LAING O'ROURKE

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

CONTENTS

CHAIRMAN'S STATEMENT

In my first Chairman's statement, in last year's annual report, I referred to the mounting challenges in the wider UK construction industry. I confirmed that these would only increase our resolve to continue to drive innovation, build stronger relationships with all our stakeholders and influence more realistic risk and reward policies in public sector procurement. Indeed, our resolve did increase – as did our performance in critical areas of focus throughout the organisation. The measurables of that performance are presented in the following pages, and I congratulate the leadership team and all our employees who drove these exemplary continuing turnaround results.

Our concerns about our wider industry however, remain largely unchanged. Very recently the UK's construction sector reported its worst month since 2009, according to the construction purchasing managers' index (PMI). The livelihood of some three million UK workers, and the wellbeing of those who support and depend upon them, remains at risk. Our country's sustainable economic recovery and the critical need to keep renewing our infrastructure requires the driving force of a successful construction sector. At the same time, construction can no longer be driven by old standards and outmoded thinking. That is why we as a Board enthusiastically support the ongoing innovative transformation agenda of the Laing O'Rourke Corporation Limited Group ('Laing O'Rourke').

During the year I have had the privilege of meeting with the leaders and teams of our various business units and specialist trading arms in both the UK and Australia. They have greatly impressed me with their sense of purpose and the tangible progress they are achieving which goes beyond the bottom line. Laing O'Rourke has instituted carefully planned strategies to address key areas such as diversity, the development and wellbeing of our people, relationships with our suppliers, strategic partnerships, engagement with policy-makers, and technical and digital innovation on a scale that puts Laing O'Rourke at the forefront of a long overdue reform across the construction sector.

We have a clear vision at Laing O'Rourke to be the recognised leader of innovation and excellence in all aspects of our business by 2023, and the Board shares the leadership team's confidence that we'll improve on that deadline by some margin.

In closing, I again thank all who share our vision and support our efforts. Our continuing commitment in the year ahead is to drive our transformative plan, which has already delivered resilience and added significant value.

Despite the clouds of uncertainty in the UK and the challenges still around our sector, we are positively looking forward to the journey to deliver our vision and our commitments to our clients and all our stakeholders.

Sir John Parker GBE FREng
CHAIRMAN

GROUP CHIEF EXECUTIVE'S REVIEW

Knowing how hard our people have worked in the past year, I am pleased to present a review that acknowledges the value of their dedication and business acumen. It is the continuing story of the transformation of Laing O'Rourke, and the team behind it.

As promised, Laing O'Rourke continues to address the challenges of ongoing market uncertainty and resulting hesitancy in both the public and private sectors.

We remain committed to the core conditions that will help us lead to a very different construction industry. This past year has not diminished our resolve to stay the course.

The Group's reported earnings before interest and tax improved by £74.7m to a profit of £47.2m (2018: loss of £27.5m).

This past year's performance can be attributed to several factors. We continue to ensure that our overheads are sized appropriately for the business, as part of our drive for industry-leading cost-efficiency.

We have a firm strategy for business development, concentrating on more complex projects in the UK – where we can engage early to drive compelling solutions – and major infrastructure projects in Australia, particularly for our State and Federal Government clients.

We have compiled a strong order book and pipeline of opportunities. Most importantly, we believe our volumes are realistic and based firmly around our strategic capabilities.

It should be clear that Laing O'Rourke is dedicated to navigating the real challenges of the present while progressing fundamental change in our company, and indeed the industry as a whole. We are continually grateful to our clients, suppliers and other stakeholders whose support has provided us with enormous opportunities, despite the complex times.

Ray O'Rourke KBE
GROUP CHIEF EXECUTIVE

OPERATING REVIEW

OPERATING REVIEW – GROUP

Laing O'Rourke's focus on targeting specific, complex projects where we can provide the market with competitive edge has continued to pay dividends. We already see improved results arising from the actions and discipline introduced during prior years, with a stable platform from which to take advantage of the pipeline of new opportunities within our core markets.

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

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

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

In April 2018, the UK business was awarded silver in Mind's Workplace Wellbeing index, and went on to attain gold in April 2019. The Group's commitment to creating a positive culture around mental health was further recognised in November 2018 when Silvana Martin was named as Health & Wellbeing Leader at the Construction News Talent awards.

October 2018 saw Laing O'Rourke collect Construction Enquirer's award for 'Best Main Contractor to Work For (over £250m)'. As an award voted for by the public and our employees, it provides strong recognition of our 2025 mission to be the recognised leader for innovation and excellence in the construction sector.

The Construction Enquirer Awards also recognised Manchester Airport as one of the Top Ten 'Best Projects to Work On (Building)' and Hinkley Point C was in the Top Ten 'Best Projects to Work on (Civils)'.

In the UAE, Laing O'Rourke won several 'Expo 2020 – Better Together Awards' including Worker Welfare Initiative of the Year and Contractor of the Year; with Nathan Swanson collecting the Project Manager of the Year.

Laing O'Rourke was once again confirmed as one of Australia's top innovators, taking the 16th spot on the prestigious AFR Top 100 Most Innovative Companies list in FY19, marking three top 20 results from three entries.

OPERATING REVIEW – EUROPE HUB

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

The trading year in Europe was characterised by an improvement in the reported earnings before interest and tax of UK contracts as our approach to work winning continues to yield results.

With the full agreement and support of our lender group the UK business was successfully refinanced in February 2019.

The Hub has remained focused on driving innovation and delivering certainty to our clients, by engaging with them at the earliest stages in a project's design. Our approach has produced significant wins across building and infrastructure.

During the reporting period, the Hub won a range of projects across a variety of sectors, many with existing clients, illustrating the strength of the business' focus on forming long term partnerships. In June 2018, we finalised the contract to build The Factory; a new cultural space in Manchester and in November 2018, we continued our relationship with Equinix who appointed us as preferred bidder to build our third data centre for them – LD11 and in the same month we were appointed preferred bidder for residential scheme, St Michael's in Manchester. In February 2019, as The Brunel Building was in delivery, we went on to secure our next contract with Derwent London; Soho Place, a mixed-use scheme that will house the first theatre to be built in the west end of London for 50 years. Our 20-year relationship with the University of Oxford continued, where in late February 2019 we agreed contracts to complete delivery of their Biochemistry building, having already delivered the first phase in 2008.

A Laing O'Rourke Residential business stream within UK projects, with the full utilisation of our DfMA 70:60:30 offsite manufacturing methodology was formed in FY18. It forms part of our response to the UK Government's desire to drive modern methods of construction and with its leadership and delivery teams established, it began operating fully in the FY19 trading year.

The UAE companies have performed acceptably in difficult market conditions and continue to work on projects with increased scope growth, including the Khazna data centre and Expo 2020 Dubai. The UAE business continues to benefit from the support of its lender Emirates NBD with facilities of AED561m successfully renewed on an annual basis each October.

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, delivering increased certainty for all stakeholders.

The UK business has mapped and analysed the potential challenges that may result from the UK's withdrawal from the European Union and, to date, has not identified any material direct negative impact on UK current live projects either in the traditional built environment or infrastructure sectors. The business has not seen any deterioration to forecast revenues on its existing contracts due to Brexit, and reports a steady reduction in voluntary staff attrition over the last 12 months with strong retention of the EU nationals employed in our business. The Board continues to monitor the future impact and market slows-downs caused by the ongoing uncertainty in the UK and remains vigilant to the need to respond to changes in macro-economic conditions as we approach 31 October 2019.

OPERATING REVIEW – AUSTRALIA HUB

Laing O'Rourke Australia strengthened its order book with prestigious projects.

Laing O'Rourke secured a number of major projects across its Australian operations in FY19 including the AUD$800m Australia-Singapore Military Training Initiative Facilities Project in Queensland and the AUD$1.8bn Osborne Naval Shipbuilding Precinct (Future Submarine Program) Infrastructure Development Project in South Australia, building on a strong portfolio of projects across the country.

Having successfully completed the expansion of Brisbane's International Airport terminal – Laing O'Rourke was awarded the AUD$80m contract to deliver the planning, design and construction of a new multi-level car park.

The Hub posted a strong managed revenue performance of AUD$1.2bn, £681.9m (FY18: AUD$1.5bn, £862.5m) and achieved a return to profit after tax of AUD$7.0m, £3.9m (FY18: loss after tax AUD$25.1m, £14.6m), marking a significant turnaround which can be attributed to increased productivity, improved project performance and a new operating model which was implemented across the Hub in FY19 – placing projects, and certainty of delivery at the heart of all decision making. This improvement was offset by an adverse arbitration decision which had the impact of reducing FY19 revenue and profit before tax by AUD$40.4m (£22.4m).

The business also confirmed that Vossloh AG had acquired Austrak, which was founded in Australia in 1982 and since 2006 has been a fully-owned subsidiary of Laing O'Rourke.

With a strong order book in excess of AUD$2bn and a year-end cash position of AUD$218.9m (FY18: AUD$214.8m), the Hub maintains a positive outlook for FY20.

The period also saw Paul Milne re-join the business as the Director for Core and Specialist Businesses. Richard Coleman also joined the business as General Manager for Health, Safety and Environment.

OUR BUSINESS MODEL

HOW WE CREATE VALUE

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

Our business model is founded on our reputation for smart and certain delivery and it is our Deliver 2025 mission to become the recognised leader for innovation and excellence in the construction industry.

To achieve this mission, we prioritise how we differentiate our offer, successfully and consistently deliver projects to our clients and develop a sustainable and successful future.

WHAT WE DELIVER

OUR CLIENT PLATFORM

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

OUR UNIQUE APPROACH

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

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

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

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

HOW WE DELIVER

THE VALUE OF CERTAINTY

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

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

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

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

Using standard product design for bespoke solutions, where appropriate, and where it adds value to our clients, manufacturing off site allows us to better control quality and assure delivery, without compromising the original architectural intent. We can be faster, cleaner, safer and more reliable and sustainable than our competition.

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

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 our clients consistently appreciate the certainty that this creates.

FINANCIAL REVIEW

During the year ended 31 March 2019 (FY19), the Group made significant progress on the turnaround in its financial fortunes. Transforming results from a loss after tax of £219.9m in FY16 to a profit of £33.7m in FY19.

While significant challenges remain in the sector, particularly in the UK, the performance of its key trading businesses underpin the turnaround plan and support our 'Deliver 2025' strategy.

GROUP FINANCIAL SUMMARY FY16 – FY19

	FY19 (£m)	FY18 (£m)	FY17 (£m)	FY16 (£m)
Group revenue	**2,753.4**	2,758.1	2,934.6	2,353.6
Profit/(loss) after tax	**33.7**	(46.5)	(60.6)	(219.9)
Net cash (note 35)	**132.9**	89.1	65.5	45.4

The key achievements can be summarised as follows:

- The Group returned to profitable performance, making a profit after tax of £33.7m in its third consecutive year of improvement.
- The Group generated a net cash improvement of £43.8m and finished the year with net cash of £132.9m.
- The Europe Hub (UK, UAE and Canada) statutory earnings before interest and tax (EBIT) improved by £65.8m to a profit of £76.1m from a profit of £10.3m in the prior year.
- Significant progress has been made in refinancing the Group with the UK business completing its refinancing exercise in February 2019.
- The Australian business refinanced after the year end; completing the refinancing of its banking facilities on 5 July 2019. The renewal date for these facilities is 31 December 2021, aligned with the UK facilities.
- At the year-end, the Group had an order book of £7.6 billion (2018: £8.1 billion). (Order book is defined as the value of work outstanding on secured, anticipated and preferred bidder contracts). The level remains strong although it is lower than the prior year end. The key target for the Group is to convert the strong UK pipeline and delivery of this represents the Board's first priority for the remainder of the FY20.

GROUP SUMMARY INCOME STATEMENT

	FY19 (£m)	FY18 (£m)
Revenue	**2,753.4**	2,758.1
Gross profit*	**212.1**	171.6
Gross profit %*	**7.7%**	6.2%
Administrative expenses %*	**6.5%**	6.5%
Pre-exceptional EBIT	**46.6**	1.1
Statutory EBIT	**47.2**	(27.5)
Profit/(loss) after tax	**33.7**	(46.5)
Net cash (note 35)	**132.9**	89.1

* Pre-exceptional

The Group's statutory EBIT improved by £74.7m to a profit of £47.2m from a loss of £27.5m in FY18.

The Group's reported performance is stated after incurring a number of exceptional items; these are summarised on page 8. Underlying performance was impacted by increased cost of defects in the UK and a material write-down on an Australian legacy debtor following an adverse arbitration decision.

Corporate activities incurred a statutory EBIT loss of £30.8m (FY18: £23.3m) and these costs form part of the central services, oversight and compliance to the rest of the Group.

EUROPE HUB FINANCIAL SUMMARY PERFORMANCE

	FY19 (£m)	FY18 (£m)
Revenue	**2,122.3**	1,963.7
Gross profit*	**167.6**	100.4
Gross profit %*	**7.9%**	5.1%
Administrative expenses %*	**4.5%**	4.4%
Pre-exceptional EBIT	**84.1**	31.4
Statutory EBIT	**76.1**	10.3
Profit/(loss) after tax	**60.7**	(7.8)
Net cash	**81.3**	(22.9)

* Pre-exceptional

The Europe Hub statutory EBIT has increased by £65.8m due to improvements in the performance of the key trading businesses and a reduction in losses in Canada.

UK performance has improved due to the operational performance of its main contracting businesses (building and infrastructure) as well as its specialist trading businesses. In FY19 the UK successfully delivered 44 construction projects, eight specialist contracts and achieved its utilisation targets across its plant business.

The cumulative losses in Canada are unchanged at £206m. The initiatives undertaken in the last 24 months have successfully de-risked the project and the Group is not expecting any further losses.

The hospital 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 is being delivered by a competent local contractor).

At the completion of extensive review, the UK businesses made accruals, within underlying profit, for the rectification of latent defects, including cladding and firestopping issues, £46.5m in FY19 (FY18: £20.9m).

AUSTRALIA HUB FINANCIAL SUMMARY PERFORMANCE

	FY19 (£m)	FY18 (£m)
Revenue	**630.7**	792.9
Gross profit*	**42.1**	66.8
Gross profit %*	**6.7%**	8.4%
Administrative expenses %*	**7.9%**	10.1%
Pre-exceptional EBIT	**(6.7)**	(11.4)
Statutory EBIT	**1.9**	(14.5)
Profit/(loss) after tax	**3.9**	(14.6)
Net cash	**79.2**	119.0

* Pre-exceptional

The Australia Hub statutory EBIT has increased by £16.4m also due to improvements in the margins of the key trading businesses, this is despite taking an impairment of £22.4m in respect of a legacy debtor which was settled in arbitration after the year end.

Administrative expenses have also improved due to a reduction in overheads, including recharges from Corporate Hub. These improvements have more than offset the reduction in revenue year on year and an increase in work winning costs as the Hub responded to a number of strategic opportunities.

The Australia Hub statutory EBIT was also impacted by further exceptional costs associated with legal fees in respect of material contract legal issues (INPEX tanks). The Hub also had an exceptional gain on the sale of a subsidiary in the year.

The loss to date on the EPC Cryogenic Tanks contracts, which terminated in FY17, amounts to £40.3m and represents costs in respect of delays and other matters in which the recovery of our contractual entitlement is being sought in addition to other substantial claims that have not been recognised in contract revenue at 31 March 2019. No losses were incurred in FY19 on this project.

EXCEPTIONAL ITEMS

During the year the Australia Hub incurred exceptional legal costs of £3.2m (FY18: £3.0m) relating to an ongoing dispute. These costs are in respect of material contract legal issues (INPEX tanks). The Hub incurred £2.9m in respect of restructuring costs (FY18: £nil). The Australia Hub also disposed of its subsidiary Austrak Pty Limited achieving an exceptional profit on disposal of £14.7m. The Hub incurred £nil (FY18: £0.1m) of exceptional refinancing costs.

The European business incurred £8.0m (FY18: £8.1m) of external costs in relation to refinancing and other financial stakeholder adviser fees.

In FY18 the Group incurred £4.3m of costs impairing loans in its Corporate hub and the Group also had exceptional costs of £3.2m relating to the closure of its Modulor business in the UAE.

Also during FY18, the Group recognised an exceptional pre-tax profit of £9.7m on the sale of the trade and assets of Bison Manufacturing Limited.

FUNDING

The Group's net cash position (cash less debt but excluding bank arrangement fees) improved from £89.1m at 31 March 2018 to £132.9m at 31 March 2019. This improvement was driven by increasing cash from both contracting and investing activities (see note 35).

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

Since FY16, despite the financial challenges in the sector, the Group has complied with, or secured waivers in advance of, potential breaches of its bank covenants during the year and up to the date of signing these accounts.

The Group finances 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 uses project related bonding and guarantees to support its activities. The use of these instruments is prevalent in each of the Group's territories. 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 four years the Group has sought to reduce its use of these instruments.

The Group does not employ supplier payment facilities in any of its territories.

GROUP BONDS AND GUARANTEES

	FY19 (£m)	FY18 (£m)	FY17 (£m)	FY16 (£m)
Surety Exposure	**203**	238	342	343
Bank Exposure	**190**	236	333	322

UK funding

UK CORE DEBT:

	£'m	**Term**
RCF/Term Debt	**177**	3 years
Other loans	**39**	3 years

In February 2019, the Group refinanced its RCF and consolidated the existing RCF, CHUM term loan (both put in place in April 2016) together with a £13.7m property loan entered into during FY18 with an original expiry date of February 2020. The new agreements all have an expiry date of 31 December 2021.

The loans from R G O'Rourke and H D O'Rourke include the £24m loaned to the Group in April 2016 and a £15m unsecured standby loan facility which had been made available in February 2018. The repayment dates of these facilities are now aligned to the external borrowing repayment date.

These new arrangements also gave the Group short-term access to £24.5m cash until 31 December 2019, which had previously been used to collaterise bonds and bank guarantees. The Group is expecting to re-collaterise £18.4m after 31 December 2019.

