and Risk Committee. Where possible, we have established controls and systems in order to identify and manage these risks and it should be noted that this assessment process is ever evolving within a constantly changing environment.

STRATEGIC

WORK WINNING

Risk/Impact	How we Manage it
Risk/Impact: **Inability to win the required volume of work with an appropriate price/risk profile to deliver our business plan** This may impact the Group's ability to deliver the financial performance and cashflows which underpin its growth strategy. **Rating Trend: ►** (FY21: ►) **GEC Sponsor** Group Commercial Director	**How we Manage it** The Clients & Markets function is focused on shaping a long-term, sustainable pipeline of work across priority sectors and priority clients with committed pipelines, ensuring alignment to our strategic objectives and operating model. Our approach to project selection and bids is governed by detailed protocols known as Gateways, held on the Laing O'Rourke integrated management system, known as IGMS. – The Group's project delegations of authority provide clarity as to who can approve tenders, using a risk-based approach which is supported by the ten-stage gateway process. – Our bid settlement process ensures that all aspects of any proposed new contract can be debated and challenged with full transparency to mitigate the likelihood of excessive risk exposure. – Authorisation is required before resource commitment to prepare an offer in pursuit of an opportunity that must be aligned to our strategic ambitions and integrated operating model.

INFRASTRUCTURE INVESTMENT

Risk/Impact	How we Manage it
Risk/Impact: **Decline in government prioritization of investment in public infrastructure initiatives.** A change in Government policy which reduces their financial commitment to infrastructure initiatives could result in fewer than expected opportunities in this sector, impacting the Group's financial performance and delivery of its strategy. **Rating Trend: ►** (FY21: ▲) **GEC Sponsor** Chief Executive Officer	**How we Manage it** The Group continues to maintain a diverse portfolio of projects for both public and private clients with a broad exposure to several resilient sectors and geographic markets. – We continue to develop and maintain sustainable collaborative relationships with key clients, government departments (as a strategic supplier) and related regulatory authorities. – Active engagement and participation in political, economic and regulatory forums to share knowledge and support legislative development. – Regular review of government priorities and commitments, particularly during times of political uncertainty or change of government.

▲: *increase in risk during period*	►: *no change in risk during period*	▼: *decrease in risk during period*

STRATEGIC (CONTINUED)	
OUR PEOPLE	
Risk/Impact: **Inability to attract and retain appropriately skilled individuals required to deliver strategic objectives.** This could affect succession planning and the Group's ability to deliver growth in line with its current and planned commitments, resulting in an impact on its financial performance and therefore delivery of its strategy. The quality and certainty delivered to clients may also be at risk, resulting in reputational damage. **Rating Trend: ►** (FY21: ▲) **GEC Sponsor** Group Director, People, and Corporate Affairs	**How we Manage it** People are a primary component of Laing O'Rourke's strategy. The Group aims to be a progressive employer of choice with a clear commitment to equality, diversity, and inclusion, providing a work environment that champions and invests in the development of our people so that they can perform at their best and excel within their chosen field. – Various equality, diversity and inclusion subcommittees monitor and enhance our thinking and action to develop and retain our people and improve their experience e.g. introduction of dynamic and flexible working and market leading 'parenthood' policies. – Laing O'Rourke was the first company to adopt the newly revised "Inspiring Women in Construction and Engineering Pledge" committing the business to drive change. – Continued investment in the Group's DfMA led operating model in pursuit of an enhanced working experience for our people. – In Australia, Laing O'Rourke has been accredited at the highest level of employers by the Workplace Gender Equality Agency (WGEA). – Both Hubs have continued to invest in early talent programmes including Apprentices, Interns and Graduates, regardless of market conditions. – Innovative partnerships with universities also help to enhance attraction of leading graduates. Continued commitment to achieve an equal number of men and women among the **Group's c.6,400** global staff by 2033, supported by the launch of an industry-leading global parental leave policy in 2022 as well as other gender-focused initiatives to improve representation among frontline construction workers.
CLIMATE CHANGE AND SUSTAINABILITY	
Risk/Impact: **Inability to effectively adopt climate change measures.** Failure to mitigate climate-related challenges arising through delivery of our project portfolio across geographic locations, may adversely impact on our work winning ability and reputation. **Rating Trend: ►** (FY21: ▲) **GEC Sponsor** Group Director, Legal and Tax	**How we Manage it** Sustainability remains integral to everything we do at Laing O'Rourke, underpinned by our commitment to Modern Methods of Construction and our integrated operating model. In pursuit of our global sustainability targets (as set out on in the Sustainability Statement), our approach remains focused on three vital and interconnected elements: climate, people, and nature. – Optimised Design for Sustainability: development of industry-leading carbon calculator to analyse levels of embodied carbon – used on 24 projects, reducing embodied carbon in original designs by up to 19%. – Secured grant from the UK Government to investigate how we can decarbonise the production process and operation of the CEMC facility with Modern Methods. – Launched a new global Technology and Innovation Group, focused on accelerating the development and adoption of technology on our projects, e.g., award-winning Toolbox Spotter and the Rebar Productivity project.

▲: *increase in risk during period*	►: *no change in risk during period*	▼: *decrease in risk during period*

OPERATIONAL

HEALTH AND SAFETY

Risk/Impact	How we Manage it
Risk/Impact: **Failure to maintain a safe working environment and prevent serious injury / fatality.** In pursuit of delivering the Group's complex and intricate projects, related tasks and environments could potentially expose employees, subcontractors, suppliers, members of the public to dangers or hazards which could lead to injuries, health implications, financial loss/penalties or serious damage to the Group's reputation. **Rating Trend: ►** (FY21: ►) **GEC Sponsor** Chief Executive Officer	**How we Manage it** The fundamental focus of the Group's governance framework is to eradicate preventable serious accidents and minimize harm at every level by continuous improvement through our culture – driven by leadership. – Continued focus and implementation of enhanced Health & Safety practices through Laing O'Rourke's Inclusion and Wellbeing integrated Health & Safety programme to drive continuous improvement and excellence through our culture and leadership. – Constant monitoring and regular reviews at every workplace to ensure compliance with our documented safety management system, detailing mandatory procedural, behavioural and training requirements. This is also regularly reviewed by external bodies to provide additional assurance. – Continued innovation to design out risk at the earliest stage of the project lifecycle by working with designers to implement engineered safety solutions, using modern methods of construction from the outset. – Using our data to inform, identify, and thereafter prioritise high likelihood / high consequence areas, ensuring they are specifically and carefully managed. – Constant reviewing and updating of established controls to incorporate lessons learned and communicate to all relevant individuals to maintain awareness of individual and corporate obligations.

PROJECT DELIVERY

Risk/Impact	How we Manage it
Risk/Impact: **Failure to deliver projects on time, to budget and to the expected quality.** Inability to deliver our portfolio of projects across all geographic locations, on time, to budget and quality could result in financial loss or reputational damage. **Rating Trend: ►** (FY21: ►) **GEC Sponsor** Chief Executive Officer	**How we Manage it** Project Certainty is our operating model for how we deliver projects against a set of key principles to drive consistency across our portfolio, creating a 'common experience' for our customers. – The Board approved Delegation of Authority details the cascade of authorisations required for any substantial changes proposed that would deviate from the key terms and delivery methodology agreed during the bid process. – Early engagement initiatives, innovative DfMA methodology and our integrated end-to-end capabilities serve to mitigate risk and give greater surety of delivery. – Our digital agenda and engineering technologies are used to achieve time and cost efficiency through a full visualisation of the build sequence. – Special attention reviews are used to enhance compliance with project delivery plans and financial forecasts and to ensure we capture lessons learnt for the benefit of future projects.

▲: *increase in risk during period*	►: *no change in risk during period*	▼: *decrease in risk during period*

OPERATIONAL (CONTINUED)

PROCUREMENT / SUPPLY CHAIN

Risk/Impact:	How we Manage it
Failure of supply chain including subcontractors and materials procurement. Non-performance by our supply chain – through poor performance, financial failure, or reduced capacity or capability - could impact the Group's ability to deliver projects on time, on budget and to the right quality, resulting in financial loss and/or reputational damage. **Rating Trend: ▲** (FY21: ▲) **GEC Sponsor** Group Commercial Director	The centralised Procurement Function is responsible for the acquisition of services and supplies in support of the business activities. – Continued commitment to developing and maintaining strong, long-term relationships with key supply chain partners through focused management to ensure alignment to the Group's needs. – Our list of preferred suppliers is regularly reviewed to ensure compliance with legislation and regulations applicable to the Group and the supply chain's own business. – Robust supplier selection and monitoring processes are in place so that we can respond appropriately to changes in supplier circumstances. – The Group considers this risk to have increased during FY22 due to the current hyperinflationary market and its impact on our supply chain.

DATA GOVERNANCE AND CYBER SECURITY

Risk/Impact:	How we Manage it
Failure to maintain a secure IT environment. IT infrastructure deficiencies could lead to internal loss / corruption of data, unauthorized access, breach of the General Data Protection Regulation (GDPR) and leave the Group vulnerable to malicious cyber-attacks, resulting in operational, reputational, and financial consequences. **Rating Trend: ▲** (FY21: ▲) **GEC Sponsor** Chief Financial Officer	Technology is crucial to maintaining a flow of information across our projects and offices and it is therefore important that our systems, controls and protocols are robust in this area. We have therefore enhanced or put in place the following: – A dedicated Cyber security team focused on enhancing our "Cyber Defence" by analysing and identifying threats to the corporate environment, running simulations and mitigating attacks. Cyber intelligence sharing is also in place with the wider construction industry in order to reduce risk. – The InfoSec Office, a cross-functional team responsible for managing data protection issues, and ensuring the company complies with data protection legislation. – Continued educational and awareness sessions, including mandatory e-learning training for new starters and periodic refresher training to enhance awareness of current threats. – The Group considers this risk to have increased during FY22 due to the heightened cyber security threat posed by the Russia/Ukraine conflict.

▲*: increase in risk during period*	►*: no change in risk during period*	▼*: decrease in risk during period*

FINANCIAL

INFLATION

Risk/Impact	How we Manage it
Risk/Impact: **Inflationary pressure on goods and services.** Cumulative exposure to inflation across various expenditure types including materials, labour, staff, logistics, projects, and global supply chain adversely impacts the Group's financial resilience and results. **Rating Trend: ▲** (FY21: ►) **GEC Sponsor** Group Commercial Director	**How we Manage it** The Group continues to monitor the continued economic turbulence and inflation instability and uses the following to mitigate where possible adverse impacts to project delivery and the Group's financial position. – Our gateway governance process serve to mitigate risk throughout the life cycle of a project. – Regular financial review and monitoring of project performance so that timely action can be taken and themes identified. – Review and monitoring of relevant procurement price and lead in time data in a centralised manner allows timely action. – Scenario analysis is performed to consider hyperinflationary impact, with relevant actions identified. – The Group considers this risk to have increased during FY22 due to the heightened cyber security threat posed by the Russia/Ukraine conflict.

FINANCIAL RESILIENCE

Risk/Impact	How we Manage it
Risk/Impact: **Failure to maintain adequate financial resiliency and / or comply with financial covenants.** Inability to secure funding – in the form of refinancing facilities – could impact the Group's ability to bid for work, make investments or meet its ongoing liquidity needs, which could adversely impact profitability, cash flow and future growth. Failure to meet predetermined financial covenants could lead to an event of default if any breach is not remedied within the relevant grace period. **Rating Trend: ►** **(FY21: ►)** **GEC Sponsor** Chief Financial Officer	**How we Manage it** Our experienced in-house cash management, treasury and finance teams take a prudent approach to liquidity, constantly monitoring and maintaining sufficient cash reserves, as well as available bank facilities to meet liabilities and financing needs as they fall due. The team also takes a proactive stance monitoring and ensuring compliance with covenants and reporting requirements. 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 groups 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. – During FY22 the Group refinanced its UK core debt facilities and during FY23 the term of these facilities was extended to 4 March 2024.

▲: increase in risk during period	*►: no change in risk during period*	*▼: decrease in risk during period*

GOVERNANCE

GLOBAL BUSINESS INTEGRITY

Risk/Impact:	How we Manage it
Fraud, Bribery & Corruption activities. Failure to detect and prevent illicit activities resulting in severe reputational damage and loss of licence to operate and therefore our ability to win work. **Rating Trend:** ► (FY21: ►) **GEC Sponsor** Group Director, Legal and Tax	Laing O'Rourke takes a zero-tolerance approach to fraud, bribery and corruption and expects all employees and partners to act in accordance with its published Group's Global Code of Conduct and established policies. There are a number of focus areas that support this approach: – Continued implementation of the Global Business Integrity Policies covering anti-bribery and corruption, fraud, anti-money laundering, sanctions compliance and competition. – Continuous training and awareness programmes to employees to ensure understand of the Group's commitment and their obligations. – Undertaking effective due diligence on our clients, suppliers, and other business partners. – The Group continues to provide a confidential independent whistle blowing service for the reporting of any inappropriate behaviour.

▲: *increase in risk during period*	►: *no change in risk during period*	▼: *decrease in risk during period*

CONTINUED MONITORING

The following areas continue to be monitored for any potential impact to the Group:

PANDEMICS: A further wave of Covid-19 could have a significant operational and financial impact on our business:

The Group has established new ways of working as a result of the business continuity threats posed by the Covid-19 pandemic and has worked hard to respond positively to these threats. As a result, the overall business impact has been limited – the business has continued in operation, remained profitable and benefited from the continued positive government outlook on construction. Our overall resilience, lessons learnt and business continuity plans will help us to navigate through future eventualities and we continue to monitor the environment for any developments which could lead to adjusting our approach.

JOINT VENTURE PARTNERS: Non-delivery by our joint venture partners through poor performance, financial failure, or reduced capacity or capability could impact the Group's ability to deliver projects on time, on budget and to the right quality, impacting financial performance or reputation:

Our in-house delivery capability allows the Group to work independently whenever possible reducing our reliance on third parties. Joint ventures are only established when the Group's interests are complementary to those of its partners.

Our robust process for entering into a joint venture relationship continues to mature in conjunction with our wider controls, ensuring that a thorough evaluation process of the financial and operational integrity of a potential partner takes place before committing to any formal arrangement. Once established, the implementation of our governance procedures throughout the duration of a project ensures compliance with all contractual terms and practices. Operational cohesiveness is strengthened and maintained with regular supplemental "Principals" meetings with senior executives in addition to our weekly Business Plan Review process.

Al Wasl Plaza, Dubai, UAE

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS	Sir J Parker (Chair) R G O'Rourke KBE (CEO) H D O'Rourke S G French (CEO designate) R C Baker (CFO) G J Branch (deceased 22 August 2022) J F Edmondson K C Valeur Dr Hayaatun Sillem CBE (appointed 7 March 2022) Mark Cutifani (appointed 1 September 2022)
COMPANY SECRETARY	J F Edmondson
COMPANY NUMBER	130524
REGISTERED OFFICE	Level 4, International Finance Centre 1 St Helier Jersey JE2 3BX
UK CONTACT ADDRESS	Laing O'Rourke plc Bridge Place Anchor Boulevard Admirals Park Crossways Dartford Kent DA2 6SN United Kingdom
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom
BANKERS	HSBC UK Bank Plc 7th Floor Thames Tower Reading RG1 1LX United Kingdom National Australia Bank 800 Bourke Street Docklands VIC 3008 Australia Emirates NBD Bank P.J.S.C Head Office, Baniyas Road Deira, PO Box 777 Dubai, UAE
INSURANCE ADVISERS	Marsh Limited Tower Place London EC3R 5BU United Kingdom
INSURERS	QBE Europe SA/NV Ltd 30 Fenchurch Street London EC3M 3BD United Kingdom

CONSOLIDATED MANAGEMENT REPORT

The Board of Directors present their annual management report together with the audited consolidated financial statements of the Laing O'Rourke Corporation Limited group (the 'Group') for the year ended 31 March 2022.

PRINCIPAL ACTIVITIES

The Group's principal activities are:

CONSTRUCTION

- Programme management;
- Construction and building;
- Civil engineering; and
- Infrastructure and support services.

MANUFACTURING

- Building products; and
- Manufacturing construction products.

PLANT HIRE

- Plant hire and operations.

SERVICES

- Design services; and
- Building operations management.

A list of principal subsidiaries, joint arrangements and associates can be found in note 37 to the financial statements.

A review of the Group's activities and performance for the year is presented on pages 9 to 50.

CHANGES IN GROUP STRUCTURE

During the year, the Group only completed those disposals as described on page 89 in note 14 to the financial statements. The Group also substantially completed a restructuring exercise during the year in order to simplify the UK structure into five main trading entities. This has been referred to in more detail in the Operating Review – Group on page 9. There is no impact to these Laing O'Rourke Corporation Limited consolidated accounts.

GENERAL INFORMATION

The Company is directly owned by R G O'Rourke KBE (64.2%) and H D O'Rourke (35.8%).

BRANCHES OUTSIDE JERSEY

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 9 to 50.

RESEARCH AND DEVELOPMENT

The Group expenditure in research and development of £34.9m (FY21: £33.1m) 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 and show a profit for the year after tax of £11.5m (FY21: £28.4m).

The Company paid no dividends during the year (FY21: £nil). The Directors do not recommend the payment of a final dividend (FY21: £nil).

CHARITABLE CONTRIBUTIONS

During the year the Group contributed £0.3m (FY21: £0.2m) to nominated charities.