In addition to core borrowing arrangements, the UK uses finance lease arrangements to support the acquisition of plant and equipment.

In the UK, bonding and similar instruments were £172m in March 2018 and had been reduced to £119m by June 2019 (March 2019: £138m). The UK business has reduced its exposure by over £250m since 2016.

UK BONDS AND GUARANTEES

	FY19 (£m)	FY18 (£m)	FY17 (£m)	FY16 (£m)
Surety Exposure	**84**	108	212	257
Bank Exposure	**54**	64	157	152

UK CONSTRUCTION WORKING CAPITAL AND SUPPLY CHAIN PAYMENTS

The UK business is targeting improvements in its supplier payments and is fully engaged with the current discussion regarding payment practices.

In addition, the Board believes that alongside this discussion the industry needs to provide a more strategic response to the credit issues within the UK construction sector, which have continued more than ten years after the peak of the last UK recession.

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.

At the same time as this increase of pressure in lending capacity, we have seen a continuation of a traditional approach to payments to tier one contractors by many of our clients, particularly within the public sector.

Tier one cash flow is particularly sensitive to the length of time taken to agree and settle change 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 paying for 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 second set of payments practice data on 29 April 2019, for the six months to 31 March 2019. The average age of payments for the Group entities submitted was 54 days with 44 per cent paid over terms. This compares with average payments of 53 days and 47 per cent paid over terms for the previous six months.

The Group's main UK trading entity; Laing O'Rourke Construction Limited reported average days of 52 with 45 per cent paid over terms, for the six months to 31 March 2019.

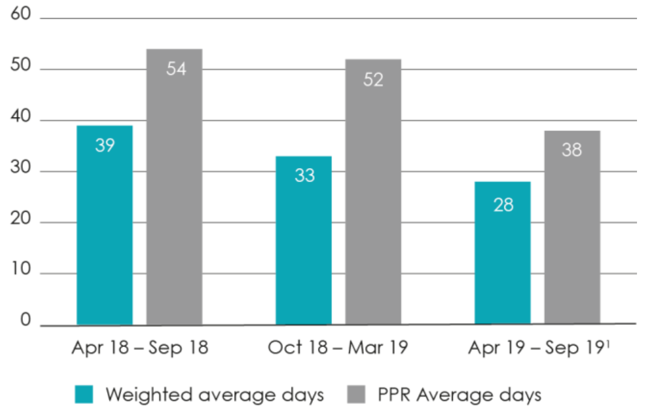
Laing O'Rourke became a signatory of the Prompt Payment Code (PPC) in 2013. It was reported in the media in April 2019 that Laing O'Rourke together with a number of other tier one contractors was temporarily suspended from the PPC for failing to pay 95 per cent of invoices within 60 days. Laing O'Rourke submitted an action plan to the PPC in May 2019 to improve payments performance. Payment practice reporting data, which the PPC relies on, does not differentiate between SMEs and large businesses, does not take account of transaction value and includes transactions that are in genuine query. Laing O'Rourke has mutually agreed terms of 60 days (or greater) with its larger material suppliers, which skews the data given the volume of transactions going through these material suppliers.

Laing O'Rourke remains committed to improving its payments performance and delivering on the actions submitted to the PPC in May 2019.

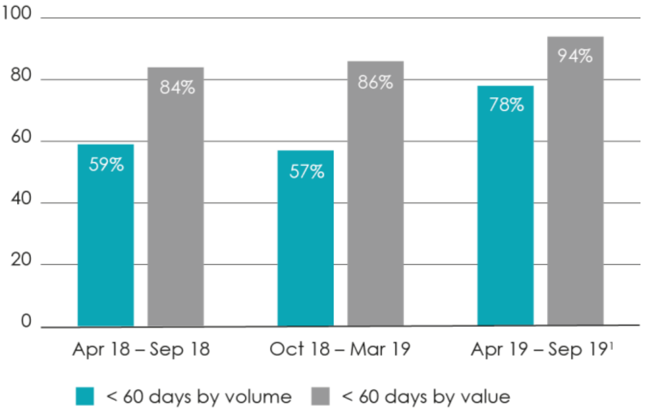
The graphs below show Laing O'Rourke Construction Limited's payment performance for the 18 months to 30 September 2019.

The first graph shows the trend of improving average payment days. The second and third graphs show the improving percentage of invoices paid within 60 days. Graph Two includes performance for payment to all suppliers and subcontractors whereas Graph Three shows performance for payments excluding payments to large companies.

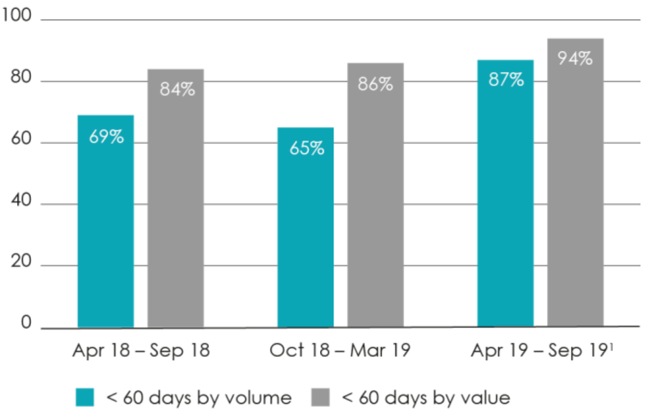
Graph One: Average days (weighted average and volume)



Graph Two: All suppliers and subcontractors, % invoices paid under 60 days by volume and value



Graph Three: Payment performance excluding large companies by volume and value



[1] September 2019 based on forecast data

Australia

During the year the Australian business put in place a AUD$50m sub-ordinated debt facility.

Since the year-end, the Australian business has completed the refinancing of its bank guarantees extending the expiry of the facilities to 31 December 2021.

AUD$73m of the bank guarantees facility was drawn at 30 June 2019 (March 2019: AUD$90m). There are also surety bonding facilities, from which AUD$231m was drawn at 30 June 2019 (March 2019: AUD$218m).

The Australian business is subject to the requirements of the security of payment legislation which ensures prompt payment of supply chain.

United Arab Emirates

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

At 30 June 2019, the business had nil drawn on in its overdraft and utilised AED355m of bonding (March 2019 AED392m). The overdraft facility is annually renewable (in line with business practice in the territory) on 31 October 2019.

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

ASSET DISPOSALS

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

During FY19 the Group sold non-core assets of £16.5m in the Dumfries & Galloway PFI asset and its interests in Austrak for AUD$44.0m (£24.4m), a specialist manufacturing business in Australia.

ORDER BOOK

The Group order book is £7.6 billion (FY18: £8.1 billion). Whilst overall this is considered a strong performance, in our UK market particularly, despite the market uncertainties, the Group needs to convert its strong pipeline to achieve its business plan.

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.

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

There has been an increase in our Australian order book, at the balance sheet date, from £1.2 billion to £1.3 billion, driven by successful bids for new projects and scope increases in existing projects.

TAXATION

The Group recorded a corporation tax credit of £0.9m in the year (FY18: £2.9m charge). This was largely due to restrictions on the use of UK losses, following changes to UK tax legislation in the prior year.

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

PENSIONS

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

INSURANCE

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

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

Our insurance profile closely tracks and correlates with our safety performance – High Potential (PC1) events dropped by 30 per cent in FY19, against the numbers reported in FY18. We remain comfortable with the level of insurance risk we are carrying internally.

GOODWILL AND INTANGIBLE ASSETS

The Group carries £323.2m (FY18: £329.0m) of goodwill in the consolidated statement of financial position. The movement year-on-year is due to foreign exchange fluctuations and the disposal of the goodwill relating to the Austrak business within the Australia Hub. 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 2019, 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 14 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 broaden its base of key financial stakeholders, including key banking relationships and surety bonding providers who support our long-term strategic agenda.

RISK AND ACCOUNTING POLICIES

The Group's risk management framework and processes are largely unchanged from FY18. Greater attention is being placed upon the risk-management framework and the work of the risk and assurance team, particularly in seeking to identify issues across all operational phases of delivery.

The Board continuously assesses and monitors risks affecting the Group. Further details of how the Group has managed key financial and operational risks, such as credit and liquidity risks are set out on pages 13 to 20 under 'risk management'.

As an EU-domiciled company, Laing O'Rourke reports its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the Cyprus Companies Law, Cap 113. The Group's significant accounting policies and measures are explained in the Notes to the Financial Statements on pages 35 to 41.

The Group implemented IFRS 9 and IFRS 15 as disclosed in Note 37.

IMPACT OF BREXIT

The referendum decision to leave the European Union ('EU') has continued to impact the construction sector in FY19 through ongoing political, economic and financial uncertainty. This is anticipated to dominate market discussions in the period to 31 October 2019 and beyond. Domestic political turmoil has highlighted many unanswerable scenarios, which make it inevitable that Brexit will impact on UK business.

Laing O'Rourke has been planning for all foreseeable potential outcomes to ensure we have robust contingency plans in place that will mitigate impacts on our core activities, and will enable us to deliver our current and future contract commitments with certainty for clients. Our assumptions have been focused on current live projects and those which underpin the future viability of the business.

These risks have been acknowledged by Laing O'Rourke but their impact cannot be quantified. However, based on our current workload, Government commitments already in play, and the infrastructure needs of the country; we believe that construction activity in infrastructure (particularly transport and aviation), education, power generation and utilities will continue to grow over the medium term.

Despite ongoing dialogue, public policy commitments to generate additional housing stock are yet to materialise in any major 'new models of delivery' as heralded by both sides of politics, with any bold investment potentially held back by the current pre-Brexit uncertainty.

BREXIT STEERING COMMITTEE

Laing O'Rourke began an ongoing executive-level Brexit risk review in 2018 with the primary aim being to map out and analyse the potential challenges that may result from the UK's withdrawal from the European Union. Bearing in mind there have been several options, timeframes and variants of Brexit under consideration by the UK Government since that time, the business now concentrates this risk analysis on four options:

1. Leave on the 31 October 2019 with a deal.
2. Leave on the 31 October 2019 with no deal.
3. Extend the date of leaving to a date after 31 October 2019.
4. Cancellation of Brexit.

Experts, economists and analysts anticipate market and currency volatility in the short term, however, any long-term impact will depend heavily on the detail of how the UK manages its participation, in whatever option, in the EU post 31 October 2019.

With the general uncertainty continuing, the strength of our order book, the ambition of our clients, the impact on our supply chain partners and our unique, directly-employed and committed workforce are the key areas of focus by our Brexit Steering Committee.

Laing O'Rourke has concentrated its highest risk assumptions on a scenario where the UK leaves the EU with no deal.

Laing O'Rourke has analysed its current order book and pipeline and this review supports an assessment that, to date, a "no-deal Brexit" would present minimal risk to current projects and liquidity forecasts.

For all current projects in the delivery phase where contractual relief may not be certain we continue to monitor any Brexit impact and discuss with our clients how best to mitigate to ensure a successful outcome for all stakeholders.

Our internal opportunity selection and contracting processes have been fine tuned to consider Brexit risk on client investment and commitment and as a private business we have only embarked on work where that trading relationship is clear and future funding routes have been detailed in a collaborative manner – allowing us to commit delivery resources and manage the large costs of mobilisation with certainty.

For new opportunities and bids, we aim to facilitate early discussions on Brexit in order to ensure an equitable apportionment of risk. We have also focused on the rigorous analysis of joint venture-led projects (including with overseas trading partners) where the possible impact and mitigations may require particular consideration and solution.

The business has additionally considered implications for the wider sector and, to date, has not identified any material negative impact on the UK construction market in the traditional built environment or infrastructure sectors (at a tier one investment level), however, there are indications that the high-rise residential market is seeing projects delayed due to general uncertainty. Other major (public and private) projects have been slower to come to market, but have in most cases continued regardless of Brexit considerations. Project cancellations have largely been the result of other market forces, for example, disruption in trading models in the retail sector.

The business has also concluded that, despite Brexit uncertainty and potential political disruption, the underlying structural drivers for UK construction work in infrastructure, power generation, education and residential will remain in place. We are concluding that, based on evidence to date and assuming the sector's clients continue with their projects, there are minimal risks to Laing O'Rourke's liquidity forecasts arising from any deterioration in revenue.

The possibility of cancelling Brexit has also been considered by our Steering Committee and, although this option would mean the UK economy would avoid sudden setbacks or disruption, it is clear that such a decision could result in further extension of the political crisis which in turn could create further uncertainty in the market. We reviewed our current order book under this assumption and again, conclude that there would be minimal risk to our existing portfolio of work over the next accounting period.

Returning to the Laing O'Rourke operating model and our direct-delivery workforce and specialist trading businesses (internal supply chain), the business conducted a further detailed review of its staff and workforce with a full analysis across primary job families in the period.

Based on the most recent data, 15.6 per cent of Laing O'Rourke's total UK headcount are EU citizens and 22.2 per cent of that total are Irish citizens who have the full ongoing right to work in the UK leaving a net exposure of 12.1 per cent of our people across all roles.

This risk assessment has highlighted a dependency on EU nationals in certain job families and the business is monitoring developments in these areas, however, it is clear that earnings and rewards are such that it does not present a significant risk to staff retention, staff recruitment or the ability to comply with the minimum earnings threshold for securing visas. Internal campaigns have been run during FY19 to provide HR and corporate-level assistance to EU nationals to understand their rights under all Brexit scenarios and to access UK Government 'settled status' provisions. This has included video content streamed direct to the construction workforce, and accessible on their private phones, to ensure they feel supported amid political, economic and migration uncertainty.

The business has also monitored staff turnover over the last 12 months and continued to see a decline in voluntary staff attrition which supports the assessment that, to date, Brexit is not having a material negative impact on available labour resources. As a UK-based business with a 3000-strong trading entity in Australia, we are also well placed to access specialist resources within the Laing O'Rourke group should EU markets become restricted in a post-Brexit environment.

The UK business buys assets such as tower cranes as part of its core business and has conducted a detailed analysis on potential tariffs based on our history of direct imports from the EU and possible registration procedures available to mitigate import supply difficulties. No tariffs apply under WTO rules to the import of tower cranes and it is assumed that additional customs procedures will create delays of no more than seven days. Apart from construction capital assets, the level of direct EU imports is low and the estimated additional costs arising from a 'no deal Brexit' are deemed to be immaterial. Additional work in the period has been invested in securing strong trading partnerships with our major suppliers in Italy and Germany to ensure collaborative working through Brexit.

SUMMARY

There has been no change to the Group's work-winning discipline, or material negative impact on current live projects, staff recruitment and attrition or unexpected input price inflation due to Brexit.

However, with the political environment continuing to develop – and significant market fatigue from the long-term uncertainty associated with the political impasse – few companies can declare themselves immune to the risks of withdrawal from the EU.

The Board will continue to monitor developments in the UK business and political environment, and remains vigilant to the need to respond to changes in market conditions such as freedom of movement, employment conditions, finance and tariff implications, disruption to supply of plant and equipment and key construction components, logistics, exchange rates and primary commodity prices as we approach 31 October 2019, and for the period immediately after any other withdrawal date.

OUTLOOK

The Group has faced up to the challenges encountered in FY16-FY19 not only by refinancing its businesses, but also continuing to embed new processes and controls on project selection, operational delivery, and risk and assurance.

Our 2020 financial year-end plan and the longer-term delivery of our Deliver 2025 strategy is predicated on continuing to win sufficient opportunities within our pipeline, to implement our successful business model, to sell non-core assets and a smooth Brexit transition with no significant delays or disruptions to projects and our supply chain.

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

A S MCINTYRE
GROUP FINANCE DIRECTOR

15 OCTOBER 2019

RISK MANAGEMENT

PROACTIVELY AND EFFECTIVELY MANAGING RISK

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

GROUP RISK MANAGEMENT

HOW LAING O'ROURKE MANAGES RISK

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

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

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

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

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

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

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

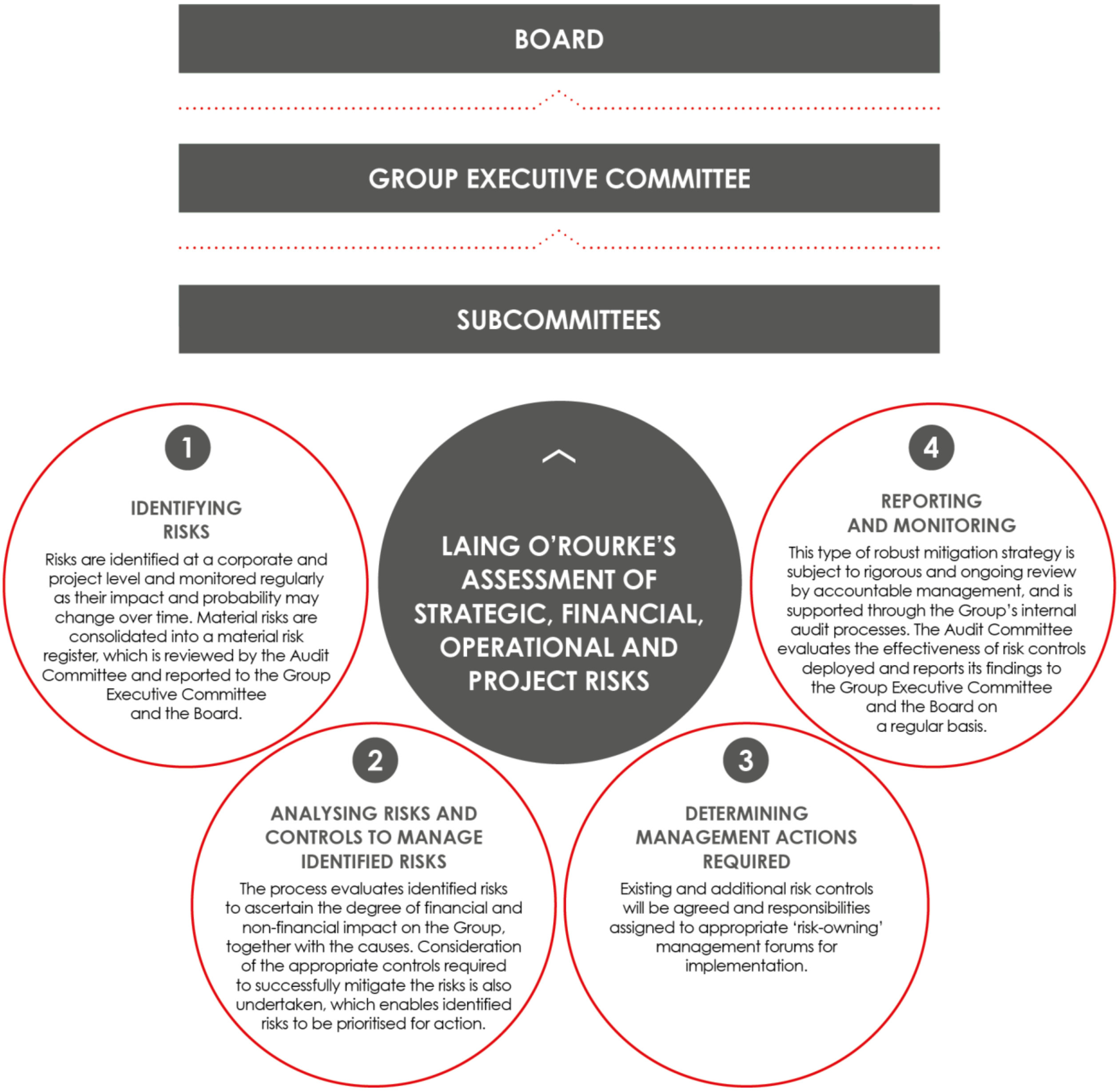
Project risks are monitored and reported by our project leadership teams, which are reviewed by business unit operational management at monthly contract reviews. This process covers the financial and schedule performance of projects and is overseen by the commercial function. The Business Plan Review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

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

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

INTERNAL CONTROLS

The system of internal risk controls is described within our management system, the iGMS. This is described 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 procedures.



OPERATIONAL GOVERNANCE

GLOBAL CODE OF CONDUCT

Laing O'Rourke believes laws and regulations act as our minimum integrity standards, and we constantly seek to go beyond this level. The Global Code of Conduct articulates how we expect every employee and contracted supply chain partner to maintain the highest standards of conduct in all our dealings, upheld in every activity, every day, wherever we operate.

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

GROUP POLICIES

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

PROJECT QUALITY MANAGEMENT SYSTEM

Launched in September 2017, the iGMS (integrated Group Management System) contains Laing O'Rourke's enterprise-wide management system, knowledge and information, the repository for all processes, procedures, technical information, general information, guidance, templates, checklists and learning; enabling our people to be organised for success and providing guidance on how we want them to go to work. All of the procedures found within the iGMS are mandatory where they are applicable.

Developed from the core and enabling processes, the iGMS now fully aligns with our operating model.

The iGMS is divided into four sections:

ENTERPRISE: Corporate policies, processes and procedures.

EMPLOYEE: Individual employee processes and procedures.

PROJECT: Risk control, oversight and governance processes and procedures required to be adhered to during each stage of a project's lifecycle from opportunity identification through to handover, ensuring that the project requirements are met.

SUPPORTING INFORMATION: Information to carry out a work activity and specific operating instructions for functions and business units.

In December 2017 through extensive audit, our updated management system and performance against it, was certified by the BSi against the requirement of the latest quality standard BS EN ISO 9001: 2015. This latest version of the standard has its core principles as leadership and risk-based thinking.

The iGMS was migrated to the Australia Hub during FY19.

INTEGRATED GROUP MANAGEMENT SYSTEM

iGMS enables accountable business leaders to fully understand the critical sign-off procedures in bidding for and securing a project, and the formal governance approach which must be observed to secure optimum performance.

It is also a vital tool for establishing accurate and reliable assessments of risk and opportunity in commercial and design activities and is aligned with our health, safety and environment systems. The relevant procedures within iGMS are mandatory across all projects and compliance and effectiveness is monitored by our central assurance activities.

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

BUSINESS UNIT/FUNCTION GUIDELINES AND PROCEDURES

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

SUMMARY OF PRINCIPAL RISKS

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

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

HEALTH, SAFETY AND SUSTAINABILITY

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

WORK-WINNING

Risk/Impact:	Mitigation:
Market limitations on delivery of new business could put pressure on the business to secure projects with inadequate price/risk profiles or with difficult client/contractual arrangements, which could impact the Group's future profitability and its reputation with clients, suppliers and employees resulting in lost opportunities.	The Group's approach to project selection is guided by detailed governance and set of protocols known as gateways, held on the Laing O'Rourke management system, known as iGMS. This has defined authority levels for approving all tenders depending on the size and complexity of the project under consideration that is supported through our gateway process. Our end-to-end delivery capability and early engagement initiatives result in greater certainty of the build sequence, cost and risk profile pre-contract. Tender review meetings are held to check progress, understand the win strategy and test the contract risk profile in turn providing considerations/recommendations where necessary. Following sector developments and industry specific issues we have created and maintained a business plan which does not require significant volume growth. Demand for services delivered by the Group can always be impacted by sudden economic changes and volatility in government and private sector investment.

Key:

- Increase in risk during FY19
- No change in risk during FY19
- Decrease in risk during FY19

PROJECT DELIVERY

Risk/Impact:	Mitigation:
The Group continues to deliver innovative, yet complex, construction and engineering projects across a range of geographies. Any inability to deliver on time, to budget and to the right quality could result in financial loss or reputational damage.	Once a project has gone through our rigorous work-winning and project selection as previously described, Laing O'Rourke's approach is guided by a detailed set of protocols and an associated project management approach. The business is managed and monitored through a weekly Business Plan Review (BPR) across all business streams. Special attention reviews have also been introduced to ensure compliance with project delivery plans and financial forecasts and to ensure we capture lessons learnt for future contracts. Laing O'Rourke's early engagement initiatives, innovative DfMA methodology and our integrated end-to-end capabilities result in greater surety of delivery. Building Information Modelling (BIM) and digital engineering technologies are used to achieve time and cost certainty through a full visualisation of the build sequence.

JOINT VENTURE PARTNERS

Risk/Impact:	Mitigation:
Non-delivery by our joint venture partners – through poor performance, financial failure, or reduced capacity/capability – could impact the Group's ability to deliver projects on time, on budget and to the right quality, and result in financial loss or reputational damage.	Our in-house delivery capability allows the Group to actively work independently wherever possible reducing our reliance on third parties. Joint ventures are only established when the Group's interests are complementary to those of its partners. Laing O'Rourke undertakes a thorough evaluation process to determine the financial, operational and reputational integrity of potential partners before committing to any formal arrangement. Once established, implementation of robust governance procedures, throughout the duration of a project, ensures compliance with all contractual terms and practices within the joint venture. Further to this we have principal meetings with senior executives in all joint venture organisations in addition to our weekly BPR process.

SUPPLY CHAIN

Risk/Impact:	Mitigation:
Non-delivery by our supply chain – through poor performance, financial failure, or reduced capacity/capability – could impact the Group's ability to deliver projects on time, on budget and to the right quality, and result in financial loss or reputational damage.	Whenever specialist subcontractors are used to meet specific delivery needs, the risk is mitigated through a robust selection process, including reviews to assess financial and operational viability, as well as contractor capacity and capability. Our list of preferred suppliers is regularly reviewed to ensure compliance with Group standards, applicable laws and industry regulations. Furthermore, price inflation trends and supply chain feedback are used to better inform the business of the latest market movements. The UK business has centralised its procurement function with an emphasis on strategic procurement and has been undertaking a rationalisation of our supply chain to strengthen relationships with key supply chain partners.

KEY EMPLOYEE

Risk/Impact:	Mitigation:
Inability to recruit, develop and retain appropriately skilled people could impact the Group's ability to meet current commitments and deliver projects.	People are a primary component of Laing O'Rourke's strategy. The Group aims to be a progressive employer of choice and offers attractive reward packages and a broad range of career opportunities. The Group actively encourages employee engagement at all levels. The Group continues to make a significant investment in training and development and conducts detailed succession planning for key personnel across all job families. Innovative partnerships with universities also help position Laing O'Rourke in attracting leading graduates. The Board has a particular focus on maintaining a balanced level of voluntary staff attrition and regularly monitors the situation. The Group ensures there are sufficient progressive programmes in place to develop and retain our people, while recognising that specific skills and project location scheduling can be influential factors. Despite continued pressures in the labour market, our plans have delivered a further reduction in voluntary staff attrition.

FINANCIAL

Risk/Impact:	Mitigation:
Inability to secure funding – in the form of refinancing facilities – could impact the Group's ability to bid work, make investments or meet its ongoing liquidity needs, which could adversely impact profitability, cash flow and future growth.	Our experienced in-house treasury management and finance teams 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 the calendar year 2019, the Group has refinanced its UK and Australian operations with coterminous renewal dates.

EXTERNAL SHOCK	
POLITICAL, ECONOMIC AND REGULATORY	
Risk/Impact: The Group operates in a cyclical industry and changes in the economic environment, government policy and regulatory developments (including building and fire regulations) can have a significant impact on both the number of new projects and an impact on legacy projects, thus affecting the Group's profitability.	Mitigation: The Group seeks to maintain a diverse portfolio of projects for both private and public clients and a broad exposure to several resilient sectors and geographic markets. Laing O'Rourke also maintains a focus on sustainable relationships with key clients, government departments and related regulatory authorities. This includes members of the senior leadership team actively participating in many political, economic and regulatory forums to share knowledge and, where appropriate, support the development of policy and legislation. Due to the recent developments in the UK political environment, the Group considers this risk is increasing in the short term and will continue to monitor developments
BREXIT	
Risk/Impact: The UK Government continues to work towards an exit from the European Union. There will be a resulting period of uncertainty for the UK economy with increased volatility expected in financial markets.	Mitigation: The Group has mapped, analysed and continues to monitor the potential challenges that may result from the UK's withdrawal from the European Union and, to date, has not identified any material negative impact on live projects currently in delivery within the UK construction market in either the traditional built environment or infrastructure sectors. The Group does not deliver services to any country in the EU. To date, there has been no change to the Group's work winning methodologies, or negative impacts on current live projects or staff recruitment. The Board will continue to monitor the potential impact of the continuing uncertainty in the UK business environment and remains vigilant to the need to respond to changes in market conditions such as freedom of movement, finance and tariff implications, disruption to supply of plant and equipment and key construction components, exchange rates and primary commodity prices as the UK navigates the route to exit.

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

IT, DATA GOVERNANCE AND CYBER SECURITY	
Risk/Impact: External vulnerability to attack is a growing worldwide issue which could result in erroneous information entering our systems or commercial data being accessed without permission. A serious IT systems outage could have an operational, financial and/or reputational impact. Failure to comply with GDPR could have serious financial and reputational consequences for the Group. The risk has increased but our mitigation plans are robust.	Mitigation: With the new European GDPR regulations and the increased frequency and severity of global cyber security threats, we have invested in a global security operations centre and the relevant systems and tools to increase our ability to identify, mitigate and react to cyber security events. This increased visibility to our potential threats is enabling us to intervene at an earlier stage in any such event. In parallel, we have established a number of educational and awareness sessions including roadshows, mandatory e-learning and regular email communication to our people to assist in raising the awareness around these threats. A cyber plan has been implemented including cyber intelligence sharing with the wider construction industry. In parallel we are instigating a set of activities to allow Laing O'Rourke to reach compliance with the Cyber Essentials framework. We have also conducted a review of external data storage facilities and strengthened protection of all Group information, by increasing system access controls and significantly reducing the ability to extract company data.

SECURITY	
Risk/Impact: A serious incident could occur that is directly attributable to the action of one of our employees or the failure of related processes or training. This could affect the Group's reputation, operational and financial performance.	Mitigation: Central support is provided to ensure that rigorous checking and vetting of all employees takes place. The Group promotes a risk aware culture, with employee involvement at all levels.

KEY PERFORMANCE INDICATORS

MEASURING OUR PERFORMANCE

THE BOARD AND GROUP EXECUTIVE COMMITTEE USE A BALANCED RANGE OF FINANCIAL AND OPERATIONAL INDICATORS ACROSS OUR BUSINESS UNITS TO MEASURE THE GROUP'S PERFORMANCE AGAINST KEY DELIVER 2025 STRATEGIC TARGETS, HELPING TO GUIDE OUR THINKING AND DECISION-MAKING AT EVERY STAGE OF DEVELOPMENT.

FINANCIAL PERFORMANCE

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

MANAGED REVENUE

£3.3bn

(FY18: £3.3bn)

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

Managed revenue is a better reflection of the volume of work carried out by the Group than revenue, (see note 4 for reconciliation).

Performance: Managed revenue has remained consistent at £3.3 billion (FY18: £3.3 billion) during the year. This was a result of increased revenue in the European Hub being offset by a decrease in the Australian Hub. The UK increase has been driven by the construction businesses where we have focused on creating stronger partnerships, client engagement and improving our project selection process.

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

EBIT

Profit of £47.2m

(FY18: Loss of £27.5m)

Definition: Earnings before interest and tax as disclosed in Note 4.

Performance: Earnings before interest and tax improved by £74.7m year-on-year principally reflecting the improvements in underlying trading as well as reduced losses in Canada.

OPERATIONAL PERFORMANCE

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

WORK WINNING AND DELIVERY

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

ORDER BOOK

£7.6bn

(FY18: £8.1bn)

Definition: Order book represents the value of work outstanding on secured, anticipated and preferred bidder contracts. We define this as either having a signed contract for the full project or having written confirmation that we are the preferred contractor and we are confident that the project will not be cancelled or significantly delayed. It is a key measure of our success in winning new work and provides visibility of future earnings.

Performance: The Group order book is £7.6 billion (FY18: £8.1 billion). This represents three times annual revenue; however, this does represent a fall on last year which is attributable to a reduction in strategically aligned work winning opportunities. The key target is to convert the strong UK pipeline, delivery of this represents the Board's first priority for the remainder of the current financial year.

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

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

SUPPORT FUNCTIONS

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

ACCIDENT FREQUENCY RATE

0.14

(FY18: 0.13)

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

Performance: AFR increased to 0.14 (FY18: 0.13). However High Potential (PC1) events dropped by 30 per cent in FY19, against the numbers reported in FY17.

VALUE PROPOSITION

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

CUSTOMER SATISFACTION

78.8%

(FY18: 76.0%)

Definition: Customer satisfaction data is collected from clients across all key projects. Interviewers delivering this process have no operational accountability and ask clients to rank our performance against each key business area. Interviewees provide feedback relating to their perception of the project team's operational performance.

Interviews are conducted at the pre-delivery, delivery, practical-completion and post-defects stages – with quantitative feedback sought on nine key business areas: health and safety; sustainability; commercial; people; quality; delivery; design management; supply chain management and innovation.

Performance: Our average performance score for Europe in FY19 was 78.8%, representing consolidated feedback across 36 projects. Australia scored 77.0% across 12 projects and the UAE scored 85.0% across 5 projects.

Health and safety, people, quality of team and communication resulted in the highest scores. Design management and contract management require additional focus.

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS

Sir J Parker (Chairman)
R G O'Rourke KBE (CEO)
H D O'Rourke
G J Branch (appointed 1 September 2018)
J F Edmondson
C Klerides
V Papadopoulos
A S McIntyre (Finance Director)
K C Valeur

COMPANY SECRETARY

CMK Management Limited
23 Kennedy Avenue
Globe House, 4th Floor
1075 Nicosia
Cyprus

COMPANY NUMBER 190393

REGISTERED OFFICE

23 Kennedy Avenue
Globe House, 4th Floor
1075 Nicosia
Cyprus

UK CONTACT ADDRESS

Laing O'Rourke plc
Bridge Place
Anchor Boulevard
Admirals Park
Crossways
Dartford
Kent DA2 6SN
United Kingdom

INDEPENDENT AUDITORS

PricewaterhouseCoopers Limited
PwC Central
43 Demostheni Severi Avenue
CY-1080 Nicosia
PO Box 21612
CY-1591 Nicosia
Cyprus

BANKERS

Lloyds Bank plc
Bank of Scotland plc
10 Gresham Street
London EC2V 7HN
United Kingdom

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

Emirates NBD Bank P.J.S.C
Head Office, Baniyas Road
Deira, PO Box 777
Dubai, UAE

HSBC UK Bank Plc
1 Centenary Square
Birmingham B1 1HQ
United Kingdom

National Australia Bank
800 Bourke Street
Docklands VIC 3008
Australia

INSURANCE ADVISERS

Marsh Limited
Tower Place
London EC3R 5BU
United Kingdom

INSURERS

QBE European Operations
Plantation Place, 30 Fenchurch Street
London EC3M 3BD
United Kingdom

CONSOLIDATED MANAGEMENT REPORT

The Board of Directors present their annual management report together with the audited financial statements of the Laing O'Rourke Corporation Limited consolidated group (the 'Group') for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The Group's principal activities are:

CONSTRUCTION

- Programme management
- Construction and building
- Civil engineering
- Infrastructure and support services
- Housebuilding

MANUFACTURING

- Building products
- Manufacturing construction products

PLANT HIRE

- Plant hire and operations

SERVICES

- Design services
- Building operations management
- Property development

A list of principal subsidiaries, joint arrangements and associates can be found on pages 66 and 67 in note 36 to the financial statements.

A review of the Group's activities and performance for the year is presented on pages 4 to 12.

CHANGES IN GROUP STRUCTURE

During the year there were no significant changes in the Group structure. During the year, the Group only completed those disposals as described on page 49 in note 15 to the financial statements.

GENERAL INFORMATION

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

BRANCHES OUTSIDE CYPRUS

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

REVIEW OF DEVELOPMENTS, POSITION AND PERFORMANCE

Details of future developments are presented on pages 4 to 12.