POST BALANCE SHEET EVENTS

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

DIRECTORS AND THEIR INTERESTS

The current membership of the Board is as set out on pages 17, 18 and 60. All the Directors were members of the Board throughout the year ended 31 March 2022, except Dr Hayaatun Sillem, who was appointed on 7 March 2022, and Mark Cutifani, who was appointed on 1 September 2022.

R G O'Rourke KBE and H D O'Rourke are shareholders who own all of the shares of the Company. No other Directors have an interest in the share capital of the Company. Details of related party transactions can be found in note 33 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 non-disabled 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 51 to 58.

Key judgements and areas of significant estimation uncertainty are detailed in note 2.26 to the financial statements.

Financial risks are detailed in note 29 to the financial statements.

USE OF FINANCIAL INSTRUMENTS BY THE GROUP

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

SHARE CAPITAL

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

GOING CONCERN

The Group delivered a strong performance in FY22 achieving a 26% year on year increase in pre-exceptional EBIT and exceeding budgeted net cash despite the increasing inflationary environment and the continued (albeit limited) impact of Covid-19. The Group's transformation plan is progressing well, and the Group remains committed to its 'Deliver 2025' strategic targets.

As a result of its ongoing profitability and continued careful cash management, the Group did not require any waivers or relaxation of its banking covenants during the financial year for the facilities in place throughout the year or at the year end.

The Group's UK core bank debt was repaid and refinanced during the year, on 4 October 2021, and a new unsecured Revolving Credit Facility ("RCF") for £35.0m put in place, with an expiry date of 3 October 2023. In addition, the full shareholder loan of £58.3m was converted from debt to equity during the year. Subsequent to the year end, the term of the unsecured £35.0m RCF has been extended by 6 months, with a revised expiry date of 3 April 2024. All core bank debt was repaid in our Australia Hub during the year.

Full covenant compliance continues to be forecast within both the Group's 'management case' business plan and its severe but plausible downside scenario over the period assessed to 31 March 2024. Details of RCF covenants are provided in note 29.3 of the financial statements.

In forming their conclusion as to the appropriateness of continuing to apply the going concern basis of accounting in preparing these financial statements, the Directors have reviewed both the Group's 'management case' forecast, representing management's best estimate of the future performance of the Group, including cash flow forecasts to 31 March 2024 and a severe but plausible downside scenario. The Directors have also considered the way in which the Group governs and manages its cash reserves and exercises tight control over its working capital as illustrated by its liquidity performance during the Covid-19 pandemic.

The Directors applied a consistent approach in assessing going concern across each of the Group's main businesses in the UK, Australia and the Middle East in preparing a management case and considering a severe but plausible mitigated downside scenario.

The RCF, which funds the UK business, permits loans to be made from Australia to the UK and Middle East, and back, subject to certain restrictions which do not impact management's ability to manage UK, Australia or Middle East liquidity. This allows liquidity to be managed on a Group basis and therefore the most relevant forecast to assess the going concern basis of accounting for the Group as a whole is a Group view of liquidity.

The key assumptions and areas of estimation uncertainty reflected in the Group 'management case' business plan include:

- Construction activity is assumed to continue in line with current levels, with no additional material deterioration in project gross margins or the working capital position as a result of further inflationary pressures over and above those that can be accommodated within existing project inflation allowances and general contingencies or for any other reason;
- The 'management case' cash assumption is that there are no adverse material cash settlements in the period to 31 March 2024 relating to the contingent liability matters disclosed in note 28 of the financial statements. The 'management case' also reflects a prudent view of the debtor balance held in relation to the existing private arbitration (disclosed within note 18), with no cash inflow recognised in the assessment period due to the uncertainty of timing of receipt;
- Work-winning continues to reflect current expectations and is in line with average win rates in previous years;
- Continued support of our supply chain in terms of product material, labour supply and flexibility in payment terms;
- No imposition of a Covid-19 related lockdown on the construction sector in the Group's main markets;
- Inflationary pressures experienced during FY22 can be accommodated within existing project inflation allowances and general contingencies. The Group has undertaken a detailed review of the possible impact of inflation on the estimated final cost of its projects and has concluded that existing contingencies are expected to be sufficient to materially cover the risk on existing projects in the period to 31 March 2024, with this risk being addressed at the tender stage for new projects;
- Based on our detailed assessment, our supply chain management, direct delivery model and experience to date, disruption to the supply of materials to projects and shortages of labour, if experienced, can be accommodated within existing project programmes or programme contingencies; and
- The underlying relevant market drivers continue as expected for construction work in infrastructure, power generation, education, healthcare, justice and residential house building.

The Board's 'management case' forecast does not anticipate any breaches of new banking covenants relating to the UK RCF in the period to 31 March 2024 and this forecast delivers a comfortable level of Group operating cash liquidity headroom across the same period in each of the UK, Australia and Middle East.

In addition to consideration of its 'management case' most likely outcome, the Directors have also considered a number of downside scenarios and mitigating actions in light of the potential uncertainties created by the inflationary environment, supply chain disruption risk and the impact of any contingent liabilities or legacy disputes (see note 18 and 28). These scenarios have been prepared using certain key assumptions, with particular focus on compliance with financial covenants in the UK and Australia and liquidity headroom across the Group and all three hubs. Of these downside scenarios, the severe but plausible scenario described further below is the most severe.

Key assumptions in the Group's severe but plausible scenario include:

- Lower revenue and trading volumes in the UK and Australia and the removal of all new construction work in the Middle East, where there is a lower level of visibility in the pipeline;
- Potential negative impact on the Group's ability to maintain its project level working capital profile. Note that the Group has consistently achieved/delivered the management case working capital profile across the last 3 years despite a challenging market backdrop;
- Certain specific project risks and risks to cash generation initiatives;
- Potential cost impacts of inflation on the current portfolio of projects over and above those that can be dealt with via contingencies; and
- The contingent liabilities referred to in Note 28 result in a cash outflow.

Given the inherent uncertainty surrounding claims as referred to in Note 2.26 b), management has reviewed a range of possible scenarios as part of its severe but plausible downside review which consider various outcomes on quantum and timing of outflows.

An overall impact of the above downside assumptions results in an approximately £149m reduction in inflows and a £82m increase in outflows during FY23 and FY24.

Mitigating actions under management's control which would be taken and have been assumed in the severe but plausible downside scenario are:

- Halting discretionary spend in FY23 and FY24 across a number of long-term strategic initiatives; and
- Delaying any discretionary reward spend.

Further actions that could be taken in the event of a severe but plausible downside but have not been assumed in the model are:

- Further reduction in discretionary spend and non-essential capital expenditure;
- Further actions to manage working capital; and
- Reductions in headcount.

Even under the severe but plausible downside scenario there is no forecast breach of UK covenants that would result in an Event of Default under the facilities and sufficient liquidity is maintained across the Group and all three hubs.

Outside of the mitigations entirely within the Group's control, as summarised above, in the event of a severe deterioration in trading or other threat to the Group's liquidity or covenant headroom, the Directors would also seek to:

- Dispose of specific fixed assets; and
- Raise additional external funding to supplement the modest £35.0m RCF, including refinancing of Group plant and machinery assets.

In addition, the Directors have also assessed the extent of downside that would be required for liquidity to drop below zero (a reverse stress-test scenario):

- This considers the revenue reduction required versus the 'management case' in order for liquidity to drop below zero during the period to March 2024. This would require revenue to reduce or be delayed by £2.5bn across FY23 and FY24 (a 34% reduction or delay in revenue compared to the management case), with resultant loss of margin, with no mitigation; and
- A similar reduction in revenue would be required for a sustained breach of the minimum liquidity covenant under the UK RCF.

The Directors have carefully considered the likelihood of the above range of scenarios and remain confident that the Group is well-positioned to deliver its management case forecast in light of the following:

- Laing O'Rourke's investment in developing a sector-leading modern methods of construction (MMC) capability, its proven track record against a challenging market backdrop, inflationary environment and Covid-19 uncertainties, integrated delivery model, strong client engagement and resilience to supply chain risk ensure that it is well positioned to continue to win work;
- The current order book for the Group has increased to £9.7bn (as at 31 August 2022) (£7.9bn as at FY21) as a result of continued work- winning success in both the Europe and Australia hub. The Group now has 93% of its expected FY23 revenue either secured or anticipated and 82% of its expected FY24 revenue is at the secured, anticipated or preferred bidder stage; and
- Cash performance in the five months ended 31 August 2022 is above the management case forecast for the Group.

Based on this assessment, the Directors have a reasonable expectation that the Group has adequate resources to continue in existence and pay its debts as they fall due in the period to 31 March 2024 and there are no material uncertainties that may cast significant doubt on the Group's going concern status.

The financial statements do not, therefore, include the adjustments that would result if the Group were unable to continue as a 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 – both financial and operational. The Group has sufficient financial resources, committed banking facilities, secured revenue and a strong order book and, for these reasons, the Group has continued to adopt the going concern basis of accounting in preparing the Group's consolidated financial statements for the year ended 31 March 2022.

Refer to note 2.26(f) and pages 62 to 64 of the consolidated management report relating to going concern.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the financial statements in accordance with applicable Jersey law and International Financial Reporting Standards as adopted by the European Union.

The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the profit and loss for that year. In preparing the financial statements, the Directors are responsible for:

- Selecting suitable accounting policies and then applying them consistently;
- Stating whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Making judgements and accounting estimates that are reasonable and prudent; and
- Preparing the financial statements on the 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 ensuring that the financial statements comply with The Companies (Jersey) Law 1991 and safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Groups transactions and disclose with reasonable accuracy at any time the financial position of the Group.

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

Jersey 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 the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware, each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

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

APPROVAL

This report was approved by the Board on 30 September 2022 and signed on its behalf by:

R C Baker
Director

R G O'Rourke KBE
Director

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

REPORT ON THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

OPINION

In our opinion, Laing O'Rourke Corporation Limited's group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 March 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted in the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated statement of financial position as at 31 March 2022; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

EMPHASIS OF MATTER – UNCERTAINTY REGARDING CONTRACT DISPUTE AND CLAIM

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2.26 (b), (c), (d) and (g), note 5, note 18 and note 28 to the financial statements concerning the recoverability of £33.7m (AUD$59m) (2021: £103.3m (AUD$187m)) of non-current contract assets recognised in relation to a contract terminated during the financial year 2017 and also the claim for payment received on 30 July 2018 from the party owing the Group the amounts recognised as contract assets. The recoverability of these contract assets and the resolution of the claim remains subject to private arbitration, the outcome of which is uncertain.

CONCLUSIONS RELATING TO GOING CONCERN

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Directors' Responsibilities In Respect Of The Financial Statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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 Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of environmental legislation, health and safety legislation, data protection legislation, anti-bribery and corruption legislation, tax legislation, employment laws and construction laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies (Jersey) Law 1991. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit and the Group's internal legal counsel, including consideration of potential instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported through the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Obtaining legal letters from the Group's external legal advisers in respect of certain litigation and claims, where considered necessary;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Substantive testing of journal entries which met a defined risk criteria, focusing on where and how fraud could arise; and
- Challenging assumptions and judgements made by management in its accounting estimates or judgements, in particular in relation to contract accounting, disputes and latent defects liabilities.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

USE OF THIS REPORT

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

COMPANIES (JERSEY) LAW 1991 EXCEPTION REPORTING

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- We have not obtained all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.

Simon Morley

FOR AND ON BEHALF OF

PRICEWATERHOUSECOOPERS LLP
Chartered accountants

LONDON, 30 September 2022

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2022

Re-presented[1] Restated[2]	Note	Pre-exceptional items 2022 £m	Exceptional items (note 5) 2022 £m	Total 2022 £m	Pre-exceptional items 2021 £m	Exceptional items (note 5) 2021 £m	Total 2021 £m
Revenue including share of joint ventures and associates		**3,165.9**	**(69.6)**	**3,096.3**	2,638.9	–	2,638.9
Share of revenue of joint ventures and associates		**(200.4)**	**–**	**(200.4)**	(128.2)	–	(128.2)
Group revenue	3	**2,965.5**	**(69.6)**	**2,895.9**	2,510.7	–	2,510.7
Cost of sales		**(2,683.2)**	**–**	**(2,683.2)**	(2,274.2)	–	(2,274.2)
Gross profit/(loss)		**282.3**	**(69.6)**	**212.7**	236.5	–	236.5
Administrative expenses		**(191.2)**	**(6.1)**	**(197.3)**	(173.1)	(6.1)	(179.2)
Other operating income	8	**5.0**	**–**	**5.0**	8.4	–	8.4
Group operating profit/(loss)		**96.1**	**(75.7)**	**20.4**	71.8	(6.1)	65.7
Profit on disposal of subsidiaries and joint ventures	9	**5.7**	**–**	**5.7**	3.7	–	3.7
Profit/(loss) on disposal of property		**–**	**–**	**–**	5.8	–	5.8
Share of post-tax losses of joint ventures and associates	15	**(6.3)**	**–**	**(6.3)**	(5.3)	–	(5.3)
Profit/(loss) from operations	6	**95.5**	**(75.7)**	**19.8**	76.0	(6.1)	69.9
Finance income	10	**1.0**	**–**	**1.0**	1.6	–	1.6
Finance expense	11	**(18.1)**	**–**	**(18.1)**	(30.1)	–	(30.1)
Net finance expense		**(17.1)**	**–**	**(17.1)**	(28.5)	–	(28.5)
Profit/(loss) before tax		**78.4**	**(75.7)**	**2.7**	47.5	(6.1)	41.4
Tax	5, 12	**(13.9)**	**22.7**	**8.8**	(14.4)	1.4	(13.0)
Profit/(loss) for the year		**64.5**	**(53.0)**	**11.5**	33.1	(4.7)	28.4
Attributable to:							
Owners of the Parent		**64.5**	**(53.0)**	**11.5**	33.2	(4.7)	28.5
Non-controlling interests		**–**	**–**	**–**	(0.1)	–	(0.1)
		64.5	**(53.0)**	**11.5**	33.1	(4.7)	28.4

1. The consolidated income statement has been re-presented to now include a reconciliation of revenue including share of joint ventures and associates to group revenue, information previously only included in note 4 'Trading Analysis'. This has also resulted in a change to the description of the following line items 'Revenue' has been changed to 'Group Revenue'; 'Profit/(loss) from operations' has been changed to 'Group operating profit/(loss)'; and 'Profit/(loss) before interest and tax' has been changed to 'Profit/(loss) from operations'. Group Revenue equates to revenue as defined under IFRS 15, 'Revenue from contracts with customers'.
2. The consolidated income statement has also been restated to reflect the presentation required under IAS 37 guidance. See note 2.2

The notes on pages 72 to 111 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2022

	Note	**Pre-exceptional items 2022 £m**	**Exceptional items (note 5) 2022 £m**	**Total 2022 £m**	Pre-exceptional items 2021 £m	Exceptional items (note 5) 2021 £m	Total 2021 £m
Profit/(loss) for the year		**64.5**	**(53.0)**	**11.5**	33.1	(4.7)	28.4
Other comprehensive income/ (expense):							
Items that may be subsequently reclassified to profit or loss:							
Exchange differences on translating foreign operations		**6.8**	**–**	**6.8**	17.8	–	17.8
Movement in fair value of financial assets	15	**(0.7)**	**–**	**(0.7)**	(0.8)	–	(0.8)
Share of other comprehensive income of investments accounted for using the equity method	15	**–**	**–**	**–**	1.0	–	1.0
Other comprehensive income for the year, net of tax	12	**6.1**	**–**	**6.1**	18.0	–	18.0
Total comprehensive income/(expense) for the year		**70.6**	**(53.0)**	**17.6**	51.1	(4.7)	46.4
Attributable to:							
Owners of the Parent	27	**70.6**	**(53.0)**	**17.6**	51.2	(4.7)	46.5
Non-controlling interests	27	**–**	**–**	**–**	(0.1)	–	(0.1)
		70.6	**(53.0)**	**17.6**	51.1	(4.7)	46.4

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 12.

The notes on pages 72 to 111 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2022

	Note	2022 £m	2021 Restated[1] £m
Assets			
Non-current assets			
Intangible assets	13	**341.4**	334.8
Investments in joint ventures and associates	15	**11.6**	14.0
Loans to joint ventures	15	**8.0**	8.0
Property, plant and equipment	16	**107.1**	111.5
Right-of-use assets	17	**222.8**	177.3
Deferred tax assets	25	**47.0**	40.5
Trade and other receivables	19	**21.9**	21.7
Contract assets	18	**84.9**	133.6
Total non-current assets		**844.7**	841.4
Current assets			
Inventories	20	**26.2**	19.3
Contract assets[1]	18	**192.0**	172.6
Trade and other receivables	19	**186.7**	156.5
Current tax assets		**12.0**	9.7
Cash and cash equivalents	21	**456.1**	536.6
Total current assets		**873.0**	894.7
Total assets		**1,717.7**	1,736.1
Liabilities			
Current liabilities			
Borrowings	22	**(50.2)**	(266.1)
Contract liabilities[1]	18	**(331.4)**	(215.2)
Trade and other payables	23	**(601.5)**	(599.5)
Provisions[1]	24	**(74.7)**	(81.5)
Current tax liabilities		**(3.0)**	(3.7)
Total current liabilities		**(1,060.8)**	(1,166.0)
Non-current liabilities			
Borrowings	22	**(179.6)**	(130.4)
Contract liabilities[1]	18	**(2.8)**	(58.1)
Trade and other payables	23	**(34.6)**	(15.7)
Provisions[1]	24	**(35.1)**	(37.2)
Deferred tax liabilities	25	**–**	(3.6)
Total non-current liabilities		**(252.1)**	(245.0)
Total liabilities		**(1,312.9)**	(1,411.0)
Net assets		**404.8**	325.1
Equity			
Share capital	26	**0.0**	0.0
Share premium	26	**344.6**	286.4
Fair value reserve	27	**–**	0.7
Hedging reserve	27	**–**	(3.9)
Foreign currency translation reserve	27	**2.4**	(4.4)
Retained earnings	27	**57.7**	46.2
Total equity attributable to owners of the Parent		**404.7**	325.0
Non-controlling interests	27	**0.1**	0.1
Total equity		**404.8**	325.1

1. Liabilities in relation to latent defects and onerous contracts previously recognised in contract assets/liabilities have been restated to provisions in FY22 and for the comparative in FY21 as this is considered to reflect the presentation required under IAS 37. See note 2.2 for further detail.