RESEARCH AND DEVELOPMENT

The Group expenditure in research and development of £30.6m (2018: £37.6m) supports the development of construction techniques to deliver quality, certainty and value for our customers.

RESULTS AND DIVIDENDS

The results for the year are set out in the Consolidated Income Statement on page 30 and show a profit for the year after tax of £33.7m (2018: loss for the year of £46.5m).

The Company paid no dividends during the year (2018: £nil). The Directors do not recommend the payment of a final dividend (2018: £nil).

CHARITABLE CONTRIBUTIONS

During the year the Group contributed £0.3m (2018: £0.1m) to its nominated charities.

POST BALANCE SHEET EVENTS

Subsequent to the year end, the Group has refinanced in its Australia Hub. The renewal date for these facilities is 31 December 2021, aligned with the UK facilities.

On 21 July 2019, the non-controlling interest held by SAM Holdings LLC, in the following joint venture companies: Laing O'Rourke Industrial LLC, Laing O'Rourke Industrial Joinery LLC, Crown House Technology UAE LLC, Crown House Facilities Management UAE LLC and Crown House Security UAE LLC was sold to Links Formation Specialists LLC.

DIRECTORS AND THEIR INTERESTS

The current membership of the Board is as set out on page 24. All the Directors were members of the Board throughout the year ended 31 March 2019, except Gregory Branch who was appointed as Director on 1 September 2018.

R G O'Rourke KBE and H D O'Rourke are ultimate beneficiaries of the trust which owns the majority of the shareholding of the Company. No other Directors have an interest in the shares of the Company. Details of related party transactions can be found on pages 64 and 65 in note 32 to the financial statements.

HEALTH, SAFETY AND WELFARE

The Group is committed to ensuring the health, safety and welfare of all employees at work. All reasonable measures have been taken to achieve this policy. Arrangements have been made to protect other persons against risk to health and safety arising from the activities of the Group's employees when at work.

EMPLOYMENT POLICY

The Group continues to provide employees with relevant information and to seek their views on matters of common concern through their representatives and through line managers. Priority is given to ensuring that employees are aware of significant matters affecting the Group's trading position and of any significant organisational changes.

The Group treats each application for employment, training and promotion on merit. Full and fair consideration is given to both disabled and able-bodied applicants and employees. If existing employees become disabled, every effort is made to find them appropriate work and training is provided if necessary.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of the Group's policies and procedures for managing risk are set out on pages 13 to 20.

Key judgements and estimation uncertainty are detailed on pages 40 to 41 in note 2.25 to the financial statements.

Financial risks are detailed on pages 60 to 63 in note 29 to the financial statements.

USE OF FINANCIAL INSTRUMENTS BY THE GROUP

Details of the Group's financial instruments are set out on pages 60 to 63 in note 29 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out on page 59 in note 27 to the financial statements.

GOING CONCERN

The Board constantly monitors its cash reserves and available bank facilities to meet liabilities and financing needs as they fall due. Procedures are in place to monitor and forecast cash usage and other highly liquid current assets.

The Board has carefully considered those factors likely to affect the Group's future development, performance and financial position in relation to the ability of the Group to operate within its current and foreseeable resources, financial and operational.

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

- The continuing improved performance of the core construction businesses including the delivery of programmes of work and managing associated working capital, including the recovery of debt in Australia and management of latent defects.
- Delivery of the business plan for the current financial year is not highly dependent on work winning, however in the following financial year this becomes a more significant dependency.
- No material deterioration in revenues or material increases in costs as a result of the UK leaving the European Union.
- The continuing access to finance and financial instruments, particularly at the expiry date of existing bank and surety facilities.
- The underlying structural drivers for UK construction work in infrastructure, power generation, education and residential house building will remain in place.

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

The Group performed profitably during FY19.

- The UK business performed in line with the Board's expectation for FY19.
- The Australia Hub did not perform to plan for FY19 but this was largely down to an adverse arbitration decision. Recovery of the debt relating to this project remains a key target for the business and the cash flow forecasts have been sensitised appropriately. However, the Hub is in line with business plan for the current financial year.
- The UAE business performed in line with plans for FY19. Medium term liquidity is supported by opportunities on existing projects and further opportunities to be converted.
- The Group's performance to the date of signing these accounts in FY20 is in line with the Board's expectations for full year performance.
- The Group's order book remains strong although it is lower than the prior year end. The key target is therefore to convert the strong UK pipeline, delivery of this represents the Board's first priority for the remainder of the current financial year.

Europe Hub:

- The UK business completed refinancing in February 2019 and continues to enjoy the support of its financial stakeholders.
- Current debt facilities have an expiry date of 31 December 2021.
- As part of the refinancing three new banking covenants were established for UK core borrowings, including covenants related to net debt to EBITDA, interest cover and minimum liquidity. If certain of these covenants are breached this will constitute an event of default on the Group's borrowing facilities. Management has considered the likelihood of breach under stress-tested scenarios in its assessment of going concern.
- In November 2018, the UAE business completed its annual extension of bonding lines and overdraft facility for twelve months. Management remain confident that these facilities will be renewed by November 2019 as this is normal business practice in this territory.

Australia Hub:

- The Australian business completed refinancing on 9 July 2019, which brought core facilities coterminus with UK facilities (expiring on 31 December 2021).
- The Group trades in Australia with bank guarantee facilities (AUS$120m), expiring 31 December 2021 and surety bond facilities, which are subject to annual review. The Group also has a AUS$50m debt facility (AUS$12.5m repayable 9 July 2019, AUS$37.5m repayable 31 January 2022) and asset finance facilities (AUS$62m).
- As part of the refinancing, the covenants on the Syndicated Facility Agreement were renegotiated, resulting in additional liquidity headroom.

The Group continues to exercise tight control over its working capital and the base assumptions around the timely receipt of contract cash flows form the basis of all our forecasts.

The going concern assumptions assume that the Group continues to deliver its plan of selling non-core assets and PFI investments for the foreseeable future, with the majority of the more substantial disposals having been achieved.

The Group's performance is dependent on the conversion of a pipeline of opportunities and, recognising the potential impact on timing due to current Brexit and political uncertainty, management have identified certain mitigation actions to help support the delivery of our business plans. Business projections have been stress tested to reflect potential changes to market conditions with an emphasis on the impact caused by prevailing market uncertainties and management will implement mitigation plans accordingly.

Despite the challenging sector and financing issues witnessed over the last 12 months, the Group's business model in relation to sectors, client engagement, delivery model and risk appetite have proven to be robust. The Board concludes that the Group is well placed to continue to trade successfully in the longer-term.

The Directors have considered the above risks and after due consideration of the risks relating to the liquidity forecasts and the going concern assumptions in the current economic and political environment, the Directors have concluded that it is necessary to draw attention to this as a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern in the basis of preparation to the financial statements.

Specifically, the Group's performance in the medium term is dependent on:

- A number of market and macroeconomic factors including the impact of market confidence and the impact of Brexit; and
- The conversion of the Group's order book and replenishing the future pipeline of work over the next 18 months.

The inability to achieve one or more of the above could have a negative impact on cashflow and potentially the Group's banking covenants.

The Directors have confirmed that, after due consideration, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE ANNUAL REVIEW

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

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

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

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

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

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

INDEPENDENT AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

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

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

APPROVAL

This report was approved by the Board on 15 October 2019 and signed on its behalf by:

C KLERIDES
DIRECTOR

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Laing O'Rourke Corporation Limited (the 'Company'), and its subsidiaries (the 'Group'), which are presented in pages 30 to 68 and comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

In forming our opinion on the consolidated financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.2 to the consolidated financial statements concerning the Group's ability to continue as a going concern. The Group is dependent on achieving its business plan in the coming year. This business plan includes a number of assumptions, including the conversion of the Group's order book and replenishing the future pipeline of work over the next 18 months, which are inherently uncertain, particularly in the current economic climate.

These conditions, along with other matters explained in note 2.2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

EMPHASIS OF MATTER

In forming our opinion on the consolidated financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2 and note 20 to the financial statements concerning the recoverability of £102.2m (AUD $187m) of non-current receivables recognised in relation to the EPC Cryogenic Tanks contract in Australia. The recoverability of this amount remains subject to dispute resolution and/or private arbitration, the outcome of which is uncertain.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

OTHER MATTER

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

Loizos Markides

LOIZOS A MARKIDES
CERTIFIED PUBLIC ACCOUNTANT AND REGISTERED AUDITOR
FOR AND ON BEHALF OF

PRICEWATERHOUSECOOPERS LIMITED
CERTIFIED PUBLIC ACCOUNTANTS AND REGISTERED AUDITORS

NICOSIA, 15 OCTOBER 2019

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2019

	Note	Pre-exceptional items 2019 £m	Exceptional items (note 5) 2019 £m	Total 2019 £m	Pre-exceptional items 2018 £m	Exceptional items (note 5) 2018 £m	Total 2018 £m
Continuing operations							
Revenue	3	**2,753.4**	**–**	**2,753.4**	2,758.1	–	2,758.1
Cost of sales		**(2,541.3)**		**(2,541.3)**	(2,586.5)	–	(2,586.5)
Gross profit		**212.1**	**–**	**212.1**	171.6	–	171.6
Administrative expenses		**(179.9)**	**(14.1)**	**(194.0)**	(179.4)	(18.7)	(198.1)
Other operating income	8	**5.2**	**–**	**5.2**	4.7	–	4.7
Profit/(loss) from operations before joint ventures		**37.4**	**(14.1)**	**23.3**	(3.1)	(18.7)	(21.8)
Profit on disposal of joint ventures	15	**3.9**	**–**	**3.9**	5.1	–	5.1
Share of post-tax profit/ (losses) of joint ventures and associates	16	**5.3**	**–**	**5.3**	(20.3)	–	(20.3)
Profit/(loss) from operations	6	**46.6**	**(14.1)**	**32.5**	(18.3)	(18.7)	(37.0)
Net non-operating profit/(expense)	9	**–**	**14.7**	**14.7**	(0.2)	9.7	9.5
Profit/(loss) before interest and tax		**46.6**	**0.6**	**47.2**	(18.5)	(9.0)	(27.5)
Finance income	10	**3.9**	**–**	**3.9**	3.2	–	3.2
Finance expense	11	**(18.3)**	**–**	**(18.3)**	(19.3)	–	(19.3)
Net financing expense		**(14.4)**	**–**	**(14.4)**	(16.1)	–	(16.1)
Profit/(loss) before tax		**32.2**	**0.6**	**32.8**	(34.6)	(9.0)	(43.6)
Taxation	12	**(0.6)**	**1.5**	**0.9**	(3.8)	0.9	(2.9)
Profit/(loss) for the year		**31.6**	**2.1**	**33.7**	(38.4)	(8.1)	(46.5)
Attributable to:							
Owners of the Parent		**31.3**	**2.1**	**33.4**	(36.9)	(8.1)	(45.0)
Non-controlling interests		**0.3**	**–**	**0.3**	(1.5)	–	(1.5)
		31.6	**2.1**	**33.7**	(38.4)	(8.1)	(46.5)

The notes on pages 35 to 68 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

	Note	**Pre-exceptional items 2019 £m**	**Exceptional items (note 5) 2019 £m**	**Total 2019 £m**	Pre-exceptional items 2018 £m	Exceptional items (note 5) 2018 £m	Total 2018 £m
Profit/(loss) for the year		**31.6**	**2.1**	**33.7**	(38.4)	(8.1)	(46.5)
Other comprehensive income/ (expense):							
Items that may be subsequently reclassified to profit or loss							
Exchange differences on translating foreign operations		**(2.8)**	**–**	**(2.8)**	(29.6)	–	(29.6)
Fair value of financial assets	16,37	**2.5**	**–**	**2.5**	–	–	–
Cash flow hedges	16	**(2.3)**	**–**	**(2.3)**	(0.5)	–	(0.5)
Share of other comprehensive income of investments accounted for using the equity method	16	**(0.6)**	**–**	**(0.6)**	3.7	–	3.7
Other comprehensive income for the year, net of tax	12	**(3.2)**	**–**	**(3.2)**	(26.4)	–	(26.4)
Total comprehensive income for the year		**28.4**	**2.1**	**30.5**	(64.8)	(8.1)	(72.9)
Attributable to:							
Owners of the Parent	27	**28.3**	**2.1**	**30.4**	(63.6)	(8.1)	(71.7)
Non-controlling interests	27	**0.1**	**–**	**0.1**	(1.2)	–	(1.2)
		28.4	**2.1**	**30.5**	(64.8)	(8.1)	(72.9)

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 35 to 68 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2019

	Note	2019 £m	2018* £m
Assets			
Non-current assets			
Intangible assets	14	**334.6**	340.3
Investments in joint ventures and associates	16	**16.6**	14.5
Loans to joint ventures	16	**14.1**	23.0
Property, plant and equipment	17	**198.9**	190.5
Investment property	18	**–**	0.2
Deferred tax assets	25	**56.2**	66.3
Trade and other receivables	20	**148.2**	138.1
Total non-current assets		**768.6**	772.9
Current assets			
Inventories	21	**21.5**	26.6
Trade and other receivables	20	**456.9**	536.9
Current tax assets		**8.2**	2.4
Assets classified as held-for-sale	19	**–**	1.7
Cash and cash equivalents		**460.4**	357.0
Total current assets		**947.0**	924.6
Total assets		**1,715.6**	1,697.5
Liabilities			
Current liabilities			
Borrowings	22	**(45.0)**	(28.6)
Trade and other payables	23	**(989.7)**	(1,015.5)
Provisions for other liabilities and charges	24	**(5.5)**	(36.2)
Current tax liabilities		**(0.7)**	(3.0)
Total current liabilities		**(1,040.9)**	(1,083.3)
Non-current liabilities			
Borrowings	22	**(303.4)**	(255.9)
Trade and other payables	23	**(61.9)**	(69.4)
Provisions for other liabilities and charges	24	**(47.5)**	(41.6)
Deferred tax liabilities	25	**(2.3)**	(6.6)
Total non-current liabilities		**(415.1)**	(373.5)
Total liabilities		**(1,456.0)**	(1,456.8)
Net assets		**259.6**	240.7
Equity			
Share capital	26	**–**	–
Share premium	26	**286.4**	286.4
Fair value reserve	27	**2.5**	–
Hedging reserve	27	**(5.4)**	(3.1)
Foreign currency translation reserve	27	**(7.0)**	(3.8)
Retained earnings	27	**(14.1)**	(35.9)
Total equity attributable to owners of the Parent		**262.4**	243.6
Non-controlling interests	27	**(2.8)**	(2.9)
Total equity		**259.6**	240.7

* The Group has adopted IFRS 15 Revenue from Contracts with Customers on 1 April 2018 retrospectively with the cumulative effect of initial application recognised as an adjustment to opening equity (notes 2.2 and 37).

The financial statements were approved and authorised for issue by the Board of Directors on 15 October 2019 and were signed on its behalf by:

A S McIntyre
Director

C Klerides
Director

The notes on pages 35 to 68 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

	Note	2019 £m	2018 £m
Cash flows from operating activities			
Profit/(loss) before tax		**32.8**	(43.6)
Adjustments for:			
Depreciation and amortisation	6	**30.4**	34.1
Profit on disposal of property, plant and equipment	6	**(0.6)**	(11.7)
Profit on disposal of joint ventures	15	**(3.9)**	(5.1)
Net financing costs		**14.4**	16.1
Share of post tax (loss)/profit of joint ventures and associates	16	**(5.3)**	20.3
Decrease/(increase) in trade and other receivables		**56.4**	(54.2)
Decrease/(increase) in inventories		**5.2**	(0.4)
(Decrease)/increase in trade and other payables		**(56.3)**	87.3
Other		**(3.0)**	(3.0)
Cash generated from operations		**70.1**	39.8
Interest paid		**(15.3)**	(7.9)
Tax received		**3.0**	14.3
Net cash generated from operating activities		**57.8**	46.2
Cash flows from/(used in) investing activities			
Purchase of property, plant and equipment		**(16.2)**	(11.9)
Purchase of intangible assets	14	**(3.7)**	(4.6)
Capital injections in equity investments	16	**(21.0)**	(64.4)
Proceeds from sale of property, plant and equipment		**7.6**	28.4
Proceeds from sale of investment property		**–**	5.6
Disposal of assets held for sale		**1.7**	–
Proceeds from disposal of joint ventures and associates	15	**3.9**	10.5
Proceeds from disposal of subsidiaries	15	**22.0**	33.6
Loans to joint ventures and associates	16	**(3.2)**	(16.4)
Loans repaid by joint ventures and associates	15, 16	**12.2**	29.5
Interest received		**3.9**	3.2
Distributions received from joint ventures and associates	16	**1.9**	4.4
Net cash generated from investing activities		**9.1**	17.9
Cash flows (used in)/from financing activities			
Proceeds from new bank loans		**62.1**	44.3
Repayments of bank loans		**(1.8)**	(31.1)
Finance lease principal repayments		**(25.8)**	(26.5)
Net cash (used in)/generated from financing activities		**34.5**	(13.3)
Net increase in cash and cash equivalents		**101.4**	50.8
Cash and cash equivalents at beginning of year		**357.0**	324.0
Effect of exchange rate fluctuations on cash held		**2.0**	(17.8)
Cash and cash equivalents at end of year		**460.4**	357.0
Non-cash transactions principally relate to new hire purchase and finance lease agreements taken out during the year amounting to £26.4m (2018: £21.5m).			
Cash and cash equivalents comprise:			
Cash at bank and on hand		**383.9**	300.3
Short-term bank deposits	30	**9.3**	9.3
Restricted cash deposits[1]		**67.2**	47.4
		460.4	357.0

1. Restricted cash deposits includes £27.5m (2018: £13.7m) relating to the project bank accounts where amounts due to subcontractors are ring fenced. Payments to subcontractors were made after the year end. There was also £39.7m (2018: £33.7m) of collateralised cash which is not immediately accessible.