The financial statements were approved and authorised for issue by the Board of Directors on 30 September 2022 and were signed on its behalf by:

R C Baker
Director

R G O'Rourke KBE
Director

The notes on pages 72 to 111 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2022

	Note	2022 £m	2021 Restated[1] £m
Cash flows from operating activities			
Profit before tax		**2.7**	41.4
Adjustments for:			
Depreciation and amortisation	6	**47.8**	44.9
Impairment of assets	6	**0.2**	2.9
Profit on disposal of property, plant and equipment and right-of-use assets	6	**(2.7)**	(10.2)
Profit on disposal of joint ventures	14	**(5.7)**	(2.5)
Net finance costs		**17.1**	28.5
Research and development expenditure credit	8	**(4.8)**	(7.2)
Share of post tax loss of joint ventures and associates	15	**6.3**	5.3
Increase in trade and other receivables		**(26.3)**	–
Decrease in contract assets[1]		**34.3**	25.0
(Increase)/decrease in inventories		**(6.5)**	0.8
Increase/(decrease) in trade and other payables		**14.1**	(39.5)
(Decrease)/increase in provisions[1]		**(13.4)**	5.0
Increase in contract liabilities[1]		**57.5**	62.9
Other including profit on disposal of subsidiaries of £nil (FY21: £1.2m)		**0.3**	(0.4)
Cash generated from operations		**120.9**	156.9
Interest paid		**(46.4)**	(16.9)
Tax received		**0.4**	0.4
Net cash generated from operating activities		**74.9**	140.4
Cash flows (used in)/ generated from investing activities			
Purchase of property, plant and equipment		**(14.6)**	(13.9)
Purchase of intangible assets	13	**(9.0)**	(3.5)
Capital injections in equity investments	15	**(0.8)**	–
Proceeds from sale of property, plant and equipment		**6.9**	27.0
Disposal of intangible assets		**–**	0.1
Proceeds from disposal of joint ventures and associates	14	**9.4**	2.5
Loans repaid by joint ventures and associates	15	**–**	7.3
Interest received	15	**1.0**	1.6
Distributions received from joint ventures and associates		**1.0**	0.2
Net cash (used in)/ generated from investing activities		**(6.1)**	21.3
Cash flows used in financing activities			
Proceeds from new bank loans		**6.5**	5.0
Repayments of bank loans		**(137.3)**	(63.7)
Proceeds from refinancing existing property, plant and equipment		**22.1**	–
Lease principal repayments		**(48.9)**	(41.0)
Net cash used in financing activities		**(157.6)**	(99.7)
Net (decrease)/increase in cash and cash equivalents		**(88.8)**	62.0
Cash and cash equivalents at beginning of year		**536.6**	460.8
Effect of exchange rate fluctuations on cash held		**8.3**	13.8
Cash and cash equivalents at end of year		**456.1**	536.6

1. Liabilities in relation to latent defects and onerous contracts previously recognised in contract assets/liabilities have been restated to provisions in FY22 and for the comparative in FY21 as this is considered to reflect the presentation required under IAS 37. See note 2.2 for further detail.

The notes on pages 72 to 111 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2022

	Note	Share capital and share premium £m	Other reserves £m	Retained earnings £m	**Total shareholders' equity £m**	Non-controlling interests £m	**Total equity £m**
At 1 April 2020		286.4	(25.6)	17.7	278.5	0.2	278.7
Profit/(loss) for the year		–	–	28.5	28.5	(0.1)	28.4
Other comprehensive income after tax		–	18.0	–	18.0	–	18.0
Total comprehensive income/(expense) for the year		–	18.0	28.5	46.5	(0.1)	46.4
At 31 March 2021		286.4	(7.6)	46.2	325.0	0.1	325.1
Profit for the year		**–**	**–**	**11.5**	**11.5**	**–**	**11.5**
Other comprehensive income after tax		**–**	**6.1**	**–**	**6.1**	**–**	**6.1**
Total comprehensive income for the year		**–**	**6.1**	**11.5**	**17.6**	**–**	**17.6**
Movement relating to unwind of hedging reserves		**–**	**3.9**	**–**	**3.9**	**–**	**3.9**
Debt to equity conversion	26	**58.2**	**–**	**–**	**58.2**	**–**	**58.2**
At 31 March 2022		**344.6**	**2.4**	**57.7**	**404.7**	**0.1**	**404.8**

Additional disclosure and details are provided in note 27.

The notes on pages 72 to 111 form an integral part of these consolidated financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

1 GENERAL INFORMATION

Laing O'Rourke Corporation Limited (the 'Company') is a company incorporated and domiciled in Jersey. The Group prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and Companies (Jersey) Law 1991. The address of the registered office is given on page 60. The nature of the Group's operations and its principal activities are set out in note 37 and in the Financial Review on pages 45 to 50. The consolidated financial statements of the Group for the year ended 31 March 2022 comprise the Company and its subsidiaries and the Group's interest in joint arrangements and associates. The Company's financial statements are prepared separately.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

The 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).

2.2 BASIS OF PREPARATION

The 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 2022. 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), 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 (see re-presentation statement below) for all consolidated and equity accounted entities including subsidiaries, joint arrangements and associates, are set out below.

Re-presentation and restatement of prior year comparatives

The following has been re-presented in FY22:

– A reconciliation of revenue including share of joint ventures and associates to group revenue has been presented as part of the consolidated income statement, information previously only included in note 4 'Trading Analysis'.

This has also resulted in a change to the description of the following line items in the consolidated income statement: 'Revenue' has been changed to 'Group Revenue'; 'Profit/(loss) from operations' has been changed to 'Group operating profit/(loss)'; and 'Profit/(loss) before interest and tax' has been changed to 'Profit/(loss) from operations'.

These re-presentations have no impact on the Group's profit/(loss), net asset position or net cash flows in the current or prior financial year and are therefore not considered to be a restatement.

The following have been restated in FY21:

– The impact of complying with IAS 37 has led to a restatement of both revenue and cost of sales;

– Property, plant and equipment opening balances in FY20 for 'other land and buildings' and 'plant, equipment and vehicles' have been restated in note 16;

– Right of use assets opening balances in FY20 for 'plant, equipment and vehicles' have been restated in note 17;

– Onerous contract and defects provisions previously classified as contract assets/liabilities have now been restated to provisions (notes 18 and 24);

– Classification between Corporate Management and Treasury and Europe Hub (note 4);

– Inventories recognised as an expense. It previously stated the total of materials used in the year in error instead of the transfer of goods from stock (note 6); and

– Transaction with related parties. Transactions with related parties (note 33) outside the UK Group had been incorrectly excluded from the note, however the transactions were accounted for correctly in the primary statements.

The impact of complying with IAS 37 has led to a restatement of £7.0m increasing both revenue and cost of sales from the previously reported numbers with no impact on gross profit.

FY20 property, plant and equipment cost and depreciation for 'other land and buildings' have both been decreased by £0.1m and for 'plant, equipment and vehicles' have both been decreased by £11.9m due to the incorrect disclosure of certain disposals in cost and depreciation in prior years. There is no impact to net book value in any financial year.

FY20 right of use assets cost and depreciation for 'plant, equipment and vehicles' have both been decreased by £1.6m due to the incorrect disclosure of certain disposals in cost and depreciation in prior years. There is no impact to net book value in any financial year.

£67.5m previously presented as part of contract liabilities due within one year and £2.2m previously presented as part of contract assets due within one year have been restated to current provisions in FY21. £10.6m of contract liabilities previously presented as part of contract liabilities due after more than one year, has been restated to non-current provisions in FY21. This restatement is necessary to reflect the presentation required under IAS 37.

If the above mentioned restatement was applied at 1 April 2020, being the opening day of the comparative period, £59.7m of contract liabilities due within one year would be reclassified to current provisions and £nil of contract liabilities due after more than one year would be reclassified to non-current provisions.

As the above restatement has no impact on the net assets previously reported at FY20, management has determined that a third Statement of Financial Position is not required.

The restatement of contract liabilities, in relation to movements in contracts assets, contract liabilities and provisions, as above, has also required a restatement of the FY21 cashflow although there has been no change in the cash generated from operations.

The following totals presented within note 4 have been restated by £12.0m from Corporate Management and Treasury to Europe Hub, as this amount related directly to the Europe Hub: Profit/(loss) before tax post-exceptional items, EBIT post-exceptional items, EBITDA post-exceptional items, EBIT pre-exceptional items and EBITDA pre-exceptional items.

FY21 inventory recognised as an expense in note 6 has been decreased by £3.0m to £23.5m due to incorrect disclosure in the prior year.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 BASIS OF PREPARATION (CONTINUED)

Re-presentation and restatement of prior year comparatives (continued)

In note 33 FY21 income earned in the year has been increased to £9.2m and the receivable at the year end increased to £0.8m, the payable at year end has been increased to £6.3m.

Comparative information in the Statement of Financial Position and in the relevant notes has been restated. These restatements have no impact on the Group's profit/(loss), net asset position or net cash flows in the current or prior financial year.

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 – both financial and operational. The Group has sufficient financial resources, committed banking facilities, secured revenue and a strong order book and, for these reasons the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Refer to note 2.26 f) and pages 62 to 64 of the consolidated management report relating to going concern.

Accounting standards

The following standards, amendments and interpretations became effective in the year ended 31 March 2022 and have been adopted:

a) Interest Rate Benchmark Reform (Amendments to IFRS 9, IFRS 16 and IFRS 7)

b) Covid-19-Related Rent Concessions (Amendment to IFRS 16)

c) Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

The effect on the consolidated financial statements of adopting these new standards has been determined to not be material.

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 2022.

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

a) IFRS 17, Insurance Contracts

b) Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

c) Reference to the Conceptual Framework (Amendments to IFRS 3)

d) Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)

e) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

f) Annual Improvements to IFRS Standards 2018-2020

g) Amendments to IFRS 17 and IFRS 4, 'Insurance contracts' deferral of IFRS 9

h) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS practice statement 2)

i) Definition of Accounting Estimates (Amendments to IAS 8)

j) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12

The Group is in the process of assessing the effect of the standards above on the consolidated financial statements. The Group has chosen not to adopt any of the above standards and interpretations earlier than required.

2.3 BASIS OF CONSOLIDATION

a) The consolidated financial statements include the financial statements of 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.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between the fair value of the consideration received and the carrying amount of the assets less liabilities of the subsidiary.

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% and 50% 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 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 to make payments on behalf of the associate, in which case a provision is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 BASIS OF CONSOLIDATION (CONTINUED)

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 37.

   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 venture (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 to make 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 each 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.

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.

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 held for collect and 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 costs of the assets to their residual values over their estimated useful lives as follows:

Group owner occupied buildings	50 years
Other buildings	50 years
Plant, equipment and vehicles	2-15 years

Plant, equipment and vehicles include tower cranes, crawler cranes and other specialist assets that are depreciated over a useful life of up to 15 years as well as small tools and vehicles that are depreciated over a two to five year period.

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

Assets held under right-of-use 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 profit on disposal of property in the income statement based on the nature of the assets disposed of.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 LEASES

The Group assesses whether a contract is, or contains, a lease at the inception of the contract. A lease exists if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently depreciated over the lease term. The lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, at the Group's incremental borrowing rate. The Group has elected to apply the practical expedient which allows the Group to use a single discount rate for a portfolio of leases with similar characteristics.

The Group has elected not to recognise right-of-use assets and lease liabilities for short term leases of less than 12 months and leases of low value assets (below US$5,000). Instead, the Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.7 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:

Computer software and licences	2-5 years
Development costs	4 years

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 significant circumstances or events indicate 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.

2.8 FINANCIAL INVESTMENTS

The Group has classified its financial investments as assets held to collect and to sell, which are recognised at fair value.

Changes in the fair value of financial investments classified as held-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 within investments in joint ventures as held to collect and to sell under IFRS 9. These investments are measured at fair value through other comprehensive income.

2.9 DERIVATIVE FINANCIAL INSTRUMENTS

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 tax.

2.10 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.

2.11 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 purposes of the cash flow statement, cash and cash equivalents also include bank overdrafts, which are included in borrowings in the statement of financial position.

2.12 TRADE AND OTHER RECEIVABLES

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

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

Other receivables are stated at cost.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 TRADE AND OTHER PAYABLES
Trade and other payables are not interest bearing and are stated at cost.

2.14 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.

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

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

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

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

The Group's activities are wide ranging, and as such, depending on the nature of the product or service delivered and the timing of when control is passed onto the customer, the Group will account for the revenue over time or at a point in time.

Revenue is recognised as follows:

- Revenue from construction and certain service activities is recognised over time and the Group uses the input method to measure progress of delivery; and
- Revenue from manufacturing and other service activities is recognised at a point in time and when title has passed to the customer.

2.16 CONSTRUCTION AND SERVICE CONTRACTS
When the outcome of individual contracts can be estimated reliably, contract revenue is recognised by reference to the stage of completion of each contract, as measured by the proportion of total costs at the balance sheet date to the estimated total cost of the contract. Contract costs are expensed as incurred. Where multiple contracts are signed to deliver a single commercial objective, as agreed at the outset, such as initial works and main works contracts, these are treated as separate contracts, but are viewed as representing a single performance obligation. Accordingly, revenues and costs from these contracts are accounted for using the cumulative catch-up method, with revenue recognised based on costs incurred as a proportion of total expected costs across the contracts on an aggregated basis. Management has made this judgement on the basis that work performed under such separate legal contracts constitutes a single performance obligation as it does not consider that distinct goods or services are provided as a result of work performed under each contract from which the customer can derive an identifiable benefit i.e. the customer only benefits from the output of the contracts on a combined basis. This judgement is evaluated for every contract to ensure that the facts and circumstances unique to each contract are considered and revenue is accounted for appropriately.

Provision is made for all known or expected losses on individual contracts once such losses are foreseen. Incremental costs required to satisfy contract obligations are considered in this assessment. As noted in note 2.2, amendments to IAS 37, which are applicable for the Group from 1 April 2022, require an assessment of other costs directly relating to fulfilling contracts to be included in the provision for all known or expected losses.

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is recognised as contract assets. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is recognised as contract liabilities.

Estimates of the final outcome on each contract may include cost contingencies to take account of specific risks within each contract. Cost contingencies are reviewed on a regular basis throughout the life of the contract and are adjusted where appropriate. However, the nature of the risks on projects are such that they often cannot be resolved until the end of the project and therefore may not reverse until the end of the project. The estimated final outcome on projects is continually reviewed, recoveries from insurers are assessed and adjustments are made where necessary.

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

2.18 PENSION COSTS
The Group operates defined contribution pension schemes for staff. 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 substantively 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 substantively 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 tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

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.

Changes in borrowings are assessed for modification or extinguishment in accordance with IFRS 9, with a gain or loss recognised in the income statement where required.

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 income or expenditure relating to one-off events which, in the opinion of the Directors, are material, generally not expected to recur 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'. An assessment is made of events occurring during the year on both a quantitative and qualitative basis to determine which events require separate disclosure because they do not relate to the Group's underlying performance.

2.23 TRADING ANALYSIS

Trading analysis information is based on the Group's internal reporting structure of two operational hubs and a corporate management centre. Further information on the business trading activities is set out in the operating overview on pages 9 to 12. Trading analysis results present the directly attributable contribution of the different hubs to the results of the Group. Transactions between hubs are conducted at arm's length market prices.

2.24 INTEREST INCOME

Interest income is recognised using the effective interest method. When a loan or receivable is impaired, the Group 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 loans and receivables is recognised using the original effective interest rate.

2.25 GOVERNMENT GRANTS

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the Group will comply with all attached conditions and that the grant will be received. Government grants are recognised in the income statement over the period necessary to offset them with the costs that they are intended to compensate.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 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 reporting 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 as follows:

a) Revenue and margin recognition (judgement and estimate)

The Group's revenue recognition and margin recognition policies, which are set out in notes 2.15 and 2.16, are central to the way the Group values the work it has carried out in each financial year and have been consistently applied.

Across the Group 242 construction contracts (FY21: 213) were income generating during the year. Of these 26 (FY21: 14) individually had an impact of £5.0m or greater on operating profit.

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

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

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

Each contract is treated on its merits and subject to a regular review of the revenue and costs to complete by the project team and senior management. The level of estimation uncertainty in our construction business is mitigated by:

- The processes in place regarding the selection of projects during the bid/work-winning phase;
- The level of experience of management and the Board in delivering projects and accounting for the various types of projects; and
- The processes in place to identify and mitigate issues promptly.

Volatility is also reduced by the effect of managing a significant portfolio of projects.

Nevertheless, the profit recognition in our construction business is a key estimate, due to the variety of contract terms and the inherent uncertainties in any construction project.