The notes on pages 35 to 68 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

	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 2017		286.4	19.8	9.1	**315.3**	(1.7)	**313.6**
Loss for the year		–	–	(45.0)	**(45.0)**	(1.5)	**(46.5)**
Other comprehensive income after tax		–	(26.7)	–	**(26.7)**	0.3	**(26.4)**
Total comprehensive expense for the year		–	(26.7)	(45.0)	**(71.7)**	(1.2)	**(72.9)**
At 31 March 2018		286.4	(6.9)	(35.9)	**243.6**	(2.9)	**240.7**
Adjustment as a result of transitioning to IFRS 15	37	–	–	(11.6)	**(11.6)**	–	**(11.6)**
Adjusted balance as at 1 April 2018		286.4	(6.9)	(47.5)	**232.0**	(2.9)	**229.1**
Profit for the year		–	–	33.4	**33.4**	0.3	**33.7**
Other comprehensive income after tax		–	(3.0)	–	**(3.0)**	(0.2)	**(3.2)**
Total comprehensive income for the year		–	(3.0)	33.4	**30.4**	0.1	**30.5**
At 31 March 2019		286.4	(9.9)	(14.1)	**262.4**	(2.8)	**259.6**

Additional disclosure and details are provided in note 27.

The notes on pages 35 to 68 form an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Laing O'Rourke Corporation Limited (the 'Company') is a company, limited by shares, incorporated and domiciled in Cyprus. The Company prepares parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the Cyprus Companies Law, Cap. 113. The address of the registered office is given on page 24. The nature of the Group's operations and its principal activities are set out in note 36 and in the Group Financial Review on pages 7 to 12. The consolidated financial statements of the Company for the year ended 31 March 2019 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in joint arrangements and associates. The entity's financial statements are filed separately.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF PREPARATION

The Group consolidated financial statements are presented in pounds sterling, rounded to the nearest hundred thousand and include the results of the holding company, its subsidiary undertakings and the Group's interest in joint arrangements and associates for the year ended 31 March 2019. 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 for all consolidated entities including subsidiaries, joint arrangements and associates are set out below.

Going concern

The Board has carefully considered those factors likely to affect the Group's future development, performance and financial position in relation to the ability of the Group to operate within its current and foreseeable resources, financial and operational. The Group has financial resources, committed banking facilities, long-term contracts and a strong order book. For these reasons, the directors continue to adopt the going concern basis in preparing the Group's financial statements.

However, the Group's performance in the medium term is dependent on:

- A number of market and macroeconomic factors including the impact of market confidence and the impact of Brexit; and
- The conversion of the Group's order book and replenishing the future pipeline of work over the next 18 months.

The inability to achieve one or more of the above could have a negative impact on cashflow and potentially the Group's banking covenants. As such, these factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern. Refer to pages 26 and 27 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 2019 and have been adopted:

a) IFRS 15, Revenue from Contracts with Customers,

b) IFRS 9, Financial Instruments,

c) Clarifications to IFRS 15 'Revenue from Contracts with Customers'

d) Transfers of Investment Property (Amendments to IAS 40)

e) Annual Improvements to IFRS Standards 2014-2016 Cycle (Amendments to IFRS 1 and IAS 28)

The effect on the Group financial statements of adopting these standards has been determined to be minimal, except as described below.

IFRS 9 – Financial Instruments

IFRS 9 sets out the requirements for recognising and measuring financial assets and liabilities. This standard replaces IAS39 Financial Instruments: Recognition and Measurement. As a result of adoption of this new standard, certain investments in joint ventures have been classified as held to collect and to sell. Because of this classification under IFRS 9 the investments are to be measured at fair value through other comprehensive income. This results in a fair value adjustment this year of £2.5m.

IFRS 15 – Revenue from contracts with Customers

The Group has adopted IFRS 15 from 1 April 2018. The Group has adopted IFRS 15 retrospectively and has chosen to apply the cumulative effect approach. As a result, the Group has restated its opening equity position as at 1 April 2018 by a debit of £11.6m to reflect the impact of transitioning to IFRS 15.

This adjustment primarily reflects the fact that variable consideration in the transaction price can only be included if its highly probable (rather than probable) its inclusion will not result in a significant revenue reversal in the future when uncertainty is resolved although there has also been an impact of segmenting some contracts according to what the Group has assessed to be the performance obligations as well as the treatment of fulfilment costs.

In line with this approach the Group has not restated its comparative information which continues to be reported under previous revenue standards, IAS 11 and IAS 18.

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 2019.

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

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

b) IFRS 17 Insurance Contracts (effective for periods beginning on or after 1 January 2021)

c) IFRIC 23 Uncertainty over Income Tax Treatments (effective for periods beginning on or after 1 January 2019)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 BASIS OF PREPARATION (CONTINUED)

d) Amendments to References to Conceptual Framework in IFRS Standards (effective for accounting periods beginning on or after 1 January 2020)

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

f) Definition of a Business (Amendments to IFRS 3) (effective for accounting periods beginning on or after 1 January 2020)

g) Definition of Materiality (Amendments to IAS 1 and IAS 8) (effective for accounting periods beginning on or after 1 January 2020)

The effect on the Group financial statements of adopting these standards, amendments and interpretations has been determined to be minimal, except as described below:

IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related interpretation. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The Group will adopt IFRS 16 for the financial year ending 31 March 2020 using the modified retrospective approach.

The Group has undertaken a detailed evaluation of the potential impact arising from the new standard. The current estimate (which is subject to finalisation) is that the adoption of IFRS 16 will result in a right-of-use asset and a corresponding lease liability amounts to £117.1m respectively being brought onto the Group's statement of financial posting on 1 April 2019. The impact on the income statement would be a £2.5m decrease in profit before tax. In estimating these amounts, judgement was made as to whether certain lease agreements represent a lease of an underlying asset. In calculating the impact of IFRS16, management has applied a discount rate of 3-4% in the UK and 7-8% in Australia, in line with the borrowing rates of the regions. The Group has also chosen to take the low value and item and short-term hire exemptions allowed under the standard.

In addition to the initial impact on the Group's statement of financial position of adopting this standard, the Group's income statement will be also be impacted. Lease charges which were accounted for as hire charges were incurred within costs of sales or administrative expenses will be replaced with a depreciation charge and a finance expense, resulting in a higher profit from operations and higher net financing expense.

2.3 BASIS OF CONSOLIDATION

a) The Group 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.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 BASIS OF CONSOLIDTION (CONTINUED)

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

2.4 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

Transactions and balances

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

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

Group companies

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

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

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

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

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

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

2.5 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

2.6 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

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

Other intangible assets

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Impairment of non-financial assets

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

2.7 FINANCIAL INVESTMENTS

The Group has classified its financial investments as assets classified as 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 investment in joint ventures as to held to collect and to sell under IFRS 9. These investments are measured at fair value through other comprehensive income.

2.8 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

2.9 CASH AND CASH EQUIVALENTS

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

2.10 TRADE AND OTHER RECEIVABLES

Trade receivables are initially recorded at fair value and subsequently measured at amortised cost as reduced by allowances 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 amounts recoverable on contract 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.

2.11 TRADE AND OTHER PAYABLES

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

2.12 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.

2.13 REVENUE RECOGNITION

The Group has adopted IFRS 15, Revenue from contracts with Customers, from 1 April 2018. The Group has adopted IFRS 15 retrospectively and has chosen to apply the cumulative effect approach.

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 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 cost of the contract. Revenue from services and construction contracts is recognised by reference to the stage of completion of the contract, as set out in the accounting policy for construction and service contracts.

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. As a result of the adoption of IFRS 15, 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 (rather than probable under IAS18) that a significant reversal in the amount of cumulative revenue will not occur.

Additionally, as a result of the adoption of IFRS 15, 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 or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust its transaction price for the time value of money.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 REVENUE RECOGNITION (CONTINUED)

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

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

2.14 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 reporting date to the estimated total cost of the contract. Contract costs are expensed as incurred.

Provision is made for all known or expected losses on individual contracts once such losses are foreseen.

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is recognised as contract assets within trade and other receivables. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is recognised as contract liabilities within trade and other payables.

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 outcomes on projects are continuously reviewed, recoveries from insurers are assessed and adjustments are made where necessary.

2.15 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.

2.16 INVENTORIES

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

2.17 LEASES AND HIRE PURCHASE COMMITMENTS

Assets obtained under hire purchase contracts and leases, where a significant portion of the risks and rewards of ownership is transferred to the Group, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the liability and finance charge to produce a constant rate of interest on the finance lease balance outstanding. Assets held for use in such leases are included in 'Property, plant and equipment' (note 17) and are depreciated to their residual values over the estimated useful lives or the lease term as appropriate and are adjusted for impairment losses. Obligations under such agreements are included in 'Borrowings' (note 22).

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

2.18 PENSION COSTS

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

2.19 TAX

Tax expense represents the sum of the tax currently payable and deferred tax. The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it also excludes items that are neither taxable nor deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantially enacted by the reporting date.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2.23 TRADING ANALYSIS

Trading analysis information is based on the Group's internal reporting structure of two operational hubs and corporate management centre. Further information on the business trading activities is set out in the operating overview on pages 4 to 5. Trading analysis results represent the contribution directly attributable for the different hubs to the results of the Group. Transactions between hubs are conducted on an arm's length basis.

2.24 INTEREST INCOME

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

2.25 KEY JUDGEMENTS AND ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements under IFRS requires management to make estimates and assumptions that affect amounts recognised for assets and liabilities at the balance sheet date and the amounts of revenue and the expenses incurred during the reported period. Actual outcomes may therefore differ from these estimates and assumptions. The estimates and assumptions that have the most significant impact on the carrying value of assets and liabilities of the Group within the next financial year are detailed as follows:

a) Revenue and margin recognition

The Group's revenue recognition and margin recognition policies, which are set out in notes 2.13 and 2.14, are central to the way the Group values the work it has carried out in each financial year and have been consistently applied.

In the UK and Middle East, more than 156 construction contracts (2018: 132) were income generating during the year. Of these ten (2018: nine) individually had a material impact on operating profit.

The economic outcome of construction contracts are principally determined by the contractual terms (including related to 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 sub-contractors.

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
  - deductions for any damages levied by 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).
- 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.
- The process in place to identify and mitigate issues promptly.
- Volatility is also reduced by the effect of managing a significant portfolio of projects.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 KEY JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

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.

Our construction business revenue for the year is £2.6 billion (2018: £2.6 billion) with an associated margin of 8.1 per cent (2018: 4.7 per cent). Should margins reduce by 1 per cent the impact of such a change across our projects in delivery at the year-end would be an impact on gross profit of £25m (2018: £26m). Should revenues reduce by 1 per cent the impact on gross profit would be £2.1m (2018: £1.3m).

b) Disputes

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

One individual dispute currently disclosed within the accounts and has a material impact to the Group is in respect of the terminated contract with EPC Cryogenic Tanks in 2017. An amount of £102.2m (AUD$187m) is recognised in non-current trade and other receivables whose recovery will be subject to dispute resolution or private arbitration. The Group intends to pursue several substantial claims in accordance with this contract.

c) Exceptional items presentation

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

i) Legal costs relating to a disputed contract in our Australia Hub were treated as an exceptional item.

ii) The cost of a major strategic programme of restructuring and refinancing exercise.

iii) The gain on the sale of a subsidiary company

d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which the goodwill has been allocated. The value in use calculation requires an estimation to be made of the timing and amount of future cash flows expected to arise from the cash generating unit, and a suitable discount rate in order to calculate the present value. The discount rate used, carrying value of goodwill and further details of the impairment loss calculation are included in note 14 together with an assessment of the impact of possible sensitivities.

e) Taxation

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 additional tax may become payable in future periods and such provisions are based upon management's assessment of exposures. Assets are only recognised where it is reasonably certain additional tax will become payable in future periods and when the asset can be utilised.

The Group provides for future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based on management’s assessment of exposure. At the balance sheet date, a total tax liability of £8.7m (2018: £13.9m) has been recognised in respect of uncertain tax positions.

f) Financial risk management

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

3 REVENUE

3.1 DISAGGREGATION OF REVENUE

Following the implementation of IFRS 15 from 1 April 2018, 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.

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

	United Kingdom 2019 £m	Australia 2019 £m	Rest of World 2019 £m	Total 2019 £m
Revenue by geographical market:				
Revenue	**1,931.9**	**628.3**	**193.2**	**2,753.4**
Timing of revenue recognition				
At a point in time	**13.7**	**16.0**	**13.8**	**43.5**
Over time	**1,918.1**	**612.3**	**179.4**	**2,709.9**
Revenue	**1,931.9**	**628.3**	**193.2**	**2,753.4**

	Construction 2019 £m	Manufacturing 2019 £m	Plant Hire 2019 £m	Services 2019 £m	Total 2019 £m
Revenue by sector:					
Revenue	**2,621.9**	**36.0**	**82.4**	**13.1**	**2,753.4**
Timing of revenue recognition					
At a point in time	**–**	**36.0**	**–**	**7.5**	**125.9**
Over time	**2,621.9**	**–**	**82.4**	**5.6**	**2,627.5**
Revenue	**2,621.9**	**36.0**	**82.4**	**13.1**	**2,753.4**

4 TRADING ANALYSIS

	Europe Hub 2019 £m	Australia Hub 2019 £m	Corporate Management & Treasury 2019 £m	Total Group 2019 £m
Performance by Hub:				
Managed revenue*	**2,643.5**	**681.9**	**9.9**	**3,335.3**
Less: Inter-segment revenue	**(422.3)**	**(41.1)**	**(9.5)**	**(472.9)**
Total revenue*	**2,221.2**	**640.8**	**0.4**	**2,862.4**
Less: Share of joint ventures' and associates revenue	**(98.9)**	**(10.1)**	**–**	**(109.0)**
Revenue	**2,122.3**	**630.7**	**0.4**	**2,753.4**
Profit/(loss) from operations post-exceptional items	**76.1**	**(12.9)**	**(30.7)**	**32.5**
Profit/(loss) before tax post-exceptional items	**61.7**	**1.2**	**(30.1)**	**32.8**
EBIT post-exceptional items	**76.1**	**1.9**	**(30.8)**	**47.2**
EBITDA post-exceptional items	**97.0**	**11.1**	**(30.5)**	**77.6**
Profit/(loss) from operations pre-exceptional items	**84.1**	**(6.7)**	**(30.8)**	**46.6**
Profit/(loss) before tax and exceptional items	**69.7**	**(7.4)**	**(30.1)**	**32.2**
EBIT pre-exceptional items	**84.1**	**(6.7)**	**(30.8)**	**46.6**
EBITDA pre-exceptional items	**105.0**	**2.5**	**(30.5)**	**77.0**

* These are non-statutory disclosures

	Europe Hub 2018 £m	Australia Hub 2018 £m	Corporate Management & Treasury 2018 £m	Total Group 2018 £m
Managed revenue*	2,466.4	862.5	12.0	3,340.9
Less: Inter-segment revenue	(350.8)	(50.7)	(10.5)	(412.0)
Total revenue*	2,115.6	811.8	1.5	2,928.9
Less: Share of joint ventures' and associates revenue	(151.9)	(18.9)	–	(170.8)
Revenue	1,963.7	792.9	1.5	2,758.1
Profit/(loss) from operations post-exceptional items	0.6	(14.4)	(23.2)	(37.0)
Profit/(loss) before tax post-exceptional items	(4.3)	(14.9)	(24.4)	(43.6)
EBIT post-exceptional items	10.3	(14.5)	(23.3)	(27.5)
EBITDA post-exceptional items	31.7	(2.0)	(23.1)	6.6
Profit/(loss) from operations pre-exceptional items	11.7	(11.3)	(18.7)	(18.3)
Profit/(loss) before tax and exceptional items	(2.9)	(11.8)	(19.9)	(34.6)
EBIT pre-exceptional items	11.6	(11.4)	(18.7)	(18.5)
EBITDA pre-exceptional items	33.1	1.1	(18.6)	15.6

* These are non-statutory disclosures

4 TRADING ANALYSIS (CONTINUED)

EBIT and EBITDA:	Note	Pre-exceptional items 2019 £m	Exceptional items (note 5) 2019 £m	Total 2019 £m	Pre-exceptional items 2018 £m	Exceptional items (note 5) 2018 £m	Total 2018 £m
Profit/(loss) from operations		**46.6**	**(14.1)**	**32.5**	(18.3)	(18.7)	(37.0)
Adjusted for:							
Net non-operating expense	9	**–**	**14.7**	**14.7**	(0.2)	9.7	9.5
EBIT		**46.6**	**0.6**	**47.2**	(18.5)	(9.0)	(27.5)
Depreciation	6	**26.9**	**–**	**26.9**	31.2	–	31.2
Amortisation	6	**3.5**	**–**	**3.5**	2.9	–	2.9
EBITDA		**77.0**	**0.6**	**77.6**	15.6	(9.0)	6.6

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

5 EXCEPTIONAL ITEMS

	2019 £m	2018 £m
Legal costs	**3.2**	3.0
Refinancing costs	**8.0**	8.2
Restructuring costs	**2.9**	–
Gain on sale of subsidiary – Austrak	**(14.7)**	–
Gain on sale of trade and assets – Laing O'Rourke Manufacturing	**–**	(9.7)
Impairment of loans – Laing O'Rourke Treasury	**–**	4.3
Closure costs	**–**	3.2
Exceptional costs before tax	**(0.6)**	9.0
Income tax credit on exceptional items	**(1.5)**	(0.9)
Exceptional costs after tax	**(2.1)**	8.1

LEGAL COSTS
Exceptional costs of £3.2m (2018: £3.0m) were recognised in the year, which relate to legal costs incurred in the Australia Hub regarding the disputed EPC Cryogenic tanks contract. These costs have been treated as exceptional as they relate to unusual circumstances that in the normal course of business are unlikely to reoccur. The Australia Hub also incurred £nil (2018: £0.1m) of exceptional refinancing costs as disclosed below.

REFINANCING COSTS
In 2019 the Group incurred £8.0m (2018: £8.2m) of costs in relation to refinancing and consulting advice.

RESTRUCTURING COSTS
In 2019 the Australia Hub incurred £2.9m (2018: £nil) of costs in relation to major strategic restructuring.

GAIN ON SALE OF SUBSIDIARY – AUSTRAK PTY LIMITED
During the year the Group disposed of its subsidiary Austrak Pty Limited and recognised a profit on disposal of £14.7m.

GAIN ON SALE OF TRADE AND ASSETS – LAING O'ROURKE MANUFACTURING LIMITED
During the prior year the Group recognised a profit of £9.7m on the sale of the trade and assets of Laing O'Rourke Manufacturing.

IMPAIRMENT OF LOANS – LAING O'ROURKE TREASURY LIMITED
During the prior year the Group reviewed the loan to a related party and recognised an exceptional impairment of £4.3m.

CLOSURE COSTS
During the prior year the Group recognised costs of £3.2m relating to the planned closure of LOR Industrial LLC. These costs were largely related to fixed asset write-offs.

6 PROFIT/(LOSS) FROM CONTINUING OPERATIONS

Profit/(loss) from operations is stated after charging/(crediting):	Note	**2019 £m**	2018 £m
Staff costs	7	**659.0**	742.6
Depreciation of property, plant and equipment:	17		
Owned assets		**14.5**	18.5
Under finance leases		**12.4**	12.7
Operating lease rentals and short term hires:			
Property, plant and equipment		**40.8**	49.4
Amortisation of other intangible assets	14	**3.5**	2.9
Profit on disposal of subsidiary	15	**–**	5.1
Profit on disposal of plant and equipment		**(0.8)**	(8.9)
Loss/(profit) on disposal of land and buildings		**0.2**	(2.8)
Foreign exchange (gains)		**2.7**	3.1
Investment property income	18	**–**	(0.1)
Cost of inventories recognised as an expense:			
Amount of inventories recognised as an expense		**28.5**	42.2
Amount of inventories written off as an expense		**–**	0.2
Exceptional items	5	**(0.6)**	9.0
Accrued costs in respect of rectification of defective works		**46.5**	20.9
Auditors' remuneration (see below)		**2.9**	2.4

Auditors' remuneration	Note	**2019 £m**	2018 £m
Fees payable to the Company's auditor for the audit of:			
The Company's annual financial statements and consolidated financial statements		**1.1**	0.6
The Company's subsidiaries pursuant to legislation		**1.5**	1.3
Total audit fees		**2.6**	1.9
Fees payable to the Company's auditor and its associates for other services:			
Services relating to taxation		**0.2**	0.3
All other services		**0.1**	0.2
Total non-audit fees		**0.3**	0.5
Total fees		**2.9**	2.4

The fees stated above include £0.1m (2018: £0.2m) for audit fees charged by the Company's statutory audit firm PricewaterhouseCoopers Limited Cyprus.

7 STAFF COSTS AND EMPLOYEE NUMBERS

Number of employees	2019 Number	2018 Number
The average monthly number of employees (including Directors) during the period was:		
Europe Hub	**10,687**	10,799
Australia Hub	**1,998**	1,997
Total number of employees	**12,685**	12,796

Aggregate remuneration and related costs, including Directors	2019 £m	2018 £m
Salaries	**369.3**	404.6
Wages	**219.7**	264.1
Social security costs	**42.4**	45.9
Other pension costs	**27.6**	28.0
	659.0	742.6

At 31 March 2019 £2.5m (2018: £0.2m) 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 period include the nine Directors and eight other members (2018: nine Directors and six other members) who served on the Group Executive Committee during the year, and no other individuals (2018: no other individuals) considered key management personnel during the year.

The compensation of key management personnel is as follows:

	2019 £m	2018 £m
Salaries and other short-term employee benefits	**6.1**	6.1

DIRECTORS' REMUNERATION

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

	2019 £m	2018 £m
Salaries and other short-term benefits	**3.0**	3.4

None of the directors are accruing benefits under a defined contribution scheme (2018: none). No post-retirement benefits were paid on behalf of Directors (2018: £nil).

8 OTHER OPERATING INCOME

	2019 £m	2018 £m
Rents received	**1.2**	1.2
Research and development expenditure credit	**3.0**	3.0
Other operating income	**1.0**	0.5
	5.2	4.7

9 NET NON-OPERATING INCOME

	2019 £m	2018 £m
Exceptional profit on sale of subsidiary (note 5)	**14.7**	–
Exceptional profit on sale of trade and assets of Laing O'Rourke Manufacturing (note 5)	**–**	9.7
Profit on sale of investments	**–**	0.2
Impairment of investments	**–**	(0.4)
	14.7	9.5

10 FINANCE INCOME

	2019 £m	2018 £m
Bank interest	**2.8**	1.3
Other interest and similar income	**1.1**	1.9
	3.9	3.2

11 FINANCE EXPENSE

	2019 £m	2018 £m
Interest payable on bank loans and overdrafts	**10.9**	14.2
Finance lease charges	**1.9**	2.2
Other interest payable and similar charges	**5.5**	2.9
	18.3	19.3

12 TAXATION

	2019 £m	2018 £m
Jersey corporation tax		
Current tax on profit/(loss) for the year	**–**	–
Foreign tax		
Current tax on profit/(loss) for the year	**(1.0)**	(1.8)
Adjustment in respect of prior years	**(2.7)**	2.7
Total current tax	**(3.7)**	0.9
Net origination of temporary differences – current year	**4.3**	(1.8)
Net origination of temporary differences – prior years	**(1.5)**	0.8
Impact of change in tax rate	**–**	3.0
Total deferred taxation	**2.8**	2.0
Tax (credit)/charge	**(0.9)**	2.9

The overall credit (2018: charge) for the year of £0.9m (2018: £2.9m) is explained relative to the UK statutory rate of 19 per cent (2018: 19 per cent) below:

	2019 £m	2018 £m
Total tax reconciliation		
Profit/(loss) before tax	**32.8**	(43.6)
Tax at the UK corporation tax rate of 19% (2018: UK 19%)	**6.2**	(8.3)
Effects of		
– higher/(lower) overseas tax rates	**0.4**	(5.2)
– (income not subject to tax)/non-deductible expenditure	**(2.8)**	4.2
– adjustments in respect of prior years	**(4.2)**	3.5
– tax effect of joint ventures	**(0.5)**	2.0
– impact of change in UK tax rate	**–**	3.0
– non-recognised deferred tax asset	**–**	4.5
– other items	**–**	(0.8)
Total tax (credit)/charge	**(0.9)**	2.9

A total Group tax credit of £0.9m (2018: charge of £2.9m) arises for the year on the total Group profit of £32.8m (2018: total Group loss of £43.6m), giving an effective tax rate of 2.7 per cent. The total tax charge for the year includes an exceptional tax credit of £1.5m (2018: credit of £0.9m) in relation to tax allowable exceptional expenditure for UK refinancing costs and the sale of a subsidiary (see note 5).

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

On 8 September 2017 the Group redomiciled the tax jurisdiction of Laing O'Rourke Corporation from Cyprus to Jersey. The corporation tax rate in Jersey is 0 per cent.

12 TAXATION (CONTINUED)

TAX EFFECTS RELATING TO EACH COMPONENT OF COMPREHENSIVE INCOME

	2019			2018		
	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	**(3.5)**	**–**	**(3.5)**	(29.6)	–	(29.6)
Fair value of financial assets	**2.5**	**–**	**2.5**	–	–	–
Cash flow hedges	**(2.3)**	**–**	**(2.3)**	(0.5)	–	(0.5)
Share of other comprehensive income of joint ventures and associates	**0.1**	**–**	**0.1**	3.7	–	3.7
	(3.2)	**–**	**(3.2)**	(26.4)	–	(26.4)

13 DIVIDENDS

	2019 £m	2018 £m
No interim dividends were paid during the year (2018: £nil)	**–**	–

The Directors do not recommend the payment of a final dividend (2018: £nil).

14 INTANGIBLE ASSETS

	Goodwill £m	**Computer software and licences £m**	**Development costs £m**	**Total £m**
Cost				
At 1 April 2018	**330.1**	**32.0**	**3.4**	**365.5**
Additions	**–**	**3.7**	**–**	**3.7**
Disposals	**(3.4)**	**(0.1)**	**–**	**(3.5)**
Impairment	**(2.2)**	**–**	**–**	**(2.2)**
Exchange differences	**(0.5)**	**0.2**	**–**	**(0.3)**
At 31 March 2019	**324.0**	**35.8**	**3.4**	**363.2**
Accumulated amortisation and impairment				
At 1 April 2018	**1.1**	**22.5**	**1.6**	**25.2**
Amortisation for the year	**–**	**2.7**	**0.8**	**3.5**
Disposals	**–**	**(0.1)**	**–**	**(0.1)**
Exchange differences	**(0.3)**	**0.3**	**–**	**–**
At 31 March 2019	**0.8**	**25.4**	**2.4**	**28.6**
Net book value at 31 March 2019	**323.2**	**10.4**	**1.0**	**334.6**
Cost				
At 1 April 2017	335.7	30.9	3.4	370.0
Additions	–	4.6	–	4.6
Disposals	–	(2.4)	–	(2.4)
Exchange differences	(5.6)	(1.1)	–	(6.7)
At 31 March 2018	330.1	32.0	3.4	365.5
Accumulated amortisation and impairment				
At 1 April 2017	1.1	23.6	0.8	25.5
Amortisation for the year	–	2.1	0.8	2.9
Disposals	–	(2.4)	–	(2.4)
Exchange differences	–	(0.8)	–	(0.8)
At 31 March 2018	1.1	22.5	1.6	25.2
Net book value at 31 March 2018	329.0	9.5	1.8	340.3

14 INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

The following units have significant amounts of goodwill	2019 £m	2018 £m
Australia	**42.0**	47.8
United Kingdom	**281.2**	281.2
	323.2	329.0

The recoverable amount of goodwill attached to each cash generating unit (CGU) is based on value in use calculations in accordance with IAS 36, Impairment of Assets. Each calculation uses cash flow projections based on four-year financial budgets approved by management and a perpetual growth rate of 3 per cent (2018: 3 per cent), discounted at the Group's estimated pre-tax weighted average cost of capital of 9.9 per cent (2018: 10.5 per cent). Budgeted gross margins are based on past performance and management's market expectations. The estimated perpetual growth rate of 3 per cent (2018: 3 per cent) is in line with the long-term average growth rate for the business in which the cash-generating unit operates and is consistent with industry forecast reports. The weighted average cost of capital is an estimate from listed industry competitors, adjusted for changes in capital structures and company specific considerations.

As at 31 March 2019, based on the internal value in use calculations, management concluded that the recoverable value of the cash generating units exceeded their carrying amount and there is no reasonably possible change in a key assumption that would result in an impairment change.

Sensitivity analysis has been performed on the goodwill in relation to each CGU by changing the key assumptions applicable to each CGU. In the view of the Directors there is not a reasonably possible change in a key assumption that would trigger an impairment charge.

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:

	2019 £m	2018 £m
Administrative expenses	**3.5**	2.9

15. ACQUISITIONS AND DISPOSALS

CURRENT YEAR DISPOSALS

Austrak Pty Limited

During the year the Group sold its shares in Austrak Pty Limited. A profit on disposal of £14.7m was achieved. This consideration is included in the cash flow statement within proceeds from disposal of subsidiaries. This is disclosed in Note 9.

High Wood Health (Hold Co) Limited

During the year the Group disposed of its joint venture in High Wood Health (Hold Co) Limited for £16.5m achieving a profit on disposal of £3.9m. The £16.5m consideration included the repayment of subordinated debt investment (£11.9m), accrued interest (£0.7m) and equity (£3.9m).

Omega Limited and Portfolio Solutions (Northern Ireland) Limited

During the year the Group disposed of its subsidiaries – Omega Limited and Portfolio Solutions (Northern Ireland) Limited along with its investments in Glen Water (Holdings) Limited and Glen Water Limited following the exercise of a previously agreed option. The option was exercised at nominal share value, leading to no gain or loss on disposal.

PRIOR YEAR DISPOSALS

Explore Investments No. 3 Limited

During the prior year Laing O'Rourke Plc, a subsidiary of the Group, sold its share in Explore Investments No. 3 Limited, along with its Canadian joint ventures for CAD $56m (£33.6m). A profit on disposal of £5.1m was achieved. This consideration is included in the prior year cashflow within proceeds from disposal of subsidiaries.

16. INVESTMENTS IN JOINT VENTURES

	Joint ventures equity investments £m	Loans to joint ventures £m	Total £m
Cost			
At 1 April 2018	**204.2**	**57.6**	**261.8**
Equity investment purchases	**21.0**	**–**	**21.0**
Loans advanced	**–**	**3.2**	**3.2**
Loans repaid	**–**	**(12.2)**	**(12.2)**
Exchange differences	**–**	**(0.6)**	**(0.6)**
At 31 March 2019	**225.2**	**48.0**	**273.2**
Share of post-acquisition results			
At 1 April 2018	**(247.8)**	**–**	**(247.8)**
Share of results for the year after tax	**5.3**	**–**	**5.3**
Distributions received	**(1.9)**	**–**	**(1.9)**
Fair value revaluation of financial assets	**2.5**	**–**	**2.5**
Fair value revaluation of cashflow hedges	**(2.3)**	**–**	**(2.3)**
Exchange differences	**(0.6)**	**–**	**(0.6)**
At 31 March 2019	**(244.8)**	**–**	**(244.8)**
Net book value at 31 March 2019	**(19.6)**	**48.0**	**28.4**
Cost			
At 1 April 2017	145.3	94.6	239.9
Equity investment purchases	64.4	–	64.4
Equity investment disposals	(5.5)	–	(5.5)
Loans advanced	–	16.4	16.4
Loans repaid	–	(55.3)	(55.3)
Impairment	–	(0.3)	(0.3)
Exchange differences	–	2.2	2.2
At 31 March 2018	204.2	57.6	261.8
Share of post-acquisition results			
At 1 April 2017	(226.8)	–	(226.8)
Share of results for the year after tax	(20.3)	–	(20.3)
Distributions received	(4.4)	–	(4.4)
Exchange differences	3.7	–	3.7
At 31 March 2018	(247.8)	–	(247.8)
Net book value at 31 March 2018	(43.6)	57.6	14.0

The Group's share of joint venture and loans to joint ventures are presented above. IFRS 11, Joint Arrangements, require the following presentation adjustments:

– where the Group has already accounted for an obligation to fund net liabilities of a joint venture or associate this is deducted from loans made to the joint venture or associate; and

– where the Group's obligation to fund net liabilities of a joint venture or associate exceeds the amount loaned, a provision is recorded (see note 24).

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

	2019 £m	2018 £m
Investments in joint ventures and associate	**16.6**	14.5
Loans to joint ventures	**14.1**	23.0
Provisions	**(2.3)**	(23.5)
	28.4	14.0

No impairment losses to equity investments were brought forward at 31 March 2019 or charged in the year (2018: £nil). The adoption of IFRS 9 from 1 April 2018 did not result in any material adjustments to loans to joint ventures.

The adoption of IFRS 9 from 1 April 2018 did not result in any material adjustments to loans to joint ventures.

16. INVESTMENTS IN JOINT VENTURES AND ASSOCIATE (CONTINUED)

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

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

	Emirates Precast Construction LLC 2019 £m	Canal Harbour Development Company Limited 2019 £m	Health Montreal Collective CJV Limited Partnership 2019 £m	Private Finance Initiatives (PFIs) 2019 £m	Explore Transport 2019 £m	Juris Partnership 2019 £m	Other joint ventures 2019 £m	Total 2019 £m
Revenue	**24.4**	**–**	**48.6**	**9.5**	**71.6**	**9.8**	**47.3**	**211.2**
Depreciation and amortisation	0.2	–	–	–	7.2	0.1	–	7.5
Other expenses/(income)	(22.1)	(0.1)	(47.1)	(9.9)	(70.5)	(8.9)	(47.3)	(205.9)
Operating profit/(loss)	2.5	(0.1)	1.5	(0.4)	8.3	1.0	–	12.8
Net finance income/(costs)	0.1	–	1.0	1.4	(1.5)	–	–	1.0
Profit/(loss) before tax	2.6	(0.1)	2.5	1.0	6.8	1.0	–	13.8
Tax credit/(expense)	–	–	–	–	(1.4)	–	–	(1.4)
Profit/(loss) after tax	2.6	(0.1)	2.5	1.0	5.4	1.0	–	12.4
Other comprehensive income/(expense)	–	–	–	–	–	–	–	–
Total comprehensive income/(expense)	2.6	(0.1)	2.5	1.0	5.4	1.0	–	12.4
Dividends received from joint ventures	1.9	–	–	–	2.4	0.7	–	5.0
Non-current assets								
Goodwill	–	–	–	–	1.0	–	–	1.0
Property, plant and equipment	0.9	–	–	–	53.7	0.3	–	54.9
Other non-current assets	0.6	–	–	290.8	–	0.2	–	291.6
Current assets								
Cash and cash equivalents	3.9	–	5.8	20.0	1.4	1.6	1.1	33.8
Other current assets	21.9	–	176.8	1.7	12.2	8.8	5.7	227.1
Total assets	27.3	–	182.6	312.5	68.3	10.9	6.8	608.4
Current liabilities								
Borrowings	–	–	–	(5.6)	(4.4)	–	–	(10.0)
Other current liabilities	(11.0)	(1.1)	(185.1)	(8.8)	(16.4)	(4.4)	(6.2)	(233.0)
Non-current liabilities								
Borrowings	–	–	–	(292.2)	(35.8)	–	–	(328.0)
Other non-current liabilities	(1.8)	(68.9)	–	–	(1.5)	(0.7)	–	(72.9)
Total liabilities	(12.8)	(70.0)	(185.1)	(306.6)	(58.1)	(5.1)	(6.2)	(643.9)
Net assets/(liabilities)	14.5	(70.0)	(2.5)	5.9	10.2	5.8	0.6	(35.5)
Financial commitments	–	–	–	–	–	–	–	–
Capital commitments	–	–	–	–	–	–	–	–

Please refer to note 36 for details of the place of business for material joint ventures.