The estimation techniques used for revenue and profit recognition on construction contracts require forecasts to be made of the outcome of long-term contracts which require assessments and judgements to be made on the recovery of pre-contract costs, changes in the scope of work, contract programmes, maintenance and defects liabilities and changes in cost.

Within the portfolio of contracts, the Group has identified major sources of estimation uncertainty where it has made significant judgements on recovery of income related to variations in scope, delays and other claims. Depending on the nature of each judgement, the recoveries have been considered highly probable of not reversing for recognition of revenue within the year or, if not considered to be highly probable, they have been considered probable of being recovered over the life of the contract in determining whether contracts may be onerous. There are a range of factors influencing potential outcomes, and, as such, the exact recoverable amounts are subject to change until agreements are finalised on these specific contracts. The Group estimates that the possible outcomes impacting the revenue and gross margin recognised in the financial year ended 31 March 2022 range from a potential gain of up to £26.3m to a potential risk of up to £11.8m. The Group estimates that the possible outcomes over the life of the contracts range from a potential gain of up to £41.8m to a potential risk of up to £35.3m. These changes in outcomes may require reassessment of the cumulative gross margin recognised or judgement as to whether an onerous provision is required. The Directors have assessed the range of possible outcomes based on information available to them at the balance sheet date. As with any judgement related to long-term contract accounting, these contracts are affected by uncertainties that are influenced by future events, and therefore may require revision as the contracts progress.

The Group has previously disclosed a major source of estimation uncertainty on a UK contract, for which a Deed of Variation was awaiting final ratification by Central Government and signing by the counterparties. Final ratification is not yet complete, however management considers there to be minimal downside risk (FY21: £35.0m) in relation to the contract as the customer has made £80.3m of payments against £81.1m of estimated recoveries under the terms of the draft Deed.

Our construction and services business revenue for the year was £2.8bn (FY21: £2.4bn) with an associated margin of 8.6% (FY21: 8.8%). Should margins reduce by 1%, the impact of such a change across our projects in delivery at the year end would be an impact on gross profit of £28.9m (FY21: £24.0m). Should revenues reduce by 1%, and the associated costs reduce by 1%, the impact on gross profit would be £2.5m (FY21: £2.4m).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 KEY JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

b) Disputes and claims (judgement and estimate)

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

One individual dispute currently disclosed within the consolidated financial statements that has a material impact on the Group is in respect of a contract terminated during the 2017 financial year. An amount of £33.7m (AUD$59.0m) is recognised by Laing O'Rourke Australia Construction Pty Limited within contract assets as an estimate of the amount expected to be recovered (as described in note18). Laing O'Rourke Australia Construction Pty Limited also received a claim for payment (as described in note 28) on 30 July 2018 from the party owing the Group the amounts recognised as a contract asset. This matter is subject to an ongoing private arbitration which is expected to be completed in late 2022, with a final award expected from mid-2023 and management is vigorously defending the claim. An additional asset in respect of the Group's total claim against the same party (which exceeds the amount recognised within contract assets) has not been recognised as the receipt of the claimed amount is dependent on the outcome of the arbitration process.

Management has assessed the potential impact of the claim as part of its going concern assessment described on pages 62 to 64.

From time to time, the Group receives claims from subcontractors that it must evaluate in estimating the costs to complete on contracts and resolve as part of determining its final contract positions. Management bases its estimates of costs associated with such claims on its assessment of the expected outcome of each matter using the latest available information. There is inherent uncertainty associated with the estimates made by management and any differences between these estimates and the eventual amounts settled may be material. However, given the extent of subcontractor claims at any given point in time, as is common within the sector, and as the quantum of amounts being claimed is not always known, it is not possible to provide any meaningful sensitivities of the estimates that have been made.

c) Recoverability of contract assets (judgement and estimate)

As included in Note 18, the Group has recognised a non-current contract asset for an estimated £33.7m (AUD$59m) (FY21: £103.3m (AUD$187m)). Management has exercised judgement in assessing the amount of revenue to which the Group is entitled to based on its accounting policy. As this matter is subject to an ongoing private arbitration process that is expected to be completed in late 2022 with a final award expected from mid-2023, the actual amount recovered may be different to this estimate.

d) Exceptional items presentation (judgement and estimate)

Judgement has been used to determine the presentation of exceptional items, which relate to matters arising that are unusual and generally not expected to reoccur. The exceptional items arising in the year were:

i) Legal costs relating to a one-off disputed contract in our Australia Hub of £6.1m; and

ii) An adjustment to the value of a contract asset related to this one-off disputed contract in our Australia Hub of £69.6m. The adjustment of the contract asset includes estimation uncertainty as described in note 2.26 c).

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

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

In the year ended 31 March 2022, costs in respect of the rectification of defects of £16.7m (FY21: £29.0m) were incurred and debited to provisions. As disclosed in note 24, as at 31 March 2022, the Group held liabilities, included in provisions, of £49.2m (FY21: £76.4m) in respect of such defect rectification. Defect liabilities can arise on projects where the construction work finished a number of years ago and where the Group may not have access to the site to fully assess the costs of rectification or where the likely settlement amount for defects when a claim has been received may be hard to determine. Therefore, it is difficult to provide meaningful sensitivity disclosures of the range of estimation uncertainty. However, as an indication of the estimation uncertainty associated with this balance, a 10% movement in the balance would have an impact on the consolidated income statement of £4.9m (FY21: £7.6m), although actual movements may be greater and the final outcome materially different to the amounts provided.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 KEY JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

f) Going concern (judgement and estimate)

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

- Work winning for the Group;
- Construction activity including project margins and working capital position;
- Support of the supply chain in terms of product material, labour supply and flexibility in payment terms;
- Inflationary pressures;
- Disruption to the supply chain;
- Timing and quantum of outcomes of claims referred to in note 2.26 b);
- Structural drivers for construction work; and
- Possibility of increased Covid-19 related restrictions impacting construction.

In order to form a conclusion on going concern and in determining that there is no material uncertainty that may cast significant doubt on the Group's going concern status, management has exercised judgement by analysing the past performance of the business, its existing portfolio of projects and order book, and its expectation of work winning. In addition it has drawn on its knowledge and expertise of key drivers of cash flow performance in the construction sector in the markets in which it operates to assess the forecast liquidity and covenant headroom under its committed financing facilities based on its severe but plausible downside scenario. Further details of this assessment and the key assumptions made are set out on pages 62 to 64.

g) Contingent liabilities (judgement)

As described in note 28, the Group received a claim for payment on 30 July 2018 from the party owing the Group the amounts recognised as contract assets as described in notes 2.26 b) and 2.26 c). As with the recovery of the contract asset described in notes 2.26 b), 2.26 c) and 18, this matter is subject to an ongoing private arbitration which is expected to be completed in late 2022 with a final award expected from mid-2023 and management is vigorously defending the claim. An additional asset in respect of the Group's total claim against the same party (which exceeds the amount recognised within contract assets) has not been recognised as the receipt of the claimed amount is dependent on the outcome of the arbitration process. Management has assessed the potential impact of the claim as part of its going concern assessment described in note 2.26 f).

2.27 OTHER JUDGEMENTS AND ESTIMATION UNCERTAINTY

a) Tax (judgement)

The Group is subject to tax in a number of jurisdictions, and judgement is required in determining the worldwide provision for income taxes including the recognition of deferred tax assets. The Group provides for future liabilities in respect of uncertain tax positions where it is probable that additional tax may become payable in future periods and such provisions are based upon management's assessment of exposures. Assets are only recognised where it is probable that additional tax will become payable in future periods and that the asset can be utilised.

At the balance sheet date, a total tax liability of £1.0m (FY21: £6.3m) has been recognised in respect of uncertain tax positions. There has been a release of the uncertain tax position in the year as a result of reaching a settlement agreement with the Hong Kong tax authorities. This settlement is responsible for the majority of the prior year adjustment in Note 12 and the release of the Hong Kong deferred tax liability in Note 25.

Due to the nature of the uncertainty associated with such tax items, a very limited range of outcomes is possible – either the tax provision becomes payable or not – and therefore it is not practicable to provide sensitivity estimates.

b) Impairment of goodwill (estimate)

Determining whether goodwill is impaired requires an estimation of the recoverable amounts of the cash generating units to which the goodwill has been allocated. The recoverable amount is determined using a value-in-use calculation, which 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 calculation are included in note 13.

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

In light of Covid-19 and Brexit, management has considered other areas of judgement and estimation, including expected credit loss provisioning (see note 19) and impacts on costs to progress or complete construction contracts (see note 2.26(a)).

As described further in note 13, the Group has also performed an impairment test across all CGUs.

Management has concluded that any updates to the estimates associated with these areas of the financial statements are not expected to result in material change.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 OTHER JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

d) Climate change (judgement and estimate)
In preparing the consolidated financial statements management has considered the impact of climate change. Potential impacts of climate change, which include increased intensity and frequency of weather events and stricter environmental legislation, have been considered by management, together with the Group's stated target of becoming operational net zero by 2030 and developing plans to achieve net zero scope 3 emissions by 2050 to the extent these can be forecast at present. These considerations did not have a material impact on the financial reporting judgements and estimates and climate change is not expected to have a significant impact on the Group's going concern assessment to March 2023.

Specific areas considered by management included:

- Estimates of the future cash flows used in the impairment assessment of the carrying value of goodwill where the forecasts used include the impact of climate change to the extent that these can be forecast at present (see note 13);
- Long-term contract accounting assumptions, such as the forecast costs of a project and as these progress, the estimated costs to complete and the allowance for rectification works (see note 2.26a);
- The appropriateness of the estimated useful economic lives of the Group's property, plant and equipment and right of use assets (see notes 16 and 17) where no significant changes are currently needed; and
- The recoverability of deferred tax assets recognised (see note 25) in respect of carried forward losses in relation to the UK operations.

The Group continues to invest in new technologies and product development including a project to decarbonise manufactured concrete components used in construction. The costs of these projects are currently being expensed as incurred.

3 REVENUE

3.1 DISAGGREGATION OF REVENUE

The Group presents a disaggregation of its revenue according to the primary geographical markets and sectors in which the Group operates.

There is no material difference between revenue by origin and revenue by destination.

This disaggregation of revenue note has been re-presented to now include a breakdown of revenue including share of joint ventures and associates and of Group revenue. This has also resulted in a change to the description of the following line items: 'Revenue' has been changed to 'Group Revenue'.

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following geographical regions and major lines:

	United Kingdom 2022 £m	Australia 2022 £m	Rest of World 2022 £m	Total 2022 £m
Timing of revenue recognition				
At a point in time	**164.8**	**8.5**	**23.2**	**196.5**
Over time	**1,828.0**	**1,060.0**	**11.8**	**2,899.8**
Revenue including share of joint ventures and associates (note 30)	**1,992.8**	**1,068.5**	**35.0**	**3,096.3**
At a point in time	**13.4**	**–**	**17.5**	**30.9**
Over time	**1,793.7**	**1,059.6**	**11.7**	**2,865.0**
Group revenue	**1,807.1**	**1,059.6**	**29.2**	**2,895.9**

	Construction 2022 £m	Manufacturing 2022 £m	Plant Hire 2022 £m	Services 2022 £m	Total 2022 £m
Timing of revenue recognition					
At a point in time	**–**	**35.3**	**–**	**161.2**	**196.5**
Over time	**2,703.5**	**–**	**114.5**	**81.8**	**2,899.8**
Revenue including share of joint ventures and associates (note 30)	**2,703.5**	**35.3**	**114.5**	**243.0**	**3,096.3**
At a point in time	**–**	**29.6**	**–**	**1.3**	**30.9**
Over time	**2,703.2**	**–**	**80.0**	**81.8**	**2,865.0**
Group revenue	**2,703.2**	**29.6**	**80.0**	**83.1**	**2,895.9**

	United Kingdom 2021 £m	Australia 2021 £m	Rest of World 2021 £m	Total 2021 £m
Timing of revenue recognition				
At a point in time	102.5	7.4	21.4	131.3
Over time	1,533.8	893.9	79.9	2,507.6
Revenue including share of joint ventures and associates (note 30) (represented and restated[1])	1,636.3	901.3	101.3	2,638.9
At a point in time	16.5	0.6	15.8	32.9
Over time	1,505.4	893.9	78.5	2,477.8
Group revenue (restated[1])	1,521.9	894.5	94.3	2,510.7

1. See note 2.2 for details of the representation and restatement.

3 REVENUE (CONTINUED)

3.1 DISAGGREGATION OF REVENUE (CONTINUED)

	Construction 2021 £m	Manufacturing 2021 £m	Plant Hire 2021 £m	Services 2021 £m	Total 2021 £m
Timing of revenue recognition					
At a point in time	–	33.3	–	98.0	131.3
Over time	2,329.5	–	114.6	63.5	2,507.6
Revenue including share of joint ventures and associates (note 30) (represented and restated[1])	2,329.5	33.3	114.6	161.5	2,638.9
At a point in time	–	27.7	–	5.2	32.9
Over time	2,328.1	–	86.3	63.4	2,477.8
Group revenue (restated[1])	2,328.1	27.7	86.3	68.6	2,510.7

1. See note 2.2 for details of the representation and restatement.

4 TRADING ANALYSIS

This note provides additional value to the readers of these consolidated financial statements using some non-statutory disclosures, as explained below.

	Europe Hub 2022 £m	**Australia Hub 2022 £m**	**Corporate Management and Treasury 2022 £m**	**Total Group 2022 £m**
Performance by Hub:				
Managed revenue*	**2,265.0**	**1,159.0**	**9.8**	**3,433.8**
Less: Inter-segment revenue*	**(238.4)**	**(89.3)**	**(9.8)**	**(337.5)**
Total revenue including share of joint ventures and associates*	**2,026.6**	**1,069.7**	**–**	**3,096.3**
Less: Share of joint ventures and associates revenue	**(191.5)**	**(8.9)**	**–**	**(200.4)**
Group revenue	**1,835.1**	**1,060.8**	**–**	**2,895.9**
Profit/(loss) before tax post-exceptional items	**56.3**	**(6.2)**	**(47.4)**	**2.7**
EBIT* post-exceptional items	**69.2**	**(2.5)**	**(46.9)**	**19.8**
EBITDA* post-exceptional items	**102.7**	**11.6**	**(46.7)**	**67.6**
Profit/(loss) before tax and exceptional items	**56.3**	**68.1**	**(46.0)**	**78.4**
EBIT* pre-exceptional items	**69.2**	**71.8**	**(45.5)**	**95.5**
EBITDA* pre-exceptional items	**102.7**	**86.0**	**(45.4)**	**143.3**

* These are non-statutory disclosures. EBIT is defined as profit/(loss) from operations and EBITDA is defined as profit/(loss) from operations and adding back depreciation and amortisation. Managed revenue, Total revenue including share of joint ventures and associated revenue and Group revenue as shown above are all post exceptional items of £69.6m (FY21: £nil).

4 TRADING ANALYSIS (CONTINUED)

	Restated[1,2] Europe Hub 2021 £m	Australia Hub 2021 £m	Restated[1] Corporate Management and Treasury 2021 £m	Total Group 2021 £m
Managed revenue*	1,968.9	960.3	9.8	2,939.0
Less: Inter-segment revenue*	(227.1)	(63.2)	(9.8)	(300.1)
Total revenue including share of joint ventures and associates*	1,741.8	897.1	–	2,638.9
Less: Share of joint ventures and associates revenue	(121.4)	(6.8)	–	(128.2)
Group revenue	1,620.4	890.3	–	2,510.7
Profit/(loss) before tax post-exceptional items	58.4	27.3	(44.3)	41.4
EBIT* post-exceptional items	78.3	32.7	(41.1)	69.9
EBITDA* post-exceptional items	110.0	45.6	(40.8)	114.8
Profit/(loss) before tax and exceptional items	58.4	33.4	(44.3)	47.5
EBIT* pre-exceptional items	78.3	38.8	(41.1)	76.0
EBITDA* pre-exceptional items	110.0	51.7	(40.8)	120.9

* These are non-statutory disclosures. EBIT is defined as profit/(loss) before interest and tax and EBITDA is defined as profit/(loss) before interest and tax and adding back depreciation and amortisation.

1. The following totals presented within this note have been restated by £12.0m between Corporate Management and Treasury and Europe Hub, as this amount related directly to the Europe Hub: Profit/(loss) before tax post-exceptional items, EBIT post-exceptional items, EBITDA post-exceptional items, EBIT pre-exceptional items and EBITDA pre-exceptional items.
2. The Europe Hub revenue has been restated by £7.0m as a result of complying with IAS 37. See note 2.2.

EBIT and EBITDA:	Note	**Pre-exceptional items 2022 £m**	**Exceptional items (note 5) 2022 £m**	**Total 2022 £m**	Pre-exceptional items 2021 £m	Exceptional items (note 5) 2021 £m	Total 2021 £m
EBIT		**95.5**	**(75.7)**	**19.8**	76.0	(6.1)	69.9
Depreciation	6	**44.1**	**–**	**44.1**	41.4	–	41.4
Amortisation	6	**3.7**	**–**	**3.7**	3.5	–	3.5
EBITDA		**143.3**	**(75.7)**	**67.6**	120.9	(6.1)	114.8

5 EXCEPTIONAL ITEMS

	2022 £m	2021 £m
Legal costs	**6.1**	3.8
Restructuring costs	**–**	2.3
Write down of contract assets	**69.6**	–
Exceptional costs before tax	**75.7**	6.1
Income tax credit on exceptional items	**(22.7)**	(1.4)
Exceptional costs after tax	**53.0**	4.7

LEGAL COSTS

Exceptional costs of £6.1m (FY21: £3.8m) were recognised in administrative expenses in the year, which relate to legal costs on a disputed contract terminated during the 2017 financial year. These costs have been treated as exceptional as they are material and unusual by nature, given the circumstances surrounding the disputed contract which are unlikely to recur. This matter is subject to an ongoing private arbitration which is expected to be completed in late 2022, with a final award expected from mid-2023 as described in note 18.

RESTRUCTURING COSTS

The Australia Hub incurred no restructuring costs during the year (FY21: £2.3m). In FY21 these related to a restructure of companies and were primarily legal, consultancy and stamp duty costs which arose from a one-off event and were material and unusual by nature.

5 EXCEPTIONAL ITEMS (CONTINUED)

WRITE DOWN OF CONTRACT ASSETS

Exceptional costs of £69.6m (FY21: £nil) were recognised in the year, which relate to an adjustment to the value of a contract asset in the Australia Hub in respect of a contract terminated during the 2017 financial year. These costs have been treated as exceptional as they are material and unusual in nature, given the circumstances surrounding the disputed contract which are unlikely to recur. This matter is subject to an ongoing private arbitration which is expected to be completed in late 2022 with a final award expected from mid-2023.

6 PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) before interest and tax is stated after charging/(crediting):	Note	**2022 £m**	2021 £m
Staff costs	7	**756.9**	625.8
Depreciation of property, plant and equipment	16	**16.0**	18.4
Depreciation of right-of-use assets	17	**28.1**	23.0
Short-term lease rentals and short term hires:			
Property, plant and equipment		**4.3**	6.8
Amortisation of other intangible assets	13	**3.7**	3.5
Profit on disposal of plant and equipment and right-of-use assets		**(2.7)**	(4.4)
Profit on disposal of land and buildings		**–**	(5.8)
Foreign exchange gains		**(0.7)**	(0.4)
Cost of inventories recognised as an expense[1]		**36.5**	23.5
Impairment of intangible assets	13	**0.2**	1.3
Impairment of property, plant and equipment	16	**–**	1.6
Exceptional items	5	**75.7**	6.1
Accrued costs in respect of rectification of defective works		**16.7**	29.0
Auditors' remuneration (see below)		**4.3**	4.3

1. The prior year inventories recognised as an expense has been restated due to error in prior years. There is no impact on the profit for FY21, or an impact on the statement of financial position. See note 2.2.

Auditors' remuneration	Note	**2022 £m**	2021 £m
Fees payable to the Company's auditor for the audit of:			
The Company's annual financial statements and consolidated financial statements		**3.1**	3.1
The Company's subsidiaries pursuant to legislation		**0.9**	0.9
Total audit fees		**4.0**	4.0
Fees payable to the Company's auditor and its associates for other services:			
Services relating to tax		**0.3**	0.3
All other services		**–**	–
Total non-audit fees		**0.3**	0.3
Total fees		**4.3**	4.3

Included within the FY22 Group audit fee of £3.1m is £0.6m of Group audit fee overruns in respect of FY21 (FY21: £0.9m in respect of FY20).

7 STAFF COSTS AND EMPLOYEE NUMBERS

Number of employees	2022 Number	2021 Number
The average monthly number of employees (including Directors) during the financial year was:		
Europe Hub	**7,593**	7,905
Australia Hub	**2,663**	1,961
Total number of employees	**10,256**	9,866

Aggregate remuneration and related costs, including Directors	2022 £m	2021 £m
Salaries[1]	**460.2**	389.9
Wages	**211.7**	168.5
Social security costs	**47.5**	39.6
Other pension costs	**37.5**	27.8
	756.9	625.8

1. During FY21 a government grant of £9.5m was received in respect of the coronavirus job retention scheme and has been netted off against salaries, social security and pension costs, within administrative expenses. There have been no such grants in FY22.

At 31 March 2022 £3.1m (FY21: £2.8m) 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 financial year include the nine Directors and seven other members (FY21: nine Directors and nine other members) who served on the Group Executive Committee during the year, and no other individuals (FY21: no other individuals) considered key management personnel during the year.

The compensation of key management personnel is as follows:

	2022 £m	2021 £m
Salaries and other short-term employee benefits	**5.4**	6.6

DIRECTORS' REMUNERATION

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

	2022 £m	2021 £m
Salaries and other short-term benefits	**4.2**	3.5

None of the Directors are accruing benefits under a defined contribution scheme (FY21: none). No post-retirement benefits were paid on behalf of Directors (FY21: £nil).

8 OTHER OPERATING INCOME

	2022 £m	2021 £m
Rents received	**0.1**	0.1
Research and development expenditure credit	**4.8**	7.2
Other operating income	**0.1**	1.1
	5.0	8.4

The research and development expenditure credit of £4.8m (FY21: £7.2m) is based on an assessment of recoverability from HMRC. The amount for FY21 includes additional claims for prior year expenditure.

9 PROFIT ON DISPOSAL OF SUBSIDIARIES AND JOINT VENTURES

	2022 £m	2021 £m
Profit on sale of subsidiaries	**–**	1.2
Profit on sale of joint ventures (note 14)	**5.7**	2.5
	5.7	3.7

10 FINANCE INCOME

	2022 £m	2021 £m
Bank interest	**0.2**	0.8
Other interest and similar income	**0.8**	0.8
	1.0	1.6

11 FINANCE EXPENSE

	2022 £m	2021 £m
Interest payable on bank loans and overdrafts	**3.1**	15.4
Interest payable on leases	**7.4**	6.7
Other interest payable and similar charges	**7.6**	8.0
	18.1	30.1

12 TAX

	2022 £m	2021 £m
Jersey corporation tax		
Current tax on profit for the year	**–**	–
Foreign tax		
Current tax on profit for the year	**5.0**	5.1
Adjustment in respect of prior years	**(4.4)**	(1.6)
Total current tax	**0.6**	3.5
Net origination of temporary differences – current year	**(3.8)**	7.0
Net origination of temporary differences – prior years	**0.9**	2.5
Impact of change in tax rate	**(6.5)**	–
Total deferred tax	**(9.4)**	9.5
Tax (credit)/charge	**(8.8)**	13.0

The overall credit (FY21: charge) for the year of £8.8m (FY21: £13.0m) is explained relative to the UK statutory rate of 19% below:

	2022 £m	2021 £m
Total tax reconciliation		
Profit before tax	**2.7**	41.4
Tax at the UK corporation tax rate of 19% (FY21: UK 19%)	**0.5**	7.9
Effects of		
– higher overseas tax rates	**0.7**	2.0
– non-deductible expenditure	**1.9**	1.0
– adjustments in respect of prior years	**(3.5)**	0.9
– tax effect of joint ventures	**0.3**	–
– impact of change in future tax rates	**(6.5)**	–
– unrecognised deferred tax	**(2.1)**	1.2
– other items	**(0.1)**	–
Total tax (credit)/charge	**(8.8)**	13.0

A total Group tax credit of £8.8m (FY21: charge of £13.0m) arises for the year on the total Group profit of £2.7m (FY21: £41.4m). The total tax credit for the year includes an exceptional tax credit of £22.7m (FY21: credit of £1.4m) in relation to tax-allowable exceptional expenditure for Australian legal and write down costs (see note 5).

On 3 March 2021, in the spring budget, the UK Government announced that from 1 April 2023 the corporation tax rate would rise from 19% to 25%. This new law was substantively enacted on 24 May 2021 and therefore UK deferred tax assets and liabilities that are expected to reverse after 1 April 2023 have been recalculated at 25% as at 31 March 2022, resulting in a £6.5m credit during FY22. These deferred tax assets and liabilities were previously recognised at 19%. On 23 September 2022, the Government announced that the corporation tax rate would be held at 19% and, as a result, the value of the Group's UK deferred tax assets and liabilities will be restated to 19% in the financial year that the legislation implementing this announcement is substantively enacted. The financial impact of revaluing the UK's deferred tax assets and liabilities from 25% to 19% is currently not expected to be materially different to the £6.5m credit recognised in FY22.

12 TAX (CONTINUED)

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

The Finance Act 2021 also announced a 130% super-deduction for expenditure incurred from 1 April 2021 until the end of March 2023 on qualifying plant and machinery and a 50% first year allowance was introduced for special rate assets. The Group is expecting to claim this relief on £6.1m of additions during FY22.

TAX EFFECTS RELATING TO EACH COMPONENT OF COMPREHENSIVE INCOME

	2022			2021		
	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	**6.8**	**–**	**6.8**	17.8	–	17.8
Fair value of held to collect and to sell financial assets	**(0.7)**	**–**	**(0.7)**	(0.8)	–	(0.8)
Share of other comprehensive expense of investments accounted for using the equity method	**–**	**–**	**–**	1.0	–	1.0
	6.1	**–**	**6.1**	18.0	–	18.0

13 INTANGIBLE ASSETS

	Goodwill £m	**Computer software and licences £m**	**Development costs £m**	**Total £m**
Cost				
At 1 April 2021	**326.7**	**39.1**	**5.1**	**370.9**
Additions	**–**	**7.9**	**1.1**	**9.0**
Disposals	**–**	**(0.9)**	**–**	**(0.9)**
Exchange differences	**1.5**	**0.4**	**–**	**1.9**
At 31 March 2022	**328.2**	**46.5**	**6.2**	**380.9**
Accumulated amortisation and impairment				
At 1 April 2021	**3.3**	**29.4**	**3.4**	**36.1**
Amortisation for the year	**–**	**3.7**	**–**	**3.7**
Disposals	**–**	**(0.9)**	**–**	**(0.9)**
Impairment	**–**	**0.2**	**–**	**0.2**
Exchange differences	**0.1**	**0.3**	**–**	**0.4**
At 31 March 2022	**3.4**	**32.7**	**3.4**	**39.5**
Net book value at 31 March 2022	**324.8**	**13.8**	**2.8**	**341.4**

Cost				
At 1 April 2020	322.5	40.2	5.0	367.7
Additions	–	3.4	0.1	3.5
Disposals	–	(0.7)	–	(0.7)
Transfer to property, plant and equipment	–	(3.7)	–	(3.7)
Exchange differences	4.2	(0.1)	–	4.1
At 31 March 2021	326.7	39.1	5.1	370.9
Accumulated amortisation and impairment				
At 1 April 2020	3.3	25.4	3.4	32.1
Amortisation for the year	–	3.5	–	3.5
Disposals	–	(0.5)	–	(0.5)
Impairment	–	1.3	–	1.3
Exchange differences	–	(0.3)	–	(0.3)
At 31 March 2021	3.3	29.4	3.4	36.1
Net book value at 31 March 2021	323.4	9.7	1.7	334.8

13 INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

The following units have significant amounts of goodwill	2022 £m	2021 £m
Australia	**43.6**	42.2
United Kingdom	**281.2**	281.2
	324.8	323.4

The recoverable amount of goodwill attached to each cash generating unit is determined based on value in use calculations in accordance with IAS 36, Impairment of Assets. Each CGU calculation uses cash flow projections based on four-year financial budgets approved by management. The CGU calculation uses a perpetual growth rate of 2% based on industry data (FY21: 2%), discounted at the Group's estimated pre-tax weighted average cost of capital of 13.3% (FY21: 12.9%) for the UK CGU and 16.3% (FY21: 15.1%) for the Australia CGU. Budgeted gross margins are based on past performance and management's market expectations. The weighted average cost of capital is an estimate based on that of listed industry competitors, adjusted for changes in capital structures and specific considerations.

Sensitivity analysis, including the potential impact of inflation, supply chain disruption and climate change, has been performed on the goodwill in relation to each CGU by changing the key assumptions applicable to each CGU. In the view of the Directors there is not a reasonably foreseeable change in a key assumption that would trigger an impairment charge.

In the UK assumed revenue growth is 25% for FY23, 11% for FY24, 9% for FY25 and 5% for FY26 and gross margin is assumed to increase from 9% in FY23 to 12% in FY26. Overheads are assumed to remain stable during the forecast period at approximately 3% of revenue. For the Australian CGU, assumed revenue growth is 3% for FY23, 9% for FY24, 8% for FY25 and 4% for FY26 and gross margin is assumed to increase from 11.2% in FY23 to 12% in FY26. Overheads are assumed to remain stable during FY23 and FY24 at 5.1% of revenue and then decrease to 4.5% in FY25 and FY26.

AMORTISATION CHARGE

The amortisation charges in respect of computer software and licences and development costs are recognised in the following line item in the income statement:

	2022 £m	2021 £m
Administrative expenses	**3.7**	3.54

14 ACQUISITIONS AND DISPOSALS

CANAL HARBOUR DEVELOPMENT COMPANY

On 25 August 2021, the non-controlling interest held by Garnham Services in Canal Harbour Development Company was acquired by the Group for €1.

CROWN HOUSE FACILITIES MANAGEMENT UAE (L.L.C)

On 15 November 2021, Laing O'Rourke Middle East Holdings (Group's 100% owned subsidiary) disposed of its subsidiary Crown House Facilities Management UAE (L.L.C). This resulted in a profit on disposal of £353k in the entity, £nil at Group level.

CROWN HOUSE SECURITY UAE (L.L.C)

On 15 November 2021, Laing O'Rourke Middle East Holdings (Group's 100% owned subsidiary) disposed of its subsidiary Crown House Security UAE (L.L.C). This resulted in a loss on disposal of £103k in the entity, £nil at Group level.

JURIS PARTNERSHIP

On 29 March 2022, LOR Court Investments Pty Limited (Group's 100% owned subsidiary) disposed of its joint venture in Juris Partnership for £9.4m (A$16.5m). This resulted in a profit on disposal of £5.7m (A$10.5m) at Group level.

PRIOR YEAR

YORKSHIRE LEARNING PARTNERSHIP PSP LIMITED

In FY21, the Group disposed of its interest in its joint venture Yorkshire Learning Partnership PSP Limited for £9.8m, achieving a profit on disposal of £2.5m. The £9.8m consideration included the repayment of subordinated debt investment (£7.3m) and equity (£2.5m).

PRESIEN HOLDINGS PTY LIMITED

In FY21, the Group transferred its 100% equity holding in PFP Robotics Pty Limited to Presien Holdings Pty Limited in exchange for 2,750,000 shares in Presien Holdings Pty Limited at AUD$2.00 per share. Laing O'Rourke Australia Pty Limited's share of Presien Holdings Pty Limited is 26.2%.

The equity interest in Presien Holdings Pty Limited was £1.8m (AUD$3.3m) with a gain on disposal of the subsidiary of £1.2m (AUD$2.2m).

AUSTRALIA HUB RESTRUCTURE

In FY21, the Group concluded a corporate restructure of the Australia Hub. The restructure included establishing a new holding entity, Laing O'Rourke Australia Group Pty Limited. The restructure also included the incorporation of additional entities as subsidiaries to Laing O'Rourke Australia Pty Limited. The restructure did not result in any disposals, acquisitions or discontinuing of operations.

15 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	Joint ventures equity investments £m	Associate equity investment £m	Loans to joint ventures £m	Total £m
At 1 April 2021	**(28.0)**	**1.4**	**41.6**	**15.0**
Acquisitions	**34.4**	**–**	**(34.4)**	**–**
Equity investment purchases	**0.8**	**–**	**–**	**0.8**
Fair value revaluation of financial assets	**(0.7)**	**–**	**–**	**(0.7)**
Exchange differences	**(0.1)**	**0.1**	**0.8**	**0.8**
At 31 March 2022	**6.4**	**1.5**	**8.0**	**15.9**
Share of results for the year after tax	**(6.1)**	**(0.2)**	**–**	**(6.3)**
Distributions received	**(1.0)**	**–**	**–**	**(1.0)**
Net book value at 31 March 2022	**(0.7)**	**1.3**	**8.0**	**8.6**
At 1 April 2020	(21.3)	–	50.4	29.1
Equity investment received on disposal of subsidiary (see note 14)	–	1.8	–	1.8
Disposals	(1.4)	–	(7.3)	(8.7)
Fair value revaluation of financial assets	(0.8)	–	–	(0.8)
Share of other comprehensive income from joint ventures and associates	1.0	–	–	1.0
Exchange differences	(0.4)	–	(1.5)	(1.9)
At 31 March 2021	(22.9)	1.8	41.6	20.5
Share of results for the year after tax	(4.9)	(0.4)	–	(5.3)
Distributions received	(0.2)	–	–	(0.2)
Net book value at 31 March 2021	(28.0)	1.4	41.6	15.0

The Group's share of joint venture and associate equity investments and loans to joint ventures is presented above. IFRS 11 Joint Arrangements requires 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 associates are presented in the statement of financial position as:

	2022 £m	2021 £m
Investments in joint ventures and associates	**11.6**	14.0
Loans to joint ventures	**8.0**	8.0
Provisions (note 24)	**(11.0)**	(7.0)
	8.6	15.0

15 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

The principal joint ventures and associates are shown in note 37. Each joint venture and associate has share capital consisting solely of ordinary shares, which is held directly by the Group. Each joint venture and associate 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 of 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 Limited'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 2022 £m	Health Montreal Collective CJV Limited Partnership 2022 £m	Private Finance Initiatives* (PFIs) 2022 £m	Explore Transport 2022 £m	Juris Partnership 2022 £m	BYLOR Services 2022 £m	Presien Holdings Pty Limited-Associate 2022 £m	Other 2022 £m	Total 2022 £m
Revenue	14.4	–	3.8	68.9	8.5	299.6	1.5	–	396.7
Depreciation and amortisation	(0.3)	–	–	(6.4)	–	–	–	–	(6.7)
Other expenses	(14.1)	(10.7)	(8.6)	(59.0)	(8.5)	(299.6)	(2.2)	–	(402.7)
Operating profit/(loss)	–	(10.7)	(4.8)	3.5	–	–	(0.7)	–	(12.7)
Net finance (costs)/income	–	–	0.1	(0.8)	–	–	–	–	(0.7)
Profit/(loss) before tax	–	(10.7)	(4.7)	2.7	–	–	(0.7)	–	(13.4)
Tax expense	–	–	–	(0.5)	–	–	–	–	(0.5)
Profit/(loss) after tax	–	(10.7)	(4.7)	2.2	–	–	(0.7)	–	(13.9)
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income/(expense)	–	(10.7)	(4.7)	2.2	–	–	(0.7)	–	(13.9)
Dividends received from joint ventures	(2.4)	–	–	–	–	–	–	–	(2.4)
Non-current assets									
Goodwill	–	–	–	–	–	–	0.6	–	0.6
Property, plant and equipment	0.6	–	–	34.2	–	–	–	–	34.8
Other non-current assets	0.7	–	114.3	–	–	–	2.6	–	117.6
Current assets									
Cash and cash equivalents	5.3	1.3	16.3	4.1	–	12.2	1.3	–	40.5
Other current assets	13.0	12.0	2.2	14.9	–	7.0	–	0.7	49.8
Total assets	19.6	13.3	132.8	53.2	–	19.2	4.5	0.7	243.3
Current liabilities									
Borrowings	–	–	–	(4.8)	–	–	–	–	(4.8)
Other current liabilities	(6.7)	(35.4)	(5.6)	(17.0)	–	(19.2)	(0.3)	–	(84.2)
Non-current liabilities									
Borrowings	–	–	(121.9)	(17.7)	–	–	–	–	(139.6)
Other non-current liabilities	(1.4)	–	(5.3)	(2.8)	–	–	–	–	(9.5)
Total liabilities	(8.1)	(35.4)	(132.8)	(42.3)	–	(19.2)	(0.3)	–	(238.1)
Net assets/(liabilities)	11.5	(22.1)	–	10.9	–	–	4.2	0.7	5.2
Financial commitments	–	–	–	–	–	–	–	–	–
Capital commitments	–	–	–	–	–	–	–	–	–

* PFIs relates to an investment in joint ventures in Alder Hey. Juris Partnership was disposed of in the year (see note 14)

Please refer to note 37 for details of the place of business for material joint ventures.