16. INVESTMENTS IN JOINT VENTURES AND ASSOCIATE (CONTINUED)

	Emirates Precast Construction LLC 2018 £m	Canal Harbour Development Company Limited 2018 £m	Health Montreal Collective CJV Limited Partnership 2018 £m	Private Finance Initiatives (PFIs) 2018 £m	Explore Transport 2018 £m	Juris Partnership 2018 £m	Other joint ventures 2018 £m	Total 2018 £m
Revenue	19.6	39.9	60.1	113.2	67.7	18.9	40.1	359.5
Depreciation and amortisation	(0.2)	–	–	–	(9.4)	–	–	(9.6)
Other expenses/(income)	(17.7)	(41.2)	(107.0)	(114.9)	(52.8)	(18.2)	(39.9)	(391.7)
Operating profit/(loss)	1.7	(1.3)	(46.9)	(1.7)	5.5	0.7	0.2	(41.8)
Net finance income/(costs)	–	–	–	3.1	(1.3)	(0.3)	0.7	2.2
Profit/(loss) before tax	1.7	(1.3)	(46.9)	1.4	4.2	0.4	0.9	(39.6)
Tax credit/(expense)	–	–	–	(0.3)	(0.8)	–	(0.2)	(1.3)
Profit/(loss) after tax	1.7	(1.3)	(46.9)	1.1	3.4	0.4	0.7	(40.9)
Other comprehensive income/(expense)	–	–	–	–	–	–	–	–
Total comprehensive income/(expense)	1.7	(1.3)	(46.9)	1.1	3.4	0.4	0.7	(40.9)
Dividends received from joint ventures	1.1	–	–	0.2	3.1	–	–	4.4
Non-current assets								
Goodwill	–	–	–	–	1.4	–	–	1.4
Property, plant and equipment	0.8	–	–	–	43.6	–	–	44.4
Other non-current assets	1.1	–	–	394.1	–	44.6	133.6	573.4
Current assets								
Cash and cash equivalents	4.4	0.1	8.3	24.1	4.6	3.2	7.5	52.2
Other current assets	15.0	0.2	133.9	0.4	12.3	2.5	3.3	167.6
Total assets	21.3	0.3	142.2	418.6	61.9	50.3	144.4	839.0
Current liabilities								
Borrowings	–	–	–	(8.4)	(3.3)	–	(4.5)	(16.2)
Other current liabilities	(6.9)	(1.3)	(187.2)	(22.8)	(19.8)	(3.9)	(9.1)	(251.0)
Non-current liabilities								
Borrowings	–	–	–	(383.9)	(29.8)	(38.8)	(128.7)	(581.2)
Other non-current liabilities	(1.6)	(70.3)	–	–	(1.6)	(4.5)	–	(78.0)
Total liabilities	(8.5)	(71.6)	(187.2)	(415.1)	(54.5)	(47.2)	(142.3)	(926.4)
Net assets/(liabilities)	12.8	(71.3)	(45.0)	3.5	7.4	3.1	2.1	(87.4)
Financial commitments	–	–	–	–	–	–	–	–
Capital commitments	–	–	–	–	–	–	–	–

17. PROPERTY, PLANT AND EQUIPMENT

	Group owner occupied land and buildings £m	Other land and buildings £m	Plant, equipment and vehicles £m	Total £m
Cost				
At 1 April 2018	**22.5**	**29.6**	**395.0**	**447.1**
Additions	**–**	**5.8**	**39.5**	**45.3**
Disposals	**–**	**(6.1)**	**(63.3)**	**(69.4)**
Exchange differences	**–**	**0.5**	**2.2**	**2.7**
At 31 March 2019	**22.5**	**29.8**	**373.4**	**425.7**
Accumulated depreciation				
At 1 April 2018	**1.2**	**22.2**	**233.2**	**256.6**
Depreciation charge for the year	**0.3**	**1.3**	**25.3**	**26.9**
Impairment	**–**	**0.1**	**–**	**0.1**
Disposals	**–**	**(5.9)**	**(53.8)**	**(59.7)**
Exchange differences	**–**	**0.8**	**2.1**	**2.9**
At 31 March 2019	**1.5**	**18.5**	**206.8**	**226.8**
Net book value at 31 March 2019	**21.0**	**11.3**	**166.6**	**198.9**

	Group owner occupied land and buildings £m	Other land and buildings £m	Plant, equipment and vehicles £m	Total £m
Cost				
At 1 April 2017	32.5	29.3	442.3	504.1
Additions	–	1.7	31.7	33.4
Disposals	(6.7)	(0.4)	(61.4)	(68.5)
Transfer between categories	(0.8)	0.8	–	–
Transfer to assets held-for-sale	(2.2)	–	–	(2.2)
Exchange differences	(0.3)	(1.8)	(17.6)	(19.7)
At 31 March 2018	22.5	29.6	395.0	447.1
Accumulated depreciation				
At 1 April 2017	2.7	21.7	264.8	289.2
Depreciation charge for the year	0.3	1.5	29.4	31.2
Impairment	–	(0.1)	1.6	1.5
Disposals	(0.8)	(0.2)	(50.7)	(51.7)
Transfer between categories	(0.8)	0.8	–	–
Transfer to assets held-for-sale	(0.1)	–	–	(0.1)
Exchange differences	(0.1)	(1.5)	(11.9)	(13.5)
At 31 March 2018	1.2	22.2	233.2	256.6
Net book value at 31 March 2018	21.3	7.4	161.8	190.5

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2019 £m	2018 £m
Cost at 1 April	**164.1**	186.0
Accumulated depreciation at 1 April	**(67.1)**	(77.4)
Net book value at 1 April	**97.0**	108.6
Additions/acquisitions	**35.5**	21.4
Cost of disposals/transfers out	**(25.8)**	(36.8)
Depreciation on disposals/transfers out	**10.3**	19.8
Depreciation charge for the year	**(12.4)**	(12.7)
Exchange differences	**(0.1)**	(3.3)
Net book value at 31 March	**104.5**	97.0

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

18. INVESTMENT PROPERTY

	Freehold 2019 £m	Freehold 2018 £m
Net book value at 1 April	**0.2**	5.7
Transfer to inventories	**(0.2)**	–
Disposals	**–**	(5.6)
Exchange differences	**–**	0.1
Net book value at 31 March	**–**	0.2

Investment property income earned by the Group, all of which was received under operating leases, amounted to £nil (2018: £0.1m) and is shown as revenue in the income statement. Direct operating expenses arising on investment properties generating rental income in the year amounted to £nil (2018: £nil).

The Group's investment properties are let under non-cancellable operating lease agreements. The leases have varying terms, escalating clauses and renewal rights. The Group has no future operating lease income commitments.

19. ASSETS CLASSIFIED AS HELD FOR SALE

	2019 £m	2018 £m
Non-current assets held for sale		
Land and Buildings	**–**	1.7
	–	1.7

20. TRADE AND OTHER RECEIVABLES

Amounts expected to be recovered within one year:	2019 £m	2018 £m
Trade receivables	**99.4**	90.0
Less: allowance for expected credit losses (2018: provision for impairment of trade receivables)	**(6.0)**	(2.6)
Contract assets*	**282.6**	371.6
Prepayments	**29.7**	24.1
Other receivables	**51.2**	53.8
	456.9	536.9
Amounts expected to be recovered after more than one year:		
Trade receivables	**0.6**	0.4
Contract assets*	**147.5**	137.3
Other receivables	**0.1**	0.4
	148.2	138.1
Total trade and other receivables	**605.1**	675.0

* The Group adopted IFRS 15 Revenue from Contracts with Customers on 1 April 2018 and Gross amounts due from customers on construction contracts are now Contract assets

At 31 March 2019, trade and other receivables include retentions of £106.1m (2018: £119.9m) relating to construction contracts of which £34.5m (2018: £34.5m) are non-current assets.

MOVEMENT IN THE PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

	2019 £m
Opening balance	**(2.6)**
Additional provisions recognised	**(3.6)**
Unused amounts reversed	**0.4**
Exchange differences	**(0.2)**
Closing balance	**(6.0)**

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Carrying amount 2019 £m	Allowance for expected credit losses 2019 £m
Not overdue	**81.9**	**0.1**
0 to 3 months overdue	**9.1**	**0.4**
3 to 6 months overdue	**2.0**	**0.5**
Over 6 months overdue	**7.0**	**5.0**
	100.0	**6.0**

Included in non-current contract assets is an amount of £102.2m (2018: £102.8m) in respect of the EPC Cryogenic Tanks contract terminated during FY17. The contract to date loss amounts to £40.3m and represents costs incurred in respect of delays and other matters which will be claimed in addition to other substantial claims net of expected losses stated above, but have not been recognised in contract revenue at 31 March 2019. The Group's total claims are expected to exceed total contract costs incurred. In addition to claims for unpaid work performed (including variations), the amount to be claimed by the Group will include delay and disruption claims, post termination costs, legal costs and interest. The contract contains dispute resolution provisions. The matter has been referred for resolution through private arbitration. As the relevant contract does not specify a time limit within which the dispute resolution process must be determined, there can be no certainty as to when the matter will be finalised.

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

Contract assets is made up of a portfolio of contracts and represents unbilled amounts and includes amounts arising from changes to the 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 FULFILMENT COSTS

The Group has no fulfilment costs within contract assets.

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

REMAINING PERFORMANCE OBLIGATIONS

Contract which have remaining performance obligations as at 31 March 2019 are set out below.

	2019 £m	2018 £m
Construction work in hand		
Europe Hub	**4,468**	–
Australia Hub	**779**	–
	5,247	–

Management expects that £2,333m will be recognised as revenue in the next financial year. The 2018 comparative number has not been disclosed as permitted by the transitional provisions of IFRS 15.

21. INVENTORIES

	2019 £m	2018 £m
Development land and work in progress	**16.5**	19.4
Raw materials and consumables	**4.8**	6.6
Finished goods and goods for resale	**0.2**	0.6
	21.5	26.6

Development land and work in progress at 31 March 2019 includes assets to a value of £12.9m (2018: £13.7m) expected to be consumed after more than one year. Inventories carried at net realisable value at 31 March 2019 had a carrying value of £14.5m (2018: £17.1m).

Capitalised specific borrowing costs attributable to qualifying assets and included in development land and work in progress of £1.4m did not materially change from last year (2018: £1.5m).

22. BORROWINGS

	2019 £m	2018 £m
Amounts expected to be settled within one year:		
Bank loans	**24.1**	6.0
Finance lease obligations	**20.9**	22.6
	45.0	28.6
Amounts expected to be settled after more than one year:		
Bank loans	**224.7**	197.9
Other loans	**47.4**	29.1
Finance lease obligations	**31.3**	28.9
	303.4	255.9
Total borrowings	**348.4**	284.5

Bank loans amounting to £13.7m (2018: £13.7m) are secured on the assets to which they relate. Included within borrowings is £20.7m (2018: £16.6m) relating to bank arrangement fees; see note 35.

FINANCE LEASE OBLIGATIONS

Finance lease obligations are payable as follows:

	Interest 2019 £m	Principal 2019 £m	Minimum lease payments 2019 £m	Interest 2018 £m	Principal 2018 £m	Minimum lease payments 2018 £m
Less than one year	**1.2**	**20.9**	**22.1**	1.3	22.6	23.9
Between one and five years	**1.2**	**31.3**	**32.5**	1.0	28.9	29.9
More than five years	**–**	**–**	**–**	–	–	–
	2.4	**52.2**	**54.6**	2.3	51.5	53.8

Obligations under finance leases are secured by legal charges on certain non-current assets of the Group with an original cost of £164.1m (2018: £186.0m) and total net book value of £104.5m (2018: £97.0m).

23. TRADE AND OTHER PAYABLES

	2019 £m	2018 £m
Amounts expected to be settled within one year:		
Contract liabilities	**225.2**	191.3
Trade payables	**246.3**	255.2
Other tax and social security	**31.5**	23.5
Other payables	**77.1**	90.6
Accruals	**409.6**	454.9
	989.7	1,015.5
Amounts expected to be settled after more than one year:		
Contract liabilities	**23.4**	39.5
Trade payables	**24.5**	18.5
Accruals	**14.0**	11.4
	61.9	69.4
Total trade and other payables	**1,051.6**	1,084.9

At 31 March 2019, trade and other payables include retentions of £58.9m (2018: £58.9m) relating to construction contracts of which £18.9m (2018: £17.2m) are non-current liabilities.

24. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Insurance technical provisions £m	Employee provisions £m	Joint venture provisions £m	Total provisions £m
At 1 April 2018	**48.0**	**6.3**	**23.5**	**77.8**
Provisions created	**–**	**0.2**	**–**	**0.2**
Provisions utilised	**(3.7)**	**(0.1)**	**(21.2)**	**(25.0)**
At 31 March 2019	**44.3**	**6.4**	**2.3**	**53.0**
Disclosed within:				
Current liabilities	**–**	**3.2**	**2.3**	**5.5**
Non-current liabilities	**44.3**	**3.2**	**–**	**47.5**
	44.3	**6.4**	**2.3**	**53.0**
At 1 April 2017	41.3	7.5	66.8	115.6
Provisions created	6.7	–	21.9	28.6
Provisions utilised	–	(1.2)	(65.2)	(66.4)
At 31 March 2018	48.0	6.3	23.5	77.8
Disclosed within:				
Current liabilities	9.6	3.1	23.5	36.2
Non-current liabilities	38.4	3.2	–	41.6
	48.0	6.3	23.5	77.8

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

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

The Group provides in full for obligations to remedy net liabilities and jointly controlled entities in excess of amounts already loaned. At 31 March 2019, these provisions amounted to £2.3m (2018: £23.5m) which were measured in accordance with the Group's accounting policies. Amounts provided are assessed based on judgements of contracts costs, contract programmes and maintenance liabilities and are expected to be paid within one year.

25. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following;

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

	Assets 2019 £m	Assets 2018 £m	**Liabilities 2019 £m**	Liabilities 2018 £m	**Net 2019 £m**	Net 2018 £m
Property, plant and equipment	**3.1**	4.9	**(1.1)**	(2.2)	**2.0**	2.5
Other temporary differences	**9.4**	12.8	**(4.8)**	(4.4)	**4.6**	8.6
Tax losses carried forward	**43.7**	48.6	**3.6**	–	**47.3**	48.6
Deferred tax assets/(liabilities)	**56.2**	66.3	**(2.3)**	(6.6)	**53.9**	59.7
The ageing of deferred tax assets/(liabilities) at the year-end was:						
Less than one year	**35.8**	34.3	**(1.9)**	(0.8)	**33.9**	33.5
More than one year	**20.4**	32.0	**(0.4)**	(5.8)	**20.0**	26.2
	56.2	66.3	**(2.3)**	(6.6)	**53.9**	59.7

MOVEMENTS IN DEFERRED TAX ASSETS AND LIABILITIES DURING THE YEAR

	At 1 April 2018 £m	Exchange and other movements £m	Recognised in income £m	Recognised in equity £m	**As at 31 March 2019 £m**
Property, plant and equipment	2.5	–	(0.5)	–	**2.0**
Other temporary differences	8.6	(3.0)	(1.0)	–	**4.6**
Tax losses carried forward	48.6	–	(1.3)	–	**47.3**
	59.7	(3.0)	(2.8)	–	**53.9**

	At 1 April 2017 £m	Exchange and other movements £m	Recognised in income £m	Recognised in equity £m	As at 31 March 2018 £m
Property, plant and equipment	6.8	–	(4.3)	–	2.5
Other temporary differences	23.7	(2.1)	(13.0)	–	8.6
Tax losses carried forward	33.3	–	15.3	–	48.6
	63.8	(2.1)	(2.0)	–	59.7

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

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets have not been recognised in respect of the following items:	**2019 £m**	2018 £m
Tax losses	**56.1**	34.1

The Group has unrecognised deferred tax assets of £56.1m (2018: £34.1m) relating to unused tax losses predominantly of £191.4m (2018: £137.9m) generating from Canadian operations. The tax losses have arisen in the Group and can be carried forward to future periods for use against part of future profits. No deferred tax asset has been recognised in respect of these amounts due to the unpredictability of future taxable profits and the constraints in using the losses.

26. SHARE CAPITAL AND PREMIUM

	Number of €1 shares issued	Share premium £m
At 1 April 2018 and at 31 March 2019	9,000	286.4

The authorised share capital of Laing O'Rourke Corporation Limited at 31 March 2019 was 18,000 ordinary shares of €1 each (2018: 18,000 shares).

27. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' 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 Shareholders' equity £m**	Non-controlling interests £m	**Total equity £m**
At 1 April 2017	–	286.4	–	(2.6)	22.4	9.1	**315.3**	(1.7)	**313.6**
Loss for the year	–	–	–	–	–	(45.0)	**(45.0)**	(1.5)	**(46.5)**
Other comprehensive expense after tax	–	–	–	(0.5)	(26.2)	–	**(26.7)**	0.3	**(26.4)**
Total comprehensive expense for the year	–	–	–	(0.5)	(26.2)	(45.0)	**(71.7)**	(1.2)	**(72.9)**
Dividends paid	–	–	–	–	–	–	**–**	–	**–**
At 31 March 2018	**–**	**286.4**	**–**	**(3.1)**	**(3.8)**	**(35.9)**	**243.6**	**(2.9)**	**240.7**
Adjustment as a result of transitioning to IFRS 15						(11.6)	**(11.6)**	–	**(11.6)**
Adjusted balance as at 1 April 2018	**–**	**286.4**	**–**	**(3.1)**	**(3.8)**	**(47.5)**	**232.0**	**(2.9)**	**229.1**
Profit for the year	–	–	–	–	–	33.4	**33.4**	0.3	**33.7**
Other comprehensive income after tax	–	–	2.5	(2.3)	(3.2)	–	**(3.0)**	(0.2)	**(3.2)**
Total comprehensive income for the year	–	–	2.5	(2.3)	(3.2)	33.4	**30.4**	0.1	**30.5**
Dividends paid	–	–	–	–	–	–	**–**	–	**–**
At 31 March 2019	**–**	**286.4**	**2.5**	**(5.4)**	**(7.0)**	**(14.1)**	**262.4**	**(2.8)**	**259.6**

FAIR VALUE RESERVE

The fair value reserve includes the cumulative net change in the fair value of assets held to collect and to sell financial assets until the investment is de-recognised, together with any related deferred tax.