15 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

	Emirates Precast Construction LLC 2021 £m	Health Montreal Collective CJV Limited Partnership 2021 £m	Private Finance Initiatives* (PFIs) 2021 £m	Explore Transport 2021 £m	Juris Partnership 2021 £m	BYLOR Services 2021 £m	Presien Holdings Pty Limited-Associate 2022 £m	Other 2021 £m	Total 2021 £m
Revenue	14.1	2.6	4.0	56.7	5.6	168.8	0.2	–	252.0
Depreciation and amortisation	(0.3)	–	–	(7.5)	(0.1)	–	–	–	(7.9)
Other expenses	(13.4)	(13.5)	(3.5)	(47.3)	(5.3)	(168.8)	(1.8)	–	(253.6)
Operating profit/(loss)	0.4	(10.9)	0.5	1.9	0.2	–	(1.6)	–	(9.5)
Net finance income/(costs)	–	–	–	(0.9)	–	–	0.1	–	(0.8)
Profit/(loss) before tax	0.4	(10.9)	0.5	1.0	0.2	–	(1.5)	–	(10.3)
Tax credit/(expense)	–	–	–	(0.9)	–	–	–	–	(0.9)
Profit/(loss) after tax	0.4	(10.9)	0.5	0.1	0.2	–	(1.5)	–	(11.2)
Other comprehensive income	–	–	–	–	2.0	–	–	–	2.0
Total comprehensive income/(expense)	0.4	(10.9)	0.5	0.1	2.2	–	(1.5)	–	9.2
Dividends received from joint ventures	0.6	–	–	–	0.2	–	–	–	0.8
Non-current assets									
Goodwill	–	–	–	0.3	–	–	0.6	–	0.9
Property, plant and equipment	0.7	–	–	37.8	0.3	–	–	–	38.8
Other non-current assets	0.6	–	166.9	–	0.2	–	2.5	–	170.2
Current assets									
Cash and cash equivalents	5.8	3.9	9.7	4.1	2.3	19.8	2.4	–	48.0
Other current assets	13.4	13.9	7.0	12.8	5.4	7.3	–	0.6	60.4
Total assets	20.5	17.8	183.6	55.0	8.2	27.1	5.5	0.6	318.3
Current liabilities									
Borrowings	–	–	–	(3.0)	–	–	–	–	(3.0)
Other current liabilities	(5.7)	(29.7)	(6.9)	(17.9)	(2.3)	(27.1)	(0.7)	(0.8)	(91.1)
Non-current liabilities									
Borrowings	–	–	(172.0)	(22.4)	–	–	–	–	(194.4)
Other non-current liabilities	(1.5)	–	–	(3.1)	(0.6)	–	–	(48.8)	(54.0)
Total liabilities	(7.2)	(29.7)	(178.9)	(46.4)	(2.9)	(27.1)	(0.7)	(49.6)	(342.5)
Net assets/(liabilities)	13.3	(11.9)	4.7	8.6	5.3	–	4.8	(49.0)	(24.2)
Financial commitments	–	–	–	–	–	–	–	–	–
Capital commitments	–	–	–	–	–	–	–	–	–

* PFIs relates to investments in joint ventures in Alder Hey and Yorkshire Learning Partnerships. Yorkshire Learning Partnerships was disposed of in the year (see note 14)

16 PROPERTY, PLANT AND EQUIPMENT

	Group owner occupied land and buildings £m	Other land and buildings Restated[1] £m	Plant, equipment and vehicles Restated[1] £m	Total Restated[1] £m
Cost				
At 1 April 2021 (restated[1])	**21.7**	**34.7**	**226.3**	**282.7**
Additions	**–**	**0.4**	**14.2**	**14.6**
Disposals	**–**	**(4.2)**	**(26.7)**	**(30.9)**
Transfer to right-of-use assets	**–**	**–**	**(4.4)**	**(4.4)**
Other	**–**	**–**	**(0.5)**	**(0.5)**
Exchange differences	**–**	**0.8**	**3.0**	**3.8**
At 31 March 2022	**21.7**	**31.7**	**211.9**	**265.3**
Accumulated depreciation				
At 31 March 2021 (restated[1])	**2.4**	**21.9**	**146.9**	**171.2**
Depreciation charge for the year	**0.1**	**2.2**	**13.7**	**16.0**
Disposals	**–**	**(4.2)**	**(23.5)**	**(27.7)**
Transfer to right-of-use assets	**–**	**–**	**0.2**	**0.2**
Other	**–**	**(0.1)**	**(3.7)**	**(3.8)**
Exchange differences	**–**	**0.5**	**1.8**	**2.3**
At 31 March 2022	**2.5**	**20.3**	**135.4**	**158.2**
Net book value at 31 March 2022	**19.2**	**11.4**	**76.5**	**107.1**
Cost				
At 1 April 2020 (restated[1])	22.3	34.3	211.5	268.1
Additions	–	0.2	14.0	14.2
Disposals	(0.8)	(0.6)	(31.6)	(33.0)
Transfer from intangible assets	–	–	3.7	3.7
Transfer from right-of-use assets	–	0.5	22.8	23.3
Exchange differences	0.2	0.3	5.9	6.4
At 31 March 2021 (restated[1])	21.7	34.7	226.3	282.7
Accumulated depreciation				
At 1 April 2020 (restated[1])	2.1	20.5	141.6	164.2
Depreciation charge for the year	0.3	2.3	15.8	18.4
Impairment	–	–	1.6	1.6
Disposals	–	(0.6)	(25.8)	(26.4)
Transfer from right-of-use assets	–	–	11.1	11.1
Exchange differences	–	(0.3)	2.6	2.3
At 31 March 2021 (restated[1])	2.4	21.9	146.9	171.2
Net book value at 31 March 2021	19.3	12.8	79.4	111.5

1. See note 2.2 for details of restated balances.

17 RIGHT-OF-USE ASSETS

	Other land and buildings £m	Plant, equipment and vehicles Restated[1] £m	Total £m
Cost			
At 1 April 2021	**116.1**	**134.3**	**250.4**
Additions	**14.2**	**54.1**	**68.3**
Disposals	**(1.6)**	**(2.5)**	**(4.1)**
Transfer from property, plant and equipment	**–**	**4.4**	**4.4**
Exchange differences	**1.4**	**0.5**	**1.9**
At 31 March 2022	**130.1**	**190.8**	**320.9**
Accumulated depreciation			
At 1 April 2021	**23.9**	**49.2**	**73.1**
Depreciation charge for the year	**14.0**	**14.1**	**28.1**
Disposals	**(1.0)**	**(2.6)**	**(3.6)**
Transfer from property, plant and equipment	**–**	**(0.2)**	**(0.2)**
Exchange differences	**0.6**	**0.1**	**0.7**
At 31 March 2022	**37.5**	**60.6**	**98.1**
Net book value at 31 March 2022	**92.6**	**130.2**	**222.8**

Cost			
At 1 April 2020 (restated[1])	124.0	142.6	266.6
Additions	5.2	19.3	24.5
Disposals	(14.9)	(5.4)	(20.3)
Transfer to property, plant and equipment	(0.5)	(22.8)	(23.3)
Exchange differences	2.3	0.6	2.9
At 31 March 2021	116.1	134.3	250.4
Accumulated depreciation			
At 1 April 2020 (restated[1])	16.8	53.7	70.5
Depreciation charge for the year	13.1	9.9	23.0
Disposals	(6.6)	(3.5)	(10.1)
Transfer to property, plant and equipment	–	(11.1)	(11.1)
Exchange differences	0.6	0.2	0.8
At 31 March 2021	23.9	49.2	73.1
Net book value at 31 March 2021	92.2	85.1	177.3

1. See note 2.2 for details of restated balances.

18 CONTRACT BALANCES

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

Contract assets are made up of a portfolio of contracts and represent unbilled amounts, including amounts arising from changes to scope of works that have been recognised as revenue but not yet billed. Contract liabilities result when cumulative cash received exceeds cumulative revenue on any particular contract. There are no significant one-off factors attributed to the movements of these balances outside of normal trading.

Contract assets	**Restated[1] £m**
At 1 April 2020 (restated[1])	325.3
Transfers from contract assets recognised at the beginning of the year to receivables (restated[1])	(133.7)
Performance obligations satisfied in the year that have yet to be transferred to receivables (restated[1])	100.6
Exchange differences (restated[1])	14.0
At 31 March 2021 (restated[1])	306.2
Transfers from contract assets recognised at the beginning of the year to receivables	(118.7)
Performance obligations satisfied in the year that have yet to be transferred to receivables	154.4
Exceptional write down on contract assets recognised at the beginning of the year (see note 5)	(69.6)
Exchange differences	4.6
At 31 March 2022	**276.9**
Contract liabilities	
At 1 April 2020 (restated[1])	(206.4)
Revenue recognised against contract liabilities at the beginning of the year (restated[1])	161.7
Increase due to cash received, excluding amounts recognised as revenue during the year (restated[1])	(225.0)
Exchange differences	(3.6)
At 31 March 2021 (restated[1])	(273.3)
Revenue recognised against contract liabilities at the beginning of the year	257.6
Increase due to cash received, excluding amounts recognised as revenue during the year	(315.3)
Exchange differences	(3.2)
At 31 March 2022	**(334.2)**

	Assets 2022 £m	Assets 2021 Restated[1] £m	**Liabilities 2022 £m**	Liabilities 2021 Restated[1] £m	**Net 2022 £m**	Net 2021 Restated[1] £m
The ageing of contract assets/(liabilities) at the year end was:						
Less than one year (restated[1])	**192.0**	172.6	**(331.4)**	(215.2)	**(139.4)**	(42.6)
More than one year (restated[1])	**84.9**	133.6	**(2.8)**	(58.1)	**82.1**	75.5
	276.9	306.2	**(334.2)**	(273.3)	**(57.3)**	32.9

1. See note 2.2 for details of restated balances.

At 31 March 2022, contract assets include customer retentions of £63.0m (FY21: £73.1m) relating to construction contracts, of which £44.1m (FY21: £30.2m) are non-current assets. The Group manages the collection of retentions through its post completion project monitoring procedures and on-going contact with clients to ensure that potential issues that could lead to the non-payment of retentions are identified and addressed promptly. The Directors always estimate the loss allowance on contract assets at the end of the reporting period at an amount equal to lifetime expected credit losses. None of the contract assets at the end of the reporting period are past due, and, taking into account the historical default experience and the future prospects in the industry, the Directors consider that the impact of impairment is not material. Accordingly no expected credit loss has been recognised.

Included in non-current contract assets is an amount of £33.7m (FY21: £103.3m) in respect of a contract terminated during the 2017 financial year. This contract is denominated in AUD$ and the movement in the year relates to an AUD$128.1m (£69.9m) adjustment to the contract balance and to foreign currency movements. The contract loss to date amounts to £109.9m (FY21: £40.3m) and represents costs incurred in respect of delays and other matters which have been claimed in addition to other substantial claims that have not been recognised in contract revenue in the year ended 31 March 2022 or in any earlier period, as well as the adjustment to the contract asset and revenue in the year of AUD$128.1m .

18 CONTRACT BALANCES (CONTINUED)

The adjustment to the estimate of the recoverable amount is as a result of the refinement of the accounting assessment as the arbitration process progresses. In addition to claims for unpaid work performed (including variations), the amount that has been claimed by the Group includes delay and disruption claims, post-termination costs, legal costs and interest.

The contract contains dispute resolution provisions, and the matter has been referred for resolution through private arbitration. The private arbitration is ongoing which is expected to completed in late 2022, with a final award expected from mid-2023.

The claim itself is larger than the amount recognised within contract assets. A contingent asset associated with the claim has not been recognised as a receivable at 31 March 2022 as the receipt of the claimed amount is dependent on the outcome of the arbitration process.

This adjustment to the recoverable amount has been treated as an exceptional item recognised in revenue (see note 5). The Group adopted IFRS15 from 1 April 2018 at which point the terminated contract referred to above was complete. At that time, the Group did not restate comparative information that had arisen under previous revenue standards (IAS11 and IAS18) under the practical expedient of IFRS15 (C5(a)(ii)), which allows for completed contracts at the beginning of the earliest period presented to be excluded from the retrospective cumulative effect approach. This contract remains accounted for under IAS11 and as the adjustment represents a reassessment of the fair value of the revenue the Group is entitled to under the completed contract, it has been reflected in revenue.

CONTRACT FULFILMENT COSTS

The Group has no fulfilment costs within contract assets.

REMAINING PERFORMANCE OBLIGATIONS

Contracts which have remaining performance obligations expected to be settled through to contract completion are set out below:

	2022 £m	2021 £m
Construction work in hand		
Europe Hub	**5,003.6**	4,540.7
Australia Hub	**1,514.4**	1,259.7
	6,518.0	5,800.4

Management expects that £3,280.0m (FY21: £2,513.0m) in relation to contracts in place as at 31 March 2022 will be recognised as revenue in the next financial year.

19 TRADE AND OTHER RECEIVABLES

Amounts expected to be recovered within one year:	**2022 £m**	2021 £m
Trade receivables	**149.0**	100.8
Less: provision for impairment of trade receivables	**(1.3)**	(1.2)
Prepayments and accrued income	**17.4**	22.6
Other receivables	**21.6**	34.3
	186.7	156.5
Amounts expected to be recovered after more than one year:		
Trade receivables	**0.3**	0.3
Other receivables	**21.6**	21.4
	21.9	21.7
Total trade and other receivables	**208.6**	178.2
Comprising		
Financial assets (Note 29)	**192.5**	156.8
Other assets outside the scope of IFRS 7	**16.1**	21.4
	208.6	178.2

MOVEMENT IN THE PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

	2022 £m	2021 £m
Opening balance	**(1.2)**	(1.9)
Additional provisions recognised	**(0.1)**	(0.2)
Utilised during the year	**–**	0.1
Unused amounts reversed	**–**	0.7
Exchange differences	**–**	0.1
Closing balance	**(1.3)**	(1.2)

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

The maturity profile of the receivables and allowance for expected credit losses provided for above is as follows:

	Carrying amount 2022 £m	Allowance for expected credit losses 2022 £m
Not overdue	**106.3**	**–**
0 to 3 months overdue	**31.3**	**–**
3 to 6 months overdue	**1.5**	**–**
Over 6 months overdue	**10.2**	**1.3**
	149.3	**1.3**

	Carrying amount 2021 £m	Allowance for expected credit losses 2021 £m
Not overdue	85.3	0.1
0 to 3 months overdue	4.9	0.1
3 to 6 months overdue	1.7	0.1
Over 6 months overdue	9.2	0.9
	101.1	**1.2**

20 INVENTORIES

	2022 £m	2021 £m
Development land	**9.6**	9.4
Work in progress	**5.4**	2.2
Raw materials and consumables	**11.1**	7.6
Finished goods and goods for resale	**0.1**	0.1
	26.2	19.3

Development land and work in progress at 31 March 2022 includes assets to a value of £10.3m (FY21: £10.0m) expected to be consumed after more than one year which, given the nature of these assets, is part of the normal operating cycle. Inventories carried at net realisable value at 31 March 2022 had a carrying value of £9.5m (FY21: £9.2m).

Capitalised specific borrowing costs attributable to qualifying assets and included in development land and work in progress of £1.0m did not materially change from last year (FY21: £0.9m).

21 CASH AND CASH EQUIVALENTS

	2022 £m	2021 £m
Cash at bank and in hand	**422.7**	487.3
Short term deposits (Note 31)	**8.0**	9.3
Restricted cash	**25.4**	40.0
	456.1	536.6

Restricted cash deposits include £3.0m (FY21: £11.0m) relating to the project bank accounts where amounts due to subcontractors are ringfenced but are classified as cash and cash equivalents as they are available in order to meet short-term cash commitments. Payments to subcontractors were made after the year end.

There was also £30.4m (FY21: £38.3m) of cash which is pledged as short-term collateral; this balance includes short-term bank deposits.

These short-term bank deposits have a maturity of 90 days or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest.

22 BORROWINGS

	2022 £m	2021 £m
Amounts expected to be settled within one year:		
Bank loans	**5.1**	178.0
Other loans (note 33)	**–**	55.8
Lease liabilities	**45.1**	32.3
	50.2	266.1
Amounts expected to be settled after more than one year:		
Bank loans	**24.5**	11.9
Lease liabilities	**155.1**	118.5
	179.6	130.4
Total borrowings	**229.8**	396.5

Obligations under leases are secured on certain non-current assets of the Group with an original cost of £245.4m (FY21: 183.2m) and total net book value of £177.2m (FY21: £143.3m).

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

23 TRADE AND OTHER PAYABLES

	2022 £m	2021 £m
Amounts expected to be settled within one year:		
Trade payables	**184.0**	188.3
Other tax and social security	**54.6**	67.1
Other payables	**29.8**	38.1
Accruals and deferred income	**333.1**	306.0
	601.5	599.5
Amounts expected to be settled after more than one year:		
Trade payables	**21.6**	9.1
Accruals and deferred income	**13.0**	6.6
	34.6	15.7
Total trade and other payables	**636.1**	615.2
Comprising		
Financial liabilities (Note 29)	**566.2**	539.4
Other liabilities outside the scope of IFRS 7	**69.9**	75.8
	636.1	615.2

At 31 March 2022, trade payables include subcontractor retentions of £55.0m (FY21: £53.8m) relating to construction contracts, of which £21.5m (FY21: £9.0m) are non-current liabilities.

24 PROVISIONS

	Insurance technical provisions £m	Employee provisions £m	Joint venture provisions £m	Contract provisions Restated[1] £m	Other provisions £m	Total provisions Restated[1] £m
At 1 April 2021	**22.6**	**8.8**	**7.0**	**80.3**	**–**	**118.7**
Provisions created	**12.0**	**1.4**	**5.1**	**20.4**	**0.8**	**39.7**
Provisions utilised	**(4.0)**	**–**	**–**	**(43.9)**	**–**	**(47.9)**
Acquisition of non-controlling interest	**–**	**–**	**(1.1)**	**–**	**–**	**(1.1)**
Exchange differences	**–**	**0.4**	**–**	**–**	**–**	**0.4**
At 31 March 2022	**30.6**	**10.6**	**11.0**	**56.8**	**0.8**	**109.8**
Disclosed within:						
Current liabilities	**–**	**6.4**	**11.0**	**56.8**	**0.5**	**74.7**
Non-current liabilities	**30.6**	**4.2**	**–**	**–**	**0.3**	**35.1**
	30.6	**10.6**	**11.0**	**56.8**	**0.8**	**109.8**
At 1 April 2020	39.4	6.7	1.6	59.7	–	107.4
Provisions created	–	1.3	5.4	29.9	–	36.6
Provisions utilised	(16.8)	–	–	(9.3)	–	(26.1)
Exchange differences	–	0.8	–	–	–	0.8
At 31 March 2021	22.6	8.8	7.0	80.3	–	118.7
Disclosed within:						
Current liabilities	–	4.8	7.0	69.7	–	81.5
Non-current liabilities	22.6	4.0	–	10.6	–	37.2
	22.6	8.8	7.0	80.3	–	118.7

1. See note 2.2 for details of restated balances.

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 time as further claims are considered unlikely under the respective insurance policies. Due to the nature of the provisions for insurance claims, the timing of any potential future outflows in respect of the liabilities is uncertain, therefore liabilities for unagreed claims are classified as non-current.

The employee provision relates to the accrual of long-service leave for employees in Australia and New Zealand. The non-current element is a calculation of long-service leave for employees who have not yet reached their long-service target. The utilisation of the provision is dependent on employee attrition and utilisation of accrued leave.

The Group provides in full for obligations to remedy net liabilities of jointly controlled entities in excess of amounts already loaned. At 31 March 2022 these provisions amounted to £11.0m (FY21: £7.0m) and 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.

At 31 March 2022, contract provisions included liabilities across a number of legacy projects related to rectification works of £49.2m (FY21: £76.4m), of which £nil (FY21: £10.6m) are non-current liabilities. During the year, £43.9m of the liability as at 1 April 2021 was utilised for rectification works performed on legacy projects. Of these liabilities of £49.2m (FY21: £52.4m), the Group does not in all cases have access to the site to fully assess the costs of rectification and, therefore, there is no certainty as to the level of costs that will ultimately be incurred to settle them. As described further in note 2.26, these liabilities are therefore considered a major source of estimation uncertainty. Unless the timing of the rectification works is known and will occur more than 12 months after the balance sheet date, these liabilities are shown as current.

25 DEFERRED TAX ASSETS AND LIABILITIES

The presentation of deferred tax assets and deferred tax liabilities in the statement of financial position sets off deferred tax assets against deferred tax liabilities where they relate to corporate income taxes levied by the same taxation authority and there is a legally enforceable right to offset current tax assets against current tax liabilities. This note sets out the Group's deferred tax assets and liabilities without applying such offset. A summary table reconciling the deferred tax assets and deferred tax liabilities in the statement of financial position to the remainder of this note is also set out below:

NET DEFERRED TAX POSITION AT 31 MARCH

	2022 £m	2021 £m
Deferred tax assets	**47.0**	40.5
Deferred tax liabilities	**–**	(3.6)
	47.0	36.9

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

	Assets 2022 £m	Assets 2021 £m	**Liabilities 2022 £m**	Liabilities 2021 £m	**Net 2022 £m**	Net 2021 £m
Property, plant and equipment	**25.3**	2.1	**(39.3)**	(10.1)	**(14.0)**	(8.0)
Other temporary differences	**24.2**	20.9	**(5.1)**	(9.0)	**19.1**	11.9
Tax losses carried forward	**43.2**	33.0	**–**	–	**43.2**	33.0
Intangible assets	**–**	–	**(1.3)**	–	**(1.3)**	–
Deferred tax assets/(liabilities)	**92.7**	56.0	**(45.7)**	(19.1)	**47.0**	36.9

MOVEMENTS IN DEFERRED TAX ASSETS AND LIABILITIES DURING THE YEAR

	At 1 April 2021 £m	Exchange and other movements £m	Recognised in income £m	Recognised in equity £m	**As at 31 March 2022 £m**
Property, plant and equipment	(8.0)	–	(6.0)	–	**(14.0)**
Other temporary differences	11.9	–	7.2	–	**19.1**
Tax losses carried forward	33.0	0.7	9.5	–	**43.2**
Intangible assets	–	–	(1.3)	–	**(1.3)**
	36.9	0.7	9.4	–	**47.0**

	At 1 April 2020 £m	Exchange and other movements £m	Recognised in income £m	Recognised in equity £m	As at 31 March 2021 £m
Property, plant and equipment	(4.1)	–	(3.9)	–	(8.0)
Other temporary differences	9.8	1.7	0.4	–	11.9
Tax losses carried forward	39.0	–	(6.0)	–	33.0
	44.7	1.7	(9.5)	–	36.9

The recognised deferred tax assets include £43.2m (FY21: £33.0m) which relates to carried forward losses in relation to the UK operations. The Group has concluded that these deferred tax assets will be recovered using the estimated future taxable income, which is based on the approved forecasts prepared by management. These forecasts cover the next five years and take into account UK tax laws that, in broad terms, restrict the offset of the carried forward tax losses to 50% of the current year profits. The UK Group entities have generated taxable profits this year and this is expected to continue in the future. The losses can be carried forward indefinitely and have no expiry date. Changes in future profits will impact the recoverability of the deferred tax assets.

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.

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets have not been recognised in respect of the following items:	**2022 £m**	2021 £m
Tax losses	**68.0**	60.8

The Group has unrecognised deferred tax assets of £68.0m (FY21: £60.8m) relating to unused tax losses of £277.2m (FY21: £233.8m) predominantly generated from Canadian operations which are equity accounted. The tax losses have arisen in the Group and can be carried forward to future periods for use against part of future profits. The losses can be carried forward indefinitely and have no expiry date. No deferred tax asset has been recognised in respect of these amounts as the future taxable profits are not probable and the constraints in using the losses.

25 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The Group has undistributed earnings of £157.4m (FY21: £68.5m) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the Group is able to control the timing of distributions from subsidiaries and is not expected to distribute these profits in the foreseeable future.

26 SHARE CAPITAL AND PREMIUM

	Ordinary Shares		Share Capital		Share Premium	
	Number of €1 shares issued 2022	Number of €1 shares issued 2021	**£'000 2022**	£'000 2021	**£m 2022**	£m 2021
At 1 April	**9,000**	9,000	**6.1**	6.1	**286.4**	286.4
Shares issued during the year	**142**	–	**0.1**	–	**58.2**	–
At 31 March	**9,142**	9,000	**6.2**	6.1	**344.6**	286.4

The authorised share capital of Laing O'Rourke Corporation Limited at 31 March 2022 was 18,000 ordinary shares of €1 each (FY21: 18,000 shares of €1 each).

On 4 October 2021 the entire shareholder loans, including accrued interest, were converted to equity, resulting in an additional 142 shares of €1 being issued during the year with a related share premium increase of £58.2m. No expenses were deducted in this transaction.

27 RECONCILIATION OF MOVEMENTS IN EQUITY

	Called-up share capital £m	Share premium £m	Fair value reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Retained earnings £m	**Total shareholders' equity £m**	Non-controlling interests £m	**Total equity £m**
At 1 April 2020	0.0	286.4	1.5	(4.9)	(22.2)	17.7	**278.5**	0.2	**278.7**
Profit/(loss) for the year	–	–	–	–	–	28.5	**28.5**	(0.1)	**28.4**
Other comprehensive (expense)/income after tax	–	–	(0.8)	1.0	17.8	–	**18.0**	–	**18.0**
Total comprehensive (expense)/income for the year	–	–	(0.8)	1.0	17.8	28.5	**46.5**	(0.1)	**46.4**
At 31 March 2021	**0.0**	**286.4**	**0.7**	**(3.9)**	**(4.4)**	**46.2**	**325.0**	**0.1**	**325.1**
Profit/result for the year	–	–	–	–	–	11.5	**11.5**	–	**11.5**
Other comprehensive income after tax	–	–	(0.7)	–	6.8	–	**6.1**	–	**6.1**
Total comprehensive income for the year	–	–	(0.7)	–	6.8	11.5	**17.6**	–	**17.6**
Movement relating to unwind of hedging reserve	–	–	–	3.9	–	–	**3.9**	–	**3.9**
Transactions with owners in their capacity as owners:									
Conversion of debt to equity	0.0	58.2	–	–	–	–	**58.2**	–	**58.2**
At 31 March 2022	**0.0**	**344.6**	**–**	**–**	**2.4**	**57.7**	**404.7**	**0.1**	**404.8**

FAIR VALUE RESERVE

The fair value reserve includes the cumulative net change in the fair value of assets held to collect and to sell 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.

27 RECONCILIATION OF MOVEMENTS IN EQUITY (CONTINUED)

RETAINED EARNINGS

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

28 GUARANTEES AND CONTINGENT LIABILITIES

The Group had contingent liabilities at 31 March 2022 in respect of:

GUARANTEES

	2022 £m	2021 £m
Surety Bonds	**266.8**	222.3
Bank Guarantees	**99.6**	140.5
	366.4	362.8

£30.4m (FY21: £38.3m) of the above guarantees were collateralised at 31 March 2022. These guarantees may give rise to liabilities if the Group does not meet its obligations under the terms of the guarantees. No material losses are anticipated in respect of any of the above guarantees.

However, in April 2017, Laing O'Rourke Australia Construction Pty Limited commenced court proceedings against a consortium partner to restrain a call on AUD$49.4m (£26.9m) of insurance bonds in relation to the termination of a contract. Following two judgments in favour of Laing O'Rourke Australia Construction Pty Limited, on 8 March 2018 Laing O'Rourke Australia Construction Pty Limited and the consortium partner reached an interim settlement of the bond dispute whereby the consortium partner agreed not to call on the bonds except in accordance with the final resolution of the contract in private arbitration.

CLAIMS

The Company has subsidiaries that have a conventional contractor's liability in relation to construction and engineering contracts, including but not limited to guarantees, counter-indemnities and guarantees in respect of their share of certain contractual obligations of joint arrangements, consortia and other similar relationships. This liability includes various claims from time to time by the Group or subsidiaries against third parties or claims by third parties against the Group or its subsidiaries or joint arrangements or consortia relationships in which the Group has an interest. It is not possible to estimate the financial effect of these claims should they be successful. While the outcome of these claims is uncertain, where it is appropriate to do so, the Directors believe that adequate allowance has been made within the forecasted contract provisions.

Laing O'Rourke Australia Construction Pty Limited received a claim for payment on 30 July 2018 from the party owing the Group the amounts recognised as a contract asset (see note 18). As with the recovery of the contract asset described in note 18, this matter is subject to an ongoing private arbitration which is expected to be completed in late 2022, with a final award expected from mid-2023 and management is vigorously defending the claim. Further information or quantum on this claim, which is subject to an ongoing private arbitration, is not provided as management expects it could seriously prejudice the outcome and position of the Group.

JOINT ARRANGEMENTS

The Group has subsidiaries that have entered into joint arrangements under which the subsidiaries may be jointly and severally liable for the liabilities of the joint arrangements.

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)							
	2022 GBP	2022 EUR	2022 AUD	2022 AED	2022 CAD	2022 HKD	2022 Other	2022 Total £m
Loans to joint ventures	**8.0**	**–**	**–**	**–**	**–**	**–**	**–**	**8.0**
Trade and other receivables	**93.4**	**–**	**85.3**	**6.0**	**7.3**	**0.3**	**0.2**	**192.5**
Cash and cash equivalents	**199.2**	**3.6**	**207.8**	**21.2**	**–**	**23.7**	**0.6**	**456.1**
Total financial assets	**300.6**	**3.6**	**293.1**	**27.2**	**7.3**	**24.0**	**0.8**	**656.6**
Borrowings	**(177.4)**	**–**	**(52.2)**	**–**	**–**	**(0.2)**	**–**	**(229.8)**
Trade and other payables	**(329.5)**	**(0.3)**	**(186.4)**	**(41.4)**	**(0.1)**	**(8.1)**	**(0.4)**	**(566.2)**
Net financial (liabilities)/assets	**(206.3)**	**3.3**	**54.5**	**(14.2)**	**(7.2)**	**15.7**	**0.4**	**(1,439.4)**

	Pound sterling value of equivalent currency (£m)							
	2021 GBP	2021 EUR	2021 AUD	2021 AED	2021 CAD	2021 HKD	2021 Other	2021 Total £m
Loans to joint ventures	8.0	33.6	–	–	–	–	–	41.6
Trade and other receivables	93.1	–	53.9	3.1	6.3	0.3	0.1	156.8
Cash and cash equivalents	280.9	5.9	221.1	19.9	–	8.2	0.6	536.6
Total financial assets	382.0	39.5	275.0	23.0	6.3	8.5	0.7	735.0
Borrowings	(330.5)	–	(65.7)	–	–	(0.3)	–	(396.5)
Trade and other payables	(330.9)	(0.4)	(136.9)	(58.1)	(0.1)	(12.4)	(0.6)	(539.4)
Net financial (liabilities)/assets	(279.4)	39.1	72.4	(35.1)	6.2	(4.2)	0.1	(200.9)

All of the total foreign currency borrowings of £52.4m (FY21: £66.0m), are used to finance overseas operations.

If the foreign exchange rates that the Group is exposed to had changed adversely by 10% at the balance sheet date, the net financial (liabilities)/assets would have decreased by £6.1m (FY21: £4.8m).

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 are earlier, and effective interest rates of total 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 %
At 31 March 2022					
Bank loans	**29.6**	**5.1**	**19.8**	**4.7**	**4.55%**
Lease obligations	**200.2**	**45.1**	**38.1**	**117.0**	**4.40%**
	229.8	**50.2**	**57.9**	**121.7**	**–**
At 31 March 2021					
Bank loans	189.9	178.0	4.4	7.5	3.28%
Other loans	55.8	55.8	–	–	8.71%
Lease obligations	150.8	32.3	27.6	90.9	4.22%
	396.5	266.1	32.0	98.4	–

If interest rates on variable rate borrowings had been 1% higher during the financial year, the results and equity would have reduced by £1.0m (FY21: £1.5m). 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.

During the year the Group has refinanced its UK facilities, resulting in a full repayment of £108.7m of revolving credit facility and Term Debts and the entering into of a £35.0m revolving credit facility. The new facility has four covenants related to net debt to EBITDA, interest cover, minimum liquidity and forecast liquidity. If certain of these covenants are breached this will constitute an event of default on the Group's borrowing facilities. The Group takes a proactive stance in monitoring and ensuring compliance with covenants and reporting requirements. 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 an adequate availability of cash when required.