HEDGING RESERVE

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

FOREIGN CURRENCY TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

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 2019 in respect of:

GUARANTEES

Contingent liabilities which exist in respect of bank guarantees and surety bonds issued in the ordinary course of business:

	2019 £m	2018 £m
Surety Bonds	**203.1**	237.9
Bank Guarantees	**189.6**	236.2
	392.7	474.1

These guarantees may give rise to liabilities in the Group if it does not meet its obligations under the terms of the guarantees. No material losses are anticipated in respect of any of the above contingent liabilities.

However, in April 2017, Laing O'Rourke Australia Pty Limited commenced court proceedings against a consortium partner to restrain a call on AUD$49.4m (£26.9m) of surety bonds in relation to a termination of a contract. Following two judgements in favour of Laing O'Rourke Australia Pty Limited, on 8 March 2018, Laing O'Rourke Australia 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 dispute in private arbitration.

28. GUARANTEES AND CONTINGENT LIABILITIES (CONTINUED)

CLAIMS

The Company has subsidiaries that have a conventional contractor's liability profile 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 and or joint arrangement 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 positions.

Laing O'Rourke Australia Pty Limited received a claim for payment on 30 July 2018 from the party owing the Group the amounts recognised as a receivable. This is now subject to private arbitration. Management is vigorously defending the claim and have not recognised a liability in the financial report as they believe it is not probable that a payment will be required to settle the claim. However, as with the recovery of the arbitration this will take some time to resolve. Further information on this claim is not provided as management expects it would prejudice seriously the 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.

29.1 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)								
	2019 GBP	2019 EUR	2019 AUD	2019 AED	2019 SAR	2019 CAD	2019 HKD	2019 Other	2019 Total £m
Loans to joint ventures	14.1	33.9	–	–	–	–	–	–	**48.0**
Trade and other receivables	278.2	–	175.0	104.6	1.9	–	20.5	1.2	**581.4**
Cash and cash equivalents	276.8	3.3	119.6	48.0	0.1	0.1	12.3	0.2	**460.4**
Total financial assets	569.1	37.2	294.6	152.6	2.0	0.1	32.8	1.4	**1,089.8**
Borrowings	(296.3)	–	(52.1)	–	–	–	–	–	**(348.4)**
Trade and other payables	(676.4)	(2.2)	(167.1)	(156.8)	(0.1)	–	(15.7)	(1.8)	**(1,020.1)**
Net financial (liabilities)/assets	(403.6)	35.0	75.4	(4.2)	1.9	0.1	17.1	(0.4)	**(278.7)**

29. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT (CONTINUED)

	Pound sterling value of equivalent currency (m)								
	2018 GBP	2018 EUR	2018 AUD	2018 AED	2018 SAR	2018 CAD	2018 HKD	2018 Other	2018 Total £m
Loans to joint ventures	23.0	34.6	–	–	–	–	–	–	57.6
Trade and other receivables	340.0	–	199.6	84.9	1.8	–	26.0	1.2	653.5
Cash and cash equivalents	200.4	5.8	117.4	13.4	0.2	0.4	19.1	0.3	357.0
Total financial assets	563.4	40.4	317.0	98.3	2.0	0.4	45.1	1.5	1,068.1
Borrowings	(266.9)	–	(17.6)	–	–	–	–	–	(284.5)
Trade and other payables	(772.4)	(4.2)	(213.8)	(98.8)	(0.1)	–	(21.0)	(1.7)	(1,112.0)
Net financial (liabilities)/assets	(475.9)	36.2	85.6	(0.5)	1.9	0.4	24.1	(0.2)	(328.4)

Of the total foreign currency borrowings of £52.1m (2018: £17.6m), the amount of borrowings used to finance overseas operations amounts to £52.1m (2018: £17.6m).

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

If the foreign exchange rates that the Group is exposed to had changed adversely by 10 per cent at the balance sheet date, the results for the year and equity would have decreased by £3.9m (2018: £7.0m). This sensitivity analysis takes into account the tax impact and the forward exchange contracts in place.

29.2 INTEREST RATE RISK

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

		Repricing/maturity date			
	Total £m	Within one year £m	Between one and two years £m	After two years £m	Effective interest rate %
At 31 March 2019					
Bank loans	**248.8**	**24.1**	**78.6**	**146.2**	**7.96%**
Other loans	**47.4**	**–**	**–**	**47.4**	**8.70%**
Finance lease obligations	**52.2**	**20.9**	**14.3**	**16.9**	**4.10%**
	348.4	**45.0**	**92.9**	**210.5**	**–**
At 31 March 2018					
Bank loans	203.9	6.0	186.7	11.2	3.43%
Other loans	29.1	–	–	29.1	3.70%
Finance lease obligations	51.5	22.6	15.2	13.7	4.14%
	284.5	28.6	201.9	54.0	–

If interest rates had been 1 per cent higher during the period, the results and equity would have reduced by £1.5m (2018: £2.6m). This sensitivity analysis takes into account the tax impact.

29. FINANCIAL INSTRUMENTS (CONTINUED)

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.

As part of the refinancing three new banking covenants were established for UK core borrowing, including covenants related to net debt to EBITDA, interest cover and minimum 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 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.

Maturity of financial liabilities

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

	Trade and other payables £m	Other loan £m	Bank loans £m	Finance leases £m	Total £m
At 31 March 2019					
Between one and less than two years	**22.3**	**–**	**90.3**	**15.0**	**127.6**
Between two and less than five years	**27.1**	**59.9**	**154.9**	**17.5**	**259.4**
Five or more years	**12.5**	**–**	**–**	**–**	**12.5**
	61.9	**59.9**	**245.2**	**32.5**	**399.5**
At 31 March 2018					
Between one and less than two years	26.8	–	186.7	15.8	229.3
Between two and less than five years	31.6	29.1	17.3	14.1	92.1
Five or more years	11.0	–	–	–	11.0
	69.4	29.1	204.0	29.9	332.4

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. The Group holds available-for-sale investments which are traded in active markets and valued based on the closing per unit market price at 31 March 2019.

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 2019.

	Fair value measurement 2019				Fair value measurement 2018			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial instruments*	**(2.8)**	**–**	**–**	**–**	(0.5)	–	–	–
Financial assets held to collect and to sell	**2.5**	**–**	**–**	**–**	–	–	–	–
	(0.3)	**–**	**–**	**–**	(0.5)	–	–	–

* Derivative financial instruments are interest rate swaps designated as a cash flow hedging instrument included in the balance sheet of a joint venture which is consolidated as an investment in joint ventures and associates.

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.4 FAIR VALUES (CONTINUED)

The fair value movements on held to collect and to sell financial assets and cash flow hedges are recognised in the statement of comprehensive income. The Group recognised a £2.5m gain in financial assets held to collect and to sell in relation to PFI investments in joint ventures during the year. The Group also recognised a £2.3m loss in 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; see note 27.

The carrying and fair values of the Group's financial instruments at 31 March 2019 and 31 March 2018 are as follows:

	Fair value 2019 £m	**Carrying amount 2019 £m**	Fair value 2018 £m	Carrying amount 2018 £m
Loans and receivables	**629.4**	**629.4**	797.4	797.4
Financial liabilities measured at amortised cost	**(1,369.5)**	**(1,369.5)**	(1,424.9)	(1,424.9)

The carrying and fair values of the Group's financial instruments were not materially different at 31 March 2019.

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

The fair values of investment properties are based on an annual assessment of future rental yields compared to current market evidence. The fair values are within level 3 of the hierarchy above.

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.

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

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

At 31 March 2019 the Group had net funds of £132.9m (2018: £89.1m).

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

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

Financial assets pledged as short-term collateral and included within cash equivalents were £9.3m (2018: £9.3m).

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 the Company are reported within cash and cash equivalents. As is usual practice for captive insurance companies some of the cash is used as collateral against contingent liabilities, standby letters of credit to the value of £9.3m (2018: £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 (2018: £nil).

31. FINANCIAL AND CAPITAL COMMITMENTS

Capital expenditure for property, plant and equipment, authorised and contracted for which has not been provided for in the financial statements amounted to £3.2m (2018: £4.3m) in the Group.

The Group leases land and buildings, equipment and other various assets under non-cancellable operating lease agreements. The leases have varying terms, escalating clauses and renewal rights. The lease expenditure charge to the income statement is disclosed in note 6. The Group's future aggregate minimum lease payments comprise:

	Land and buildings 2019 £m	**Other 2019 £m**	Land and buildings 2018 £m	Other 2018 £m
Future operating lease expenditure commitments:				
Due within one year	**25.5**	**4.5**	13.1	7.2
Due between one and five years	**63.9**	**2.2**	26.5	6.3
Due after more than five years	**56.8**	**–**	19.9	–
	146.3	**6.7**	59.5	13.5

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

The Group has committed to provide its share of further equity funding and subordinated debt investments in PPP (public-private partnerships) special purpose entities amounting to £nil (2018: £3.2m).

32. RELATED PARTY TRANSACTIONS AND BALANCES

IDENTITY OF RELATED PARTIES

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

GROUP

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

SALE OF GOODS AND SERVICES PROVIDED TO RELATED PARTIES

	2019		2018	
	Income earned in year £m	**Receivable at year-end £m**	Income earned in year £m	Receivable at year-end £m
Joint ventures	**16.3**	**16.5**	55.1	25.0

PURCHASE OF GOODS AND SERVICES PROVIDED BY RELATED PARTIES

	2019		2018	
	Expenses paid in year £m	**Payable at year-end £m**	Expenses paid in year £m	Payables at year-end £m
Joint ventures	**0.4**	**0.2**	0.5	–

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.

PROPERTY LEASES

During the year the Group incurred expenditure of £2.2m (2018: £2.1m) with Mark Holding and Finance Limited and £7.2m (2018: £7.4m) with Steetley Investments Limited in respect of amounts due under lease agreements for premises occupied by the Group. During the year the interests in Mark Holding and Finance Limited and Steetley Investments Limited were held in trust, the beneficiaries of which are R G O'Rourke KBE and H D O'Rourke, who are also the beneficiaries of the trusts which ultimately own Suffolk Partners Corporation. At the year-end the balance outstanding to Mark Holding and Finance Limited was £nil (2018: £nil) and to Steetley Investments Limited was £nil (2018: £nil). No amounts were written off in the year by either party in respect of amounts payable under the agreements entered into.

CONSTRUCTION CONTRACT

During the 2016 financial year the Group completed a construction contract with H.E. Sultan Saeed Mohammed Naser Al Mansoori, a beneficial owner of a minority stake in six UAE entities of the Group. There is no balance outstanding at year end (2018: £0.9m), this balance was written off in full during the year. The contract was based on normal commercial terms.

32. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

LOANS

The Group has a loan outstanding from its ultimate parent company, Suffolk Partners Corporation, although did not advance any loan amounts in the year (2018: £nil). The loan is subject to interest at commercial rates. The balance outstanding at the year end was £19.1m (2018: £18.4m).

The Group provides an enabling debt facility which are jointly repayable from Southside & City Developments Limited and KDC Properties Limited. During the year the Group loaned £0.5m (2018: £0.5m) to Southside & City Developments Limited. The loan is based on normal commercial terms. C Klerides and V Papadopoulos are Directors of Laing O'Rourke Corporation Limited and Southside & City Developments Limited. At the year-end the fair value of the amounts outstanding was £4.8m (2018: £4.3m). No amounts were written off in the period on the loan.

During the year, the Group loaned a further £nil (2018: £nil) to Augur Investments Limited. Suffolk Partners Corporation is the ultimate parent company of Laing O'Rourke Corporation Limited and a 50 percent shareholder of Augur Investments Limited. The loan is subject to interest at commercial rates. At the year-end the balance outstanding was £0.6m (2018: £2.3m).

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

GUARANTEE

During the year, R G O'Rourke KBE and H D O'Rourke issued a personal guarantee to various UK lenders of Laing O'Rourke Plc for a maximum liability of up to £5.3m. The guarantee expires on 31 December 2019 once certain repayment obligations have been satisfied.

SUBORDINATED LOAN

The Group has a £23.6m subordinated long-term loan from R G O'Rourke and H D O'Rourke, who are also the beneficiaries of the trusts which ultimately own Suffolk Partners Corporation. During the year a further £15m shareholder loan was made available to the Group. Total interest of £3.4m was accrued on the loan balances during the year, with £5.4m of brought forward accrued interest. The balance outstanding as at 31 March 2019 was £47.4m (2018: £29.1m).

LOANS TO AND FROM JOINT VENTURES AND ASSOCIATES

At 31 March 2019 loans to joint ventures amounted to £48.0m (2018: £57.6m) and loans from joint ventures amounted to £nil (2018: £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 (2018: £nil). Amounts due to and from joint ventures and associates at 31 March 2019 are disclosed within investments in joint ventures and associates, trade and other receivables and trade and other payables in notes 16, 20 and 22 respectively.

DIRECTORS' REMUNERATION

During the year the total remuneration of the Directors was £3.0m (2018: £3.9m) of which pension costs amounted to £nil (2018: £nil), see note 7.

OISIN

On 2 June 2016, the Group sold an aircraft to Oisin Aviation (IOM) LP. During the current year the Group paid leasing costs of £0.1m (2018: £0.1m) to Oisin Aviation (IOM) LP for the rental and £0.2m (2018: £0.2m) for the operational services of the aircraft to Oisin Aviation (Jersey) LP. During the year the limited partners of Oisin Aviation (IOM) LP and Oisin Aviation (Jersey) LP were R O'Rourke KBE and H D O'Rourke, who are also beneficiaries of the trust which ultimately owns Suffolk Partners Corporation, the ultimate parent company of Laing O'Rourke Corporation Limited.

33 ULTIMATE PARENT COMPANY

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

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

34 POST BALANCE SHEET REVIEW

Subsequent to the year end, the Group has refinanced its Australia Hub. The renewal date for these facilities is 31 December 2021, aligned with the UK facilities. The facility is for AUD$120m (2018: AUD$150m).

On 21 July 2019, the non-controlling interest held by SAM Holdings LLC, in the following joint venture companies: Laing O'Rourke Industrial LLC, Laing O'Rourke Industrial Joinery LLC, Crown House Technology UAE LLC, Crown House Facilities Management UAE LLC and Crown House Security UAE LLC have been sold to Links Formation Specialists LLC.

35 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2019 £m	2018 £m
Increase in cash and cash equivalents for the year	**101.4**	50.8
Cash (inflow)/outflow from debt and lease financing	**(34.5)**	13.3
Change in net funds resulting from cash flows	**66.9**	64.1
New finance leases	**(26.4)**	(21.5)
Other non-cash items	**1.3**	(1.2)
Foreign exchange translation differences	**2.0**	(17.8)
Movement in net funds in the year	**43.8**	23.6
Net funds at 1 April	**89.1**	65.5
Net funds at 31 March	**132.9**	89.1

	2019 £m	2018 £m
Reconciliation of net funds:		
Cash	**460.4**	357.0
Less: borrowings	**(348.4)**	**(284.5)**
Add: bank arrangement fees	**20.9**	16.6
Net funds at 31 March	**132.9**	89.1

36. PRINCIPAL SUBSIDIARIES AND JOINT ARRANGEMENTS

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

Joint ventures	Principal activity	Group ownership interest	Principal place of business
Alder Hey (Special Purpose Vehicle) Limited	PFI accommodation operator hospital	40%	United Kingdom
Canal Harbour Development Company Limited	Property Development	50%	Ireland
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
Juris Partnership	Law court facility construction and maintenance	50%	Australia
Yorkshire Learning Partnership (PSP) Limited	PFI accommodation operator schools	50%	United Kingdom
Yorkshire Learning Partnership HoldCo Limited	PFI accommodation operator schools	50%	United Kingdom
Yorkshire Learning Partnership ProjectCo Limited	PFI accommodation operator schools	50%	United Kingdom

36. PRINCIPAL SUBSIDIARIES AND JOINT ARRANGEMENTS (CONTINUED)

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

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

The registered address of those registered in Cyprus is 23 Kennedy Avenue, Globe House, 4th Floor, 1075 Nicosia, Cyprus.

The registered address of those registered in United Kingdom is Bridge Place, Anchor Boulevard, Admirals Park, Dartford, Kent DA2 6SN bar 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 25/28 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.

37. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'.

IFRS 9 'FINANCIAL INSTRUMENTS'

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 has not had any impact on the amounts recognised in prior years. As a result of adoption of this new standard, certain investments in joint ventures have been classified as held to collect and to sell. Because of this classification the investments are to be measured at fair value through other comprehensive income. This results in a fair value adjustment this year of £2.5m.

In accordance with IFRS9, 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.

IFRS 15 'REVENUE FROM CONTRACTS WITH CUSTOMERS'

The Company adopted IFRS 15 'Revenue from Contracts with Customers' from 1 April 2018, this resulted in some changes to accounting policies and a reclassification of amounts recognised in the financial statements. At the date of transition the brought forward reserves of the Company as at 1 April 2018 have been reduced by £11.6m.

The Company has reclassified amounts previously shown as amounts recoverable on contracts and retentions as contract assets and payments on account as contract liabilities. This is a disclosure change rather than a change in value.

ENGINEERING THE FUTURE

www.laingorourke.com