Maturity of financial liabilities

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

	Trade and other payables £m	Other loans £m	Bank loans £m	Leases £m	Total £m
At 31 March 2022					
Within one year	**601.5**	**–**	**5.3**	**48.8**	**655.6**
Between one and less than two years	**22.5**	**–**	**21.2**	**43.3**	**87.0**
Between two and less than five years	**7.5**	**–**	**5.2**	**89.8**	**102.5**
Five or more years	**4.6**	**–**	**–**	**53.5**	**58.1**
	636.1	**–**	**31.7**	**235.4**	**903.2**
At 31 March 2021					
Within one year	599.5	60.7	183.8	33.7	877.7
Between one and less than two years	5.5	–	4.5	28.6	38.6
Between two and less than five years	3.8	–	7.8	46.0	57.6
Five or more years	6.4	–	–	45.3	51.7
	615.2	60.7	196.1	153.6	1,025.6

29 FINANCIAL INSTRUMENTS (CONTINUED)

29.4 FAIR VALUES

Financial instruments carried at fair value in the statement of financial position are other investments, financial assets held to collect and to sell 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.

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 2022.

	Fair value measurement 2022				Fair value measurement 2021			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets held to collect and to sell	**–**	**–**	**–**	**–**	–	–	2.6	2.6
	–	**–**	**–**	**–**	–	–	2.6	2.6

The fair value movements on held to collect and to sell financial assets and cash flow hedges are recognised in the consolidated statement of comprehensive income. The Group recognised a £2.6m loss (FY21: £0.8m loss) in financial assets held to collect and to sell in relation to PFI investments in joint ventures in the year.

The carrying and fair values of the Group's financial instruments at 31 March 2022 and 31 March 2021 are as follows:

	Fair value 2022 £m	**Carrying amount 2022 £m**	Fair value 2021 £m	Carrying amount 2021 £m
Financial assets measured at amortised cost	**656.6**	**656.6**	735.0	735.0
Financial liabilities measured at amortised cost	**(796.0)**	**(796.0)**	(948.0)	(945.0)

The carrying and fair values of the Group's financial instruments were not materially different at 31 March 2022 as the impact of discounting on fixed term borrowings is not significant.

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

29.5 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. See note 26 for details of debt converted to equity in the year.

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 cash is calculated as cash and cash equivalents less total borrowings but excluding bank arrangement fees and the impact of applying IFRS 16 (including 'current and non-current borrowings' as shown in the consolidated statement of financial position).

At 31 March 2022 the Group had net cash of £339.1m (FY21: £276.1m), see note 36.

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 its 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 ALTERNATIVE PERFORMANCE MEASURES

The Group presents certain measures of financial performance and position in the consolidated financial statements that are not defined or specified according to IFRS in order to provide additional performance-related measures to its stakeholders. These measures, referred to as Alternative Performance Measures (APMs), are prepared on a consistent basis for all periods presented in this report.

By their nature, the APMs used by the Group are not necessarily uniformly applied by peer companies and therefore may not be comparable with similarly defined measures and disclosures applied by other companies. Such measures should not be viewed in isolation or as a substitute to the equivalent IFRS measure.

Internally, the Group and its operating segments apply the same APMs in a consistent manner in planning and reporting on performance to management and the Board.

The APMs used by the Group are described below, together with a reference to their use and, where not already provided, a reconciliation to the relevant IFRS information.

APM description and purpose	Note reference	Closest IFRS measure
Managed revenue Total revenue, including share of joint ventures' and associates' revenue and inter-segment revenue. This is primarily used at the segment level to measure the total income of all the activities in the segment, regardless of ownership or intercompany relationship. The reconciliation to revenue is shown in Note 4.	Note 4	Revenue
Total revenue including share of joint ventures and associates This is used primarily at the Group level to assess revenue earned from third party customers, including by joint ventures and associates. The reconciliation to revenue is shown in Note 4.	Note 4	Revenue
EBITDA post-exceptional items This is equal to profit/(loss) from operations as disclosed in the income statement before depreciation and amortisation of tangible and intangible assets. The reconciliation to profit/(loss) from operations is shown in Note 4.	Note 4	
EBIT pre-exceptional items This is another term for profit/(loss) from operations before exceptionals as disclosed in the income statement. Exceptional items, as disclosed in Note 5, are excluded. The reconciliation to profit/(loss) from operations is shown in Note 4.	Note 4	
EBITDA pre-exceptional items This is equal to profit/(loss) from operations as disclosed in the income statement before depreciation and amortisation of tangible and intangible assets. Exceptional items, as disclosed in Note 5, are excluded. The reconciliation to profit/(loss) from operations is shown in Note 4.	Note 4	
Net cash This is a measure of the overall liquidity position of the business at the statement of financial position date. It is equal to cash and cash equivalents less borrowings, excluding bank arrangement fees and the impact of adopting IFRS 16 Leases.	Note 36	

	FY22 £m	FY21 £m
Cash and cash equivalents (see statement of financial position)	**456.1**	536.6
Current borrowings (see statement of financial position)	**(50.2)**	(266.1)
Non-current borrowings (see statement of financial position)	**(179.6)**	(130.4)
Less arrangement fees	**–**	30.8
Less impact of adopting IFRS 16 leases	**112.8**	105.2
Net cash	**339.1**	276.1

31 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 £30.4m (FY21: £38.3m).

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 Laing O'Rourke Insurance Limited 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, and standby letters of credit to the value of £8.0m (FY21: £9.3m) 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 (FY21: £nil).

32 FINANCIAL AND CAPITAL COMMITMENTS

Capital expenditure for property, plant and equipment authorised and contracted for which has not been provided for in the consolidated financial statements amounted to £21.0m (FY21: £13.2m) in the Group.

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 £nil (FY21: £nil).

33 RELATED PARTY TRANSACTIONS AND BALANCES

IDENTITY OF RELATED PARTIES

The Group has a related party relationship with its major shareholders, 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

	2022		2021	
	Income earned in year £m	**Receivable at year-end £m**	Restated[1] Income earned in year £m	Restated[1] Receivable at year-end £m
Joint ventures	**9.0**	**1.3**	9.2	0.8

PURCHASE OF GOODS AND SERVICES PROVIDED BY RELATED PARTIES

	2022		2021	
	Expenses paid in year £m	**Payable at year-end £m**	Expenses paid in year £m	Restated[1] Payables at year-end £m
Joint ventures	**47.0**	**5.5**	34.7	6.3

1 See note 2.2 for details of restatement.

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. Amounts due to and from joint ventures and associates at 31 March 2022 are disclosed within investments in joint ventures and associates, trade and other receivables and trade and other payables in notes 15, 19 and 23 respectively. No amounts were written off in the year by either party in respect of amounts payable under the agreements entered into.

PROPERTY LEASES

During the year the Group incurred expenditure of £1.8m (FY21: £1.8m) with Mark Holding and Finance Limited and £6.1m (FY21: £6.1m) with Steetley Investments Limited in respect of amounts due under lease agreements for premises occupied by the Group. In both years all invoices from Steetley Investments Limited were paid to Ebsworth Holding and Finance Limited.

During the year the interests in Mark Holding and Finance Limited and Steetley Investments Limited and Ebsworth Holding and Finance Limited were held in trust, the beneficiaries of which are R G O'Rourke KBE and H D O'Rourke. At the year end the balance outstanding to Mark Holding and Finance Limited was £0.1m (FY21: £nil) and to Steetley Investments Limited was £0.2m (FY21: £nil). No amounts were written off in the year by either party in respect of amounts payable under the agreements entered into.

LOANS

An interest bearing loan payable by Suffolk Partners Corporation remained outstanding at 31 March 2022. R G O'Rourke KBE and H D O'Rourke are beneficiaries of the trusts which ultimately owns Suffolk Partners Corporation. Interest earned by the Group during the year was £1.2m (FY21: £1.2m), they did not advance any loan amounts in either year. The balance outstanding at the year end was £21.1m (FY21: £20.4m). No amounts were written off in the year by either party in respect of amounts payable under the agreements entered into.

33 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

SUBORDINATED LOAN

As at 31 March 2021 the Group had a £38.6m subordinated long-term loan from R G O'Rourke KBE and H D O'Rourke, who own 100% of the shares of the Company. Total interest of £2.5m (FY21: £4.4m) was accrued on the loan balances during FY22, with £17.2m of brought forward accrued interest. On 4 October 2021 the entirety of the shareholder loans, including accrued interest, of £58.2m were converted to equity. There was no balance outstanding as at 31 March 2022 (FY21: £55.8m).

LOANS TO AND FROM JOINT VENTURES AND ASSOCIATES

At 31 March 2022 loans to joint ventures amounted to £8.0m (FY21: £41.6m) and loans from joint ventures amounted to £nil (FY21: £nil). During the normal course of business the Group provided services to, and received management fees from, certain joint ventures and associates amounting to £nil (FY21: £nil). Amounts due to and from joint ventures and associates at 31 March 2022 are disclosed within investments in joint ventures and associates, trade and other receivables and trade and other payables in notes 15, 19 and 23 respectively.

Following acquisition of the remaining shares in Canal Harbour Development Company Limited the company became a wholly owned subsidiary and £34.4m previously presented as loans to joint ventures was capitalised during the year. No amounts were written off in the year by either party in respect of the remaining amounts repayable under the agreements entered into.

DIRECTORS' REMUNERATION

During the year the total remuneration of the Directors was £4.2m (FY21: £3.5m) of which pension costs amounted to £nil (FY21: £nil), see note 7.

OISIN

During the year the Group paid costs of £0.1m (FY21: £0.1m) to Oisin Aviation (IOM) LP for the rental and £0.1m (FY21: £0.2m) for the operational services of the aircraft to Oisin Aviation (Jersey) LP. During the year the Group received reimbursement of employment and administrative costs of £0.3m (FY21: £0.1) from Oisin Capital Limited and £0.2m (FY21: £nil) from Oisin Aviation (Jersey) LP, with £0.1m outstanding from Oisin Capital Limited at 31 March 2021. During the year the limited partners of Oisin Aviation (IOM) LP and Oisin Aviation (Jersey) LP were R G O'Rourke KBE and H D O'Rourke. During the year the interests in Oisin Capital Limited were held in trust, the beneficiaries of which are R G O'Rourke KBE and H D O'Rourke. No amounts were written off in the year by either party in respect of amounts payable or receivable under the agreements entered into.

TRANSACTIONS WITH DIRECTORS'

During the year H D O'Rourke employed the Group to provide stonemasonry services. £0.1m was recognised as revenue for these services and £nil was outstanding as at 31 March 2022. No amounts were written off in the year by either party in respect of amounts payable under the agreements entered into. The contract is based on normal commercial terms.

During the year D McGeeney, Director Infrastructure and Specialist Trading, employed the Group to provide stonemasonry services. £0.1m was recognised as revenue for these services and £13,700 was outstanding as at 31 March 2022 but has since been paid post year end. No amounts were written off in the year by either party in respect of amounts payable under the agreements entered into. The contract is based on normal commercial terms.

34 ULTIMATE PARENT COMPANY

The immediate and ultimate parent company of Laing O'Rourke Corporation Limited was, until 25 March 2021, Suffolk Partners Corporation, a company incorporated in the British Virgin Islands. On 25 March 2021 100% of the share capital of Laing O'Rourke Corporation Limited was sold to R G O'Rourke KBE (65.2%) and H D O'Rourke (34.8%). Following the debt to equity conversion R G O'Rourke KBE received 1 share and H D O'Rourke received 141 shares, their shareholdings now stand at 64.2% and 35.8% respectively. R G O'Rourke KBE remains the ultimate controlling party by virtue of his majority shareholding.

35 POST BALANCE SHEET REVIEW

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

36 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	Liabilities from financing activities					
	Borrowings £m	Bank arrangement fees £m	Leases £m	Sub-total £m	Cash and cash equivalents £m	Net cash £m
As at 1 April 2020	(287.4)	28.4	(46.6)	(305.6)	460.8	155.2
Cash flow	(5.0)	–	–	(5.0)	160.5	155.5
New lease arrangements	–	–	(17.8)	(17.8)	–	(17.8)
Repayments[1]	63.7	(6.2)	41.0	98.5	(98.5)	–
Exchange differences	(3.8)	–	(3.0)	(6.8)	13.8	7.0
Impact of IFRS 16 adoption at 1 April 2020	–	–	(117.7)	(117.7)	–	(117.7)
Impact of IFRS 16 at 31 March 2021	–	–	105.2	105.2	–	105.2
Other changes*	(13.2)	8.6	(6.7)	(11.3)	–	(11.3)
As at 31 March 2021	(245.7)	30.8	(45.6)	(260.5)	536.6	276.1
Cash flow	**(6.5)**	**–**	**–**	**(6.5)**	**97.4**	**90.9**
New lease arrangements	**–**	**–**	**(90.7)**	**(90.7)**	**–**	**(90.7)**
Repayments[1]	**168.1**	**(30.8)**	**48.9**	**186.2**	**(186.2)**	**–**
Conversion of debt to equity	**58.3**	**–**	**–**	**58.3**	**–**	**58.3**
Exchange differences	**(1.3)**	**–**	**(1.3)**	**(2.6)**	**8.3**	**5.7**
Impact of IFRS 16 at 31 March 2021	**–**	**–**	**(105.2)**	**(105.2)**	**–**	**(105.2)**
Impact of IFRS 16 at 31 March 2022	**–**	**–**	**112.8**	**112.8**	**–**	**112.8**
Other changes*	**(2.6)**	**–**	**(6.2)**	**(8.8)**	**–**	**(8.8)**
As at 31 March 2022	**(29.7)**	**–**	**(87.3)**	**(117.0)**	**456.1**	**339.1**

* Other changes include accrued interest not yet paid and interest relating to lease liabilities

1. Repayments of £168.1m (FY21: £63.7m) in FY22 include £137.3m (FY21: £56.5m) related to core debt and fees.

The Group defines net cash as cash less debt but excluding bank arrangement fees and the impact of adopting IFRS 16.

37 PRINCIPAL SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

Principal subsidiaries	Principal activity	Group interest in ordinary voting shares	Principal place of business
Crown House Technologies Limited	Mechanical and electrical contracting	100%	United Kingdom
Explore 2050 Engineering Limited (formally Expanded Limited)	Civil and structural engineering, piling and demolition	100%	United Kingdom
Explore 2050 Manufacturing Limited (formally Explore Manufacturing Limited)	Manufacture of construction products	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
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%	Jersey
Laing O'Rourke Australia Group Pty Limited	Holding company	100%	Australia
Laing O'Rourke Canada Limited	Building contracting	100%	Canada
Laing O'Rourke Delivery Limited (formally 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 Holdings Limited	Holding company	100%	United Kingdom
Laing O'Rourke India Holdings Limited	Holding company	100%	Jersey
Laing O'Rourke Infrastructure Limited	Civil engineering and infrastructure	100%	United Kingdom
Laing O'Rourke Ireland Holdings Limited	Holding company	100%	Jersey
Laing O'Rourke Ireland Limited	Building contracting	100%	Ireland
Laing O'Rourke Manufacturing Limited	Manufacture of precast concrete	100%	United Kingdom
Laing O'Rourke Middle East Holdings Limited	Building contracting and civil engineering	100%	Jersey
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%	United Kingdom
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

37 PRINCIPAL SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES (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
BYLOR Services Limited	Service company	50%	United Kingdom
CLM Delivery Partner Limited	Non-trading	37.5%	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
9231 – 9243 Quebec Inc	PFI accommodation operator hospital	50%	Canada

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

Joint Operations	Principal activity	Group ownership interest	Principal place of business
Bayswater JV	Civil engineering	50%	Australia
BYLOR	Civil engineering	50%	United Kingdom
COLOR Bond Street	Civil engineering	50%	United Kingdom
COLOR Farringdon	Civil engineering	50%	United Kingdom
East West Alliance	Civil engineering	33%	United Kingdom
FLO – Northern Line	Civil engineering	50%	United Kingdom
FLO – Thames Tideway Tunnel	Civil engineering	50%	United Kingdom
Heathrow East Terminal Project	Civil engineering	33%	United Kingdom
LM	Civil engineering	50%	United Kingdom
M-Pact Manchester	Civil engineering	60%	United Kingdom
SAIP	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	43%	Hong Kong
Laing O'Rourke – Hsin Chong Paul Y (WKCD) JV	Infrastructure and building construction	55%	Hong Kong
Pacific Complete JV	Civil engineering	60%	Australia

The registered address of those registered in Jersey is Level 4, International Finance Centre 1, St Helier, Jersey, JE2 3BX.

The registered address of those registered in United Kingdom is Bridge Place, Anchor Boulevard, Admirals Park, Dartford, Kent DA2 6SN except Alder Hey (Special Purpose Vehicle) Limited, whose registered address is 1 Kingsway, London WC2 6AN.

The registered address of those registered in Australia is Level 21, 100 Mount Street, North Sydney, NSW 2060, Australia.

The registered address of those registered in the Republic of Ireland is 3 Dublin Landings, North Wall Quay, Dublin 1.

The registered address of Emirates Precast Construction LLC is Emirates Precast Construction LLC, P.O. Box 10062, Jebel Ali Industrial Area 2, Dubai, U.A.E.

The registered address of Suffolk Partners Three Limited is Trident Chambers, P.O. Box 146 Road Town, Tortola, VG1110, British Virgin Islands.

The registered address of those registered in Hong Kong is RM905, 625 King's Road, Quarry Bay, Hong Kong.

The registered address of those registered in Canada is 1031 Saint-Denis Street, Montreal, Quebec, Canada.

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